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

Consolidated Financial Statements for the year ended 31 December 2007, prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Consolidated Directors' Report

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

Consolidated Financial Statements for the year ended 31 December 2007, prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union

Deloitte.

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Translation of a report originally issued in Spanish based on our work performed in accordance with generally accepted auditing standards in Spain and of consolidated financial statements originally issued in Spanish and prepared in accordance with IFRSs, as adopted by the European Union (see Notes 2 and 40). In the event of a discrepancy, the Spanish-language version prevails.

AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

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

1. We have audited the consolidated financial statements of ACS Actividades de Construcción y Servicios, S.A. and Subsidiaries comprising the consolidated balance sheet at 31 December 2007 and the related consolidated income statement, consolidated cash flow statement, consolidated statement of changes in equity and notes to the consolidated financial statements for the year then ended. The preparation of these consolidated financial statements is the responsibility of the Parent's directors. Our responsibility is to express an opinion on the consolidated financial statements taken as a whole based on our audit work performed in accordance with generally accepted auditing standards in Spain, which require examination, by means of selective tests, of the evidence supporting the consolidated financial statements and evaluation of their presentation, of the accounting policies applied and of the estimates made. Our work did not include an examination of the financial statements of certain subsidiaries and associates whose assets and results represent 11% of the corresponding consolidated totals. The financial statements of these companies were audited by other auditors and, accordingly, our opinion as expressed in this report on the consolidated financial statements of ACS Actividades de Construcción y Servicios, S.A. and Subsidiaries is based, with respect to the ownership interests in these companies, solely on the reports of the other auditors. These companies and their respective auditors are listed in Appendixes I, II and III to the accompanying notes to the consolidated financial statements.

2. The accompanying consolidated financial statements for 2007 were prepared by the Group in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRSs), which require, in general, that financial statements present comparative information. In this regard, as required by Spanish corporate and commercial law, for comparison purposes the Parent's directors present, in addition to the consolidated figures for 2007 for each item in the consolidated balance sheet, consolidated income statement, consolidated cash flow statement, consolidated statement of recognised income and expense and notes to the consolidated financial statements, the figures for 2006. The presentation of the information for 2006 differs from that contained in the consolidated financial statements approved for that year as a result of the inclusion, for comparison purposes, of the consolidated statement of recognised income and expense (see Note 2.1. to the accompanying consolidated financial statements). On March 16, 2007, we issued our auditors' report on the 2006 consolidated financial statements, in which we expressed an unqualified opinion.

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

3. In our opinion, based on our audit and on the reports of the other auditors (see Appendixes I, II and III), the accompanying consolidated financial statements for 2007 present fairly, in all material respects, the consolidated equity and financial position of ACS Actividades de Construcción y Servicios, S.A. and Subsidiaries at 31 December 2007 and the consolidated results of their operations, the changes in the recognised income and expense and their consolidated cash flows for the year then ended, and contain the required information, sufficient for their proper interpretation and comprehension, in conformity with International Financial Reporting Standards as adopted by the European Union applied on a basis consistent with that of the preceding year.

4. The accompanying consolidated directors' report for 2007 contains the explanations which the Parent's directors consider appropriate about the Group's situation, the evolution of its business and other matters, but is not an integral part of the consolidated financial statements. We have checked that the accounting information in the consolidated directors' report is consistent with that contained in the consolidated financial statements for 2007. Our work as auditors was confined to checking the consolidated directors' report with the aforementioned scope, and did not include a review of any information other than that drawn from the accounting records of ACS Actividades de Construcción y Servicios, S.A. and Subsidiaries.

