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

Financial Statements for
the year ended 31 December 2010
and Directors' Report, together with
Independent Auditors' Report

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain (see Notes 2 and 22). In the event of a discrepancy, the Spanish-language version prevails.

Deloitte

Deloitte S.L.
Plaza Pablo Ruiz Picasso, 1
Torre Picasso
28020 Madrid
España

Tel.: +34 915 14 50 00
Fax: +34 915 14 51 80
www.deloitte.es

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain (see Notes 2 and 22). In the event of a discrepancy, the Spanish-language version prevails.

AUDITORS' REPORT ON FINANCIAL STATEMENTS

To the Shareholders of
ACS, Actividades de Construcción y Servicios, S.A.:

1. We have audited the financial statements of ACS, Actividades de Construcción y Servicios, S.A., which comprise the balance sheet at 31 December 2010 and the related income statement, statement of changes in equity, statement of cash flows and notes to the financial statements for the year then ended. The directors are responsible for the preparation of the Company's financial statements in accordance with the regulatory financial reporting framework applicable to the Company (identified in Note 2.1 to the accompanying financial statements) and, in particular, with the accounting principles and rules contained therein. Our responsibility is to express an opinion on the financial statements taken as a whole based on our audit work performed in accordance with the audit regulations in force in Spain, which require examination, by means of selective tests, of the evidence supporting the financial statements and evaluation of whether their presentation, the accounting principles and policies applied and the estimates made comply with the applicable regulatory financial reporting framework.

2. In our opinion, the accompanying financial statements for 2010 present fairly, in all material respects, the equity and financial position of ACS, Actividades de Construcción y Servicios, S.A. at 31 December 2010, and the results of its operations and its cash flows for the year then ended, in conformity with the regulatory financial reporting framework applicable to the Company and, in particular, with the accounting principles and rules contained therein.

3. Without qualifying our audit opinion, it should be noted that, as required by Spanish corporate and commercial law, the Company's directors prepared separately, and in accordance with International Financial Reporting Standards as adopted by the European Union, the consolidated financial statements for the year ended 31 December 2010 of the Group of Companies of which ACS, Actividades de Construcción y Servicios, S.A. is the parent. On this same date, we issued our auditors' report on the aforementioned consolidated financial statements, in which we expressed an unqualified opinion. The main consolidated aggregates of the Group are detailed in Note 4.5.1 to the accompanying financial statements.

4. The accompanying directors' report for 2010 contains the explanations which the directors consider appropriate about the Company's situation, the evolution of its business and other matters, but is not an integral part of the financial statements. We have checked that the accounting information in the directors' report is consistent with that contained in the financial statements for 2010. Our work as auditors was confined to checking the directors' report with the aforementioned scope, and did not include a review of any information other than that drawn from the Company's accounting records.

DELOITTE, S.L.
Registered in ROAC under no. S0692

Javier Parada Pardo
10 March 2011

Deloitte S.L. Inscrita en el Registro Mercantil de Madrid, tomo 13.650, sección 8ª, folio 188, hoja M-54414, inscripción 96ª. C.I.F.: B-79104469.
Domicilio social: Plaza Pablo Ruiz Picasso, 1, Torre Picasso, 28020, Madrid.

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

Financial Statements and Directors' Report for the year ended 31 December 2010

Translation of a report originally issued in Spanish based on our work performed in accordance with generally accepted auditing standards in Spain and of financial statements originally issued in Spanish and prepared in accordance with generally accepted accounting principles in Spain (see Notes 2 and 22). In the event of a discrepancy, the Spanish-language version prevails.

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

BALANCE SHEET AT 31 DECEMBER 2010

(Thousands of Euros)

ASSETS	Note	31/12/2010	31/12/2009
NON-CURRENT ASSETS		6,886,732	7,197,842
Intangible assets	5	**631,856**	**631,857**
Goodwill		631,855	631,855
Computer Software		1	2
Tangible assets- property, plant and equipment	6	**10,231**	**10,343**
Land and structures		395	395
Plant and other items of tangible assets- property, plant and equipment		9,794	9,906
Property, plant and equipment in the course of construction and advances		42	42
Investment property	7	**1,304**	**1,355**
Non-current investments in Group companies and associates	9.3	**3,202,055**	**4,740,453**
Equity Instruments		2,132,602	2,716,458
Loans to companies		1,069,453	2,023,995
Non-current financial assets	9.1	**2,876,978**	**1,713,844**
Equity Instruments		2,827,528	1,712,788
Loans to third parties		-	35
Derivatives	10.2	48,428	-
Other financial assets		1,022	1,021
Deferred tax assets	15.5	**164,308**	**99,990**
CURRENT ASSETS		3,819,861	2,875,372
Inventories		**150**	**80**
Trade and other receivables		**366,372**	**401,188**
Trade receivables for sales and services		4,563	4,268
Receivable from Group companies and associates		244	215
Sundry accounts receivable		332,876	294,776
Employee receivables		190	196
Current tax assets	15.1	28,219	100,734
Other accounts receivable from public authorities	15.1	280	999
Current investments in Group companies and associates	18.2	**1,368,456**	**598,998**
Current financial assets	9.2	**2,057,053**	**1,871,649**
Current accruals and prepayments		**995**	**1,000**
Cash and cash equivalents		**26,835**	**2,457**
TOTAL ASSETS		10,706,593	10,073,214

EQUITY AND LIABILITIES	Note	31/12/2010	31/12/2009
EQUITY	12	1,641,664	2,402,237
EQUITY		1,860,286	2,472,102
Share capital		**157,332**	**157,332**
Share premium		**897,294**	**897,294**
Reserves		**1,061,754**	**863,290**
Legal and statutory		35,287	35,287
Other reserves		1,026,467	828,003
Treasury shares and equity interests		**(683,491)**	-
Profit for the year		**710,595**	**837,384**
Interim dividend	3	**(283,198)**	**(283,198)**
ADJUSTMENTS FOR CHANGES IN VALUE		(218,622)	(69,865)
NON-CURRENT LIABILITIES		7,540,823	6,019,289
Non-current provisions	13.1	**59,715**	**80,958**
Non-current financial liabilities	14.1	**5,043,583**	**4,171,804**
Bank borrowings		4,989,283	4,143,750
Derivative financial liabilities	10	54,300	28,054
Non-current liabilities to Group companies and associates	18.2	**2,222,304**	**1,497,585**
Deferred tax liabilities	15.6	**215,221**	**268,942**
CURRENT LIABILITIES		1,524,106	1,651,688
Current provisions	13.1	**15,126**	**12,280**
Current financial liabilities	14.2	**573,403**	**374,313**
Bank borrowings		280,320	90,544
Other financial liabilities		293,083	283,769
Current liabilities to Group companies and associates	18.2	**916,132**	**1,086,266**
Trade and other payables		**19,445**	**178,829**
Payable to suppliers		1,576	780
Payable to suppliers - Group companies and associates		2,199	3,324
Sundry accounts payable		9,942	22,901
Remuneration payable		4,802	4,815
Current tax liabilities	15.1	-	146,166
Other accounts payable to public authorities	15.1	926	843
TOTAL EQUITY AND LIABILITIES		10,706,593	10,073,214

The accompanying Notes 1 to 22 are an integral part of the balance sheet at 31 December 2010.

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

BALANCE SHEET AT 31 DECEMBER 2010

(Thousands of Euros)

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Current accruals and prepayments		**995**	**1,000**
Cash and cash equivalents		**26,835**	**2,457**
TOTAL ASSETS		10,706,593	10,073,214

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Reserves		**1,061,754**	**863,290**
Legal and statutory		35,287	35,287
Other reserves		1,026,467	828,003
Treasury shares and equity interests		**(683,491)**	**-**
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Interim dividend	3	**(283,198)**	**(283,198)**
ADJUSTMENTS FOR CHANGES IN VALUE		**(218,622)**	**(69,865)**
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Non-current provisions	13.1	**59,715**	**80,958**
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Deferred tax liabilities	15.6	**215,221**	**268,942**
CURRENT LIABILITIES		1,524,106	1,651,688
Current provisions	13.1	**15,126**	**12,280**
Current financial liabilities	14.2	**573,403**	**374,313**
Bank borrowings		280,320	90,544
Other financial liabilities		293,083	283,769
Current liabilities to Group companies and associates	18.2	**916,132**	**1,086,266**
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Payable to suppliers		1,576	780
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Other accounts payable to public authorities	15.1	926	843
TOTAL EQUITY AND LIABILITIES		10,706,593	10,073,214

The accompanying Notes 1 to 22 are an integral part of the balance sheet at 31 December 2010.

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

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2010

(Thousands of Euros)

	Note	31/12/2010	31/12/2009
CONTINUING OPERATIONS			
Revenue	17.1	**1,154,018**	**947,555**
Changes in inventories of finished goods and work in progress		**284**	**13**
Capitalised expenses of in-house work on assets		**1,075**	**1,937**
Procurements		**(7,033)**	**(6,811)**
Cost of raw materials and other consumables used		(1,194)	(671)
Contract work carried out by other companies		(5,839)	(6,140)
Other operating income		**7,831**	**7,292**
Staff costs		**(28,636)**	**(23,847)**
Wages, salaries and similar expenses		(23,778)	(19,590)
Employee benefit costs	17.2	(4,858)	(4,257)
Other operating expenses		**(35,476)**	**(24,739)**
Outside services		(30,595)	(21,550)
Taxes other than income tax		(3,497)	(1,945)
Losses on, impairment of and change in provisions for trade receivables		(1,384)	(1,244)
Depreciation and amortisation charge		**(1,379)**	**(1,257)**
Excess provision		**40,761**	**-**
Impairment and gains on the disposal of non-current assets		**1**	**1**
Other profit or loss	17.4	**(28,971)**	**(8,811)**
OPERATING INCOME		**1,102,475**	**891,333**
Financial income		**50,670**	**25,028**
From marketable securities and other financial instruments	17.3	50,670	25,028
Financial costs	17.3	**(241,681)**	**(227,748)**
On debts to Group companies and associates		(27,857)	(39,296)
On debts to third parties		(213,824)	(188,452)
Changes in the fair value of financial instruments	10.2, 17.3	**(1,668)**	**2,986**
Exchange differences		**20**	**(32)**
Impairment and gains or losses on the disposal of financial instruments		**(140,238)**	**(28,048)**
Impairment and losses	18.2	(476,394)	(28,048)
Gains or losses on disposals and others	9.3	336,156	-
FINANCIAL PROFIT		**(332,897)**	**(227,814)**
PROFIT BEFORE TAX		**769,578**	**663,519**
Income tax	15.4	(58,983)	54,386
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**710,595**	**717,905**
DISCONTINUED OPERATIONS			
Profit for the year from discontinued operations net of taxes	19	-	119,479
PROFIT FOR THE YEAR		**710,595**	**837,384**

The accompanying Notes 1 to 22 are an integral part of the 2010 income statement.

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

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2010
(Thousands of Euros)

A) Statement of recognised income and expenses for the year ended 31 December 2010

		31/12/2010	31/12/2009
A)	**Profit per income statement**	**710,595**	**837.384**
B)	**Income and expenses recognised directly in equity**	**(169,587)**	**(55.564)**
I.-	Arising from the measurement of financial instruments	(239,320)	(72.366)
II.-	Arising from cash flow hedges	(2,948)	(7.011)
III.-	Tax effect	72,681	23.813
C)	**Transfers to profit or loss**	**20,830**	**28.807**
I.-	Arising from cash flow hedges	29,759	41.153
II.-	Tax effect	(8,929)	(12.346)
Total recognised income and expense (A + B + C)		**561.838**	**810,627**

The accompanying Notes 1 to 22 are an integral part of the statement of recognised income and expense for 2010.

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

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2010

(Thousands of Euros)

B) Statement of changes in total equity for the year ended 31 December 2010

	Shareholders' Equity						Adjustments for Changes in Value	Total Equity
	Share capital	Share premium	Reserves	Treasury Shares and Equity Interests	Profit and Loss for the Year	Interim Dividend		
Beginning balance at 01/01/2009	**159,322**	**897,294**	**519,722**	**-**	**1,104,345**	**(286,780)**	**(43,108)**	**2,350,795**
I. Total recognised income and expenses	-	-	-	-	**837,384**	-	**(26,757)**	**810,627**
II. Transactions with shareholders or owners -	**(1,990)**	-	**(114,973)**	-	**(647,538)**	**3,582**	-	**(760,919)**
1. Dividends paid	-	-		-	(647,538)	286,780	-	(360,758)
2. Treasury share and equity interest transactions (net)	(1,990)	-	(114,973)	-	-	-	-	(116,963)
3. Interim dividend	-	-	-	-	-	(283,198)	-	(283,198)
III. Other changes in equity	-	-	**458,541**	-	**(456,807)**	-	-	**1,734**
1. Equity instrument based payments	-	-	1,734	-	-	-	-	1,734
2. Other changes	-	-	456,807	-	(456,807)	-	-	-
Balance at 31/12/2009	**157,332**	**897,294**	**863,290**	**-**	**837,384**	**(283,198)**	**(69,865)**	**2,402,237**
I. Total recognised income and expenses	-	-	-	-	**710,595**	-	**(148,757)**	**561,838**
II. Transactions with shareholders or owners -	-	-	**(36)**	**(683,491)**	**(645,062)**	-	-	**(1,328,589)**
1. Dividends paid	-	-	-	-	(645,062)	283,198	-	(361,864)
2. Treasury share and equity interest transactions (net)	-	-	(36)	(683,491)	-	-	-	(683,527)
3. Interim dividend	-	-	-	-	-	(283,198)	-	(283,198)
III. Other changes in equity	-	-	**198,500**	-	**(192,322)**	-	-	**6,178**
1. Equity instrument based payments	-	-	6,177	-	-	-	-	6,177
2. Other changes	-	-	192,323	-	(192,322)	-	-	1
Balance at 31/12/2010	**157,332**	**897,294**	**1,061,754**	**(683,491)**	**710,595**	**(283,198)**	**(218,622)**	**1,641,664**

The accompanying Notes 1 to 22 are an integral part of the statement of changes in total equity for 2010.

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

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2010

(Thousands of Euros)

		31/12/2010	31/12/2009
A)	**Cash flows from operating activities (1+2+3+4)**	**403,652**	**688,278**
1.	**Profit before tax**	**769,578**	**663,519**
2.	**Adjustments to profit for:**	**(846,482)**	**(721,183)**
(+)	Depreciation and amortisation charge	1,379	1,257
(+/-)	Other adjustments to profit (net) (Note 2.5)	(847,861)	(722,440)
3.	**Changes in working capital**	**(268,472)**	**(33,038)**
4.	**Other cash flows from operating activities**	**749,028**	**778,980**
(-)	Interest paid	(264,008)	(227,748)
(+)	Dividends received	820,764	810,085
(+)	Interest received	163,154	164,324
(+/-)	Income tax recovered (paid)	29,118	32,319
B)	**Cash flows from investment activities (1+2)**	**(291,227)**	**(1,658,474)**
1.	**Payments due to investment**	**(1,248,058)**	**(2,319,283)**
(-)	Group companies, associates and business units	(9,089)	(59)
(-)	Tangible assets- property, plant and equipment, intangible assets and property investments	(1,214)	(2,854)
(-)	Other financial assets	(1,237,755)	(2,316,033)
(-)	Other assets	-	(337)
2.	**Divestment receivables:**	**956,831**	**660,809**
(+)	Group companies, associates and business units	956,831	660,809
C)	**Cash flows from financing activities (1+2+3)**	**(88,047)**	**970,054**
1.	**Proceeds and payments relating to equity instruments**	**(683,527)**	**(116,963)**
(-)	Repayment	-	(116,963)
(-)	Acquisition	(689,521)	-
(+)	Disposal	5,994	-
2.	**Proceeds and payments relating to financial liability instruments**	**1,240,542**	**1,740,237**
(+)	Issue	1,500,328	1,740,237
(-)	Refund and repayment	(259,786)	-
3.	**Dividends and returns on other equity instruments paid**	**(645,062)**	**(653,220)**
D)	**Net increase (decrease) in cash and cash equivalents (A+B+C)**	**24,378**	**(142)**
E)	**Cash and cash equivalents at beginning of year**	**2,457**	**2,599**
F)	**Cash and cash equivalents at end of year (D+E)**	**26,835**	**2,457**

CASH AND CASH EQUIVALENTS AT END OF YEAR

(+)	Cash and banks	1,835	2,457
(+)	Other financial assets	25,000	-
Total cash and cash equivalents at end of year		**26,835**	**2,457**

The accompanying Notes 1 to 22 are an integral part of the statement of cash flows at 31 December 2010.

1.- Company activities

ACS, Actividades de Construcción y Servicios, S.A. was incorporated by public deed on 3 October 1942, for an indefinite period. Its registered office is at Avda. de Pío XII, 102, Madrid

In accordance with Article 4 of its Bylaws, the Company's corporate purpose comprises:

1. The business of constructing all kinds of public and private works, as well as the provision of services, for the conservation, maintenance and operation motorways, highways, roads and, in general any type of public or private ways and any other type of works, and any kind of industrial, commercial and financial actions and operations which bear a direct or indirect relationship thereto.

2. Promoting, constructing, restoring and selling housing developments and all kinds of buildings intended for industrial, commercial or residential purposes, either for its own or through third parties. Carrying out conservation and maintenance of works, facilities and services, whether urban or industrial.

3. The direction and execution of all manner of works, facilities, assemblies and maintenance related to production plants and lines, electric power transmission and distribution, substations, transformation, interconnection and switching centres, generation and conversion stations, electric, mechanical and track, installations for railways, metros and light trains, railway, light train and trolleybus electrification, electric dam installations, purifying plants, drinking water treatment plants, wharfs, ports, airports, docks, ships, shipyards, platforms, flotation elements, and any other elements for diagnostics, tests, security and protection, controls for interlocking, operating, metering – either directly remotely – for industries and buildings as well as those suited to the above listed facilities, electrification, public lighting and illumination, electric installations in mines, refineries and explosive environments; and in general all manner of, facilities related to the production, transmission, distribution, upkeep, recovery and use of electric energy in all its stages and systems, as well as the operation, repair, replacement and upkeep of the components thereof. Control and automation of all manner of electric networks and installations, remote controls and computer equipment required for the management, computerisation and rationalisation of all kinds of energy consumption.

4. The direction and execution of all manner of works, facilities, assemblies and maintenance related to the electronics of systems and networks for telephone, telegraph, signalling and S.O.S. communications, civil defence, defence and traffic, voice and data transmission and use, measurements and signals, as well as propagation, broadcast, repetition and reception of all kinds of waves, antennas, relays, radio-links, navigation aids, equipment and elements required for the execution of such works, assemblies and facilities.

5. The direction and execution of all manner of works, facilities, assemblies and maintenance related to the development, production, transformation, storage, transmission, channelling, distribution, use, metering and maintenance of any other kind of energy and energy products, and of any other energy that may be used in the future, including the supply of special equipment, elements required for installation and erection, and materials of all kinds.

6. The direction and execution of all manner of works, assemblies, facilities and maintenance of hydraulics works to develop, store, raise, drive or distribute water, and its piping, transport and distribution, including water and gas treatment facilities.

7. The direction and execution of all manner of works, assemblies, facilities and maintenance for developing, transporting, channelling and distributing liquid and solid gases for all kinds of uses.

8. The direction and execution of all manner of works, assemblies, facilities and maintenance of ventilation, heating, air conditioning and refrigeration works and works to improve the environment, for all kinds of uses.

9. The direction and execution of all manner of works, facilities, assemblies and maintenance related to cable cars, gondola lifts, chair lifts and aerial lifts for both passenger and material transport by means of cable systems or any

type of mechanical element. The retrieval of ships and submerged elements, maritime salvages, ship breaking, naval fleet repairs, repairs and assembly of engines and mechanical elements for ships, and underwater work and sale of aquatic and sports material.

10. The manufacture, transformation, processing, handling, repair, maintenance and all manner of operations of an industrial nature for commercialisation related to machinery, elements, tools, equipment, electric protection material, bare and insulated conductors, insulators, metal fittings, machines, tools and auxiliary equipment for assemblies and installation of railways, metros and light trains, electric power transmission and distribution plants, lines and networks and for telephone and telegraph communications, telecommunication, security, traffic, telematics and voice and data transmission systems; of elements and machines for the development, transformation, transmission and use of all kinds of energies and energy products; of fluid and gas lift pumps, piping and other elements, mechanisms, accessory instruments, spare parts and materials required for execution and performance of any industrial, agricultural, naval, transport, communication and mining works, facilities and assemblies and others listed in the preceding paragraphs. Managing the business of production, sale and use of electric energy, as well as other energy sources, and carrying out studies related thereto, and managing the business of production, prospecting, sale and use of all kinds of primary solid, liquid or gaseous energy resources, specifically including hydrocarbons and gas, whether natural, liquid or in another state, in their different forms and classes. Energy planning and rationalisation of the use of energy and cogeneration of same. Research, development and operation of all aspects of communication and computing systems.

11. The manufacture, installation, assembly, erection, supply, maintenance and commercialisation of all kinds of products and elements pertaining to or derived from concrete, ceramics, resins, varnishes, paints, plastics or synthetic materials; as well as metal structures for industrial plants and buildings, bridges, towers and metal supports or reinforced concrete or any synthetic material for all manner of communications and electric power transmission or distribution, or any other class of energy material or products related to all types of energy.

12. The manufacture, preparation, handling and finishing, diagnosis, treatment and impregnation for protection and preservation and sale of wood in general, and especially of posts used for electric, telephone and telegraph lines, impregnation or servicing for mine and gallery timbering, building supports, construction woodwork, crossties for railways and barricades, and the production and commercialisation of antiseptic products and running of procedures for preserving wood, elements, tools and equipment of this nature. The acquisition, provision, application and use of paints, varnishes, coverings, plating and, in general, construction materials.

