



Ordinary General Shareholders' Meeting

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Chairman's speech

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INTRODUCTION

It is a pleasure to be with you all on the occasion of this ACS Group Ordinary General Meeting and I thank you sincerely for your attendance.

As in each year at around this date, we are here to report to you on the work carried out throughout the past financial year, which has undoubtedly marked a before and after in our development as a reference company in the infrastructure sector.

Indeed, during the last year we have amply exceeded our economic objectives and we were able to integrate Unión Fenosa S.A. operationally and financially into our Group, creating the Energy activity area and so completing a strategic decision which we started in 2005.

This fact has enabled us to reinforce our financial structure at the same time as helping us to increase our presence in new activities and markets, obtaining a higher volume of sales and improved results.

The main operating and financial figures for the Group during 2007 show the effects of this integration and reflect the good performance of the remaining activities. Thus:

- revenue reached 21,312 million euros, of which over 5,000 million euros, that is to say 24%, was earned abroad;
- gross operating profit (EBITDA) was 3,491 million euros;
- net profit was 1,551 million euros;
- ordinary profit after tax, that is to say without taking into account the extraordinary income for the year, reached 1,010 million euros;
- operating cash flows were 2,361 million euros;
- total investments came to 4,650 million euros;
- the Group's net worth at the end of 2007 was 10,441 million euros; and

- all of this because of the nearly 150,000 people working directly for the company in more than 40 countries.

Values of this scale were without doubt unthinkable when we started this project with the acquisition of Construcciones Padrós S.A. in 1983, 25 years ago now. In this quarter of a century we have turned that little company of less than 100 employees into a great industrial group of nearly 150,000 workers focused on the development and operation of infrastructures, which is now the third largest company in the world in our sector. But I would like to highlight what has been achieved since we created ACS, Actividades de Construcción y Servicios, from the merger of OCP Construcciones S.A. with Ginés Navarro Construcciones S.A. 11 years ago:

- Consolidated sales have multiplied 21-fold, going from the nearly 1,000 million euros in turnover in 1996 to over 21,300 million euros in 2007, an average annual growth rate of over 32%.
- Gross operating profit (EBITDA) has risen at an annual average of 43%, as has the net operating profit.
- The Group's net profits, which have gone from 24 million euros to 1,551 million euros, have grown at an annual average of over 46%.
- EPS, once adjusted for the increases in capital and share splits which took place during these years, has grown annually by 26%.

During this period the Group has generated a total return for its shareholders of 34% annually. That is to say, the shareholder who bought shares in OCP Construcciones S.A. at the end of 1996, the year before the merger brought ACS, Actividades de Construcción y Servicios S.A., into being and has held them until today has obtained an average annual profit of 34% from the sum of the revaluation of the shares and the dividends paid. With this, our company has become one of the top 10 companies on the Spanish stock market in terms of size and profitability.

In short, 2007 was the culmination of an excellent decade. In the year we have achieved results which confirm our leadership, based on the professionalism and commitment of all those who make up the ACS Group. On behalf of the Board of Directors, of which I have the honour to be Chairman, I want to thank all these people for their efforts and their will to achieve these excellent results we present today.

Nor, as usual, do I want to forget our clients, suppliers and subcontractors whose responsibility and dedication form a fundamental part of the success of our project and to whom we wish to present ourselves as a long term partner so as to be able to work together as a team.

And I will never tire of thanking you, our shareholders, for the support, confidence and loyalty shown throughout these years, without which we would never have been able to get here.

ECONOMIC SITUATION

The year 2007 has been atypical, in which we have passed through two clearly differentiated periods. The first half year in which the economic cycle reached maturity with some very positive results and a very turbulent second half year, with a drastic reduction in liquidity and credit capacity.

During the last five years the combination of high growth rates and controlled inflation, added to abundant liquidity, gave rise to a noteworthy increase in financial investments. Beyond the revaluations as a consequence of excess demand, sophisticated financial products were used.

The justification was that the creation of new products and the development of new financial markets would enable more active management and a greater diversification of risks.

The reality was an excessive acceleration in liquidity and relaxation of the care taken by investors, mainly through inadequate evaluation of the risks.

In this climate of financial exuberance, the so-called subprime crisis in the United States set off the process of serious financial disturbances we are passing through at present. The diffusion of this problem through the global financial system, with the consequent exposure of financial institutions to these products, has in recent months generated a sudden scarcity of liquidity in the credit markets. This is because the mutual confidence of the financial institutions has been weakened, because numerous agents are trying to reduce their high levels of leverage and because the tensions have rapidly extended to the money and stock markets.

It appears that this effect, which has shaken all the advanced, interconnected economies, has not affected emerging countries to an equal degree and the latter are the basis of world growth at this time.