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

Javier Parada Pardo

2 April 2008

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

CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER 2007 AND 2006

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

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

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

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

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

CONSOLIDATED INCOME STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006

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

EARNINGS PER SHARE (Note 32)

	Euros per Share	
	31/12/2007	**31/12/2006**
Basic earnings per share	4.51	3.58
Diluted earnings per share	4.51	3.58

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

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

CONSOLIDATED STATEMENTS OF RECOGNISED INCOME AND EXPENSE FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006

Description	Thousands of Euros					
	2007			2006		
	Of the Parent	Of Minority Interests	Total	Of the Parent	Of Minority Interests	Total
A) Consolidated profit for the year	**1,551,115**	**571,333**	**2,122,447**	**1,250,088**	**23,324**	**1.273.412**
B) Income and expenses recognised directly in equity	**692.774**	**102,042**	**794,816**	**(83,506)**	**(636)**	**(84,142)**
1.- Valuation of available-for-sale financial assets:	906,713	135,322	1,042,035	(170,648)	-	(170.648)
2.- Cash flow hedges	99,472	43,830	143,302	119,776	2,201	121.977
3.- Translation differences	(38,197)	(59,263)	(97,460)	(120,454)	(2,837)	(123.291)
4.- Actuarial gains and losses	(18,991)	(17,847)	(36,837)	-	-	0
5.- Tax effect	(256,223)	-	(256,223)	87,820	-	87.820
TOTAL INCOME AND EXPENSE RECOGNISED IN THE YEAR	**2.243.889**	**673,375**	**2,917,263**	**1,166,582**	**22,688**	**1,189,270**

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

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

CONSOLIDATED CASH FLOW STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006

	Thousands of Euros	
	31/12/2007	31/12/2006
Gross operating income (Note 26.2) (1)	**3,490,477**	**1.218.883**
Dividends received from investees	238,356	232.379
Interest collected	279,816	145.023
Interest paid	(1,114,684)	(410.247)
Corporation tax paid in the year	(598,959)	(197.821)
Other adjustments to profit from operations	(172,154)	(89.215)
Cash flows from operations	**2,122,852**	**899.002**
Trade and other receivables	(450,257)	(469.007)
Inventories	(9.871)	(184.770)
Trade payables	431,403	959.333
Other current assets and liabilities	431,370	154.005
Dividends paid	(163,957)	(69.520)
Changes in net working capital	**238,688**	**390.041**
Net cash flows from operating activities	**2,361,540**	**1.289.043**
Investments in property, plant and equipment and intangible assets	(1,230,361)	(455.782)
Investments in projects	(1,793,650)	(667.161)
Investments in non-current financial assets	(1,626,104)	(5.306.322)
Disposals	587.600	1.029.505
Net cash flows from investing activities	**(4,062,515)**	**(5.399.760)**
Increase in non-current borrowings	294,962	614.504
Decrease in net current borrowings	1,180,446	(590.502)
Increase in financing applied to projects	2,309,479	4.649.460
Dividends paid	(441,091)	(211.724)
(Purchase)/Sale of treasury shares	(172,294)	(257.723)
Other financing activities	(404,889)	65.969
Net cash flows from financing activities	**2,766,613**	**4.269.984**
Net cash flows from discontinued operations	**659,300**	**(461)**
Increase in cash and cash equivalents-	**1,724,938**	**158.806**
Cash and cash equivalents at beginning of year	**926,644**	**767.838**
Cash and cash equivalents at end of year	**2,651,582**	**926.644**

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

1.- Group activities

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

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

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

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

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

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

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

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

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

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

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

9. The direction and execution of all manner of works, facilities, assemblies and maintenance related to cable cars, gondola lifts, chair lifts and aerial lifts for both passenger and material transport by means of systems of cables or any type of mechanical element. The retrieval of ships and submerged elements, maritime, salvages, ship breaking, naval

fleet repairs, repairs and assembly of engines and mechanical elements for ships, and underwater work and sale of aquatic and sports material.

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

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

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

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

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

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

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

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

18. Transports of all kinds, especially ground transportation of passengers and merchandise, and the activities related thereto. Management and operation, as well as provision of auxiliary and complementary services, of all manner of buildings and properties or complexes for public or private use, intended for use as service areas or stations, recreational areas, and bus or intermodal transportation stations.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2.- Basis of presentation of the consolidated financial statements and basis of consolidation

2.1. Basis of presentation

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

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

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

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

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

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

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

Responsibility for the information and for the estimates made

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

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

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

- The useful life of the property, plant and equipment and intangible assets (Notes 3.1 and 3.5)
- The impairment losses on certain assets (Notes 3.4 and 3.6)
- The measurement of goodwill and the assignment of assets on acquisitions (Note 3.4)
- The amount of certain provisions (Note 3.13)
- The assumptions used in the calculation of liabilities and commitments to employees (Note 3.12)
- Certain aggregates relating to the electricity system, and specifically, the deficit in income from operations regulated in Spain.