13. The management and execution of reforestation and agricultural and fishery restocking works, as well as the maintenance and improvement thereof. Landscaping, planting, revegetation, reforestation, maintenance and conservation of parks, gardens and accessory elements.

14. The manufacture, installation, distribution and use in any way of all manner of ads and advertising supports. The design, construction, fabrication, installation, maintenance, cleaning, upkeep and advertising use of all manner of street furniture and similar elements.

15. The provision of all manner of public and private services of an urban nature, including the execution of any necessary works and facilities, either by administrative concession or leasing. The treatment, recycling and recovery of all kinds of urban, urban-similar, industrial and sanitary waste; the treatment and sale of waste products, as well as the management and operation of waste treatment and transfer plants. .Drafting and processing of all manner of environment-related projects.

16. The cleaning services for buildings, constructions and works of any kind, of offices, commercial premises and public places. Preparation, upkeep, maintenance, sterilisation, disinfection and extermination of rodents. Cleaning, washing, ironing, sorting and transportation of clothing.

17. Furniture assemblies and installations, including tables, shelves, office material, and similar or complementary objects.

18. Transports of all kinds, especially ground transportation of passengers and merchandise, and the activities related thereto. Management and operation, as well as provision of auxiliary and complementary services, of all manner of

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

19. The provision of integral health care and social assistance services by qualified personnel (physicians, psychologists, educators, university graduates in nursing, social workers, physical therapists and therapists) and performance of the following tasks: home care service; tele-home care and social health care; total or partial running or management of homes, day care centres, therapeutic communities and other shelters and rehabilitation centres; transportation and accompaniment of the above-mentioned collectives; home hospitalisation and medical and nursing home care; supply of oxygen therapy, gas control, electro-medicine, and associated activities.

20. Provision of auxiliary services in housing developments, urban properties, industrial facilities, roadway networks, shopping centres, official agencies and administrative departments, sports or recreational facilities, museums, fairgrounds, exhibition galleries, conference and congress halls, hospitals, conventions, inaugurations, cultural and sports centres, sporting, social and cultural events, exhibits, international conferences, general shareholders' and owners' association meetings, receptions, press conferences, teaching centres, parks, farming facilities (agricultural, livestock and fisheries), forests, rural farms, hunting reserves, recreational and entertainment areas, and in general all kinds of properties and events, by means of porters, superintendents, janitors, ushers, guards or controllers, console operators, auditorium personnel, concierges, receptionists, ticket clerks (including ticket collection), telephone operators, collectors, caretakers, first aid personnel, hostesses and similar personnel or personnel who complement their functions, consisting of the maintenance and upkeep of the premises, as well as attention and service to neighbours, occupants, visitors and/or users, by undertaking the appropriate tasks, excluding in all cases those which the law reserves for security firms. The development, promotion, exhibition, performance, acquisition, sale and provision of services in the field of art, culture and recreation, in their different activities, forms, expressions and styles.

21. Provision of emergency, prevention, information, telephone switchboard, kitchen and dining hall services. Turning on and off, running, supervision, maintenance and repair of engines and heating and air conditioning, electricity and lift installations, water, gas and other supply pipes, and fire protection systems. The operation of rapid communication systems with public assistance services, such as police, firemen, hospitals and medical centres. Fire fighting and prevention services in general, in woodlands, forests, rural farms, and industrial and urban facilities.

22. Integral management or operation of public or private educational or teaching centres, as well as surveillance, service, education and control of student bodies or other educational collectives.

23. Reading of water, gas and electricity meters, maintenance, repair and replacement thereof, monitoring and transcription of readouts, meter inspection, data acquisition and updating, and instalment of alarms. Temperature and humidity measurements on roadways and, in general, all kinds of properties and real estate, and public and private facilities, providing all the controls required for proper upkeep and maintenance thereof, or of the goods deposited or guarded therein.

24. Handling, packing and distribution of food or consumer products; processing, flavouring and distribution of food for own consumption or supply to third parties; servicing, replacement and maintenance of equipment, machinery and dispensing machines of the mentioned products; and participation in operations with raw materials, manufactured goods and supplies.

25. Provision of ground services to passengers and aircraft. Integral logistic freight services, such as: loading, unloading, stowing and unstowing, transport, distribution, placement, sorting, warehouse control, inventory preparation, replacement, control of warehouse stocks and storage of all kinds of merchandise, excluding the activities subject to special legislation. Management and operation of places of distribution of merchandise and goods in general, and especially perishable products, such as fish exchanges and wholesale and retail markets. Reception, docking, mooring and service connections to boats.

26. Direct advertising services, postage and mailing of printed advertising and publicity material and, in general, all kinds of documents and packages, on behalf of the clients.

27. Management, operation, administration, maintenance, upkeep, refurbishment and fitting out of all kinds of concessions in the broadest sense of the word, including those that are part of the concessionary firm's shareholders and those that have any type of contractual relation to develop any of the above-listed activities.

28. The acquisition, holding, use, administration and disposal of all manner of own-account securities, excluding activities that special legislation, and in particular the legislation on the stock market, exclusively ascribes to other entities.

29. Manage and administer representative securities of the shareholders' equity of non-resident entities in Spanish territory, through the appropriate organisation of personal and material means suited to this end.

30. Preparation of all manner of studies, reports and projects, and entering into contracts concerning the activities indicated in this article, as well as supervision, direction and consulting in the execution thereof.

31. Occupational training and recycling of people who provide the services described in the preceding points.

The activities included in the corporate purpose may be carried out by the Company either totally or partially on an indirect basis through shares in other companies.

ACS, Actividades de Construcción y Servicios, S.A., merged with Grupo Dragados, S.A. in 2003, effective for accounting purposes on May 1 of that year. This merger by absorption was subject to the tax neutrality system set forth in en Chapter VIII of Title VIII of Corporation Tax Law 43/1995 of 27 December and the applicable provisions of this law are outlined in the notes to financial statements for 2003.

The Company is the parent of a group of subsidiaries, and in accordance with the legislation in force, is required to separately prepare consolidated financial statements. The ACS Group's consolidated financial statements were prepared by the Directors at its meeting held on 10 March 2011. The consolidated financial statements for 2009 were approved by the General Shareholders' Meeting of ACS, Actividades de Construcción y Servicios, S.A. held on 15 April 2010 and then filed at the Madrid Mercantile Register. The resolutions adopted in relation to the approval of these financial statements were challenged by one shareholder who holds 20,000 shares (0.006% of the share capital of the Company). In relation to this process, on 13 July 2010 the judge dismissed the precautionary measures requested by the shareholder. At the date of the preparation of these financial statements, no court judgement had been handed down on this matter. The Directors of ACS, Actividades de Construcción y Servicios, S.A. consider the 2009 financial statements to have been prepared and ratified correctly by the Auditor and they consider that the challenge will not succeed.

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IAS/IFRS) as adopted by the European Union. Note 4.5.1 details the consolidated effect of the ACS Group's consolidated financial statements prepared under these international standards in 2010 and 2009.

2.- Basis of presentation of the financial statements

2.1 Regulatory Financial Reporting Framework

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

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

2.2 Fair presentation

The accompanying financial statements, which were prepared from the Company's accounting records are presented in accordance with the regulatory financial reporting framework and, accordingly, present fairly the Company's equity, financial position, the results of its operations and the changes in equity and cash flows for 2010. These financial statements, which were prepared by the Company's Directors, will be submitted for approval by the shareholders at the Annual General Meeting, and it is considered that they will be approved without any changes. The financial statements for 2009 were approved by shareholders at the Annual General Meeting held on 15 April 2010. The aforementioned financial statements of ACS, Actividades de Construcción y Servicios, S.A. were also challenged by the shareholder indicated in Note 1. The Directors of ACS, Actividades de Construcción y Servicios, S.A. consider the 2009 financial statements to have been prepared and ratified correctly by the Auditor and they believe that the challenge will not succeed.

2.3 Non-obligatory accounting principles applied

No non-obligatory accounting principles were applied. Also, the Directors prepared these financial statements by taking into account all the obligatory accounting principles and standards with a significant effect hereon. All obligatory accounting principles were applied.

2.4 Key issues in relation to the measurement and estimation of uncertainty

In preparing the accompanying financial statements estimates were made by the Company's Directors in order to measure certain of the assets, liabilities, income, expenses and obligations reported herein. These estimates relate basically to the following:

- The assessment of possible impairment losses on certain assets (Note 4.1 and 4.5.1)
- The assumptions used in the actuarial calculation of liabilities arising from pensions and other commitments to employees (Note 4.13)
- The useful life of the tangible assets- property, plant and equipment and intangible assets (Notes 4.1 and 4.2)
- The calculation of goodwill impairment (Note 5)
- The market value of certain financial instruments (Note 4.5.1)
- The calculation of provisions (Note 4.10)

Although these estimates were made on the basis of the best information available at 2010 year-end, events that take place in the future might make it necessary to change these estimates (upwards or downwards) in coming years. Changes in accounting estimates would be applied prospectively.

2.5 Comparative information

On 24 September 2010, Royal Decree 1159/2010, of 17 September, was published in the Spanish Official State Gazette, which introduced certain amendments to the Spanish National Chart of Accounts approved by Royal Decree 1514/2007. Pursuant to the transition rules established, these amendments were applied prospectively from 1 January 2010, the impact of which was not material. Similarly, in accordance with the aforementioned rules, the Company opted to present comparative information without adapting to the new rules and, accordingly, these financial statements are considered to be initial financial statements, for the purposes of consistency and comparability.

2.6 Correction of accounting errors

In preparing the accompanying financial statements no significant errors were detected that would have made it necessary to restate the amounts included in the financial statements for 2009.

2.7 Grouping of items

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

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

	Thousands of Euros	
	2010	2009
Dividends	(1,029,404)	(801,811)
Interest (expense)	241,680	227,784
Interest received	(167,427)	(164,325)
Impairment of financial instruments	476,394	28,048
Gains on disposal	(336,187)	-
Other	(32,917)	(12,136)
Total	**(847,861)**	**(722,440)**

3.- Distribution of profit

The proposed distribution of the profit for 2010 that the Company's Directors will submit for approval by the shareholders at the Annual General Meeting is as follows:

	Thousands of Euros
To goodwill reserve	41,208
To voluntary reserve	24,325
Dividends	645,062
Total	**710,595**

The proposed dividend for 2010 amounts to EUR 2.05 per share, totalling EUR 645,062 thousand. The dividend for 2009 also amounted to EUR 2.05 per share, totalling the same amount. Of the proposed dividend out of 2010 profit, an interim dividend of EUR 0.90 per share (the same as in 2009) was already approved in 2009 for a total of EUR 283,198 thousand (the same as in 2009) recorded as a reduction in equity in the balance sheet under the heading "Interim Dividend Paid" reported on the liability side of the balance sheet under "Other Financial Liabilities" and was paid on 8 February 2011 and 12 January 2010, respectively. For these purposes, at its meetings held on 16 December 2010 and 17 December 2009, the Board of Directors prepared the accounting statement required pursuant to Article 277 of the Spanish Limited Liabilities Companies Law, in which it declared the existence of sufficient liquidity to distribute the interim dividend amounts. The accounting statement relating to the approval of the dividend out of 2010 profit is as follows:

	Thousands of Euros
Cash available at 15 December 2010	351,810
Cash projection up to 8 February 2011	
Current transactions	(5,798)
Financial transactions	57,780
Collection of dividends from investees	165,678
Cash available prior to the payment of the interim dividend	569,470
Gross interim dividend	283,198
Cash available following payment of the interim dividend	286,272

The Company's earnings and the absence of causing giving rise to immediate claimability of liabilities at the aforementioned date permitted the payment of the interim dividend.

For 2011 the Board of Directors will propose the payment of a final dividend of EUR 1.15 per share, and the final dividend payable will amount to EUR 361,864 thousand. Given that the Board of Directors proposed the payment of a final dividend of EUR 1.15 per share in 2010, the final dividend payable amounted to EUR 361,864 thousand.

4.- Accounting policies and measurement bases

The principal accounting policies and measurement bases used by the Company in preparing its financial statements for 2010, in accordance with the Spanish National Chart of Accounts, were as follows:

4.1 Intangible assets

As a general rule, intangible assets are recognised initially at acquisition or production cost. They are subsequently measured at cost less any accumulated amortisation and any recognised impairment losses. These assets are amortised over their years of useful life.

a) Goodwill

Goodwill is recognised on the asset side of the balance sheet, where it has arisen as a result of an acquisition for valuable consideration in relation to a business combination. The goodwill is assigned to each of the cash generating unit for which gains are expected to arise from the merger and is not amortised. Instead, these cash generating units are subjected at least annually to an impairment test in accordance with the methodology indicated below, and if appropriate the related valuation adjustment is recorded.

The valuation adjustments for impairment loss recognised under goodwill may not be reversed in subsequent years.

Specifically, the Company recognises the goodwill arising from the merger by absorption of the company Grupo Dragados, S.A. under this heading, as described in Note 1.

b) Computer software

The Company recognises under "Computer Software" the costs incurred in the acquisition and development of computer programs. Computer software maintenance costs are recognised with a charge to the income statement for the year in which they are incurred. Computer software is amortised on a straight-line basis over four years.

Impairment of intangible assets and tangible assets- property, plant and equipment

At the end of each reporting period, the Company tests goodwill for impairment to determine whether the recoverable amount of these assets has been reduced to below their carrying amount. The recoverable amount is the higher of fair value less costs to sell and value in use. The procedure implemented by the Company's management for the performance of this test is based on the recoverable values calculated for each cash-generating unit. Annually, for each cash-generating unit, estimates of future profit and loss and investments are obtained.

Other variables influencing the calculation of recoverable value are as follows:

- Rate of discount to be applied, which is understood to be the weighted average cost of capital, and the main changes affecting its calculation being the cost of the liabilities and specific risks relating to the assets.

- Growth rate of the cash flows used to extrapolate the cash flow projections beyond the period covered by the budgets or estimates.

Projections are prepared on the basis of past experience and the best available estimates, taking into account the information from abroad.

In the event that an impairment loss is to be recognised for a cash generating unit to which all or part of the goodwill was to be assigned, the carrying amount of the goodwill relating to this unit is first lowered. If the impairment loss exceeds this amount, then, in proportion to its carrying value, the carrying amount of the other assets of the cash generating unit are lowered up to the limit of the higher of the following: its fair value net of sales costs , its value in use or zero.

Where an impairment loss subsequently reverses (not permitted in the specific case of goodwill), the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income.

4.2 Tangible assets- property, plant and equipment

Tangible assets- property, plant and equipment are initially recognised at acquisition or production cost and are subsequently reduced by the related accumulated depreciation and by any impairment losses, recognised as indicated in Note 4.1.

At year-end no indications of the impairment of the Company's tangible assets- property, plant and equipment were identified, and since the Company's Directors estimate that the recoverable value of the assets is higher than their carrying amount, no impairment loss was recognised.

Tangible assets- property, plant and equipment upkeep and maintenance expenses are recognised in the income statement for the year in which they are incurred. However, the costs of improvements leading to increased capacity or efficiency or to a lengthening of the useful lives of the assets are capitalised.

Where the period required to put tangible assets- property, plant and equipment into operating conditions lasts more than one year, the capitalised costs include the borrowing costs incurred prior to the entry into operation of the asset and generated by the supplier or relating to loans or another specific or general type of external financing directly attributable to the acquisition or manufacturing thereof.

The Company depreciates its tangible assets- property, plant and equipment by the straight-line method at annual rates based on the years of estimated useful life of the assets, the detail being as follows:

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

This heading also includes the tangible assets- property, plant and equipment relating to the concession for the construction and subsequent operation of the Palacio Municipal de Deportes from the City Council of Huelva. This asset is fully depreciated.

4.3 Investment property

The heading "Investment Property" in the balance sheet includes the values of land, buildings and other structures maintained either for the purpose of being leased or for obtaining gains on their sale as the result of future increases in their market price.

These assets are measured in accordance with the criteria indicated in Note 4.2 in relation to tangible assets- property, plant and equipment.

4.4 Leases

Finance lease obligations

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the leased asset to the lessee. All other leases are classified as operating leases. The Company had not entered into any finance lease agreements at 31 December 2010 or 31 December 2009.

Operating leases

When the Company acts as the lessor:

Lease income and expenses from operating leases are recognised in income on an accrual basis.

Also, the acquisition cost of the leased asset is presented in the balance sheet according to the nature of the asset, increased by the costs directly attributable to the lease, which are recognised as an expense over the lease term, applying the same method as that used to recognise lease income.

Any collection or payment that might be made when arranging an operating lease will be treated as a prepaid lease collection or payment which will be allocated to profit or loss over the lease term in accordance with the time pattern in which the benefits of the leased asset are provided or received.

When the Company acts as the lessee:

Expenses arising from operating leases are recognised in income on an accrual basis.

Any collection or payment that might be made when arranging an operating lease will be treated as a prepaid lease collection or payment which will be allocated to profit or loss over the lease term in accordance with the time pattern in which the benefits of the leased asset are provided or received.

4.5 Financial instruments

4.5.1 Financial assets

Classification

The financial assets held by the Company are classified into the following categories:

a) Loans and receivables: financial assets arising from the sale of goods or the rendering of services in the ordinary course of the Company's business, or financial assets which, not having commercial substance, are not equity instruments or derivatives, have fixed or determinable payments and are not traded in an active market.

b) Held-to-maturity investments: debt securities with fixed maturity and determinable cash flows, traded in an active market, that the Company has the intention and financial capacity to hold to maturity.

c) Equity investments in Group companies, associates and multigroup (jointly controlled) companies: Group companies are deemed to be those related to the Company as a result of a relationship of control and associates are companies over which the Company exercises significant influence. Additionally, multigroup companies include companies, which under an agreement entered into, are jointly controlled by one or more shareholders.

d) Available-for-sale financial assets: Available-for-sale financial assets include debt securities and equity instruments of other companies that are not classified in any of the aforementioned categories.

Initial recognition

Financial assets are initially recognised at the fair value of the consideration given, plus any directly attributable transaction costs.

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

Subsequent measurement

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

Investments in Group companies, associates and multigroup companies are measured at cost net, where appropriate, of any accumulated impairment losses. These losses are calculated as the difference between the carrying amount of the investments and their recoverable amount. Recoverable amount is the higher of fair value less costs to sell and the present value of the future cash flows from the investment. Unless there is better evidence of the recoverable amount, it is based on the value of the equity of the investee, adjusted by the amount of the unrealised gains existing at the date of measurement (including, if any, goodwill).

The Company is the Parent of a Group of companies listed in Note 9.3. The financial statements do not reflect the effect of applying consolidation criteria. The main aggregates in the ACS Group's consolidated financial statements for 2010 and 2009 prepared in accordance with Final Provision Eleven of Law 62/2003, of 30 December, applying the International Financial Reporting Standards approved by the European Union, are as follows:

	Thousands of Euros	
	2010	**2009**
Total assets	**34,184,527**	**31,361,194**
Equity	**4,442,386**	**4,507,920**
- of the Parent	4,178,547	4,219,641
- of minority interests	263,839	288,279
Revenue	**15,379,664**	**15,387,352**
Profit for the Year	**1,354,877**	**2,143,308**
- of the Parent	1,312,557	1,946,188
- of minority interests	42,320	197,120

Available-for-sale financial assets are measured at fair value and the gains and losses arising from changes in fair value are recognised in equity until the asset is disposed of or it is determined that it has become (permanently) impaired, at which time the cumulative gains or losses previously recognised in equity are recognised in the net profit or loss for the year.

At least at each reporting date the Company tests financial assets not measured at fair value through profit or loss for impairment. Objective evidence of impairment is considered to exist when the recoverable amount of the financial asset is lower than its carrying amount. When this occurs, the impairment loss is recognised in the income statement.

With respect to any valuation adjustments related to trade and other receivables, in order to calculate such adjustments the Company takes into account the existence of events which might lead to a delay or a reduction in future cash flows which might be caused by the debtor's insolvency.

The Company derecognises a financial asset when the contractual rights to the cash flows from the assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership, as in the case of firm sales, transfers of trade receivables in factoring transactions in which no credit or interest risk is retained, sales of financial assets in relation to which repurchase agreements have been entered into at fair value or securitisations of financial assets in relation to which repurchase agreements have been entered into at fair value or securitisations of financial assets in which the assignor does not retain subordinating financing or grant any type of guarantee or assume any other type of risk.

However, the Company does not derecognise financial assets, and recognises a financial liability for an amount equal to the consideration received where the Company retains substantially all the risks and rewards of ownership of the transferred asset, as in the case of draft discounting facilities, recourse factoring, the sale of financial assets in relation to which a repurchase agreement is entered into at a fixed price or at the sale price plus interest, and the securitisation of financial assets in which the assignor retains subordinated financing or other types of guarantees covering substantially all of the projected losses.

4.5.2 Financial liabilities

Financial liabilities include accounts payable by the Company that have arisen from the purchase of goods or services in the normal course of the Company's business and those which, not having commercial substance, cannot be classed as derivative financial instruments.

Accounts payable are initially recognised at the fair value of the consideration received, adjusted by the directly attributable transaction costs. These liabilities are subsequently measured at amortised cost.

Liability derivative financial instruments are measured at fair value, following the same criteria as for financial assets held for trading described in the previous section.

The Company derecognises financial liabilities when the obligations giving rise to them cease to exist.

4.5.3 Equity Instruments

An equity instrument represents a residual interest in the assets of the Company after deducting all of its liabilities.