Precisely because of this, worldwide activity rose by 4.8% in 2007, given that the emerging economies grew by 7.5% as against the 2.9% for the advanced economies, accompanied by an increase in the levels of per capita income in practically all the world's economies.

Spain, in 2007, experienced a growth in Gross Domestic Product of 3.8%, higher than the European average and equal to the average growth for OECD countries. Likewise, last year the Public Administration surplus rose to 2.2% of GDP, reducing the level of Public Debt to 35%.

Despite these excellent data, a series of indicators are not positive. Inflation ended 2007 at 4.2% and unemployment rose to 8.6% of the total active population. Additionally, Spain's net export of goods and services at the end of 2007 showed a deficit of over 10% of GDP, which ranks it as the country with the greatest imbalance on current account against the rest, even above the United States in relative terms.

Our external deficit until now has been financed with an increase in private borrowing, mainly through securitisation and distribution to foreign investors of credits with asset guarantees which would enable the financing of the growth of Spain's economy. However, the current world credit crisis has weakened this source of financing for our economy.

During these initial months of 2008 these figures have continued to get worse. Added to this are poor forecasts for such important sectors for our economy as property and the car industry, as well as a contraction in private consumption.

The forecasts for growth in GDP vary from figures below 2% to the 2.4% from the Ministry of Economy, which was recently revised downwards. The rest of the Euro Zone will also grow at rates below 2%, according to the European Central Bank, which confirms that we find ourselves in a period of transition as a consequence of the financial problems described.

For its part, the US economy is decelerating with a forecast GDP growth of less than 1.5% as against the 2.2% recorded in 2007. Many analysts though, including some heads of the Federal Reserve, fear a recession in the final months of 2008.

On the contrary, the emerging economies will continue to grow solidly, headed by China which is expected to exceed a rate of 10%.

In this economic situation, which is not without uncertainties, there are three factors which enable confidence to be maintained in Spain's economic future:

- Firstly, the surplus in Spanish public accounts will enable an extensive infrastructure plan to be tackled and will enable the future to be faced with a greater margin for action than in other periods of economic cooling.
- Secondly, our financial system is more solid than the other developed economies since our banks have not been affected by the turbulences and they have better processes for managing risk.
- And, finally, we enjoy a stable economic situation as far as economic agents, employers, unions and workers are concerned as we are all aware of the situation the economy is passing through and are prepared to face the necessary actions which enable us to continue on the path of sustained growth.

Hence, although 2008 is going to be a difficult year, I believe we are prepared for the challenges from the economic situation with guarantees of success.

EXECUTIVE REPORT FOR THE 2007 FINANCIAL YEAR

I now go on to refer to the main actions and results for our Group for the past financial year.

Consolidated Results

As I have already indicated at the start of my speech, 2007 has been a very positive year for the ACS Group. In the documents you were given when you entered the Shareholders' Meeting, there is all the economic information on the Group, which you can use to follow the Company's financial situation and the results obtained in the last financial year in detail. Even so, allow me to highlight some data which reflect this positive performance of the ACS Group during 2007.

Income Statement

Firstly, revenue reached 21,312 million euros, 53.7% higher than the year before. In comparable terms, that is to say without the effect of the integration of Unión Fenosa, this growth would have been 12.2%. This good performance occurred in all areas of activity and both in the Spanish market, where we have reaffirmed our leadership, and with our international presence, with revenue of 5,024 million euros representing 24% of total turnover.

The contribution from each area of activity to the consolidated income is as follows:

- the Construction area contributed 34%;
- the Environment and Logistics area 13%;
- the Industrial Services area 25% of the total;
- and the Energy area 28%.

This distribution shows a balanced division across the activities, giving us great stability.

The gross operating profit (EBITDA) was 3,491 million euros, with growth of 186% over the previous year, 13.2% in comparable terms, which places gross operating margin over sales at 16.4%.

The net operating income (EBIT) grew to reach 2,487 million euros, 11.7% of sales, which almost triples that of the year before and in comparable terms represents growth of 12.1%.

Ordinary profit after tax, that is to say without taking into account the extraordinary income for the year, grew by 23.9% to reach 1,010 million euros with the contribution from the different activities as follows:

- the Construction area contributed 31% of the total;
- the Concessions area contributed 10%;
- the Environment and Logistics area 13%;
- the Industrial Services area 27%;
- and the Energy area 19%.

It can be seen how this distribution of profits also gives us great stability.

The extraordinary income of 541 million euros corresponds mainly to the gains generated by the sale of the Continental Auto Group, which totalled 424 million euros net of taxes, to the sale of Soluziona by Unión Fenosa with a net impact on the Group of 50 million euros and to other headings, such as the fiscal deductions due to the sale of Urbis, which generated 67 million euros.

Hence the ACS Group obtained a net profit of 1,551 million euros, which represents growth of 24.1% with respect to the previous financial year, placing the margin over sales at 7.3%.