- The interpretation of certain legislation relating to the regulation of the electricity industry, whose final economic effects shall be determined by the decisions handed down by the competent agencies.
- The market value of derivatives, and particularly, the equity swaps mentioned in Notes 10 and 11.

Although these estimates were made on the basis of the best information available at the date of this consolidated financial statement, on the events analysed, events that take place in the future might make it necessary to change these estimates (upwards or downwards) in coming years. Changes in accounting estimates would be applied prospectively, recognising the effects of the change in estimates in the related future consolidated financial statements.

Changes in accounting estimates and policies and correction of fundamental errors

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

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

Functional currency

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

2.2. Basis of consolidation

a) Balances and transactions with Group companies

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

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

b) Standardisation of items

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

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

c) Subsidiaries

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

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

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

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

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

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

Also, the share of third parties of:

- The equity of their investees is presented within the Group’s equity under “Minority Interests” in the consolidated balance sheet.

- The profit or loss for the year is presented under “Profit Attributed to Minority Interests” in the consolidated income statement and in the consolidated statement of changes in equity.

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

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

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

d) Joint ventures

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

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

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

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

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

e) Associates

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

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

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

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

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

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

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

f) Changes in the scope of consolidation

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

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

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

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

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

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

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

	Thousands of Euros
	Carrying Amount
Non-current assets	12,992
Current assets	103,993
Non-current liabilities	(3,422)
Current liabilities	(64,670)
Net assets acquired	**48,893**
Purchase price in cash	99,730
Goodwill	50,837
Cash and cash equivalents	27,275
Cash flow from the acquisition	74,455

This company’s sales for all of 2007 amounted to EUR 148,146 thousand, and its net profit amounted to EUR 12,919 thousand.
The recording of this Business combination is considered to be provisional since the assessment of the fair value of the assets acquired is currently in progress. The Group has a period of 12 months from the acquisition date to determine this recording to have been completed.

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

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

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

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

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

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

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

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

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

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

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

- Inmobiliaria Urbis, S.A. In December 2006 the whole of the ownership interest in this company was sold (Note 10).

- Hochtief, A.G. – In April 2007 25.08% of the share capital of the construction and concession group Hochtief, A.G. was acquired for EUR 1,263,800 thousand (Note 10).

- Continental Auto – In April 2007, the ACS Group sold its transport subsidiary Continental Auto. The price paid amounted to EUR 659 million and gave rise to a capital gain net of tax and related expenses amounting to EUR

423,727 thousand, which was recorded under “Profit after Tax from Discontinued Operations” in the accompanying income statement.

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

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

3.- Accounting policies

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

3.1 Property, plant and equipment

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

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

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

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

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

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

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

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

	Years of Estimated Useful Life
Structures	33-50
Plant and machinery	3-20
Other fixtures, tools and furniture	3-14
Other items of property, plant and equipment	4-12

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

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

(*) Based on the term of the concessions

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

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

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

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

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

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

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

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

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

3.2 Non-current assets in projects

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

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

Non-current assets in projects are valued at the costs directly allocable to construction incurred through their entry into operation (studies and designs, expropriations, reinstatement of services, project execution, project management and administration expenses, installations and facilities and similar items) and the portion relating to other indirectly allocable costs, to the extent that they relate to the construction period.

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

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

- The assets under concession are owned by the grantor in most cases.

- The grantor controls or regulates the service offered by the concession operator and the conditions under which it should be provided.

- The assets are operated by the concession operator as established in the concession tender specifications for an established concession period. At the end of this period, the assets are returned to the grantor, and the concession operator has no right whatsoever over these assets.