Equity instruments issued by the Company are recognised in equity at the proceeds received, net of issue costs.

Treasury shares acquired by the Company during the year are recognised at the value of the consideration paid and are deducted directly from equity. Gains and losses on the acquisition, sale, issue or retirement of treasury shares are recognised directly in equity and in no case are they recognised in profit or loss.

4.5.4 Derivative financial instruments

The Company uses derivative financial instruments to hedge the risks to which its business activities, operations and future cash flows are exposed. Basically, these risks relate to changes in exchange rates and interest rates. The Company arranges hedging financial instruments in this connection.

In order for these financial instruments to qualify for hedge accounting, they are initially designated as such and the hedging relationship is documented. Also, the Company verifies, both at inception and periodically over the term of the hedge (at least at the end of each reporting period), that the hedging relationship is effective, i.e. that it is prospectively foreseeable that the changes in the fair value or cash flows of the hedged item (attributable to the hedged risk) will be almost fully offset by those of the hedging instrument and that, retrospectively, the gain or loss on the hedge was within a range of 80-125% of the gain or loss on the hedged item.

The Company uses hedges of the following types, which are accounted for as described below:

- Fair value hedges: in this case, changes in the fair value of the hedging instrument and the hedged item attributable to the hedged risk are recognised in profit or loss.

- Cash flow hedges: in hedges of this nature, the portion of the gain or loss on the hedging instrument that has been determined to be an effective hedge is recognised temporarily in equity and is recognised in the income statement in the same period during which the hedged item affects profit or loss, unless the hedge relates to a forecast transaction that results in the recognition of a non-financial asset or a non-financial liability, in which case the amounts recognised in equity are included in the initial cost of the asset or liability when it is acquired or assumed.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to net profit or loss for the year.

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not carried at fair value with unrealised gains or losses reported in the income statement.

The fair value of the derivative financial instruments is calculated as follows:

- For derivates whose underlying is quoted in an organised market, valuation is based on a Value at Risk (VaR) analysis, which determines the asset's expected value, taking into consideration its exposure to risk for a certain confidence level on the basis of market performance, the asset's characteristics and the potential loss arising under a scenario which is highly unlikely to occur. The analysis is based on applying a normal distribution to the daily evolution of the asset's price and the use of the expected volatility required on the basis of the derivative's characteristics to establish the probability associated to the required confidence level. For the purposes of this calculation, the periods required to undo this position without affecting the market are taken into account. The outstanding financial costs associated with each derivative evaluated are deducted from the values obtained.

- Derivatives not traded in organised markets are valued using normal financial market techniques, i.e., discounting the expected cash flows in the contract in view of its characteristics, such as the notional amount and the collection and payment schedule, based on spot and forward market conditions at the reporting date. Interest rate swaps are measured using zero-coupon curves, which is determined on the basis of the deposits and swaps traded at a given time through a bootstrapping process through which the discount factors are obtained. For derivatives with caps and floors or combinations thereof, occasionally tied to the fulfilment of special obligations, the interest rates used are the same as in the case of interest rate swaps. However, in order to allow for the random exercise of options, the Black-Scholes methodology is used, as is standard practice in the financial market.

4.6 Inventories

Inventories are measured at the lower of the costs of purchase, production cost and net realisable value. Trade discounts, rebates and other similar items are deducted in determining the costs of purchase.

Production cost comprises direct materials and, where applicable, direct labour costs and manufacturing overheads.

Net realisable value is the estimated selling price less the estimated costs of completion and costs to be incurred in marketing, selling and distribution.

The Company measures the value of its inventories using the weighted average cost method.

When the net realisable value of inventories is lower than the costs of purchase (or production cost), the Company makes the appropriate adjustments, recognising them as an expense in the income statement.

4.7 Foreign currency transactions

The Company's functional currency is the euro. Therefore, transactions in currencies other than the euro are deemed to be "Foreign Currency Transactions" and are recognised by applying the exchange rates prevailing at the date of the transaction.

At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated to euros at the rates then prevailing. The resulting gains or losses are recognised directly in profit or loss in the year in which they arise.

4.8 Income tax

Tax expense (tax income) comprises current tax expense (current tax income) and deferred tax expense (deferred tax income).

The current income tax expense is the amount payable by the Company as a result of income tax settlements for a given year. Tax credits and other tax benefits, excluding tax withholdings and pre-payments, and tax loss carryforwards from prior years effectively offset in the current year reduce the current income tax expense.

The deferred tax expense or income relates to the recognition and derecognition of deferred tax assets and liabilities. These include temporary differences measured at the amount expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities and their tax bases, and tax loss and tax credit carryforwards. These amounts are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled.

Deferred tax liabilities are recognised for all taxable temporary differences, except for those arising from the initial recognition of goodwill or of other assets and liabilities in a transaction that is not a business combination and affects neither accounting profit (loss) nor taxable profit (tax loss), and except for those associated with investments in subsidiaries, associates and joint ventures in which the Company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised to the extent that it is considered probable that the Company will have taxable profits in the future against which the deferred tax assets can be utilised.

Deferred tax assets and liabilities arising from transactions charged or credited directly to equity are also recognised in equity.

The deferred tax assets recognised are reassessed at the end of each reporting period and the appropriate adjustments are made to the extent that there are doubts as to their future recoverability. Also, unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that they will be recovered through future taxable profits.

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

4.9 Revenue and expense recognition

Revenues and expenses are generally recognised on an accrual basis, i.e. when the actual flow of the related goods and services occurs, regardless of when the resulting monetary or financial flow arises. Revenue is measured at the fair value of the consideration received, net of discounts and taxes.

Revenue from sales is recognised when the significant risks and rewards of ownership of the goods sold have been transferred to the buyer, and the Company neither continues to manage the goods nor retains effective control over them.

Revenue from the rendering of services is recognised by reference to the stage of completion of the transaction at the end of the reporting period, provided the outcome of the transaction can be estimated reliably.

Interest income from financial assets is recognised using the effective interest method and dividend income is recognised when the shareholder's right to receive payment has been established. Interest and dividends from financial assets accrued after the date of acquisition are recognised as income. Pursuant to the query published in Gazette n. 79 of the Spanish Accounting and Audit Institute (ICAC), dividends are to be recognised under "Revenues" in the accompanying income statement.

In accordance with the accounting principle of prudence, the Company only records realised profit at year-end, whereas foreseeable contingencies and losses, including possible losses, are recorded as soon as they become known (Notes 4.10 and 13.1).

4.10 Provisions and contingencies

When preparing the financial statements the Company's Directors make a distinction between:

a) Provisions: credit balances covering present obligations arising from past events with respect to which it is probable that an outflow of resources embodying economic benefits that, the amount and/or timing of which is uncertain, will be required to settle the obligations.

b) Contingent liabilities: possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more future events not wholly within the Company's control.

The financial statements include all the material provisions with respect to which it is considered that it is more likely than not that the obligation will have to be settled. Contingent liabilities are not recognised in the financial statements, but rather are disclosed, unless the possibility of an outflow in settlement is considered to be remote.

Provisions are measured at the present value of best possible estimate of the amount required to settle or transfer the obligation, taking into account the information available on the event and its consequences. Where discounting is used, adjustments made to provisions are recognised as interest cost on an accrual basis.

The compensation to be received from a third party on settlement of the obligation is recognised as an asset, provided that there are no doubts that the reimbursement will take place, unless there is a legal relationship whereby a portion of the risk has been externalised as a result of which the Company is not liable; in this situation, the compensation will be taken into account for the purpose of estimating the amount of the related provision that should be recognised.

Provision for third-party liability

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

4.11 Termination benefits

Under current legislation, the Company is required to pay termination benefits to employees terminated under certain conditions. Therefore, termination benefits that can be reasonably quantified are recognised as an expense in the year in which the decision to terminate the employment relationship is taken. The accompanying financial statements do not include any provision in this connection, since no situations of this nature are expected to arise.

4.12 Environmental assets and liabilities

Environmental assets are deemed to be assets used on a lasting basis in the Company's operations whose main purpose it is to minimise environmental impact and protect and improve the environment, including the reduction or elimination of future pollution.

In view of their nature, the Company's activities do not have a significant environmental impact.

4.13 Pension obligations

Pension fund

The Company is required, under specific conditions, to make monthly payments to a group of employees to supplement the mandatory public social security system benefits for retirement, permanent disability, death of spouse or death of parent.

Additionally, the Company has obligations to certain members of the management team and the Board of Directors. These obligations have been formalised through several group savings insurance policies which provide benefits in the form of a lump sum.

The most relevant features of these plans are detailed in Note 13.1.1.

4.14 Share-based payment

The Company recognises the services received as an expense when delivered, on the basis of their nature and also as an increase in equity, since the transaction is always settled with equity instruments.

The transactions are settled with equity instruments, and accordingly, the services recognised as an increase in equity are measured at the fair value of the equity instruments transferred on the concession agreement date. This fair value is calculated on the basis of the estimated market value at the date of the plan concession and is charged to income on the basis of the period in which these instruments are consolidated or are no longer revocable by the beneficiary.

The share-based payments of ACS, Actividades de Construcción y Servicios, S.A. are made to Directors carrying out executive functions and to the Senior Executives of the ACS Group.

4.15 Joint ventures

The Company accounts for its investments in Spanish UTEs (unincorporated Joint ventures) by recognising in its balance sheet the proportion corresponding thereto, based on its ownership percentage, of the assets and liabilities jointly controlled and incurred, respectively. Likewise, it recognises the proportion corresponding thereto of the income generated and incurred by the joint venture in the income statement. Also, in the statement of changes in equity and in the statement of cash flows, it includes the balances of the corresponding proportion of the joint venture items.

At 31 December 2010 and 2009, the only UTE owned by the Company was UTE Dramar, which engages in contract works for Spanish state ports, and the amounts related thereto in the balance sheet and income statement are not material.

4.16 Related party transactions

The Company performs all its transactions with related parties on an arm's length basis. Also, the transfer prices are adequately supported and, therefore, the Company's Directors consider that there are no material risks in this connection that might give rise to significant liabilities in the future.

4.17 Non-current assets and disposal groups classified as held for sale

The Company classifies a non-current asset or disposal group as held for sale when the decision to sell them has been taken and the sale is expected to occur within twelve months.

These assets or disposal groups are measured at the lower of their carrying amount and fair value less costs to sell.

Non-current assets classified as held for sale are not depreciated, but rather at the end of each reporting period the related valuation adjustments are made to ensure that the carrying amount is not higher than fair value less costs to sell.

Income and expenses arising from non-current assets and disposal groups classified as held for sale which do not qualify for classification as discontinued operations are recognised under the related heading in the income statement on the basis of their nature.

4.18 Discontinued operations

A discontinued operation is considered to be any business unit which has been sold or disposed of by other means, or classified as held for sale, and among other conditions, it must represent a line of business or significant area which can be considered to be separate from the others.

For these types of operations, the Company includes under a single heading "Profit for the Year from Discontinued Operations Net of Taxes" in the income statement, both the profit or loss for the year from the discontinued operations and the profit or loss after taxes recognised at fair value net of sale costs or the costs relating to the disposal of the items comprised by the discontinued operations. In this connection, as a result of the sale of the whole of the ownership interest in Unión Fenosa, S.A. held by the ACS Group, this sale was deemed to meet the requirements for classification as a discontinued operation. The most significant matters relating to this transaction are indicated in Note 11.

5.- Intangible assets

The changes in this balance sheet heading in 2010 and 2009 were as follows (in thousands of euros):

	Balance at 01/01/2009	Additions / Charges for the Year	Balance at 31/12/2009	Additions / Charges for the Year	Balance at 31/12/2010
Cost:					
Goodwill	631,855	-	**631,855**	-	**631,855**
Computer Software	3,232	1	**3,233**	-	**3,233**
Total cost	**635,087**	**1**	**635,088**	**-**	**635,088**
Accumulated amortisation:					
Computer Software	(3,230)	(1)	(3,231)	(1)	(3,232)
Total accumulated amortisation	**(3,230)**	**(1)**	**(3,231)**	**(1)**	**(3,232)**
Total net cost	**631,857**	**-**	**631,857**	**(1)**	**631,856**

At the end of 2010 the Company had fully amortised intangible assets still in use relating to computer software whose gross carrying value amounted to EUR 3,223 thousand (EUR 3,223 thousand in 2009).

At the end of 2010 and 2009, the Company had no material firm commitments for the purchase of software.

Goodwill is the only asset with an indefinite useful life held by the Company.

There was no change in the balance of "Goodwill" in 2010 and 2009, the detail of which is as follows (in thousands of euros):

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

The goodwill arose from the merger with Grupo Dragados, S.A. regarding the excess of paid value on top of the value of the assets on the acquisition date and is mainly allocated to the Construction, Environment and Industrial Services areas. In both 2009 and 2010, the ACS Group assessed the recoverability of this goodwill.

For the purpose of testing the impairment of the goodwill arising on the operating transactions of the Dragados Group, excluding concessions, the cash flow discount method was used to obtain a valuation based on internal projections for each of the business units for the 2011 - 2015 period following which a perpetual growth rate ranging from 0% to 1% for the group's different lines of business. The discount rates used (weighted average cost of capital or WACC) were 9.7% for Construction, 5.6% for Environment and 12.9% for Industrial Services. The concession arrangements were valued at market rates.

The combined result of the cash flow discounting valuation of the operating transactions and the valuation of the concession arrangements significantly exceeds the carrying value plus the goodwill of the Dragados Group. This value was compared to the valuations of analysts through the sum of parts method, and the value of the ACS Group on the market, there being no signs of impairment in any of the cases analysed.

In the Directors' opinion, there are no reasonable changes in the main assumptions which might give rise to the impairment of the goodwill of Grupo Dragados, S.A.

6.- Tangible assets- property, plant and equipment

The changes in 2010 and 2009 in "Tangible assets- property, plant and equipment" in the balance sheet and the most significant information affecting this heading were as follows (in thousands of euros):

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

	Balance at 01/01/2009	Additions / Charges for the Year	Disposals or Reductions	Balance at 31/12/2009
Cost				
Land	395	-	-	395
Plant	1,360	-	-	1,360
Machinery	152	144	-	296
Tools	500	-	(61)	439
Transport equipment	451	-	(14)	437
Other	21,514	2,771	-	24,285
Total cost	24,372	2,915	(75)	27,212
Accumulated depreciation				
Plant	(1,297)	(10)	-	(1,307)
Machinery	(84)	(37)	-	(121)
Tools	(388)	(12)	-	(400)
Transport equipment	(353)	(27)	14	(366)
Other	(13,557)	(1,118)	-	(14,675)
Total accumulated depreciation	(15,679)	(1,204)	14	(16,869)
Total net cost	8,693	1,711	(61)	10,343

In 2010 the Company acquired items of tangible assets- property, plant and equipment from Group companies amounting to EUR 1,075 thousand (EUR 1,937 thousand in 2009), relating to improvements in the registered office.

In 2010 and 2009 the Company did not capitalise any financial costs under "Tangible assets- property, plant and equipment".

The Company had no tangible assets- property, plant and equipment located abroad at the end of 2010 and 2009 and had no firm commitments for the purchase of tangible assets- property, plant and equipment at 31 December 2010 and 2009.

At the end of 2010 the Company had fully depreciated items of tangible assets- property, plant and equipment (none relating to construction) still in use, amounting to EUR 10,049 thousand (EUR 10,224 thousand in 2009).

The Company takes out insurance policies to cover the possible risks to which its tangible assets- property, plant and equipment are subject. At the end of 2010 and 2009 the tangible assets- property, plant and equipment were fully insured against these risks.

7.- Investment property

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

In 2010 the income arising from rent on investment property owned by the Company amounted to EUR 114 thousand (EUR 122 thousand in 2009), and all relating operating costs were charged to the lessee.

At the end of 2010 and 2009 there were no restrictions on new property investments, the income arising from such investments or on the gains on their possible disposal.

8.- Leases

Operating leases

The Company, as operating lessor, has a lease with a Group company, per the lease agreement in force and without taking future changes in rent into account, amounting to EUR 114 (EUR 122 thousand in 2009) This agreement matures annually and is automatically renewable, except in the case of notice of termination by the parties thereto (Note 7).

No contingent rent was paid in 2010 and 2009.

As lessee, the most significant operating lease agreements entered into by the Company at the end of 2010 and 2009 relate to the lease of offices and mature in 2012. The annual minimum lease payments net of increases in relation to the CPI, the effect of shared expenses and associated taxes, amounted to EUR 7,425 thousand. Of this amount, EUR 5,215 thousand is charged to various Group companies annually in relation to subleases.

9.- Financial assets (non-current and current)

9.1 Non-current financial assets

The balance of "Non-Current Financial Assets" at the end of 2010 and 2009 is as follows (in thousands of euros):

Class / Category	Non-Current Financial Instruments					
	Equity Instruments		Loans, Derivatives and Other		Total	
	2010	2009	2010	2009	2010	2009
Loans and receivables	-	-	1,022	1,056	**1,022**	**1,056**
Available-for-sale financial assets						
- Measured at fair value	2,824,790	1,710,000	-	-	**2,824,790**	**1,710,000**
- Measured at cost	2,738	2,788	-	-	**2,738**	**2,788**
Derivatives	-	-	48,428	-	**48,428**	**-**
Total	**2,827,528**	**1,712,788**	**49,450**	**1,056**	**2,876,978**	**1,713,844**

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

In 2010, the company acquired EUR 233,362,961 additional shares for EUR 1,354,142 thousand at 31 December 2010, reaching a total of EUR 489,734,761 shares accounting for 8.931 % of the share capital of Iberdrola, S.A. at this date, with an average cost of EUR 6.40 per share. Of these purchases, noteworthy is the renewal of the "equity swap" through the acquisition of 21,600,000 shares for a total of EUR 116,500 thousand, mainly under the same conditions as in the previous agreement and with a maturity date of March 2012.

The most important addition in 2009 relates to the relative effect of the novation of the equity swap over 256,371,800 shares, which represents 4.675% of the share capital of Iberdrola, S.A. (Note 10.2).

The total ownership interest of the ACS Group in the share capital of Iberdrola, S.A. at 31 December 2010 and the company through which it holds this ownership interest is as follows:

Company	Ownership Interest	Equity Instrument
ACS, Actividades de Construcción y Servicios, S.A.	5.069%	"Equity Swap"
ACS, Actividades de Construcción y Servicios, S.A.	1.920%	Direct acquisition financed through a "Prepaid Forward Share"
ACS, Actividades de Construcción y Servicios, S.A.	1.942%	Direct acquisition
Total ACS, Actividades de Construcción y Servicios, S.A.	**8.931%**	
Residencial Monte Carmelo, S.A.	6.576%	Direct acquisition
Roperfeli, S.L.	1.287%	Direct acquisition
Corporate Funding, S.L.	3.165%	Direct acquisition
Total ACS Group	**20.20%**	

In relation to the ownership interest acquired through the "prepaid forward share", the Company has arranged a hedging derivative, whose change in value is recognised in profit or loss, and which gave rise to profit in 2010 amounting to EUR 21,384 thousand (Note 10.2).

Although the ownership interest in Iberdrola, S.A. was considered to be strategic for the Company and the ownership interest held by the ACS Group formed by ACS, Actividades de Construcción y Servicios, S.A. and its subsidiaries amounted to 20.2% of the share capital of Iberdrola, S.A., it was not considered to have a significant influence. Therefore, it was recognised in accordance with the rule for recognition and measurement 9 of the SNCA as an "Available-for-sale financial asset" and was adjusted to the market price at the end of the reporting period with an effect on equity in the financial statements of the companies holding the ownership interests. In the case of ACS, Actividades de Construcción y Servicios, S.A. the negative effect on equity amounted to EUR 218,181 thousand (EUR 50,656 thousand at 31 December 2009). The total accumulated difference in value amounted to EUR 218,181 thousand, net of tax, is recognised under "Equity-Adjustments for Changes in Value" in the accompanying balance sheet.

The dividends received in 2010 from Iberdrola, S.A. amounted to EUR 84,013 thousand (EUR 83,833 thousand in 2009).

The detail, by maturity, of the balance of "Other Financial Assets" at 31 December 2010 and 2009 is as follows (in thousands of euros):

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

	2009				
	2011	**2012**	**2013**	**2014 and Subsequent Years**	**Total**
Other financial assets	**35**	**1,021**	**-**	**-**	**1,056**
Total	**35**	**1,021**	**-**	**-**	**1,056**

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

Impairment:

In 2010 and 2009 the Company did not recognise any reduction for impairment in its non-current financial assets.

In relationship to the ownership interest in Iberdrola, S.A., a company traded through the Spanish computerised trading system, since the market price stood at EUR 5,740 in the last quarter and EUR 5,768 at the end of the reporting period, amounts which were lower than the acquisition cost, the Company considered it to be possible for signs of impairment to exist and performed the corresponding test.

In each case, the ACS Group analyses the existence of signs of impairment. If any such indications of impairment exist, the calculations and estimates considered to be necessary are made to determine whether there is a significant or prolonged decline in the fair value of an investment, and if necessary, recognise an impairment loss

- ACS has declared its investment in Iberdrola to be a strategic and long-term holding. To strengthen the strategic nature of this investment, in 2010 the ACS purchased shares of Iberdrola amounting to EUR 2,752,617 thousand, and at year-end the Group's full ownership interest amounted to 20.2%, the average weighted age of the investment being 16 months and the average cost recognised in the consolidated financial statements being EUR 7.31 per share. In the case of ACS, Actividades de Construcción y Servicios, S.A. the average share price of Iberdrola, S.A. stands at EUR 6.40 per share, meaning that market price is 9.87% below this costs, which may not be considered material, although it has to be taken into consideration that the stock market price does not faithfully reflect the value of a 20.2% block of shares of Iberdrola, which also represents the largest shareholder of the Company. In the current context of the financial markets, given the average age and the market price trend of the holding, and taking into consideration the strategic nature of the investment, the Group does not consider there to have been a significant or prolonged decline giving rise to impairment.