The profit per share was 4.51 euros, with an increase of 25.8% against the 3.58 euros in 2006.

If you, the shareholders, approve the distribution proposed of 1 euro per action, the total dividend charged to the 2007 results will climb to 175 cents of a euro per share, of which the interim dividend of 75 cents of a euro per share was paid last January. So, the total dividend is equivalent to 40% of the profit per share and this implies that for those who were already ACS Group shareholders last year, the dividend has risen by 40%.

Additionally, and also if you give your agreement in this General Meeting, we will proceed to redeem 5% of the share capital acquired in the market during recent months, so contributing to increasing the profitability of your shares in the same proportion.

Investments

These results and the strong capacity for cash generation in 2007, with a growth in net cash flows from operating activities of 83% to reach 2,361 million euros, have enabled us to continue with our growth strategy based on a policy of coherent investments focused on stable and recurring businesses.

So, investments during the last year totalled 4,650 million euros, outstanding among which is the acquisition of 25.1% of Hochtief for 1,265 million euros.

By operating areas, the investments made in Energy stand out. Here Unión Fenosa invested 1,273 million euros last year, mainly destined for the distribution network in Spain with an investment of over 312 million euros; the acquisition of the Kangra mine in South Africa for 118 million euros; the completion of the combined cycle plants at Sagunto and Sabón where 134 million euros were invested; to environmental adaptation and conversion of several thermal power stations with a

joint investment of 78 million euros; and to several of its own projects for renewable energy in Spain where 89 million euros have been allocated.

The Group is strongly committing itself to the development of renewable energies. In addition to Unión Fenosa, the Industrial Services area invested 267 million euros in thermal solar plants and 287 million euros in wind farms, almost two-thirds of the 864 million euros invested in total by this area. The remaining 310 million euros were invested in concession projects for desalination plant, in electrical transmission lines in Brazil and in technical equipment to maintain the growth of activities.

The Environment and Logistics area allocated 499 million euros to investments. Of these, 235 million euros were for the acquisition of environmental assets for renewal or awarding of new contracts in the Spanish market, including new solid waste plants in Zaragoza and Madrid for 39 million euros and the acquisition of the company Senda for 40 million euros; investment in international environmental assets in countries such as France, Chile, Argentina, Colombia and Mexico totalled 70 million euros; and 158 million euros was invested in port and logistics services, basically in container terminals where the award for construction and operation of the new terminal for the port of Mumbai stands out.

Also significant are the investments made in the Concessions area, with more than 437 million euros invested in motorways, such as the one from Santiago to Brión in Galicia, the one from to Reus to Alcocer in Catalonia or the Jonica Motorway in Greece, and public equipment projects where the Majadahonda hospital in Madrid or the Brians prison in Barcelona stand out.

In the Construction area 206 million euros were invested. This includes 100 million euros in the acquisition of the company Schiavone in the United States, as well as tunnelling machines and specialised equipment for civil works.

A part of these investments were financed by the divestments made during the financial year, which totalled 1,247 million euros. The most significant of these was the sale of Continental Auto for a total of 659 million euros.

As you can see, we have committed ourselves to capital intensive projects related to our basic activities, which promotes constant growth in our income and ensures stability in future revenue. In the process we increase our diversification and internationalisation, always respecting our objectives of profitability.

Net borrowings

This policy entails correct allocation of the capital required by each project or business according to its risks, duration and expected profitability. The Group has the necessary flexibility for this to be able to gain access to the capital markets quickly and efficiently.

At 31 December 2007, the ACS Group's borrowings amounted to 16,575 million euros, which was distributed as 9,642 million euros of non-recourse financing and 6,933 million euros of net recourse debt.

These 6,933 million euros of net recourse debt place leverage at twice the gross operating profit and less than 0.7 times the Group's net worth. This debt comes from:

- 5,063 million come from Unión Fenosa's own debt which, as you are all aware, is consolidated globally in our accounts.
- The financial vehicles used to make the investments in Iberdrola, Unión Fenosa and Hochtief had, at the end of 2007, a corporate debt with recourse of 1,778 million euros.
- Hence, the rest of the Group's operating activities have a net recourse debt balance of less than 100 million euros which compares to the more than 1,300 million euros that these activities generated as gross operating income.

Of the 9,642 million euros of non-recourse debt, 6,533 million euros correspond to the financial vehicles used for the acquisition of shares in Unión Fenosa, Iberdrola and Hochtief, while the remaining 3,109 million euros finance projects such as transport infrastructure projects, energy generating plants or waste treatment plants.

From the detailed analysis of the financial structure available to us it is concluded that:

- Our operating activities are not indebted, which enables us to continue growing and investing by supporting ourselves on their sustainable, solid and stable capacity for generating cash flows.
- In terms of financial ratios, our total net borrowings are 4.7 times the Group's annual gross operating profit (EBITDA) and our net resource debt is only 66% of our net worth, which exceeded 10,441 million euros at the end of the year.
- The market value of the quoted associate companies, in which we currently have a debt of some 9,000 million euros directly allocated, exceeds 13,700 million euros and represents an implicit surplus of some 2,300 million euros.

Corporate Strategy

In summary, our operating and financial structure, combined with the solid capability for generating cash from our businesses and their expectations, define a strategic platform which will enable us to continue growing in the future so as to be able to generate more value for you, our shareholders, year after year.

Creation of value is the essential objective of our corporate strategy which seeks stability in our revenue and growth in our recurring profits. To do this we base the strategy on the three fundamental elements which have marked our successful history: efficient management of our resources; the size of our Group; and stability as a consequence of coherent diversification of our activities.

As we have been doing since our beginnings, we have the responsibility to maximise profits in each and every one of the businesses and projects in which the Group invests its capital. As such we apply the most demanding criteria as regards risk policies, both from the industrial point of view for each business area and from a corporate perspective. Our development endorses this. We are one of the three most profitable IBEX companies by total return for shareholders since 1997,

and in the last five years we have maintained a profit over own funds ratio of over 20%.

This recurring profitability shows correctness of the allocation and management of our resources, financial and technical and, above all, human, necessary for the development of our business project. Decentralised management contributes to promoting an enterprising culture throughout the organisation.

It cannot be doubted that our growth path has provided us with a relevant size to be able to gain access to more and better resources. In our business size is a competitive advantage as it enables us to have available and manage more resources, expand our profitability objectives and guarantee greater stability in our revenues as we have more opportunities for diversification.

Certainly diversifying effectively has been the key to our growth. During these years we have been capable of entering these new activities and accessing new markets, always related to the development of infrastructures and being faithful to our culture as a contractor. This has positioned us as one of the most dynamic and representative groups in our sector, with a significant international presence.

Currently, the ACS Group is present in over 40 countries located in four large zones which are our geographical expansion targets: the Mediterranean arc, including Southern Europe and North Africa; practically the whole of Latin America, with special reference to countries such as Brazil, Mexico and Chile; the United States of America; and, recently starting, Eastern Europe.

We are already competing in all these markets in the areas of activity in which we know how to create value: Construction, Infrastructure Concessions, Environment and Logistics, Industrial Services and Energy.

Activity Report

Allow me then to describe in detail what have been the main actions in these five areas of activity into which we have our Group organised, the results they have obtained in 2007, the sector setting in which they find themselves and their prospects for this financial year.

Construction

The Construction area, whose lead company is Dragados, continues for another year as the undisputed leader in Spain and a worldwide reference in this very competitive sector. Total revenue in the 2007 financial year reached a historical record level again as it exceeded 7,353 million euros, 8.9% higher than for 2006.

The Construction portfolio at the end of 2007, at over 12,000 million euros with growth in civil works of 18%, represents almost two years worth of activity in Spain and also in countries like the United States, Greece, Poland and Ireland.

Operating profit was 460 million euros, holding its margin of 6.3% over sales. Net profit attributable to the Group increased by 10% to reach 310 million euros, 4.2% over sales.

Revenue performance for this area of Construction was very positive in the three segments we work in: Civil Works, Non-Residential Building and Residential Building, with the greatest growth in the former, which represents 60% of total production.

- The Civil Works segment experienced 13.1% growth to reach 4,398 million euros of production. Solid demand in the domestic market, both from Central Government and autonomous and municipal public administrations, explains these excellent results.
- Building, which represents the remaining 40%, grew by 3.2% to put annual production at 2,955 million euros, of which 1,229 million euros correspond to residential building. This makes up 16% of construction sales, with particular emphasis on social housing.

It is necessary to highlight that in the ACS Group as a whole residential building represents around 5.7% of turnover and less than 2% of the consolidated gross operating profit.

In short, our clear commercial strategy, focussed on large works with high technical requirements and a client-centred approach has enabled us to achieve undisputed leadership in Spain and the world. This leadership which includes

Dragados' international prestige enables us to keep growing in attractive markets such as North America and to increase our international activity which in 2007 represented only 6% of the total for the construction area, mainly in Argentina, Chile, the United States, Ireland and Poland.

In the process of establishment in the United States, it is worth highlighting the recent projects which Dragados has been awarded in New York, principally for the extension of the city's subway system, and in Florida where it will participate in the renovation of Miami airport, as well as the acquisition in December 2007 of the North American civil engineering company Schiavone.

With all of this we made progress on our two great objectives for Construction:

- Maintenance of 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 unique projects based on a high degree of specialisation.

Obviously the question is to analyse expectations for the future, as affected by the fall in demand for property in Spain and the financial crisis which is affecting the whole world. Notwithstanding the uncertainties, I want to deliver a message here today of tranquillity and confidence in a sector which has been able to face up to more difficult and complex situations on more than one occasion.