- The ACS Group considers that although there is an indication of a decline in value taking into account the drop in Iberdrola's share price in 2010, the ACS Group considers there to be objective evidence of impairment of the ownership interest in Iberdrola. In accordance with the rule for recognition and measurement 9 of the SNCA and query 4 published in Gazette n. 79 of the Spanish Accounting and Audit Institute (ICAC) of March 2009, a significant or prolonged decline in fair value, and provides the possibility of showing proof to the contrary such as the impairment test performed by the ACS Group.

Loss events which might have an effect on the future estimated cash flows of the investment have not been identified in either the 2010 financial statements of Iberdrola or other public information published by Iberdrola and the shareholders of Iberdrola represented on the Board of Directors. Additionally, it is noteworthy that according to the information published by Iberdrola, the stock market capitalisation of Iberdrola at 31 December 2010 was 1.09 times its accounting value, EBITDA grew 10.5% with respect to 2009 and its net recurring profit increased by 5.6% in 2010. Therefore, since there is no objective evidence of impairment and, in view of the fact that in accordance with the dividend and cash flow discounting calculations, the recoverable value of the investment is higher than its carrying value, the ACS Group considers the drop in market price above the levels and before the aforementioned times, should not give rise to an impairment loss.

- However, given that there is evidence of impairment considering that the market price of Iberdrola is below average weighted cost, the Company has internally tested the ownership interest in Iberdrola for impairment based on the future dividend discounting method and other information available on the ownership interest in Iberdrola. The use of this method is based on the consideration that both the profit of ACS arising from its ownership in Iberdrola, as well as the cash from the ownership interest come mainly from the dividends received from Iberdrola. Despite being the leading shareholder of Iberdrola, since the Company did not have access to detailed reports on the strategic plan, they consider the public information based on the discounting of the companies future dividends to be more reliable for the purpose of calculating the recoverable amount of the investment.

In this connection, Iberdrola's shareholder remuneration policy has been very stable in recent years (pay-out of 67.4% of the net recurring profit in the past two years) and there are no indications of significant changes, since the company publicly announced on 24 February 2010 when presenting its strategic plan for 2010-2012 its intention to keep shareholder remuneration in line with the increase in net profit of the company (since the company makes estimates in its strategic plans). The main assumptions are based on the last dividend paid by the company and the increase in the estimated pay outs is based on the strategic plan presented by Iberdrola for the next 3 years and perpetual growth of 3% from then on (in this respect, it is important to indicate that the cumulative annual growth rate of dividends paid by Iberdrola in 1989-2009 was 5.8% and the growth estimates of the "The Economist Intelligence Unit "(7 December 2010) in terms of the GDP for Spain (2.2% in 2015) and inflation (2% in 2015). The equity discount rate used was 8.12%.

The impairment test has a high sensitivity to changes in the discount rate, growth in residual value and performance of the company dividends, meaning that changes of certain relevance therein might give rise to impairment.

- Even though the company has an ownership interest of 20.2% (an amount which alone and in accordance with the accounting legislation in force should be interpreted as meaning that the ACS Group exercises significant influence on Iberdrola), temporarily, and to date it has not been possible to secure a position on the Board of Directors of Iberdrola, S.A., a circumstance which caused the ACS Group to challenge the resolutions adopted by the shareholders at the Annual General Meeting of

Iberdrola, S.A. held in March 2010 in court. It is the intention of ACS to finally secure such a position, which would lead to the direct classification of the investment in Iberdrola as an associate. This is a very unique and absolutely exceptional circumstance, and although a ruling had been handed down by the Commercial Court of First Instance of Bilbao against the interests of the ACS Group at the date of the presentation of these financial statements, the Group's Management has full confidence that the court will ultimately rule in favour of the ACS Group.

- Lastly, and in order to complete the analysis on whether or not the investment made by the Group is impaired, several valuations were requested by prestigious independent experts, which clearly evidenced that the investment is valued more highly than the average cost recognised by the ACS Group, both in the individual financial statements of ACS, Actividades de Construcción y Servicios, S.A. and the consolidated financial statements of the ACS Group. These valuations do not include a premium, and this would always be included in corporate transactions relating to an ownership percentages such as that held by the ACS Group in Iberdrola.

Accordingly, the Directors of the ACS Group do not consider factors to exist involving impairment at the end of 2010, the recoverable value of the ownership interest was higher than its cost. Therefore, having analysed the indications of impairment of the investment existing at the end of the reporting period, and based on the above arguments, having concluded that there is no significant or prolonged decline in the fair value of the investment, the Company maintained the valuation adjustments amounting to EUR 218,181 thousand registered under the same heading in the individual financial statements of ACS, Actividades de Construcción y Servicios, S.A. without recognised any impairment in profit or loss.

9.2 Current financial assets

The balance of "Current Financial Assets" at the end of 2010 and 2009 is as follows (in thousands of euros):

Class / Category	Current Financial Assets			
	Loans, Derivatives and Other		Total	
	2010	2009	2010	2009
Current financial assets	2,057,053	1,871,649	2,057,053	1,871,649
Total	**2,057,053**	**1,871,649**	**2,057,053**	**1,871,649**

This balance includes EUR 947,299 thousand (EUR 712,052 thousand at 31 December 2009) relating to deposits made by the Company to meet coverage ratios for derivative financial instruments (particularly equity swaps), in connection with the financing obtained to acquire the ownership interest in Iberdrola, S.A. included under "Available-for-Sale Financial Assets" measured at fair value indicated in Note 9.1. These deposits were obtained by means of current financing provided by banks and by Group companies. The remaining balance of this heading relates to current deposits in different financial entities, without any restriction as to their use and with a remuneration based on the Euribor.

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

Impairment:

In 2010 and 2009 the Company did not recognise any reduction for impairment in its current financial assets.

9.3 Non-current investments in Group companies, Multigroup companies and Associates

Equity Instruments:

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

Name	Registered Office	% Ownership		Thousands of Euros								
					Profit				Dividends	Carrying Amount		
		Direct	Indirect	Share capital	From Operations	Net	Other Equity	Total Equity	Received	Cost	Impairment Loss Recognised in the Year	Accumulated Impairment Losses
GROUP												
CONSTRUCTION												
Dragados, S.A.	Avda. Camino de Santiago, 50 - Madrid	100.00%	-	200,819	173,965	185,534	207,474	593,827	207,512	342,679	-	-
Comunidades Gestionadas, S.A. (COGESA)	Orense, 34 – Madrid	-	100.00%	19,112	10,111	4,295	66,233	89,640	-	-	-	-
INDUSTRIAL SERVICES												
ACS, Servicios, Comunicaciones y Energía, S.L.	Cardenal Marcelo Spínola, 10 – Madrid	100.00%	-	71,542	335,407	322,519	(91,374)	302,687	310,493	214,620	-	-
Venezolana de Limpiezas Industriales, S.A. (VENELIN)	Caracas (Venezuela)	82.80%	-	5,655	1,546	1,520	368	7,543	-	1,057	-	-
Imesapi, S.A.	Avda. Manoteras, 26 – Madrid	-	100.00%	12,020	7,205	18,646	26,358	57,024	1	1	-	-
URBAN SERVICES												
ACS, Servicios y Concesiones, S.L.	Avda. Camino de Santiago, 50 - Madrid	100.00%	-	386,249	(7,157)	202,982	(77,461)	511,770	173,779	476,880	-	-
CONCESIONES												
Novovilla, S.A.	Avda. Pío XII, 102 – Madrid	100.00%	-	75,997	(891)	61,393	15,878	153,268	8,506	87,845	-	
ACS, Colombia, S.A.	Santa Fé de Bogotá – Colombia	92.00%	8.00%	806	(44)	(44)	(228)	534	-	939	(39)	(939)
OTHER												
Villa Áurea, S.L. (Concessions and Energy)	Avda. Pío XII, 102 – Madrid	100.00%	-	111,400	(91)	66,439	184,754	362,593	-	130,356	-	-
Áurea Fontana, S.L. (Investment property)	Avda. Pío XII, 102 – Madrid	99.99%	0.01%	198,265	-	(4,949)	18,775	212,091	-	172,110	-	-
PR Pisa, S.A.U. (Inversiones en valores mobiliarios)	Avda. Pío XII; 102 – Madrid	100.00%	-	5,270	(2)	62,447	1,694,953	1,762,670	87,695	15,271	-	-
ACS, Telefonía Móvil, S. L. (Telecomunnications)	Avda. Pío XII, 102 - Madrid	100.00%	-	3,114	-	(1,391)	(57,833)	(56,110)	-	90,895	-	(90,895)
Roperfeli, S.L. (Energy)	Avda. Pío XII, 102 – Madrid	99.50%	0.50%	6	(93)	107	(1,399)	(1,286)	92,241	63	-	-
Residencial Monte Carmelo, S.A. (Energy)	Avda. Pío XII, 102 – Madrid	99.99%	0.01%	481	(57)	(278,644)	(635,147)	(913,310)	-	481	(481)	(481)
Cariátide, S.A. (Construction and Services)	Avda. Pío XII, 102 – Madrid	99.99%	0.01%	1,803	(2)	(21,743)	(97,289)	(117,229)	-	3,165	-	-
Villanova, S.A. (Investment property)	Avda. Pío XII, 102 – Madrid	99.99%	0.01%	150	(1)	466	504	1,120	-	1,238		(1,036)
Corporate Funding, S. L. (Energy)	Avda. Pío XII, 102 – Madrid	99.99%	0.01%	6	(1)	(203)	7,739	7,542	-	6	-	-
Major Assets, S. L. (Investment property)	Avda. Pío XII, 102 – Madrid	99.99%	0.01%	6	-	-	-	6	-	6	-	-
ASSOCIATES												
Admirabilia, S.L. (Concessions)	Avda. Pío XII, 102 - Madrid	99.00%	-	59,700	(17,865)	242	475,397	535,339	-	383,193	-	-
Trebol International, B.V. (Concessions)	Boulevard 285 Tower B 1118BH. Luchthaven	1.00%	-	22,595	(2,022)	9,611	881,784	913,990	-	9,038	-	-
Hochtief, A.G. (Construction and Services) (*)	Essen – Alemania	4.45%	22.80%	179,000	105,700	105,000	1,219,700	1,503,700	-	287,606	27,989	-
TP Ferro Concesionaria, S.A. (Concessions)	Ctra. de Llers a Hostalets GIP-5107 p.k. 1, s/n 17730 Llers (Girona) España	16.53%	33.47%	51,435	1,811	-	433,122	484,557	-	8,504	-	-
Total									**880,227**	**2,225,953**	**27,469**	**(93,351)**

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

The most significant information relating to Group companies, multigroup companies and associates at the end of 2009 is as follows:

Name	Registered Office	% ownership		Thousands of Euros								
					Profit (1)				Dividends	Carrying Amount		
		Direct	Indirect	Share capital	From Operations	Net	Other Equity	Total Equity	Received	Cost	Impairment Loss Recognised in the Year	Accumulated Impairment Losses
GROUP												
CONSTRUCTION												
Dragados, S.A.	Avda. Camino de Santiago, 50 - Madrid	100%	-	200,819	234,726	291,656	149,645	642,120	234,288	342,679	-	-
Comunidades Gestionadas, S.A. (COGESA)	Orense, 34 – Madrid	-	100%	19,112	11,431	3,321	60,206	82,639	-	-	-	-
SERVICIOS INDUSTRIALES												
ACS, Servicios, Comunicaciones y Energía, S.L.	Cardenal Marcelo Spínola, 10 – Madrid	100%	-	71,542	33,728	303,160	(86,869)	287,833	291,176	214,620	-	-
Venezolana de Limpiezas Industriales, S.A. (VENELIN)	Caracas (Venezuela)	82.80%	-	5,654	3,120	2,104	2,518	10,276	-	1,057	-	-
Imesapi, S.A.	Avda. Manoteras, 26 – Madrid	-	100%	12,020	13,495	26,523	21,143	59,686	1	1	-	-
URBAN SERVICES												
ACS, Servicios y Concesiones, S.L.	Avda. Camino de Santiago, 50 - Madrid	100%	-	386,249	52,039	56,170	40,149	482,568	40,601	476,880	-	-
CONCESIONES												
Novovilla, S.L.	Avda. Pío XII, 102 – Madrid	100%	-	75,997	10,079	9,452	14,933	100,382	-	87,845	-	-
ACS, Colombia, S.A.	Santa Fé de Bogotá – Colombia	92.00%	8.00%	730	(3)	(49)	(211)	470	-	900	(59)	(900)
OTHER												
ACS, Telefonía Móvil, S. L. (Telecomunnications)	Avda. Pío XII, 102 - Madrid	100%	-	3,114	(13,287)	(10,663)	(47,170)	(54,719)	-	90,895	-	(90,895)
PR Pisa, S.A.U. (Investment property)	Avda. Pío XII; 102 – Madrid	100%	-	5,270	(53)	1,632,371	150,277	1,787,918	-	15,271	-	-
Villanova, S.A. (Investment property)	Avda. Pío XII, 102 – Madrid	99.99%	0.01%	150	450	452	51	653	-	1,238	-	(1,036)
Villa Áurea, S.L. (Concessions and Energy)	Avda. Pio XII, 102 – Madrid	100%	-	111,400	22,766	17,726	173,788	302,914	-	130,356	-	-
Residencial Monte Carmelo, S.A. (Energy)	Avda. Pío XII, 102 – Madrid	99.99%	0.01%	481	(132,769)	(181,389)	(544,049)	(724,957)	-	481	-	-
Roperfeli, S.L. (Investment in equity)	Avda. Pío XII, 102 – Madrid	99.50%	0.50%	6	(37)	1,551	90,870	92,427	89,550	63	-	-
Cariátide, S.A. (Construction)	Avda. Pío XII, 102 – Madrid	99.99%	0.01%	1,803	24,572	(30,698)	(74,086)	(102,981)	-	3,165	-	-
Áurea Fontana, S.L. (Concessions)	Avda. Pío XII, 102 – Madrid	99.99%	0.01%	198,265	30,483	16,549	2,226	217,040	-	172,110	-	-
Admirabilia, S.L. (Investment property)	Avda. Pío XII, 102 - Madrid	99.99%	0.01%	6	-	-	(1)	5	-	6	-	-
ASSOCIATES												
Abertis Infraestructuras, S.A. (Concessions)	Avda. del Parc Logistic, 12-20 – Barcelona	13.96%	11.87%	2,111,537	752,209	551,327	1,021,869	3,684,733	57,560	1,003,601	-	-
Hochtief, A.G. (Construction and services) (*)	Essen – Alemania	4.90%	25.08%	179,000	(28,000)	98,000	1,212,000	1,489,000	4,802	287,606	(27,989)	(27,989)
TP Ferro Concesionaria, S.A. (Concessions)	Ctra. de Llers a Hostalets GIP-5107 p.k. 1, s/n 17730 Llers (Girona) España	16.53%	33.47%	51,435	-	-	(9,365)	42,070	-	8,504	-	-
Total									**717,978**	**2,837,278**	**(28,048)**	**(120,820)**

(*) Data at 31 December 2009.

(1) Net profit includes the profit from discontinued operations of PR Pisa, S.A.U., amounting to EUR 1,614,333 thousand arising from the sale of its ownership interest in Unión Fenosa, S.A.

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

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

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

The main changes relate to the sale on 10 August and executed on 31 August 2010, under the agreement reached with the investment fund advisor CVC Capital Partners, of the 25.83% of the ownership interest in Abertis Infraestructuras, S.A. at a price of EUR 15 per share to two companies: Admirabilia, S.L. and Trebol International, B.V. Under this agreement Admirabilia, S.L. acquired a 10.28% share in Abertis through a contribution and sale, and Trebol acquired the remaining 15.55% through a sale. The share capital of Admirabilia, S.L. was distributed among the shareholders as follows: at a rate of 99%, for the ACS Group and 1% for Trebol. The ownership interest in Trebol was distributed among the shareholders at a rate of 99% for Trebol Holdings S.A.R.L. and 1% for the ACS Group. At both companies 60% of the voting rights pertain to Trebol Holdings S.A.R.L. and the remaining 40% to the ACS Group. Accordingly, Admirabilia, S.L. was accounted for in the ACS Group by the equity method, the gain on the disposal of the company net of taxes amounted to EUR 336,417 thousand, which was recognised under "Gains or Losses on Disposals and Others". In relation to said transaction, the ACS Group is entitled to additional compensation, which has not been considered in the calculation of the gain on the transaction, for the ownership interest sold in the event that certain corporate transactions are performed in the future at Abertis Infraestructuras, S.A. On the other hand, there are no agreements between shareholders giving rise to the transfer of risks and benefits associated to this ownership interest nor does the ACS Group maintain risks associated with the ownership interest in Abertis, which is considered to be an associate, since the Group continues to have significant influence on the management of the company through its positions on the Board of Directors.

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

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

- **Hochtief, A.G.**

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

In relation to the equity swap arising from the Takeover Bid, the treasury shares were used first (which on 31 December 2010 represented approximately 6.2% of the share capital). If these shares had been insufficient to cover the acceptance level, the ACS Group could deliver newly issued shares as resolved by the General Shareholders' Meeting held on 19 November 2010, to contingently increase and for a maximum of 50% of the ACS capital (which has not been necessary given the volume of acceptance of the bid).

On 1 December 2010, ACS, Actividades de Construcción y Servicios, S.A. published the voluntary bid document, which was amended on 15 December through a new document whereby the bid was increased to 9 shares of ACS for 5 shares of Hochtief, A.G. The bid period expired on 29 December 2010, and the following additional period expired on 18 January 2011. Finally, once the period for possible withdrawals was finalised on 1 February 2011, they finally accepted the bid for a total of 2,805,599 shares, which represent 3.6436% of the share capital of Hochtief, A.G. (after the 10% increase in the share capital of this company on 10 December 2010).

From the end of the additional bid acceptance period to the end of the withdrawal period, the ACS Group acquired 1,999,241 shares of Hochtief, A.G. which represent 2.60%, which along with the shares that already held, amounted to 25,788,840 shares representing 33.492% of the share capital of Hochtief, A.G. On 4 February 2011, the takeover bid was settled through the physical delivery of the ACS shares to the Hochtief, A.G. shareholders, who accepted.

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

Taking into account the above, at 31 December 2010, ACS, Actividades de Construcción y Servicios, S.A., has a direct 4,45% ownership interest in the shares capital of Hochtief A.G. amounting to EUR 287,606 thousand.

In relationship to the ownership interest in Hochtief, A.G., a company traded through the Frankfurt stock exchange, since the market price stood at EUR 62.74 in the last quarter and EUR 63.54 at the end of the year ended 31 December 2010, amounts which were lower than the acquisition cost, the Company considered it to be possible for signs of impairment to exist and performed the corresponding test. For the performance of this test, the Group based its calculations on public market information from three analysts regarding the business plan (since as a result of the takeover bid, many of the analysts are restricted) to 2012, making their own projections between 2013 and 2015, using a perpetual growth rate (g) of 0.66% and discounting at a rate (weighted average cost of capital or WACC) of 8.7%. A sensitivity analysis has also been conducted by considering different sales growth scenarios, discount rates and perpetual growth rates. Both in the baseline and in the rest of the scenarios considered, the recoverable value of this investment would be above its carrying value.

In addition to the above test, a calculation was performed based upon the same criteria as in the previous year and public information from market analysts. Said calculation includes the analysts' valuation of the different business segments of the German group, identified as services and real estate activities, construction for Europe and America, valuation of Hochtief for the concession business and the stock market valuation for Asia/Pacific construction. Given this calculation, neither has the need to fund a provision for impairment of the Hochtief, A.G., placing its fair value above the cost of the ownership interest. In the Group's opinion, there are no reasonable changes in the main assumptions which might give rise to the impairment of the ownership interest in Hochtief, A.G. For this reason, the provision recognised in the previous year amounting to EUR 27,989 thousand was reversed (Note 17.4).

Additionally in 2010, ACS, Actividades de Construcción y Servicios, S.A. arranged two "equity swaps" in 2010, to be settled only for differences in relation to the 2.99% and the 2.35% of the share capital of Hochtief A.G. These equity swaps were finally fully settled in the month of February 2011. On 31 December 2010, the fair value of these swaps was included under the heading "Non-Current Financial Assets - Derivative" on the asset side of the accompanying balance sheet, having recognised the effect of their valuation in profit or loss since they were not considered to be hedges (Note 10.2).

- **Other subsidiaries**

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

The changes in the equity instruments of Group companies and Associates in 2009 were as follows:

Item	Thousands of Euros										
	Beginning balance			Cost			Provision		Ending balance		
	Cost	Provision	Net Balance	Additions	Transfers	Disposals	Charges for the Year	Amounts used	Cost	Provision	Net Balance
Group	1,664,987	(92,772)	1,572,215	59	-	(127,479)	(59)	-	1,537,567	(92,831)	1,444,736
Associates	1,299,711	-	1,299,711	-	-	-	(27,989)	-	1,299,711	(27,989)	1,271,722
Total	**2,964,698**	**(92,772)**	**2,871,926**	**59**	**-**	**(127,479)**	**(28,048)**	**-**	**2,837,278**	**(120,820)**	**2,716,458**

The most significant changes in 2009 were as follows:

- The divestment amounting to EUR 127,479 thousand relating to the reduction of the investment in ACS, Servicios y Concesiones, S.L. as a result of an extraordinary dividend received by the Company as a result of the refund of the share premium.