The significant weight of this industry, which with 200,000 million euros in production in 2007 represents 18% of GDP and over 13% of total employment, the strategic importance of the development of infrastructure for a country like Spain and the competitiveness and dynamism of the different agents involved enables us to be optimistic.

Indeed, General State Budgets for 2008 again prioritise investment in infrastructure with a provision of 20,274 million euros, up 16.4% from 2007. The Spanish President, in his investiture speech, highlighted his commitment to accelerate State investment in infrastructures as an element to invigorate the

economy and as a factor in territorial cohesion, so we are sure that the Government's investment policies will continue in the same direction in 2009.

The National Infrastructures and Transport Plan (PEIT), aimed at improving Spanish infrastructures in the period from 2005 to 2020, continues to be the reference framework for State investment. With a total of 249,015 million euros, this represents an effort of close to 1.5% of GDP throughout the life of the Plan. As you all know, the Plan was approved in the Spanish Parliament.

To the good domestic prospects must be added the growing needs for infrastructure worldwide. This offers a great opportunity for companies with the ambition and resources that we in the ACS Group have. For this reason we are starting, prudently and with thorough risk control, a major international expansion which is shown to the maximum in the acquisition of a holding in Hochtief in April of last year.

As you know, 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 euros. 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 top construction companies in the world by volume of sales, which reached 16,452 million euros in 2007.

As well as in Germany, it is present in geographical areas which are of great strategic interest for 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 will generate a growing market for construction; and in other countries such as Canada, Brazil, the Czech Republic, Austria, Bulgaria and Southeast Asia.

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 the case in the infrastructure concessions sector and in large public works and building for institutions, in which projects will be tackled jointly.

Infrastructure Concessions

Another of our main routes to internationalisation is linked to the following area of activity, Concessions. Iridium Concesiones de Infraestructuras S.A. is the ACS Group company which carries out the promotion and development of all types of administrative concessions for infrastructures.

With a proven track record, both due to its pioneering role in the development of these kinds of contracts and thanks to the number of them that have been rolled out successfully in a variety of countries, Iridium is a world leader in the promotion, financing, construction and operation of transport infrastructures and public facilities and has the objective of continuing to add new concession projects which generate value for the ACS Group to its portfolio.

Iridium currently participates in 40 concession companies for roads, airports, railways, penitentiary installations, police stations, hospitals and transport interchanges which represent an investment of over 1,100 million euros with an active presence in the world's main concession markets and focuses its main efforts on Spain, the United States, Ireland, Chile, Greece, Canada and Portugal.

In addition to the concessions which ACS develops and manages directly, the Group is present in the concessions operation part of the value chain in the long term as a reference industrial shareholder, with 25.8%, in 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.

During 2007, Abertis showed solid growth combined with strong cash generation. Income increased by 8.6% with respect to the 2006 financial year, reaching 3,620 million euros and net profit exceeded 682 million euros, an increase of 28.7%.

These results enabled it to contribute 95 million euros to our Group's net profit, that is to say almost 50% more than in 2006.

Abertis' internationalisation, diversification and selective growth strategy of the last few years continued in 2007 through investments of 2,141 million euros. Significant efforts were made in the telecommunications area where Abertis invested 1,144 million euros with the acquisition of 32% of Eutelsat, the principal European satellite operator.

Likewise, in the first few months of 2008, Abertis has carried out two significant operations with the acquisition of the ACS Group's stake in the airport concessions for Mexico, Jamaica, Chile and Colombia and in the two motorway concessions in Chile: Rutas del Pacifico and the Autopista Central.

To finish with the Concessions area, it is worth highlighting two significant awards to our associate companies:

- As you are aware, last week the consortium headed by Abertis was selected by the State of Pennsylvania as the winner of the tender for the management of the Pennsylvania Turnpike freeway for a period of 75 years. This 801 kilometre long corridor links the main population centres along the East Coast of America. The value amounts to 12,800 million dollars.
- Likewise, last Wednesday Hochtief, through its subsidiary Leighton, won the contract for the construction and subsequent management of the biggest infrastructure project in Australia, valued at 2,900 million euros. This includes the construction of the motorway which will connect the city of Brisbane to its airport.

Environment and Logistics

The Environment and Logistics area is a sector reference in Spain in the different types of activities it carries out. The area grew by 15.3% in the 2007 financial year, reaching 2,835 million euros in turnover. Of this 12% corresponded to international markets after these grew at nearly 27%. For its part, the portfolio

grew by 10.7% and is currently close to 14,500 million euros, over 5 years worth of activity.

The area's operating profit grew by 19.1% to 233 million euros, with a margin over sales of 8.2%. The net attributable profit of 132 million euros was 20.7% higher than in the previous financial year.

The activities in this business area are:

- Environmental Services, which increased its volume of sales in 2007 by over 11% to exceed 1,327 million euros, and which carries out its activities through Urbaser. As you are already aware, the main business area is the management of solid urban waste by means of cleaning and collection work and treatment in specialised plants. Other activities related to the environment are the management of special waste, both industrial and from hospitals, and gardening and reforestation services.

Urbaser is a world reference in the treatment of wastes. It currently manages over one hundred urban solid waste treatment plants, around fifty controlled dumps and a similar number of transfer plants. An additional aspect of this set of plants is that they have contributed to achieving savings in CO² emissions totalling around 5.2 million tons per year and they have an installed electrical power of 179 MW which generates over 1,100 GWh per year.

The Environment activity has continued its international expansion and now more than 12% of its sales are made outside Spain. It is worth highlighting the significant penetration Urbaser is achieving in France. In the last few years it has won important contracts for the construction and operation of seven treatment plants in Paris, Marseille, Calais, Valence, Roanne and the Island of Guadalupe, which combine into a portfolio of over 2,000 million euros and provide service for over three million people.

- Port and Logistic Services, whose sales in 2007 reached 668 million euros after growing by more than 19%, are carried out by Dragados SPL and group together all the activities related to port handling, maritime agency and logistics services, mainly for the distribution of industrial products.

Dragados SPL continues to maintain its leadership position as an operator of container terminals in Spain, handling 5.5 million TEUs mainly in the ports of Valencia, Las Palmas de Gran Canaria, Bilbao and Malaga, as well as having a growing international presence in China, Brazil, the Dominican Republic and India. Noteworthy in the latter country, as I already said before, is the award to a consortium headed by Dragados SPL for the construction and operation of a new container terminal in the port of Mumbai.

- Finally, Integral Maintenance Services are carried out by Clece. This includes cleaning of interiors, management and operation of installations and building services, airport services, gardening and reforestation services, social services for underprivileged groups and those facing social risk, restoration services to large collectives and the management of advertising spaces in large installations and means of transport. Its turnover in 2007 was 840 million euros after growing by nearly 19%, positioning it as the leading Spanish company in the sector.

Industrial Services

The Industrial Services area achieved excellent results in 2007:

- Total sales reached 5,489 million euros, 15.6% higher than the previous year.
- Operating profit was 413 million euros, with a margin over sales of 7.5% and growth of 13.1% with respect to 2006.
- Net attributable profit reached the figure of 265 million euros, with growth over the previous year of 19%, representing 4.8% over sales.

These magnificent results are the result of the strategy implemented years ago which sought recurring growth based on stable and diversified activities with high development potential. But they are also based on the broad and extensive experience from over 80 years in carrying out services for engineering, installation and maintenance of industrial infrastructures in the energy, communications and control systems sectors in Spain and Portugal and, now, with an international presence in over 25 countries.

During these years we have managed to reach a position of leadership as a main supplier of support services to industry in installation and maintenance activities for water, gas and electricity companies, as well as becoming one of the top firms in applied engineering, specialised in carrying out large projects for the gas, oil and electricity industries.

In addition, the ACS Group actively participates in the renewable energies sector through the development, "turnkey" construction and operation of wind farms and industrial solar thermal energy plants. At the end of 2007 we had significant stakes in 28 wind farms in operation with an installed power of 834 MW. Another 14 wind farms are in the construction phase with a power of 484 MW and 24 farms are in the financing or development phase with a power close to 1,506 MW.

In solar energy, the development of three thermal solar energy generating plants of 50 MW each was started during 2006 and 2007. These plants are the first of their category in Spain and are located in the province of Granada and in Extremadura. We have 5 more projects in the financing or development phase with a total installed power of 250 MW.

The ACS Group is present, as developer and builder, in electrical energy transport concessions in Latin America, mainly in Brazil. We are shareholders in 21 projects for the construction, management and maintenance of high voltage lines where the total managed investment is 2,100 million euros.

In short, the Industrial Services area presents an integral offer to large clients and public administrations. This combines a focus on specialised products, multidisciplinary integration and extensive geographical coverage, both in Spain and internationally. In fact, the area's international activity represented 31% of turnover.

Growth was noteworthy in the two segments of activity into which we group the different businesses and products: Industrial Installations and Maintenance; and Integrated Products.

Within the Industrial Installations and Maintenance activity:

- Networks turnover was over 900 million euros and grew by 11.7%, maintaining its leadership in Spain as a supplier of services to industry in general.
- Specialized Installations had sales of 2,084 million euros with growth of 21.6%, mainly from activities in electrical and railway installations in Spain, but with strong growth in international activity which represents almost one-third of sales.
- Control Systems, which includes traffic, transportation and lighting systems and integral public infrastructure maintenance, grew by 13.1% with respect to the previous year to total 1,030 million euros.