- In relationship to the ownership interest in Hochtief, A.G., a company listed on the Frankfurt stock exchange, since the market price stood at EUR 54.31 in the last quarter of 2009 and EUR 53.55 at the end of the reporting period, amounts which were lower than the acquisition cost, the Company considered possible signs of impairment to exist and performed the corresponding test.

  For the purpose of performing this test, the Company used public information from market analysts relating to the target price of the share of the Hochtief group. This calculation includes the valuation of the German group's different business segments, identified as concession, services and real estate, and construction Europe, America and Asia/Pacific. The value of the aforementioned business segments was calculated based on the related activity, using the cash flow discount associated with the business plans presented by the Group in the case of the construction and real estate segments and the expected cash flows to shareholders until the end of the concession period in the case of concession activity, as well as performance and market price in the case of subsidiaries listed on stock markets. As a result of this calculation, the analyst's market price gave rise to the existence of impairment in the ownership interest of approximately EUR 8 per share, and accordingly, the Company recognised a provision amounting to EUR 27,989 thousand relating to the impairment of the ownership interest held at the end of the reporting period in Hochtief, A.G. As a result of the impairment test performed in 2010, this provision was reversed.

Of the interest in Group Companies, Associates and available-for-sale financial assets, the following are directly or indirectly listed on the stock exchange:

Company	Euros per Share			
	Average Fourth Quarter of 2009	2009 Year-End	Average Fourth Quarter of 2010	2010 Year-End
Abertis Infraestructuras, S.A.	15.37	15.72	13.548	13.455
Iberdrola, S.A.	6.43	6.67	5.740	5.768
Hochtief, A.G.	54.31	53.55	62.74	63.540

At 31 December 2010 the Company had pledged the shares of Residencial Monte Carmelo, S.A. (company with an ownership interest in Iberdrola, S.A.), the shares of Cariátide, S.A. (company with an ownership interest in Hochtief, A.G.), the shares of Roperfeli, S.L. (company with an ownership interest in Iberdrola, S.A.), the shares of Admirabilia, S.A. (company with an ownership interest in Abertis Infraestructuras, S.A.) and the shares of Corporate Funding, S.L. (company with an ownership interest in Iberdrola, S.A.), to secure the financing obtained for its acquisition.

Additionally, the Company pledged 105,702,871 shares of Iberdrola, S.A. to secure the non-current financing obtained for its acquisition (Note 14.1).

At 31 December 2010 and 2009 the Company had no firm commitments to purchase or sell financial assets other those relating to the takeover bid for Hochtief A.G.

Non-current loans to Group companies:

The detail of loans to Group companies at 31 December 2010 and 2009 is as follows:

Company	Thousands of Euros	
	2010	2009
Roperfeli, S.L.	110,000	-
Residencial Monte Carmelo, S.A.	-	638,158
Cariátide, S.A.	389,371	366,928
Villa Áurea, S.L.	-	214,102
Áurea Fontana, S.L.	-	633,210
ACS, Telefonía Móvil, S.L.	180,066	171,597
Corporate Funding, S.L.	390,016	-
Total	**1,069,453**	**2,023,995**

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

The loan granted to Corporate Funding, S.L. relates to the contribution made to this company to finance the acquisition of 3.165% of Iberdrola, S.A. The financing, which is considered to be a subordinated loan, earns interest at a fixed rate and its interest is capitalised. It matures on 31 December 2013.

The loan granted to Residencial Monte Carmelo, S.A. relates to the contribution made to this company to partially finance the acquisition of 6.576% of Iberdrola, S.A. The financing, which is considered to be a participating loan, earns interest at a fixed rate and its interest is capitalised. It matures on 31 December 2011. As a result of its maturity, it was reclassified to a current loan.

The loan granted to Cariátide, S.A. relates to the contribution made to this company as a participating loan for the financing of the acquisition of 22.80% of Hochtief, A.G. This loan earns interest at both a fixed and floating rate, on the basis of the company's net profit, and interest is capitalised annually. This loan matures on 31 October 2012.

The amount granted to Villa Aurea, S.L. relates to a credit line of up to EUR 400 million, maturing at 6 August 2012, at an interest rate tied to Euribor, in order to partially finance the acquisitions of Iberdrola, S.A. and Abertis Infraestructuras, S.A. which it held at 31 December 2010 for the purpose of selling Abertis Infraestructuras, S.A. was repaid.

The amount granted to Áurea Fontana, S.L. related to a credit line of up to EUR 800 million maturing on 7 July 2012, at an interest rate tied to Euribor, in order to partially finance the acquisition of Abertis Infraestructuras, S.A. held. At 31 December 2010 and given the sale of Abertis Infraestructuras, S.A., it was repaid.

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

- A credit line maturing in September 2012, with an interest rate tied to Euribor, whose balance at 31 December 2010 was EUR 117,177 thousand (EUR 108,911 thousand at 31 December 2009), whose interest is added to the principal.

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

Grant Date	Thousands of Euros	Maturity Date
June 2001	13,972	June 2021
December 2001	9,980	December 2021
January 2002	9,980	January 2022
April 2002	5,988	April 2022
February 2004	2,595	February 2024
March 2009	20,373	March 2015
Total	**62,888**	

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

9.4 <u>Disclosures on the nature and level of risk of financial instruments</u>

9.4.1 Qualitative disclosures

The Company's financial risk management is centralised in its General Corporate management, which has established the mechanisms required to control exposure to interest rate and exchange rate fluctuations and credit and liquidity risk. The main financial risks affecting the Company are as follows:

a. *Credit risk*

In general, the Company holds its cash and cash equivalents at banks with high credit ratings.

Also, it should be noted that the Company does not have a significant concentration of credit risk exposure to third parties.

b. *Liquidity risk*

For the purpose of ensuring liquidity and enabling it to meet the payment obligations arising from its business activities, the Company has the cash and cash equivalents disclosed in its balance sheet, together with the credit and financing facilities detailed in Note 14.

c. *Market risk (includes interest rate, foreign currency and price risks):*

Both the Company's cash and cash equivalents and its financial liabilities are exposed to interest rate risk, which could have an adverse effect on its financial results and cash flows. Consequently, the Company's policy is to the greatest expense possible to have the majority of its non-current financial liabilities bear interest at fixed rates.

In view of the nature of the Company's business activities, it is not exposed to foreign currency or other price risks, except for those indicated in the financial statements in relation to its investments in Iberdrola, S.A. and Hochtief, A.G.

9.4.2 Quantitative disclosures

a) *Interest rate risk*:

At 31 December 2010, the Company had a syndicated loan amounting to a face value of EUR 1,594,450 thousand, whose entity agent was Caja Madrid. This loan matures on 22 July 2012, at which time a single repayment is to be made in full. The Company has entered into a derivates agreement (interest rate swap) to hedge the interest rate risk and 30.1% of the Company's non-current bank borrowings are hedged.

This cash flow hedge is detailed in Note 10.

b) *Liquidity risk*

The Company has working capital amounting to EUR 2,295,755 thousand, of which the cash and current financial assets available amounted to EUR 1,136,590 thousand, which enables the company to satisfactorily meet all its short-term payment commitments.

10.- Derivative financial instruments

10.1 Hedging instruments

The Company uses derivative financial instruments to hedge the risks to which its business activities, operations and future cash flows are exposed. Within the framework of these transactions, the Company has arranged a hedging instrument, and specifically an interest rate swap for cash flows.

						Fair Value (Thousands of Euros)	
	Classification	**Type**	**Amount Contracted (Thousands of Euros)**	**Maturity Date**	**Inefficient Portion Recognised in the Income Statement (Thousands of Euros)**	**2010**	**2009**
Interest rate swap	Interest rate hedge	Floating to fixed	1,500,000	22-07-2012	-	630	27,441

The hedging instrument matures in the same year in which cash flows are projected and in which they are expected to affect profit and loss.

The Company has complied with the requirements detailed in Note 4.5.4 on measurement bases in order to be able to classify the financial instruments as hedges. Specifically, these instruments were formally designated as hedges and the hedges were assessed as being effective.

10.2 Derivative Instruments not qualified as hedges

At 31 December 2010 and 2009, noteworthy among the derivative instruments not qualified as hedges were the prepaid forward shares held in relationship to the ownership interest in Iberdrola, S.A., the equity swap relating to the ownership interest in Hochtief A.G. and stock option plans. As discussed in Note 13.1.2, the Group has granted stock option plans to certain managers and directors carrying out executive functions. The obligations arising from these plans have been externalised and transferred to a financial institution. In relation to these obligations, the financial institution has a put option hedging the risk that the value of the stock option will be less than the exercise price.

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

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

The liabilities relating to financial instruments not qualified as hedges include the fair value of the derivates which do not meet hedging conditions. In this connection the most significant liability relates to the derivative included in the externalisation to a financial institution to the 2010 stock option plans amounting to EUR 56,370 thousand at 31 December 2010 (EUR 613 thousand at 31 December 2009) included under "Derivative financial liabilities" in the accompanying balance sheet, which relate to is fair value at this date. The financial institution has acquired these shares on the market for delivery to the management who are beneficiaries of this Plan in accordance with the conditions therein, at the exercise price of the option. The changes in the fair value of these derivatives recognised in profit or loss amount to EUR 53,057 thousand at 31 December 2010 (profit of EUR 2,986 thousand at 31 December 2009).

Assets for derivatives not qualified as hedging include the fair value measurement of derivatives over financial instruments at Hochtief, A.G. which were settled by differences amounting to EUR 30,005 thousand at 31 December 2010, and this amount was also recognised as a profit under the heading "Change in Fair Value of Financial Instruments" in the 2010 income statement (Note 9.3).

At the end of December 2010, the ACS Group purchased a firm ownership interest of 1.9% in the shares of Iberdrola, S.A. which granted it with all the voting and dividend rights associated thereto. To finance this acquisition, the ACS Group structured the transaction through the signing of a prepaid forward share with a financial institution, maturing at 27 June 2012, which can only be settled in cash and can be partially or fully settlement at any time. The derivative relating to this transaction, which is secured by a pledge and underlying of the share of Iberdrola, S.A., was assessed at fair value, with a profit of EUR 18,423 thousand being recognised at the end of the reporting period under the heading "Change in Fair Value of Financial Instruments" in the accompanying income statement.

In the beginning of 2009 the Company entered into a novation of the equity swap for 4.675% of the shares of Iberdrola, S.A. This novation extends the period for the exercise of the equity swap; the exercise of voting rights inherent to the underlying shares shall correspond to ACS, Actividades de Construcción y Servicios, S.A. and accordingly, the financial institution commits to being represented at all Shareholders' Meetings held by Iberdrola, S.A. by the representative appointed by ACS, who is entitled to vote freely. The equity swap may now only be settled by the physical handing over of shares, unless the market price of the share is less than EUR 4 in which case ACS, Actividades de Construcción y Servicios, S.A. may settle the swap by means of differences. Accordingly, ACS, Actividades de Construcción y Servicios, S.A. now directly and indirectly holds 4.675% in accordance with the share capital of Iberdrola at 31 December 2010) of the voting rights in the electricity utility. As a result of this novation the Company recognised the investment through an equity swap at fair value on the asset side of its balance sheet under "Non-Current Financial Assets-. Equity Instruments" and the financing relating to this asset were recognised under "Bank Borrowings" in the accompanying balance sheet at 31 December 2009 (Notes 9.1 and 14).

11.- Non-current assets held for sale

At 31 December 2010 there were no non-current assets held for sale since the sale of Unión Fenosa, S.A. had been completed in February 2009.

12.- Equity

At 31 December 2005, the share capital of the Parent amounted to EUR 157,332 thousand and was represented by 314,664,594 fully subscribed and paid shares of EUR 0.5 par value each, all with the same voting and dividend rights.

In 2009, as resolved by the General Shareholders' Meeting held on 25 May 2009, the Company redeemed 3,979,380 treasury shares, and therefore the share capital stood at EUR 157,332,297 corresponding to 314,664,594 fully subscribed and paid shares of EUR 0.5 par value each, all of the same class and with the same voting and dividend rights.

The shares of ACS, Actividades de Construcción y Servicios, S.A. are listed on the Madrid, Barcelona, Bilbao and Valencia Stock Exchanges and traded through the Spanish computerised trading system.

At 31 December 2010, the shareholders with an ownership interest of over 10% in the Company's share capital were Corporación Financiera Alba, S.A. with an ownership interest of 23.307%, Corporación Financiera Alcor, S.A. with an ownership interest of 13.860% and Inversiones Vesán, S.A. with an ownership interest of 12.521%.

The General Shareholders' Meeting held on 19 November 2010 agreed to increase the share capital to 157,000,000 ordinary shares with a par unit value of EUR 0.50 each in order to be fully paid through the non-cash contributions consisting of Hochtief, A.G. shares, made by the shareholders of Hochtief, A.G. who accepted the takeover bid. Given the volume of acceptance of the takeover bid, it was not necessary to increase capital.

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

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

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

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

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

12.1 Legal reserve

Under Article 274 of the Consolidated Text of the Spanish Limited Liability Companies Law, 10% of net profit for each year must be transferred to the legal reserve until the balance of this reserve reaches at least 20% of the share capital. The legal reserve can be used to increase capital provided that the remaining reserve balance does not fall below 10% of the increased share capital amount. Except as mentioned above, until the legal reserve exceeds 20% of share capital, it can only be used to offset losses, provided that sufficient other reserves are not available for this purpose.

At the end of 2010 and 2009 the balance of this reserve had reached the legally required minimum.

12.2 Goodwill reserve

In accordance with Article 273.4 of the Consolidated Text of the Spanish Limited Liability Companies Law, since goodwill is recognised on the asset side of the balance sheet, as part of the distribution of profit for each year, an amount equal to at least five percent of the goodwill recorded must be allocated to a restricted reserve. In the event that no or insufficient profit is earned, unrestricted reserves are to be used for this purpose. At 31 December 2010 the balance of this heading amounted to EUR 82,416 thousand (EUR 41,208 thousand at 31 December 2009).

12.3 Limits on the distribution of dividends

In Note 3 the interim dividend paid and the proposed distribution of profit is indicated, and includes the allocation made to a restricted reserve in relation to goodwill.

12.4 Treasury shares

The changes in "Treasury Shares" in 2010 and 2009 were as follows:

	2010		2009	
	Number of Shares	**Thousands of Euros**	**Number of Shares**	**Thousands of Euros**
At beginning of year	-	-	-	-
Purchases	19,714,863	689,521	7,981,082	261,787
Sales	(172,480)	(6,030)	(4,001,702)	(130,598)
Redemption July 2009	-	-	(3,979,380)	(131,189)
At end of year	**19,542,383**	**683,491**	-	-

At the end of 2010, these shares represented 6.21% of the share capital.

13.- Provisions and contingencies

13.1 Provisions

The detail of provisions in the balance sheet at the end of 2010, and of the main changes therein during the year is as follows (in thousands of euros):

Non-current provisions	2010			
	Balance at 01/01/10	**Charges for the Year**	**Reversals and Use**	**Balance at 31/12/10**
Liabilities and taxes	80,958	28,979	(50,222)	**59,715**
Total non-current provisions	**80,958**	**28,979**	**(50,222)**	**59,715**

Current provisions	2010			
	Balance at 01/01/10	Charges for the Year	Amounts used	Balance at 31/12/10
Trade receivables	12,280	3,262	**(416)**	**15,126**
Total current provisions	**12,280**	**3,262**	**(416)**	**15,126**

The Company has recorded provisions for contingencies and expenses relating to the estimated amount required for probable or certain third-party liability and to obligations outstanding whose exact amount cannot be determined or whose date of payment is uncertain, since it depends on compliance with certain conditions. These liabilities include, inter alia, the provision relating to the uncertain amount of tax obligations which depend on the final decisions handed down in relation thereto. This provision is recorded when the related liability matures.

Also in 2010, the Company reassessed the risks associated with the current provisions as well as the time frame in which outflows of cash may arise in relation thereto, and accordingly, provisions were made amounting to approximately EUR 28,979 thousand in 2010, which are included under "Other Results" in the accompanying balance sheet.

In 2010, the most relevant change took related to the reversal of the provisions associated with tax risks, and mainly, the deduction for exporting activities, once a judgement was handed down which was largely in favour of the ACS Group at the TEAC and the audit was completed by the tax authorities in the month of July 2010.These reversals were recognised under "Overprovisions" in the accompanying income statement for 2010.

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

13.1.1 Obligations to employees

Defined benefit pension obligations

The detail of the current value of the post-employment commitments assumed by the Company at the end of 2010 and 2009 is as follows:

	Thousands of Euros	
	2010	2009
Retired employees	194,728	194,676
Current employees	36,442	47,041

These defined benefit pension obligations are funded by group life insurance polices, in which investments have been assigned whose flows coincide in time and amount with the payment schedule of the insured benefits.

The current value of the commitments was determined by qualified independent actuaries, and the actuarial assumptions used are as follows:

Actuarial Assumptions	2010	2009
Technical interest rate	4.81%	3.27%
Mortality tables	PERM/F – 2000 P	PERM/F – 2000 P
Annual rate of increase of maximum social security pension benefit	2%	2%
Annual wage increase	2.35%	2.35%
Retirement age	65 years	65 years

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

The contributions made by the Company to the insurance policy in relation to defined contribution and defined benefit pension plans, which were recognised under "Staff Costs" gave rise to a gain of EUR 109 thousand (EUR 205 thousand in 2009) as a result of the increase in benefits by Social Security which was higher than the average salary increase for this group of employees. The contributions made by the Company to the insurance policy in relation to defined contribution and defined benefit pension plans amounted to EUR 3,071 thousand (EUR 2,975 thousand in 2009),which are also recognised under "Staff Costs" in the income statement.

At 31 December 2010 and 2009, there were no outstanding accrued contributions.

13.1.2 Equity instrument based payments

As described in the measurement bases (Note 4.14) in relation to equity instrument based payments to employees, the company recognises the services received as an expense, based on their nature, and an increase in equity upon settling the equity instrument based payment plan.

Under no circumstance does the stock option plan involve the issuing of equity instruments in addition to those already outstanding at 31 December 2010 and 2009.

In 2010 and 2009 there were three stock option plans, the salient features of which are as follows:

2004 Plan

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

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

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

Acquisition price: EUR 13.91 per share.

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

In 2010 2,720,000 of the 2004 plan options were exercised (1,869,500 in 2009). This plan has been fully exercised at 31 December 2010.

2005 Plan

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

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

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

Acquisition price: EUR 24.10 per share.

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

At 31 December 2010, 3,158,400 of the 2005 plan had been exercised (2,362,768 at 31 December 2009).

The Company has externalised these commitments with a financial institution, and the finance cost recorded includes the cost borne by this entity as a result of the acquisition of the shares which are the subject of these plans.

2010 Plan

The General Shareholders' Meeting of ACS, Actividades de Construcción y Servicios, S.A. held on 25 May 2009 authorised the Board of Directors to set up a Stock Option Plan for the members of the management team of the ACS Group and of the main Group companies. At the proposal of the Appointment and Remuneration Committee and in accordance with the resolutions adopted by the Board of Director son 15 April 2010, the Company's Executive Committee, at its meeting held on 27 May 2010, agreed to set up a Stock Option Plan on the shares of ACS, Actividades de Construcción y Servicios, S.A. (2010 Stock Option Plan) which shall be regulated as follows:

Number of shares covered under the Plan: 6,203,454 shares (unit par value of EUR 0.50).

Beneficiaries: 57 managers – 1 manager with 936,430 shares, 1 manager with 752,320 shares, 1 manager with 652,320 shares, 2 managers with 351,160 shares, 8 mangers with 92,940 shares, 16 managers with 69,708 shares and 28 managers with 46,472 shares.

Acquisition price: EUR 34.155 per share.

The options will be exercisable in three half and equal parts and may be accumulated at the beneficiary's option in the fourth and fifth year after 1 May 2010, inclusively. However, in the case of the termination of an employee for causes other than just cause or the beneficiary's own will, the options will be exercisable six months following the event in question, in the cases of death, retirement, early retirement or permanent disability, and following 30 days in all other cases. At 31 December 2010, no options relating to this plan had been exercised.

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

In relation to the three aforementioned plans, the stock options are always to be exercised by means of equity instruments and never in cash. However, since the Group has hedged the commitments arising from these plans with a financial institution, in no case shall the exercise thereof involve the issue of equity instruments additional to those outstanding at 31 December 2010 and 31 December 2009. EUR 6,177 thousand (EUR 1,734 thousand in 2009) were charged to income in 2010 for these plans as staff costs relation to remuneration by means of equity instruments, and with a balancing entry in equity. This amount does not imply the recognition of income for the beneficiaries until the date on which the options are exercised, as set forth in the law in force. For the calculation of the total cost of the aforementioned share plans, the Company considered the financial cost of the shares on the date on which the plan was granted based upon futures curve on the notional value of each of them, the effect of the estimate of future dividends during the period well as the "put" value granted to the financial institution by applying the Black Scholes formula. This cost is distributed over the years of plan irrevocability.

The stock market price of ACS shares at 31 December 2010, was EUR 35,075 (EUR 34.81 at 31 December 2009).

13.2 Contingencies

Environment

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

CO_2 Emissions

Given the activities carried on by the Company, there are no matters relating to CO2 emissions affecting the Company.