And in the Integrated Projects activity:

- CPE or turnkey Projects, with sales of 1,331 million euros in 2007, grew by 9.3% thanks to growth in investments by the energy groups, especially in the oil and electricity sectors, both in Spain and internationally.
- In turn, income in Renewable Energies rose by 15.8% to reach 315.0 million euros. This figure includes the generating activity which produced a total of 915 GWh during 2007, which is equivalent to a turnover of 71 million euros from the sale of energy under special regime.

The Industrial Services area encompasses a large number of markets and activities, so it is influenced by the evolution of needs for electrical energy and progress in the global oil and gas industry. These are sectors with good growth prospects.

Demand for energy will rise continuously worldwide over the next few years, hence significant investments will be needed to meet the rate of growth, to face the growing difficulty in gaining access to ever more limited energy resources and to reduce greenhouse gas emissions.

Global investment in energy infrastructure is necessary and growing. This will apply to assets for extraction, refining, distribution and storage of the different fossil fuels and new generating and distribution capacity for electrical energy.

Energy

From Industrial Services we move on naturally to the Energy area. Since the beginning of 2007, Unión Fenosa has been integrated as a new branch of activity within the ACS Group, so bringing to fruition our Group's firm commitment to the energy sector.

In the 2007 financial year Unión Fenosa contributed a turnover of 5,967 million euros, a gross operating profit of 2,111 million euros and a net profit of 230 million euros to the ACS Group's results.

Unión Fenosa is among the three largest electricity companies in the Spanish market. It is an integrated energy company with international scope, excellent positioning in the market and a solid base from which to tackle a new and ambitious stage in its growth.

Unión Fenosa is currently present on four continents with electricity generation, distribution and commercialisation activities, with a presence in the gas, coal and electricity supply chains. 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 million gas and electricity customers.

Unión Fenosa has a differentiating energy strategy which positions it as a unique operator thanks to:

- Firstly, its position as an integrated gas and electricity operator, based on its active participation in all the stages of the gas supply chain and in the development of electricity generation by means of combined cycle power plants.
- Secondly, its development capability from the alliances formed with strategic partners of acknowledged experience and international prestige. Unión Fenosa shares 50% of its gas business with the Italian company ENI; it has a 50% stake in Enel in renewable energies on the Iberian Peninsula; and it participates with the Egyptian companies EGAS, EGPC and the Omani Oman Oil Company in various gas infrastructures. Likewise, it has shareholdings in CEPESA and INDRA.

- Finally, Unión Fenosa also has a solid financial structure, enabling it to take advantage of the current backdrop of growth in the Spanish and international energy markets to make new investments.

At the end of 2006, Unión Fenosa presented its Strategic Plan for the period 2007-2011. This is known as the BIGGER Plan and its objective is to achieve earnings per share of 4 euros, a net profit of 1,200 million euros and a gross operating profit (EBITDA) in excess of 3,200 million euros in 2011.

It has been assumed in the Plan that the energy market will grow in a stable form over the next few years. In fact, according to the International Energy Agency, global demand for electricity will double in 25 years, growing at 2.8% annually worldwide with the technologies seeing the biggest relative increase in their share of total generation being coal and renewables.

This is one of the strategic reasons which have driven our investment in Iberdrola. As you know, we hold a 12.4% stake in this, the largest Spanish electricity company, through our direct shareholding and through financial derivatives.

As we communicated to the Spanish Stock Market Commission (CNMV) last 5 February:

“The ACS Group’s repeatedly clarified strategy is, out of respect for our shareholders, large and small, to consolidate a great Spanish energy group where ACS can play a leading role along with the rest of its partners.

This project will always have the determining factor of complying faithfully with the Government’s energy strategy and ensuring that the majority of Spanish energy assets are in the hands of Spanish shareholders.”

Stock market performance

With reference to the performance of the capital markets, 2007 was a difficult year, a year of great volatility, especially during the second half. Against this, the main stock market indexes performed moderately. So, the Dow Jones rose 6.4% and the EUROSTOXX 50 by 6.8%, while the Tokyo Stock market’s NIKKEI index fell by 11.1%.

In the Spanish market, the IBEX35 index rose by 7.3%, reaching its highest value on 8 November when it past 15,945 points. This rise, based mainly on a handful of large capitalization stocks, is in contrast with the performance of the Construction sector, which showed a negative behaviour and fell by 10%. In a falling sector, the ACS Group showed better performance and underwent a fall of 4.8%, significantly better than the main European and Spanish companies in the sector.

The Group's shares were quoted in a very inconsistent form throughout 2007. During the first 6 months their performance was excellent. Our capacity to create value and our operating prospects were appropriately reflected in our share price and hence were recognised by investors and analysts alike.