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

14.1 Non-current financial liabilities

The balance of "Non-Current Financial Liabilities" at the end of 2010 and 2009 was as follows (in thousands of euros):

Class / Category	Non-Current Financial Liabilities					
	Bank Borrowings and Finance Leases		Derivatives and Other		Total	
	2010	2009	2010	2009	2010	2009
Accounts payable	4,989,283	4,143,750	-	-	**4,989,283**	**4,143,750**
Derivatives (Notes 10.1 and 10.2)	-	-	54,300	28,054	**54,300**	**28,054**
Total	**4,989,283**	**4,143,750**	**54,300**	**28,054**	**5,043,583**	**4,171,804**

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

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

	2009					
	2010	2011	2012	2013	2014 and Subsequent Years	Total
Bank borrowings	90,544	2,346,918	1,726,832	20,000	50,000	4,234,294

Notable under "Bank Borrowings" in the accompanying balance sheet at 31 December 2010 and 2009 is the syndicated loan amounting to a face value of EUR 1,594,450 thousand (1,500,000 thousand at 31 December 2009) arranged with 40 entities whose agent entity is Caja Madrid. This loan matures on 22 July 2012, at which time a single repayment is to be made in full.

The loan bears interest at a rate tied to Euribor and is guaranteed by other ACS Group companies. Compliance with certain ratios is required based on the EBITDA and net debt of the consolidated group and these ratios are being met. There is a hedging derivative instrument on this loan (Note 10.1).

In addition to the syndicated loan, the main non-current financing relates to the equity swap in Iberdrola, S.A. (Note 9.1) for which carrying amount of the liability was EUR 2,430,619 thousand at 31 December 2010 (EUR 2,306,918 thousand at 31 December 2009) which matures in March 2012. This liability bears interest at a rate tied to Euribor secured by an ownership interest of 5.069% of Iberdrola, S.A. The increase in the year relates to the extension of the "equity swap" en 21,600,000 shares in the third quarter of 2010.

Also noteworthy was the non-current financing obtained for the acquisition of 1.9% of Iberdrola, S.A. in the fourth quarter of 2010 for EUR 628,117 thousand and maturing at 27 June 2012, with an interest rate tied to Euribor, secured by a pledge of 1.9% of the shares of Iberdrola, S.A. at 31 December 2010. Subsequent to the end of the reporting period, the pledge of shares only affects 1.59% of the shares of Iberdrola, S.A.

14.2 Current financial liabilities

The balance of "Current Financial Liabilities" at the end of 2010 and 2009 is as follows (in thousands of euros):

Class / Category	Current Financial Liabilities					
	Bank Borrowings		Other		Total	
	2010	2009	2010	2009	2010	2009
Accounts payable	280,320	90,544	293,083	283,769	573,403	374,313
Total	**280,320**	**90,544**	**293,083**	**283,769**	**573,403**	**374,313**

At 31 December 2010, the Company had credit facilities with limits totalling EUR 644,900 thousand (EUR 655,000 thousand in 2009), of which EUR 195,967 thousand were drawn down (EUR 92 thousand in 2009).

The balance of "Other" includes the interim dividend payable at 31 December 2010 amounting to EUR 283,198 thousand (EUR 283,198 thousand in 2009) (Note 3) paid on 8 February 2011.

15.- Tax matters

15.1 Current tax receivables and payables

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

Tax receivables

	31/12/2010	31/12/2009
Corporation tax receivable	28,219	99,118
Other accounts receivable	280	2,615
Total	**28,499**	**101,733**

Tax payables

	31/12/2010	31/12/2009
Corporation tax payable	-	146,166
VAT payable	141	86
Tax withheld	717	691
Accrued social security taxes payable	55	56
Other	13	10
Total	**926**	**147,009**

15.2 Reconciliation of the accounting profit to the taxable profit

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

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

	2009 Thousands of Euros		
	Increases	Decreases	Total
Accounting profit before tax from continuing and discontinued operations			**805,066**
Permanent differences:			4,525
Non-deductible provisions	5,411	-	5,411
Exempt dividends	-	(4,802)	(4,802)
Non-deductible expenses	5,677	-	5,677
Other differences	-	(1,761)	(1,761)
Timing differences:			(15,894)
Arising in the year:			1,401
Merger goodwill	-	(30,032)	(30,032)
Externalised pension commitments	2,849	-	2,849
Other differences	28,584	-	28,584
Arising in prior years:			(17,295)
Externalised pension commitments	-	(19,425)	(19,425)
Use of provisions and others	3,137	(1,007)	2,130
Taxable profit			**793,697**

15.3 Tax recognised in equity

The detail of the taxes recognised directly in equity due to the application of the New Spanish National Charts of Accounts is as follows:

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

	2009		
	Thousands of Euros		
	Charge to Equity	Credit to Equity	Total
Deferred taxes:			
Measurement of hedging financial instruments	10,243	-	10,243
Available-for-sale financial assets	-	(21,710)	(21,710)
Total taxes recognised directly in equity			**(11,467)**

15.4 Reconciliation of accounting profit to the income tax expense

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

	2010	2009
Accounting profit before tax from continuing and discontinued operations	769,578	805,066
Tax charge at 30%	230,873	241,520
Impact of permanent differences	141,887	1,358
Tax credits:		
Double taxation	(331,175)	(244,788)
Reinvestment of profit and donations	(1,270)	(15,865)
Provisions and adjustments to previous years	18,668	(14,543)
Total income tax expense recognised in profit or loss from continued and discontinued transaction	**58,983**	**(32,318)**

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

	2010	2009
Continuing operations	**58,983**	**(54,385)**
Current tax	111,357	(41,053)
Deferred tax	(52,374)	(13,332)
Discontinued operations	-	**22,067**
Current tax	-	36,779
Deferred tax	-	(14,712)
Total income tax expense	**58,983**	**(32,318)**

15.5 Deferred tax assets recognised

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

	2010	2009
Temporary differences (prepaid taxes):		
Pension obligations	36,803	39,098
Measurement of hedging financial instruments	189	8,233
Available-for-sale financial assets	93,506	21,710
Other	17,184	16,237
Unused tax credits	16,626	14,712
Total deferred tax assets	**164,308**	**99,990**

The deferred tax assets indicated above were recognised because the Company's directors considered that, based on their best estimate of the Company's future earnings, including certain tax planning measures, it is probable that these assets will be recovered.

There were no deferred tax assets of a significant amount.

15.6 Deferred tax liabilities

The detail of the balance of this account at the end of 2010 and 2009 is as follows (in thousands of euros):

	31/12/2010	31/12/2009
Gains eliminated in the tax consolidation process	200,782	250,922
Merger goodwill	14,439	18,020
Total deferred tax liabilities	**215,221**	**268,942**

The decrease in deferred tax liabilities tied to gains eliminated in tax consolidation arose from the transactions performed in relation to the ownership interest in Abertis Infraestructuras, S.A. The shares the Company sold to other entities in the Tax Group in 2008 were sold to a third party in 2010, which gave rise the aforementioned eliminated gain, and the settlement of the deferred tax amounting to EUR 92,626 thousand. Additionally in 2010, the Company sold the other interest in Abertis Infraestructuras, S.A., to a new Group company, Admirabilia, S.A., giving rise to a new gain to be eliminated in tax consolidation and the recognition of a new deferred tax liability amounting to approximately EUR 44,895 thousand.

15.7 Tax incentives

In 2010 the Company fulfilled its outstanding reinvestment commitment arising from the sale of its ownership interest in Unión Fenosa, S.A. in 2009, through an investment of EUR 533,330 thousand in the ownership interests in the share capitals of other companies. Accordingly, it will recognise the tax credit for reinvestment amounting to EUR 14,172 thousand already recognised in the balance sheet closed at 31 December 2009.

Also, the Company is subject to the commitment to maintain investments in relation to the tax credits of which it availed itself in 2003, 2005, 2006 and 2009 for the reinvestment of gains, as indicated in the "Tax Matters" section of the notes to the financial statements of the corresponding years.

15.8 Years open for review and tax audits

Under current legislation, taxes cannot be deemed to have been definitively settled until the tax returns filed have been reviewed by the tax authorities or until the four-year statute-of-limitations period has expired. Specifically, audits on Corporation tax are pending for the years 2006 to 2009 and for the years from 2007 to 2010 for other taxes. The Company's directors consider that the tax returns have been filed correctly and, therefore, even in the event of discrepancies in the interpretation of current tax legislation in relation to the tax treatment afforded to certain transactions, such liabilities as might arise would not have a material effect on the accompanying financial statements.

In 2010 the audit being performed on Corporation tax for the years 2003 to 2005 and for all other domestic taxes, was completed by the tax inspection authorities. Also concluded was the audit on the former Group Dragados in relation to tax credits on export activity in the years 2001 and 2002 by the Central Large Taxpayer Unit.

In this inspection, in acceptance of the tax assessment, the Company adjusted a portion of the amortisation and depreciation charge being deducted in relation to the goodwill arising from the merger with Grupo Dragados, S.A.

Under this tax inspection, a value was allocated to the balance sheet items of the merged company which partially adjusts the value recognised by the Company in the financial statements for 2003. Additionally, the Company filed a supplementary return for the years 2006 to 2008 to adjust the amount declared to the inspection criteria. The tax charges adjusted for the years 2003-2008, as well as the adaption of the 2009 tax charges were paid, giving rise to a charge of EUR 21,475 thousand to "Corporation Tax Expense – Adjustments" and of EUR 8,398 thousand to "Deferred Tax Liabilities" in 2010.

The amounts relating to other corporation tax items, including the export tax attributable to the Company, were immaterial and the related cost was covered with the existing provisions.

Finally, the tax assessments raised in relation to VAT for the years 2004 and 2005 amounting to EUR 2,046 thousand were signed in protest and appealed

16.- Foreign currency

The most significant foreign currency transactions carried out in 2010 amounted to GBP 336 thousand and US 215 thousand, and were related mainly to professional fees. In 2009 this balance related to professional fees amounting to USD 80 thousand.

The exchange gains recognised in income for 2010 amounted to EUR 20 thousand (losses of EUR 32 thousand. in 2009).

17. - Income and expenses

17.1 Revenue

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

	2010	2009
Group companies and Associates	909,709	717,978
Dividends from non-current financial assets	119,695	83,833
Group companies and Associates	116,757	139,297
Sales	6,449	5,186
Provision of services	1,408	1,261
Total	**1,154,018**	**947,555**

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

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

17.2 Employee benefit costs

The balance of "Employee Benefit Costs" in the income statement at 31 December 2010 and 2009 is as follows (in thousands of euros):

	2010	2009
Employee benefit costs		
Employer social security taxes	920	860
Contributions to pension plans (Note 13.1)	2,962	2,770
Other employee benefit costs	976	627
Total	**4,858**	**4,257**

17.3 Financial income and financial costs

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

	2010		2009	
	Financial income	Financial costs	Financial income	Financial costs
Application of the effective interest method	50,670	241,681	25,028	227,748

17.4 Other profit or loss

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

The amount recognised in 2009 under "Other Profit and Loss" in the income statement relates to commitments assumed by the Company in relation to certain Group companies.

18.- Related party transactions and balances

18.1 Related party transactions

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

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

In addition to the transaction included above, financial costs were payable to significant shareholders of the Company as a result of the takeover for the shares of Hochtief, A.G. In this regard and tied to this process, the shareholders Corporación Financiera Alba,S.A., Iberostar Hoteles y Apartamentos, S.L. and Inversiones Vesan, S.A., arranged certain share loan commitment agreements from the Company ACS, Actividades de Construcción y Servicios, S.A. so that together with its portfolio and additional shares issued by the Company if necessary, they could be used in the takeover bid for Hochtief, A.G. However, these shares were not authorised by the German regulator in the Memorandum giving rise to the approval of the takeover bid. The expenses incurred by ACS in relation to this share loan commitment was EUR 15,291 thousand, EUR 2,860 thousand and EUR 2,885 thousand, respectively. These expenses were paid prior to the end of the year.

The detail of related party transactions performed in 2009 is as follows:

Income (-), Expense (+)	2009	
	Group companies	Associates
Asset purchases	1,937	-
Reception of services	6,296	-
Operating lease agreements	2,069	-
Interest received	39,296	-
Interest paid	(139,297)	-
Accrued interest collectible	19,337	-
Accrued interest receivable	(1,286)	-
Dividends	(655,616)	(62,362)
Cost apportionment agreement	(2,085)	(3)
Other profit or loss	3,100	-

18.2 Related party balances

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

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

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

The detail of the balances with related parties in the balance sheet at 31 December 2009 is as follows (in thousands of euros):

	2009	
	Group Companies	Associates
Non-current financial assets	**3,468,731**	**1,271,722**
Equity instruments (Note 9.3)	1,444,736	1,271,722
Loans to companies (Note 9.3)	2,023,995	-
Sundry accounts receivable	**284,778**	**647**
Current financial assets	**849,491**	-
Loans to companies	598,998	-
Other financial assets	250,493	-
Non-current liabilities	**1,497,585**	-
Current financial liabilities	**1,086,266**	-
Trade payables	**23,354**	-

Additionally, the Company recognised an interim dividend payable at the end of 2009 amounting to EUR 283,198 thousand (Notes 3 and 14).

The detail, at 31 December 2010 and 2009, of "Current Loans to Group Companies" is as follows:

	Thousands of Euros	
	2010	**2009**
Residencial Monte Carmelo, S.A.	1,342,121	400,343
Cariátide, S.A.	70,770	197,992
ACS Telefonía Móvil, S.L.	100	75
Other	195	588
Total	**1,413,186**	**598,998**

The loans to Residencial Monte Carmelo, S.A. and to Cariátide, SA. include the financing arranged by the Company in order to enable it to cover its investment coverage ratios at 31 December 2010 and 2009 (Note 9.2). These credits are tied to a fixed rate.

In relation to the loans that financed the investment s of Residencial Monte Carmelo, S.A. (6.576% of Iberdrola, S.A.) and Cariátide (22.80% of Hochtief, A.G.), the financing agreements entered into stipulate, amongst other things, that coverage ratios must be met or otherwise, the pledges on the shares of Iberdrola, S.A. and Hochtief, A.G. could be executed. In the event that the coverage ratios were not maintained, ACS, Actividades de Construcción y Servicios, S.A. would be obligated to contribute additional funds. At 31 December 2010 the Company contributed funds to meet these ratios amounting to EUR 590,904 thousand. At 31 December 2008 the Company had contributed funds amounting to EUR 579,661 thousand.

The Company provisioned EUR 503,863 thousand for the balance of the loan to Residencial Monte Carmelo, S.A. as a result of the impairment test on the investment in Iberdrola S.A. of this company (Note 9.1). This provision amount is recognised under "Impairments and Losses" in the accompanying income statement.

The detail of "Non-Current Loans to Group Companies" at 31 December 2010 and 2009 is as follows:

	Thousands of Euros	
	2010	**2009**
PR Pisa, S.A.U.	1,740,876	1,409,412
Roperfeli, S.L.	-	80,343
Villa Áurea, S.L.	281,125	-
Áurea Fontana, S.L.	200,303	-
Novovilla, S.L.	-	7,285
Villanova, S.A.	-	545
Total	**2,222,304**	**1,497,585**

These loans are tied to Euribor and mature in 2012.

The detail of "Non-Current Loans to Group Companies" at 31 December 2010 and 2009 is as follows:

	Thousands of Euros	
	2010	**2009**
Dragados, S.A.	820,886	1,020,714
Novovilla, S.A.	61,000	14
Cariátide, S.A.	11,299	11,605
Aurea Fontana, S.L.	11,685	8,361
Others of lesser amounts	11,262	45,572
Total	**916,132**	**1,086,266**

The balance payable to Dragados, S.A. relates to a credit agreement which matures annually and is automatically renewable, except in the case of express prior notice of termination by the parties thereto. This loan bears an interest rate tie to Euribor.

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

18.3 Remuneration of the Board of Directors and Senior Executives

The breakdown of the remuneration received in 2010 and 2009 by the members of the Board of Directors and Senior Executives of the Company is as follows (in thousands of euros):

	2010					
	Salaries (fixed and variable)	Attendance Fees	Pension Plans	Insurance Premiums	Stock options	Other
Board of Directors	6,744	2,441	2,152	16	1,324	-
Senior Executives	2,907	-	796	3	477	-

	2009					
	Salaries (fixed and variable)	Attendance Fees	Pension Plans	Insurance Premiums	Stock options	Other
Board of Directors	6,686	2,410	2,025	16	587	98
Senior Executives	2,684	-	745	4	80	-

At the end of 2010 and 2009, the Company had not granted any loans or advances to its Board Members or Senior Executives not had any termination benefits been paid thereto.

The amounts included under "Stock options" do not imply the recognition of income for the beneficiaries until the date on which the options are exercised, as set forth in the law in force.

18.4 Detail of investments in companies with similar activities and of the performance, as independent professionals or as employees, of similar activities by the Directors

Pursuant to Article 229 of the Consolidated Text of the Spanish Limited Liability Companies Law, following is a detail of the companies engaging in an activity that is identical, similar or complementary to the activity that constitutes the company object of ACS, Actividades de Construcción y Servicios, S.A. in which the members of the Board of Directors own equity interests, of the positions or functions, if any, that they discharge thereat:

Owner	Investee	Activity	Ownership Interest	Functions
Pablo Vallbona Vadell	Abertis Infraestructuras, S.A.	Concessions	0.001%	Board Member
Antonio García Ferrer	Ferrovial, S.A.	Construction	0.0000045%	None
Joan David Grimá Terré	Cory Environmental Management Limited	Environment	0.000%	Board Member
Pedro López Jiménez	GTCEISU Construcción, S.A. Grupo Terratest	Special Foundations	45.00%	Chairman (through Fapindus, S.L.)
Santos Martinez-Conde Gutiérrez-Barquín	Fomento de Construcciones y Contratas, S.A.	Construction and Services	0.004%	None

Owner	Investee	Activity	Ownership Interest	Functions
Santos Martinez-Conde Gutiérrez-Barquín	Técnicas Reunidas, S.A.	Construction of Industrial Facilities	0.002%	None
Santos Martinez-Conde Gutiérrez-Barquín	Repsol YPF, S.A.	Energy	0.001%	None
Santos Martinez-Conde Gutiérrez-Barquín	Indra Sistemas, S.A.	Information technologies and defence systems	0.002%	None
Santos Martinez-Conde Gutiérrez-Barquín	Endesa, S.A.	Energy	0.000%	None
Santos Martinez-Conde Gutiérrez-Barquín	Ferrovial, S.A.	Construction and Services	0.001%	None
Santos Martinez-Conde Gutiérrez-Barquín	Telefónica, S.A.	Telephony	0.001%	None
Santos Martinez-Conde Gutiérrez-Barquín	Abertis Infraestructuras, S.A.	Concessions	0.001%	None
Santos Martinez-Conde Gutiérrez-Barquín	Iberdrola Renovables, S.A.	Energy	0.000%	None
Santos Martinez-Conde Gutiérrez-Barquín	Gás Natural SDG, S.A.	Energy	0.001%	None
Santos Martinez-Conde Gutiérrez-Barquín	Enagas, S.A.	Energy	0.002%	None
Santos Martinez-Conde Gutiérrez-Barquín	Iberdrola, S.A.	Energy	0.001%	None
Julio Sacristán Fidalgo	Abertis Infraestructuras, S.A.	Concessions	0.00%	None
José Luis del Valle Pérez	Del Valle Inversiones, S.A.	Real Estate	33.33%	Board Member acting severally
José Luis del Valle Pérez	Inversiones Montecarmelo, S.A.	Real Estate	23.49%	None
José Luis del Valle Pérez	Sagital, S.A.	Private security and integral building maintenance	5.10%	None
Florentino Pérez Rodríguez	Abertis Infraestructuras, S.A.	Concessions	0.00%	Deputy Chairman

Also pursuant to the aforementioned law, following is a detail of the activities performed by the directors, as independent professionals or as employees, that are identical, similar or complementary to the activity that constitutes the company object of ACS, Actividades de Construcción y Servicios, S.A. recognised in 2010:

Name	Activity Performed	Type of Arrangement	Company through which the Activity is Performed	Position or Function at the Company Concerned
Pablo Valbona Vadell	Concessions	Employee	Abertis Infraestructuras, S.A.	Board Member
Pablo Valbona Vadell	Holding	Employee	Corporación Financiera Alba, S.A.	Deputy Chairman

Name	Activity Performed	Type of Arrangement	Company through which the Activity is Performed	Position or Function at the Company Concerned
Antonio García Ferrer	Construction	Employee	Dragados, S.A.	Board Member
Antonio García Ferrer	Industrial services	Employee	ACS, Servicios , Comunicaciones y Energía, S.L.	Board Member
Antonio García Ferrer	Urban services and concessions	Employee	ACS, Servicios y Concesiones, S.L.	Board Member
José María Aguirre González	Engineering and Assembly Work	Employee	Cobra Gestión de Infraestructuras, S.L.	Chairman
José María Aguirre González	Industrial services	Employee	ACS, Servicios , Comunicaciones y Energía, S.L.	Deputy Chairman
D. Manuel Delgado Solís	Construction	Employee	Dragados, S.A.	Board Member
Javier Echenique Landiribar	Industrial services	Employee	ACS, Servicios , Comunicaciones y Energía, S.L.	Board Member
Javier Echenique Landiribar	Finance	Employee	Banco Sabadell	Deputy Chairman
Javier Echenique Landiribar	Energy	Employee	Repsol YPF, S.A.	Board Member
Javier Echenique Landiribar	Paper	Employee	Ence, S.A.	Board Member
Juan March de la Lastra	Holding	Employee	Corporación Financiera Alba, S.A.	Board Member
Juan March de la Lastra	Information Technologies	Employee	Indra Sistemas, S.A.	Board Member
José María Loizaga Viguri	Lifts	Employee	Zardoya Otis, S.A.	Deputy Chairman
José María Loizaga Viguri	Venture Capital	Independent Professional	Cartera Industrial REA, S.A.	Chairman
Agustín Batuecas Torrego	Transport interchange	Employee	Intercambiador de Transporte de Avenida de América	Chairman
Agustín Batuecas Torrego	Rail transport of goods	Employee	Continental Rail, S.A.	Individual representing Continental Auto, S.L. Chairman and CEO
Agustín Batuecas Torrego	Transport interchange	Employee	Intercambiador de Transportes Príncipe Pío, S.A.	Individual representing Continental Auto, S.L. Chairman and CEO
Agustín Batuecas Torrego	Transport interchange	Employee	Intercambiador de Transportes Plaza de Castilla, S.A.	Individual representing Continental Auto, S.L. Chairman and CEO
Agustín Batuecas Torrego	Rail transport of goods	Employee	Construrail, S.A.	Board Member
Agustín Batuecas Torrego	Rail transport	Employee	Logitren	Joint Director
Pedro José López Jiménez	Paper	Employee	Ence, S.A.	Board Member

Name	Activity Performed	Type of Arrangement	Company through which the Activity is Performed	Position or Function at the Company Concerned
Pedro José López Jiménez	Industrial services	Employee	ACS, Servicios , Comunicaciones y Energía, S.L.	Board Member
Pedro José López Jiménez	Construction	Employee	Dragados, S.A.	Deputy Chairman
Pedro José López Jiménez	Urban services and concessions	Employee	ACS, Servicios y Concesiones, S.L.	Board Member
Pedro José López Jiménez	Special Foundations	Employee	GTCEISU Construcción, S.A.	Chairman (through Fapindus, S.L.)
Santos Martínez-Conde Gutiérrez- Barquín	Finance	Employee	Banca March, S.A.	Board Member
Santos Martínez-Conde Gutiérrez- Barquín	Steel	Employee	Acerinox, S.A.	Board Member
Santos Martínez-Conde Gutiérrez- Barquín	Holding	Employee	Corporación Financiera Alba, S.A.	CEO
Javier Monzón de Cáceres	Urban services and concessions	Employee	ACS, Servicios y Concesiones, S.L.	Board Member
Javier Monzón de Cáceres	Information Technologies	Employee	Indra Sistemas, S.A.	Chairman
Julio Sacristán Fidalgo	Toll road Concessions	Employee	Autopistas Aumar, S.A.C.E.	Board Member
Miguel Roca Junyent	Infrastructure Concessions	Employee	Abertis Infraestructuras, S.A.	Non-Board Member secretary
Miguel Roca Junyent	Finance	Employee	Banco Sabadell, S.A.	Non-Board Member secretary
Miguel Roca Junyent	Energy	Employee	Endesa	Independent External Board Member
Álvaro Cuervo García	Stock Exchange	Employee	BME-Bolsas y Mercados Españoles, S.A.	Board Member
José Luis del Valle Pérez	Urban services and concessions	Employee	ACS, Servicios y Concesiones, S.L.	Board Member-Secretary
José Luis del Valle Pérez	Industrial services	Employee	ACS, Servicios , Comunicaciones y Energía, S.L.	Board Member-Secretary
José Luis del Valle Pérez	Construction	Employee	Dragados, S.A.	Board Member-Secretary
José Luis del Valle Pérez	Engineering and Assembly Work	Employee	Cobra Gestión de Infraestructuras, S.L.	Board Member-Secretary
José Luis del Valle Pérez	Engineering and Assembly Work	Employee	Sociedad Española de Montajes Industriales, S.A.	Board Member-Secretary
José Luis del Valle Pérez	Infrastructure Concessions	Employee	Iridium Concesiones de Infraestructuras, S.A.	Board Member
José Luis del Valle Pérez	Integral Maintenance	Employee	Clece, S.A.	Board Member

Name	Activity Performed	Type of Arrangement	Company through which the Activity is Performed	Position or Function at the Company Concerned
José Luis del Valle Pérez	Concessions	Employee	Saba Aparcamientos, S.A.	Board Member
José Luis del Valle Pérez	Urban Services	Employee	Urbaser, S.A.	Board Member
José Luis del Valle Pérez	Investments	Employee	Del Valle Inversiones, S.A.	Board Member acting severally
José Luis del Valle Pérez	Motorway Concessions	Employee	Iberpistas, S.A.C.E.	Board Member-Secretary
José Luis del Valle Pérez	Concessions	Employee	Admirabilia, S.L.	Board Member
José Luis del Valle Pérez	Concessions	Employee	Trebol Internacional	Board Member
Joan David Grimá Terré	Environment	Employee	Cory Environmental Management Limited	Board Member
Francisco Verdú Pons	Holding	Employee	Corporación Financiera Alba, S.A.	Board Member
Francisco Verdú Pons	Finance	Employee	Banca March, S.A.	Deputy Chairman
Florentino Pérez Rodríguez	Concessions	Employee	Abertis Infraestructuras, S.A.	Deputy Chairman
Sabina Fluxá Thienemann	Tourism	Employee	Iberostar Hoteles y Apartamentos, S.L.	Board Member

In 2010 and 2009 the Company performed commercial transactions with companies in which certain of its Board Members perform management functions. All these commercial transactions were carried out on an arm's-length basis in the ordinary course of business, and related to ordinary Company transactions.

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

19.- Discontinued operations

In 2009 the Company sold the ownership interests it held in the Energy line of business. In accordance with the rules set forth in the Spanish National Chart of Accounts, the sale of this line of business was classified as a discontinued operation.

At 31 December 2009, there were no balances relating to discontinued operations.

The income, expenses and profit before tax recognised in the income statement at 31 December 2009 were as follows:

Detail of income and expenses from discontinued operations

(Thousands of Euros)

	2009
Net profit from operations	-
Financial income	-
Gains on the disposal of financial instruments	141,546
Financial profit	**141,546**
Profit before tax from discontinued operations	**141,546**
Income tax	(22,067)
Profit for the year relating to discontinued operations	**119,479**

At 31 December 2010, there was no income or expense relating to discontinued operations.

The net cash flows attributable to operating, investment and finance activities relating to discontinued operations are as follows:

Detail of the cash flows relating to discontinued operations
(Thousands of Euros)

	2009
Cash flows from operating activities	8,273
Cash flows from investing activities	533,330
Cash flows from financing activities	-
Total	**541.603**

20.- Other disclosures

20.1 Remuneration payable

The average number of employees in 2010 and 2009, broken down by category, is as follows:

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

Category	2009		
	Men	Women	TOTAL
University graduates	24	6	**30**
Junior college graduates	4	1	**5**
Non-graduate line personnel	-	13	**13**
Other staff	7	-	**7**
Total	**35**	**20**	**55**

Also, the distribution by sex at the end of 2010 and 2009, broken down by category, is as follows:

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

Category	2009		
	Men	Women	TOTAL
University graduates	24	6	**30**
Junior college graduates	3	1	**4**
Non-graduate line personnel	-	13	**13**
Other staff	7	-	**7**
Total	34	20	**54**

20.2 Fees paid to auditors

In 2010 the fees for financial audit services provided by the Company's auditors, Deloitte, S.L., or by a firm in the same group or related to the auditors amounted to EUR 161 thousand (EUR 159 thousand in 2009). No fees were billed for tax counselling services in 2010 or 2009. Additional fees for other attest services billed by Deloitte, S.L. in 2010 amounted to EUR 680 thousand and no fees were billed in this connection in 2009. The fees for other services billed by Deloitte, S.L. amounted to EUR 205 thousand, and no other fees were billed in this connection in 2009.

20.3 Guarantee commitments to third parties

The Company basically acts as guarantor to facilitate the granting of guarantees to Group companies and associates for their provision to Government bodies and private customers in order to secure the correct performance of their projects. The guarantees granted at 31 December 2010 amounted to EUR 145,952 thousand (EUR 111,346 thousand at 31 December 2009).

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

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

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

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

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

21.- Events after the reporting period

Noteworthy after the reporting period was the completion of the takeover bid for Hochtief in February 2011 by means of the Exchange of shares owned by ACS for the shares of Hochtief. Accordingly and as indicated in Note 9.3, its full ownership interest amounts to 33.492%. At the date of the presentation of these financial statements, the ACS Groups ownership interest in this company's share capital amounted to 37.6%.

Additionally, on 10 February 2011, the ACS Group entered into a financing agreement without recourse amounting to EUR 2,059 thousand in which the agent bank was the BBVA to expand the financing of Residencial Monte Carmelo, S.A. (company owning 6.58% of the shares of Iberdrola) up to 28 December 2014. With this renewal, the ACS Group assured the liquidity of its transactions.

In relation to the lawsuit filed at the Commercial Court of First Instance of Bilbao to demand the annulment of the resolution adopted at the General Shareholders' Meeting of Iberdrola held on 26 March 2010 by which it removed the Board Member chosen by ACS in exercise of its proportional representation right, on 26 January 2011 it was notified of the court's dismissal of the case. Given that it was not in agreement with this judgement, ACS decided to file an appeal to be decided by the Provincial Court of Vizcaya.

22.- Explanation added for translation to English

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

2010 Directors' Report of ACS, Actividades de Construcción y Servicios, S.A.

10 March 2011

1. – Company's business performance in 2010

ACS Actividades de Construcción y Servicios, S.A., the parent of the ACS Group, performed very positively in 2010. The Group's sales were the same as in 2009, but the profitability of its operations increased and the company was also able to decrease its borrowing.

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

Key operating and financial indicators			
Million of Euros	2009	2010	Var. 10/09
Revenue	**15,387.4**	**15,379.7**	**0,0%**
International	*25.8 %*	*31.8 %*	*+23.1%*
EBITDA	**1,429.3**	**1,505.2**	**+5.3%**
Margin	*9.3 %*	*9.8 %*	
EBIT	**1,073.9**	**1,099.3**	**+2.4%**
Margin	*7.0%*	*7.1 %*	
Net profit from continuing operations*	**836.9**	**923.1**	**+10.3%**
EPS from continuation operations	**€ 2.69**	**€ 3.08**	**+14.6%**
Attributable net profit	**1,946.2**	**1,312.6**	**-32.6%**
Cash flows from operations	**1,590.5**	**1,376.6**	**-13.4%**
Net investments	**(1,327.2)**	**2,324.4**	**n.a.**
Investments	4,577.9	5,111.9	+11.7%
Divestments	5,905.1	2,787.5	-52.8%
Net debt	**9,089.3**	**8,003.1**	**-12.0%**
Net recourse debt	219.3	956.6	+336.2%
Non-recourse financing	8,870.0	7,046.5	-20.6%

* Profit after taxes and non-controlling interests excluding ordinary profit and loss and discontinued operations

Note: The figures included in this report are presented in accordance with the Group's management criteria and may differ with respect to those presented in the financial statements due to certain reclassifications which have no effect on net profit. The figures for 2009 are presented in comparable terms by applying IAS 31 and IFRIC 12.

The main item of income of ACS Actividades de Construcción y Servicios S.A. relates to the dividends received from companies forming part of the consolidated group, a detail of which is as follows:

Dividends	**2009**	**%**	**2010**	**%**	**Var 09/10**
Construction	234.3	29%	207.5	20%	-11%
Environment and Logistics	40.6	5%	173.8	17%	328%
Industrial Services	291.2	36%	310.5	30%	7%
Other	235.7	30%	337.6	33%	43%
Total	**801.8**		**1,029.4**		**28%**

2.- Treasury shares

At 31 December 2010, the Company had 19,542,383 shares in its balance sheet, representing 6.21% of its share capital. The detail of the transactions performed in the year is as follows:

Treasury Shares	*Number of Shares*
Balance at 31 December 2009	0
Purchases	19,714,863
Sales	(172,480)
Amortisation of shares	0
Balance at 31 December 2010	19,542,383

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

3.- Risk management policy

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

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

The ACS Group monitors and controls the aforementioned risks in order to prevent an impairment of profitability for its shareholders, a danger to its employees or corporate reputation, a problem for its customers or a negative impact on the company as a whole.

For this purpose, the ACS Group has instruments enabling it to identify such risks sufficiently in advance or to avoid them, and to minimise the risk, prioritising their significance as necessary.

The ACS Group's 2009 Corporate Governance report details these risk control instruments, as well as the risks and uncertainties to which it was exposed over the year.

3.2 Financial risk management

As in the previous case, the ACS Group is exposed to various financial risks, including the risks of changes in interest rates and exchange rates, as well as liquidity and credit risk.

Risks arising from changes in interest rates affecting cash flows are mitigated by hedging the rates through the use of financial instruments which cushion their fluctuation. In this connection, the Company uses interest rate swaps to reduce exposure to non-current loans.

The risk of fluctuations in the rate of exchange is managed by acquiring debt instruments in the same effective currency as the assets that the Group finances abroad. In order to hedge net positions in currencies other than the Euro, the Group arranges different financial instruments to reduce the exposure to the risk of changes in exchange rates.

To manage the liquidity risk arising from temporary imbalances between funding requirements and receipt of the necessary funds, a balance is procured between the two terms involved while, at the same time, the Group borrows on a flexible basis designed to cater for its funding needs at any given time. This is linked to the management of capital by maintaining a financial-equity structure which is optimal for reducing costs, while safeguarding the capacity to continue operating with appropriate debt ratios. In this connection, noteworthy is the recent arrangement of a forward-start facility maturing in December 2014 for the purpose of extending the financing for the initial acquisition of shares of Iberdrola, which has contributed to an improvement in the average duration of the Group's financial liabilities.

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

A full detail of the mechanisms used to manage financial risks and of he financial instruments used to hedge these risks is included in the notes to the Company's financial statements for 2010.

4.- Human resources

In 2010 ACS Actividades de Construcción y Servicios S.A. employed an average 54 individuals. The Company's human resources policy is in the same line as that of the ACS Group, and is aimed at maintaining and hiring committed teams of individuals, with a high level of knowledge and specialisation, capable of offering the best service to the customer and generating business opportunities with rigour and efficiency.

The ACS Group had a total 138,542 employees at 31 December 2010.

5.- Technological innovation and environmental protection

ACS Actividades de Construcción y Servicios S.A. considers that sustainable growth, its vocation to care for and respect the environment and the meeting of the expectations that society places on it must all have a decisive influence on its strategy and on each of its actions.

This commitment is identified in each of the activities in which the Group is present, in each of the investments that it promotes and in the decisions that it takes in order to satisfy it customers and shareholders, to boost profitable growth, quality and technological development, while also attending to growing demands for respect of the environment by implementing measures to prevent or minimise the environmental impact of the Group's infrastructure development and service activities.

5.1 Research and development activities

On an individual basis, the Company does not engage in research and development. However, the ACS Group is committed to a policy of ongoing improvement of its processes and of applied technology in all activities. For this purpose, the ACS Group has its own research program aimed at developing new technological know-how applicable to the design of processes, systems, new materials, etc. in each activity that it manages.

5.2 Environmental protection

As in the previous case, on an individual basis, the Company does not carry on any environmental activity. However, the ACS Group's main activity, namely the development and maintenance of infrastructures, involves environmental impacts including the use of materials deriving from natural resources, the use of energy (both during construction as well as during the life of the various infrastructures), the generation of waste, as well as both visual effects and effects on the landscape.

In line with its vocation to protect the environment, which has prevailed since its creation, the ACS Group works in two main action areas: continue promoting the principal criteria of its environmental policy, the main objective of which is to minimise the environmental impact of its activity, and for an additional year, an Environmental Management System, which controls the specific actions of each Group company to protect the environment.

6.- Significant events subsequent to year-end

Noteworthy after the end of the reporting period was the completion of the takeover bid for Hochtief in February 2011 through the exchange of shares owned by ACS for the shares of Hochtief, thereby increasing its ownership interest in this company to 33.492%. At the date of the presentation of these financial statements, the ACS Group's ownership interest in this company's share capital amounted to 37.6%.

Additionally, on 10 February 2011, the ACS Group entered into a financing agreement without recourse amounting to EUR 2,059 thousand in which the agent bank was the BBVA to expand the financing of Residencial Monte Carmelo, S.A. (company owning 6.58% of the shares of Iberdrola) up to 28 December 2014. With this renewal, the ACS Group assured the liquidity of its transactions.

In relation to the lawsuit filed at the Commercial Court of First Instance of Bilbao to demand the annulment of the resolution adopted at the General Shareholders' Meeting of Iberdrola held on 26 March 2010 by which it removed the Board Member chosen by ACS in exercise of its proportional representation right, on 26 January 2011 the Company was notified of the court's dismissal of the case. Given that it was not in agreement with this judgment, ACS decided to file an appeal to be heard by the Provincial Court of Vizcaya.

7.- Outlook for 2011

The outlook of ACS, Actividades de Construcción y Servicios is influenced by the performance of the Group of which it is the Parent. Certain events in the recently ended year 2010 cause the ACS Group to approach 2011 cautiously. However, they also enable it to have an optimistic outlook. Although the economic situation in Spain is difficult, the recent investment and commitment to internationalisation will allow ACS to continue providing growth and sustainable value to shareholders.

The performance of construction in 2011 will depend to a large extent on the performance of the domestic market and of the international markets in which the Group is present:

- On the one hand, construction in Spain continues to be affected by the real estate crisis and the reduction in public resources for new infrastructures. Specifically, the civil engineering works segment, where the Group's exposure is highest, will depend on the performance of pubic accounts and economic recovery.

- On the other hand, internationally, the Outlook for 2011 centres on capitalising on infrastructure investments in the United States and Poland, where the Group has invested heavily in past years, in addition to markets in which the Group has traditionally been present such as Portugal and Chile, and where ACS competes in the concession and civil engineering projects. This increase in the internationalisation of construction activity will enable the projected drop in activity in the Spanish market to be offset.

The Group will continue to work towards maintaining its capacity to maintain high operating efficiency through cost containment and the management of working capital, variables which are crucial in a business which is competitive as construction.

In line with the performance of large civil engineering works, the concession activity of the ACS Group has significant opportunities based on the large and mainly international projects awarded in recent years, which will require investments similar to those made in 2010 exceeding EUR 750 million.

In 2011, the ACS Group is prequalified in several calls for tender for projects, and is ready to continue bidding on projects which are to be tendered by government bodies in Europe and the US in the near future.

In 2011 the ACS Group will maintain its strategy of rotating older concessions, selling those for which the development period has been completed to heighten the value of its initial investment.

In Environmental Services, the ACS Group has identified several lines of action which will enable it to maintain profitability in this area, characterised by its visibility and recurrent long-term income.

- Firstly, in the management of urban solid waste, where Urbaser is a reference, it will continue its international expansion into countries where it has already been successful in tender processes, and mainly waste treatment plants.
- In the Integral Maintenance area, Clece will continue offering services enabling its clients to face cost reductions efficiently by outsourcing their maintenance activities. This trend has peaked as a result of the current economic backdrop, particularly among large public and private clients.

Environmental Services will continue its tradition of offering public service utilities and will grow by means of investments in long-term projects.

In the Industrial Services area, the ACS Group combines significant international growth with the stability of its maintenance contracts and the opportunities to invest in energy generation and concession projects which it is taking advantage of.

The growth in international activity should stem mainly from the investment plans of its clients outside of Spain, and mainly in Latin America, where Brazil and Mexico continue to be the important markets of reference. The Asian markets, such as India and the Middle East also offer a number of opportunities relating to new energy infrastructures in relation to which the Group has extensive experience in performing projects.

Lastly, the ACS Group will continue with the rotation of its portfolio of renewable energy assets which was commenced in 2010 with the sale of 8 transmission lines in Brazil and will continue in 2011 with the sale of renewable energy assets in addition to other concession assets.

In 2011 the ACS Group will continue operating as a reference industrial shareholder both in Iberdrola, Abertis and Hochtief. In the latter the aim is to own at least 50% of and fully consolidate the company.

In view of the aforementioned scenario, the objective of the Group for 2011 includes maintaining sustained operating growth and improving the profitability of all its shareholders.

8.- Board of Directors' report for the 2010 financial year in accordance with the provisions of Article 116 bis of the Spanish Securities Market Law

Pursuant to Article 116 bis of the Spanish Securities Market Law, introduced by Law 6/2007 of 12 April, the Board of Directors of ACS Actividades de Construcción y Servicios, S.A. submits to its shareholders the following explanatory report with the disclosures, which in accordance with the aforementioned provision, have been included in the Directors' Reports accompanying the financial statements for 2010.

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

As provided in Article 6 of its Company Bylaws, at 31 December 2010 the Company's share capital amounts to EUR 157,332,297 represented by 314,664,594 fully subscribed and paid shares of EUR 0.50 each, all of the same class and series. All of the shares are fully paid. Pursuant to Article 23 of the Company Bylaws, in order to be able to attend the General Shareholders' Meeting, shareholders are required to hold at least one hundred shares.

b) Any restriction on the transferability of securities.

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

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

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

According to the data provided to the company by the shareholders or, where not specifically provided, according to the data available in the pertinent register of the Spanish Stock Market Commission:

SHAREHOLDERS	31/12/2010
CORPORACIÓN FINANCIERA ALBA S.A.	23,307%
CORPORACIÓN FINANCIERA ALCOR, S.A.	13,860%
INVERSIONES VESAN, S.A.	12,521%
SOUTHEASTERN ASSET MANAGEMENT INC	6,469%
FLUXA ROSSELLO, MIGUEL	5,638%

d) Any restriction on voting rights.

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

e) Shareholders' agreements.

No shareholders' agreements have been reported to the Company.

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

Appointment and substitution of members of the Board of Directors.

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

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

Board members shall hold their positions for the term provided in the Company Bylaws (six years) and may be re-elected one or more times for terms of the same length.