August marked the point of inflection. During last summer financial problems were triggered and large international funds, with problems refinancing their debts, parted with their positions in their most profitable investments. The first companies affected were those which, like ours, showed high accumulated increases and greater liquidity. The second half of 2007 was very volatile and, despite our excellent financial and operating performance, our shares ended the year 4.8% below the closing price at the end of 2006.

This year has started with instability. The IBEX35 has fallen by 10.6% in these first few months of 2008 and ACS's shares are, in our opinion, clearly undervalued, in spite of performing better than the IBEX.

As you are aware, increasing profitability for our shareholders is part of our culture and is our main objective for 2008. With this objective, and if you give your approval, this year we will distribute among our shareholders the highest dividend in our history, at the same time that we continue investing so that we continue to grow in years to come.

Furthermore, we have proposed the redemption of our bought-back shares as an additional means of compensation for you all. This will mean a revaluation of 5% in accordance with our own shares that we propose to cancel.

Social Responsibility

I believe that the situation on the capital markets must not alter the path which has brought us such good results and which has enabled us to rise to a position of leadership in the infrastructure and energy sector in Spain and to be a reference worldwide.

The corporate strategy which gives us stability and projection for the future is founded on a culture which we carry in our corporate genes. This drives us to keep progressing in our commitment to creating value in the long term with all the agents who interact with us, that is to say:

- with our clients, being conscious that we are a service company and we want to maintain their trust;
- with our employees, through the search for excellence which enables us to attract talent, promote professional development and provide incentives for creativity and dedication, in order to continue growing as a leading company;
- with you, our shareholders, through profitable and sustained growth, based on a strict policy of resource allocation and a strategy of investment in recurrent businesses;
- and with society in general, through our contribution to its sustainable development and constant improvement, serving it efficiently and in an ethically responsible way.

These values, shared in our organisation from its beginnings, are the basis for our Corporate Responsibility policy, with a sustainable growth strategy which improves social wellbeing and which respects the environment, carried out fully transparently.

The Annual Report which we delivered to you includes the Corporate Responsibility Report for the 2007 financial year, which presents extensive information related to the economic, environmental and social performance of the Group and the different interest groups who interact with us.

The most important progress in this subject has been embodied by the approval by the Board of Directors of the “ACS Commitment to the fight against Climate Change” and the increase in female employment and their growing responsibility in our Group.

I will leave the subject of Climate Change to our Vice Chairman, Antonio García Ferrer, who will make a more detailed statement on the theme and the main actions carried out throughout 2007 and I will focus on the second issue, the relevance of which is a determining factor for our future.

I am sure you will agree with me that over the last 25 years Spanish society has seen noteworthy developments with regards to equality and social integration. 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 extension and improvement of the development of the pool of talent in Spain.

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 49,027, that is to say 33.8% of the total workforce.

In addition, the number of women managers and graduates of higher education has almost doubled to total 2,419 and in all the Groups areas of activity you can find executive personnel with the highest levels of responsibility.

It is perhaps most 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

Construction activity, while the number of men on the workforce fell by 1.2%. This fact is even more significant when we see that the number of women civil engineers, which reached 185, represents 17% of the total civil engineers when the proportion of women engineers in Spanish professional organisations is less than 14%. So 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%, that is to say 618 women.

Another area with great progress in this aspect is Industrial Services, where the increase in numbers of women in the workforce was 11.5%, much 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.

In short, the ACS Group always seeks to count on the best professionals and so the growing inclusion of women in our company, in a sector as specialised as ours, is a reality that meets our objective of excellence and which must provide greater talent for our main resource - the team of men and women committed to this exciting project.

FUTURE PROSPECTS

A project full of opportunities. A project with a future. A solid, stable and lasting project, with well-established bases and with objectives as ambitious as when we started, 25 years ago now. We have sufficient resources to face the challenges which will arise along the way with guarantees; from ever better prepared and more experienced people to manage us successfully; and with the necessary excitement to exceed the expectations we generate.

That is the way it has been until now. Our past backs us up. Our path of sustained growth and profitability is the best proof that our future will be even more brilliant. I sincerely believe that we are ever closer to our objective of achieving world leadership in our sector.

That is why we are optimistic. Without doubt these years will not be easy from the macroeconomic point of view. The slowing of economic activity in the countries in which we work, combined with the difficult situation the financial markets are passing through, oblige us to enhance ingenuity and keep up business initiative in search of alternatives which enable us to continue with the levels of growth and profitability we have offered up to now.

Do not doubt, dear shareholders, that is what we will do. In fact, for this year 2008 we have set ourselves the objectives of double digit growth in sales and an increase in ordinary net profit of around 15%.

Figures from the first quarter confirm these forecasts and even suggest that, once again, we are going to exceed them. I believe that the investments made and the prospects I have commented on predict that 2008 is going to be, like each year, the best financial year in our history, which I hope to be able to tell you next year if, as I hope you will, you continue to participate in the exciting project that is the ACS Group.

Thank you.