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

Amendment of the Company Bylaws

The procedure for amending the Bylaws is regulated by Article 29 and generally, Article 285 and the subsequent Articles of the Consolidated Text of the Spanish Limited Liability Companies Law, approved by Spanish Royal Legislative Degree 1/2010, of 2 July, which require approval by the General Shareholders' Meeting, with the attendance quorums and if applicable, majorities provided in Articles 194 and 201 of the aforementioned Law. Such resolutions are required to be adopted by simple majority, except where under section 2 of the aforementioned Article 201 of the Consolidated Text of the Spanish Limited Liability Companies Law, such resolutions are required to be adopted by means of the vote in favour of two thirds of the share capital present or represented when the shareholders present or represented hold less than fifty percent of the subscribed share capital with a right to vote. The simple majority necessary to approve a resolution shall require the vote in favour of half plus one of the shares with voting rights present or represented at the meeting.

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

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

The Chairman of the Board of Directors is of an executive nature and is vested with all powers of the Board of Directors, except those which may not legally or statutorily be transferred. Additionally, the Executive Committee is vested with all powers of the Board of Directors which may be legally or statutorily be transferred. Additionally, the Executive Committee is vested with all powers of the Board of Directors which may be legally or statutorily transferred.

At the General Shareholders Meeting held on 15 April 2010, the Board of Directors of the Company as well as those of subsidiary companies were authorised to acquire shares in the Company for valuable consideration, for the 18-month period following the date of the General Shareholders Meeting, and pursuant to the terms and requirements set forth in Article 75 and related provisions of the Spanish Limited Liability Companies Law, the par value of which when added to the shares already held by the Company and its subsidiaries, does not exceed 10% of the issued share capital. The minimum and maximum price shall be, respectively, the par value of the shares and a price not exceeding the price at which they are traded at the stock market session on the date of the purchase, or the price authorised by the competent body of the Stock Exchange or by the Spanish Stock Market Commission.

Likewise, in accordance with Articles 153. 1b) and 2 of the Consolidated Text of the Spanish Limited Liability Companies Law, the General Shareholders Meeting held on 25 May 2009 authorised the Company's Board of Directors to increase capital by up to half of the Company's share capital at the date of this resolution, on one or more occasions, and at the date, and in the amount, and under the conditions freely agreed in each case within five years following 25 May 2009, and without having previously submitted a proposal to the General Shareholders' Meeting. Accordingly, the Board of Directors may set the terms and conditions under which capital is increased as well as the features of the shares, investors and markets at which the increases are aimed and the issue procedure, freely offer the unsubscribed shares in the preferential subscription period; and in the event of complete subscription, cancel the capital increase or increase capital solely by the amount of the subscribed shares. The share capital increase or increases may be carried out by issuing new shares, either ordinary shares, without voting rights, preference or recoverable, and Article 6 of the Bylaws shall be amended accordingly. The new shares shall be payable by means of monetary contributions equal to the par value of the shares and any share premium which may be agreed. In accordance with the article 159.2 of the Consolidated Text of the Spanish Limited Liability Companies Law, the Board of Directors is expressly empowered to exclude preferential subscription rights in full or in part in relation to all or some of the issues agreed under the scope of this authorisation, where it is in the interest of the company and as long as the par value of the shares to be issued plus any share premium agreed is equal to the fair value of the Company's shares based on a report to be drawn up at the Board's request by an independent auditor other than the Company's auditor, which is appointed for this purpose by the Spanish Mercantile Register on any occasion in which the power to exclude preferential subscription rights granted in this paragraph is exercised. Additionally, the Company's Board of Directors is authorised to request the listing or delisting of any shares issued, in Spanish or foreign organised secondary markets. The Board of Directors is expressly authorised to delegate the powers contained in this resolution.

Additionally, at its meeting held on 25 May 2009 and in accordance with applicable legislation, the Board of Directors resolved to delegate to the Board of Directors the power to issue fixed income securities, either simple and exchangeable or convertible, and warrants on the Company's newly issued shares or shares in circulation, under the following terms:

1.- The securities that the Board of Directors is authorised to issue may be debentures, bonds, promissory notes and other similar fixed-income securities, both simple and, in the case of debentures and bonds, exchangeable for shares of the Company or any other company in the Group and/or convertible in shares of the Company, as well as warrants on newly issued shares or Company shares currently in circulation.

2.- Securities may be issued on one or more occasions, and at any date within the maximum five-year period following the date of the adoption of this resolution.

3.- The total amount of the issue or issues of securities agreed under this delegation of authority, regardless of their nature, plus the total number of shares listed by the Company and outstanding at the issue date may not exceed a maximum limit of eighty five percent of the equity of ACS Actividades de Construcción y Servicios, S.A. according to the latest approved balance sheet.

4.- In exercise of the powers granted herein, the Board of Directors shall have powers including, but not limited to determining the following: the amount within the aforementioned overall maximum limit; the place, date and currency of the issue, and if applicable, its equivalence in Euros; the denomination, whether bonds or debenture, subordinate or not, warrants or any other instrument permitted by law; the interest rate, payment dates and payment procedures; and; in the case of warrants, the amount and means of calculating the premium or exercise price; whether they are instrumented in perpetuity or are repayable and in the latter case, the repayment term and maturity dates; the type of reimbursement, premiums or batches, any guarantees; the form of representation i.e. by means of certificates or book entries; preferential subscription rights, if any, and the subscription regime; applicable legislation; application, if applicable for listing on official or unofficial secondary markets, whether organised or not, in Spain or abroad, of the securities issued; and appointment, if applicable of a commissioner and approval of the rules that are to govern the legal relationships between the Company and the syndicate of holders of the securities issued.

5.- In the case of the issue of convertible and/or exchangeable bonds or debentures, the following criteria have been established:

5.1.- The Board of Directors shall be authorised to determine whether the securities are convertible and/or exchangeable, and whether conversion and/or exchange shall be obligatory or voluntary, and in the latter case, if it is to be at the option of the holder or the issuer, with the periodicity and within the time limits laid down in the resolution on their issue, not exceeding ten years from the date of issue.

5.2.- The Board of Directors is also empowered to determine if the issuer reserves the right at any moment to opt between conversion into new shares or exchange for shares in circulation, specifying the nature of the shares to be delivered at the time of conversion or exchange. The issuer may also opt to deliver a combination of new and circulating shares.

5.3.- The ratio of conversion and/or exchange may be fixed, and for this purpose, the fixed income securities will be valued at their par value and shares at the fixed rate indicated in the resolution of the Board of Directors which made use of this delegated power, or at the rate of exchange defined on the date(s) indicated in the resolution of the Board of Directors, according to the Company's share price on the stock exchange on the date(s) or in the period(s) taken as reference in the resolution. However, the price of the shares, for the purpose of their conversion or exchange, may not be less than the greater of (i) the arithmetic mean of the closing prices of the Company's shares in the Spanish Continuous Market of stock exchanges over the period defined by the Board of Directors, which shall not be more than three months nor less than fifteen days prior to the date on which the Board passed the resolution to issue the fixed income securities, and the closing price of the shares on the same Continuous Market on the day prior to the passing of the resolution to issue the fixed income securities. Notwithstanding the above, the Board of Directors may issue the debentures or bonds with a variable rate of conversion and/or exchange. In this case, the price of the shares for the purposes and/or exchange shall be the arithmetic mean of the closing prices of the Company's shares on the Spanish Continuous market of stock exchanges over the period defined by the Board of Directors, which shall not be more than three months nor less than fifteen days prior to the date of conversion and/or exchange, with a premium, or if applicable, a discount on said price per share. The premium or discount may differ for each conversion and/or exchange date (or, if applicable, each tranche of the issue), although if a discount is set on the price per share, this may not be more than twenty percent.

5.4.- The fractions of a share which might be due to a bond or debenture holder shall be rounded down to the nearest whole number of shares and each holder shall be paid in cash any difference in value this rounding has given rise to.

5.5.- Pursuant to Article 292.3 of the Consolidated Text of the Spanish Limited Liability Companies Law, debentures may not be converted into shares when the par value of the shares is less than that of the debentures. Likewise, the value of the share may not be less than its par value.

5.6.- Upon approving an issue of convertible and/or exchangeable bonds or debentures, the Board of Directors shall issue a Directors' report developing and specifying, based on the criteria described above, the basis for and forms of conversion specifically applicable to the indicated issue. This report shall be accompanied by the relevant report from the auditors referred to in Article 292 of the Spanish Limited Liability Companies Law. Additionally, these reports will be made available to the shareholders, and if applicable, to the holders of convertible and/or exchangeable fixed income securities and/or warrants, and the shareholders will be informed at the first General Shareholders' Meeting held after adopting the resolution on the issue of the securities.

6.- In the case of the issue of warrants, to which, by analogy, the provisions of the Spanish Limited Liability Companies Law for issues of convertible debentures shall apply, the following criteria are set:

6.1.- The warrants issued may entitle their holders to subscribe new shares in the Company and/or acquire circulating shares in the Company, and the Board of Directors shall be authorised to determine whether or not they are entitled to do so.

6.2.- The deadline for the exercise of the securities issued shall be determined by the Board and may not exceed ten days following the date of their issue.

6.3.- The Board of Directors may also stipulate that the Company reserves the right to opt for holders of warrants to subscribe new shares or acquire shares in circulation at the time of exercising the warrant. It may also opt to deliver a combination of new and circulating shares. However, the issuer must respect the principle of equal treatment to all the holders of warrants that are exercised on the same date.

6.4.- The exercise price of the warrant shall be defined by the Board of Directors in the resolution on the issue of securities, or shall be defined on the date or dates indicated in the resolution adopted by the Board of Directors, depending on the market price of the Company's shares on the date(s) or during the period(s) taken as a reference in the resolution. The exercise price may be variable depending on the date on which the warrant is exercised. However, the share price to be considered, may not be less than the greater of (i) the arithmetic mean of the closing prices of the Company's shares in the Spanish Continuous Market of stock exchanges over the period defined by the Board of Directors, which shall not be more than three months nor less than fifteen days prior to the date on which the Board passed the resolution to issue the warrants, and (ii) the closing price of the shares on the same Continuous Market on the day prior to the passing of the resolution to issue the warrants. In no case may the sum of the premium(s) paid for each warrant and its exercise price be less than the market value of the company's shares as defined in the previous paragraph, or less than the par value of the Company's shares.

6.5.- Upon approving an issue of warrants, the Board of Directors shall issue a Directors' report developing and specifying, based on the criteria described above, the basis for and forms of conversion specifically applicable to the indicated issue. This report shall be accompanied by the relevant report from the auditors referred to in Article 292 of the Spanish Limited Liability Companies Law. Additionally, these reports will be made available to the shareholders, and if applicable, to the holders of convertible and/or exchangeable fixed income securities and/or warrants, and the shareholders will be informed at the first General Shareholders' Meeting held after adopting the resolution on the issue of the securities.

7.- In all events, the authorisation of the Board of Directors to issue convertible and/or exchangeable debentures or bonds, and to issue warrants, shall include, but shall not be limited to the following powers:

7.1.- The authority to increase the share capital by the amount necessary to meet demand for the conversion of convertible securities or the exercise of warrants on newly issued shares. This power may only be exercised by the Board to the extent that the sum of the increase in capital necessary to meet the demand resulting from the issue of convertible debentures or bonds or the exercise of warrants on newly issued shares, added to all other capital increases that have been agreed under the scope of authorisations granted by the General Shareholders' Meeting, does not exceed the limit of one half of the share capital envisaged in Article 153.1 b) of the Consolidated Text of the Spanish Limited Liability Companies Law. This authorisation to increase the share capital includes the power to issue and put into circulation, on one or more occasions, the shares that are necessary to carry out the conversion or exercise, and to amend the Article of the Bylaws relating to the share capital figure, and if applicable, to cancel the part of the capital increase that was not necessary for the conversion of securities into shares or the exercise of the warrants".

7.2.- The power to exclude, pursuant to Article 159.2 of the Consolidated Text of the Spanish Limited Liability Companies Law, the preferential subscription rights of shareholders or the holders of convertible and/or exchangeable bonds or debentures, or of warrants, when necessary to capture financial resources in the domestic and international markets, or it is otherwise in the Company's interest. In any event, if the Board decides to override preferential subscription rights in relation to a specific issue of convertible debentures or bonds or warrants on newly issued shares under the authorisation granted herein, at the date on which this resolution is passed, it shall issue a detailed report stating the specific reasons why it is in the Company's interest to take this measure. This report will be accompanied by a further report issued by an auditor, pursuant to Article 159.2 of the Consolidated Text of the Spanish Limited Liability Companies Law. These reports will be made available to the shareholders and holders of convertible debentures or bonds, and the shareholders will be informed at the first General Shareholders' Meeting held after adopting the resolution on the issue of the securities.

7.3.- The power to develop and specify in detail the basis for and modes of conversion or exchange and exercise of warrants bearing in mind the criteria defined above.

8.- The Board of Directors, at the successive General Shareholders' Meetings held by the Company, shall inform shareholders of any use made of the delegation of power referred to in this resolution.

9.- The Board of Directors is expressly authorised to guarantee, on the Company's behalf and for a maximum of five years following the adoption of this resolution, the obligations of all types which may arise for its subsidiaries as a result of the issues of fixed income securities (debentures, bonds, promissory notes, or any other) or of warrants, by the aforementioned subsidiaries.

10.- Where appropriate, the Company shall apply for admission to trading on official or unofficial secondary stock markets, whether organised or otherwise, of the bonds, debentures and other securities issued by virtue of this authorisation, and the Board of Directors shall be empowered to undertake the formalities necessary or appropriate for these purposes. In accordance with Article 27 of the Spanish Stock Market Regulations, it is hereby expressly stated that in the case of the subsequent application for the exclusion from the stock exchange of the securities issued by virtue of this authorisation, this shall be adopted with the same formalities as stated in said Article and, in this event, the interests of shareholders or bondholders who oppose this move or vote against it shall be guaranteed in accordance with all applicable provisions of law.

Additionally, at the Extraordinary General Shareholders' Meeting held on 19 November 2010, in relation to the takeover bid for the entirety of the shares of the German company Hochtief AG, announced by the company on 16 September of this year, the following was resolved:

"On 16 September, 2010, ACS, Actividades de Construcción y Servicios, S.A. ("ACS" or the "Company") announced its decision to submit a takeover bid for the entirety of the shares of the German company Hochtief AG ("Hochtief"), to be paid for by means of shares at a ratio of eight shares of ACS for every five shares of Hochtief (the "Bid"). Pursuant to said exchange ratio and assuming that the Bid be accepted by the entirety of the current share capital of Hochtief, ACS would be under the obligation of delivering 112,000,000 shares in the Bid, a figure which, nevertheless, could be increased due to a number of reasons (for instance, in the event said share capital were increased by the 30% to which the currently existing delegations are referred, it would amount to 145,600,000 ordinary shares).

In order to meet the exchange of shares arising from the Bid to be submitted definitively by the Company, first of all the shares held as treasury stock will be used (they currently represent 6.002% of the share capital). In the event that they are insufficient to meet the acceptances of the Bid, the Company may deliver shares of ACS itself that it receives under loan for such purpose, newly issued shares of ACS resulting from the capital increase considered below or a combined formula, with the delivery of both existing shares and newly issued shares. The decision regarding which shares are to be delivered, once the treasury shares are delivered, shall pertain to the Board of Directors of the Company, with the express authority to be replaced by the Executive Committee, the Chairman of the Board or any of its Directors.
In light of all the foregoing, the following is also resolved:

1 Share capital increase

It was resolved that share capital would be increased by a par value of EUR 78,500,000, through the issue and release of 157,000,000 ordinary shares with a par value of fifty euro cents, of the same class and series as the shares currently in circulation and represented by means of book entries, and consequently to amend Article 6 of the Bylaws. The shares will be issued at their par value of fifty euro cents plus the share premium which, as the case may be, will be determined by the Board of Directors, acting with express powers to substitute the Executive Committee, the Chairman of the Board or any of its Directors, no later than the date of execution of the resolution, based on the value attributed to the contribution according to the mean weighted price at which the shares of Hochtief were traded on the Frankfurt Stock Exchange during the last quarter prior to the date when the contribution effectively is made, according to the certificate to be issued by the Frankfurt Stock Exchange Council, all pursuant to the provisions in Article 69.a) of Legislative Royal Decree 1/2010, of 2 July, approving the consolidated text of the S Spanish Limited Liability Companies Law (the Spanish Limited Liability Companies Law" or "LSC").

The shares which, as the case may be, have to be issued as resolved, shall be fully paid by means of non-cash contributions consisting of ordinary shares of Hochtief made on behalf of the Hochtief shareholders accepting the Bid. Subject to any adjustments which may be applicable depending on the future terms of issuance of shares which, as the case may be, is resolved by Hochtief, the Company will receive ordinary shares of Hochtief in the proportion arising from the exchange ratio that has been offered.

2 Incomplete subscription

The possibility of an incomplete subscription of the resolved increase is expressly provided. As a consequence, if the shares which are the object of the resolved increase are not fully subscribed for any reason, the capital increase shall be limited to the amount corresponding to the par value of the shares of the Company that are effectively subscribed and paid in, and the rest of the shares shall be voided.

3 Type of issuance

The new shares shall be issued at a par value of fifty euro cents plus the share premium which, as the case may be, will be determined by the Board of Directors, with the express authority to be replaced by the Executive Committee, the Chairman of the Board or any of its Directors, no later than the date of execution of the resolution, based on the weighted average price at which the shares of Hochtief were traded on the Frankfurt Stock Exchange during the last quarter prior to the date when the contribution effectively is made, according to the certificate to be issued by the Frankfurt Stock Exchange Council, all pursuant to the provisions in Article 69.a) of the LSC.

4 Rights of the new shares

The new shares shall grant their holders the same voting and dividend rights as the shares of the Company that are currently outstanding as from the date on which they are recorded under their name in the corresponding book entries. In particular, regarding the dividend rights, the new shares shall entitle their holders to the company dividends, whether interim or final, the distribution of which are resolved as from that date.

5 No right to first refusal

New shares shall not be subject to any rights to first refusal or preference, in accordance with the provisions of Article 304 of the LSC.

6 Representation of the new shares

The newly issued shares shall be represented by means of book entries, the recording of which is attributed to Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. ("IBERCLEAR").

7 Listing of the new shares

It was also resolved that the listing of the new shares on the Madrid, Barcelona, Bilbao and Valencia Stock Exchanges, via the Stock Exchange Interconnection System (Continuous Market) would be requested. The Board of Directors is empowered, and is expressly authorised to delegate this power to Executive Committee, the Chairman of the Board or any of the Directors of the Company so that, once this resolution is executed, they may carry out the relevant applications, draw up and submit all the appropriate documents in the terms they deem appropriate and carry out whatever acts as may be necessary for such purpose.

8 Delegation of Powers to the Board of Directors

The Board of Directors is empowered, and is expressly authorised to delegate this power to Executive Committee, the Chairman of the Board or any of the Directors of the Company, to decide within at most one year the date on which this increase is to take place, as well as setting any terms and conditions not provided by this General Shareholders' Meeting, including but not limited to the following:

(i) Draft and extend this resolution, setting any terms and conditions of the issuance not provided herein. including but not limited to the date of issuance of the new shares, the terms of the bid, the type of issuance and, generally, any other determinations that are necessary or appropriate for the issuance to be carried out.

(ii) Draw up, subscribe and submit as the case may be, to the Spanish National Securities Market Commission ("CNMV") or any other relevant supervisory authorities, in relation to the issuance and listing of the new shares, the necessary documents, assuming responsibility for same, in compliance with the provisions in Law 24/1988, of 28 July, the Spanish Securities Market Law, and Royal Decree 1310/2005, of 4 November, on the listing of shares on official secondary markets, public offerings for sale or subscription and the mandatory prospectus for such purpose, and any other applicable provisions; also, perform on behalf of the Company any actions, declarations or procedures that are required before the CNMV, IBERCLEAR, the Stock Exchange Councils or any other bodies, entities or registries, whether public or private, Spanish or foreign, including the German Federal Supervision Finance Authority (Bundesanstalt für Finanzdienstleistungsaufsicht or BaFin) in relation to the issuance object of this resolution.

(iii) Declare the capital increase executed, one or several times, issue and circulate the new shares that have been subscribed and paid in, and re-word Article 6 of the Bylaws in relation to capital, rendering void the part of said capital increase that has not been subscribed and paid in. Apply for the listing of the newly issued ,shares on the Spanish Stock Exchanges and the inclusion of same in the Stock Exchange Interconnection System ("**SIBE**"); and apply for, as the case may be, listing on any other stock exchanges or markets on ,which the shares may be trading.

iv) Negotiate and sign, under the terms they deem most appropriate, any agreements that are required with the entities which, as the case may be, are involved in the issuance, including the negotiation and execution of a brokerage agreement.

(v) Execute on behalf of the Company any public or private documents as may be necessary or appropriate for the issuance of the new shares and the listing the object of the resolution herein and, generally, carry out any procedures required for the execution of same, as well as correcting, clarifying, interpreting, explaining or supplementing the resolutions passed by the General Meeting of Shareholders, in particular, any defects, omissions or errors, in substance or in form resulting from a verbal or written qualification, preventing the resolutions and their consequences from being recorded with the Mercantile Registry, the Official Registries of the CNMV or any other ones.

If within the term provided by the Meeting for the execution of this resolution the Board of Directors does not exercise the powers delegated to same, they will be rendered void and without any value whatsoever.

If within the term provided by the Meeting for the execution of this resolution the Board of Directors does not exercise the powers delegated to same, they will be rendered void and without any value whatsoever."

(This capital increase is not to be carried out given that at the date of the issuance of this report, the number of shares of Hochtief A.G. held by the shareholders who have accepted the offer can be covered using exclusively the company's treasury shares*)*.

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

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