- The concession operator receives revenues for the services provided either directly from the users or through the grantor.

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

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

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

- Capitalise borrowing costs accrued during the construction period and not capitalise borrowing costs subsequent to the date on which the assets come into operation.

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

3.3 Investment property

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

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

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

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

3.4 Goodwill

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

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

- If it is attributable to specific assets and liabilities of the companies acquired, increasing the value of the assets (or reducing the value of the liabilities) whose market values were higher (lower) than the carrying amounts at which they had been recognised in their balance sheets and whose accounting treatment was similar to that of the same assets (liabilities) of the Group: amortisation, accrual, etc. If it is attributable to specific intangible assets, by recognising it explicitly in the consolidated balance sheet provided that the fair value at the date of acquisition can be measured reliably.

- Goodwill is only recognised when it has been acquired for consideration and represents, therefore, a payment made by the acquirer in anticipation of future economic benefits from assets of the acquired company that are not capable of being individually identified and separately recognised.

- Goodwill acquired on or after 1 January 2004, is measured at acquisition cost and that acquired earlier is recognised at the carrying amount at 31 December 2003.

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

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

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

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

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

1. If the negative goodwill is attributable to specific assets and liabilities of the companies acquired, by increasing the value of the liabilities (or reducing the value of the assets) whose market values were higher (lower) than the carrying amounts at which they had been recognised in their balance sheets and whose accounting treatment was similar to that of the same assets (liabilities) of the Group: amortisation, accrual, etc.

2. The remaining amounts are presented under "Other Gains or Losses" in the consolidated income statement for the year in which the share capital of the subsidiary or associate is acquired.

3.5 Other intangible assets

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

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

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

3.5.1 <u>Development expenditure</u>

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

a) an identifiable asset is created (such as computer software or new processes);

b) it is probable that the asset created will generate future economic benefits; and

c) the development cost of the asset can be measured reliably.

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

3.5.2 Administrative concessions

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

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

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

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

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

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

3.5.3 Computer software

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

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

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

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

3.5.4 CO_2 emission allowances

The Group recognises CO2 emission allowances as non-amortisable intangible assets. It is considered that the acquisition price of the allowances received for no consideration, under the related national allocation plans, is zero while the other allowances acquired to cover the estimate of the emissions to be made are measured on the basis of the price disbursed in their acquisition. The allowances are derecognised on their disposal, delivery or expiry, If the allowances are returned to the National Emission Allowance Allocation Registry (RENADE), such derecognition is accounted for with a charge to the amount of the provision recognised to the extent that the CO2 emissions are made.

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

3.6 Impairment of property, plant and equipment and intangible assets excluding goodwill

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

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

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

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

3.7 Inventories

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

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

The cost of inventories is calculated by using the weighted average cost formula. Net realisable value is the estimated selling price less the estimated costs of completion and costs to be incurred in marketing, selling and distribution.

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

3.8 Non-current and other financial assets

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

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

3.8.1 <u>Loans and receivables</u>

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

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

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

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

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

3.8.2 <u>Held-to-maturity investments</u>

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

3.8.3 <u>Financial assets at fair value through profit or loss</u>

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

3.8.4 Available-for-sale investments

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

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

The fair value of investments actively traded in organised financial markets is determined by reference to their closing market price at year-end. Investments for which there is no active market and whose fair value may not reliably be determined are valued at cost or at a lesser cost in the event that impairment is evidenced.

3.9 Non-current assets held for sale and discontinued operations.

Non-current assets or disposal groups are classified as held for sale if their carrying amounts will be recovered principally through sale rather than through continuing use. For this to be the case, the assets or disposal groups must be available for immediate sale in their present condition, and their sale must be highly probable.

Discontinued operations represent Group components that have been sold or disposed of by any other means, or that have been classified as held for sale. These components comprise groups of operations and cash flows that can be distinguished, operationally and for financial reporting purposes, from the rest of the Group. They represent separate lines of business or geographical areas, and also include subsidiaries acquired solely with a view to resale.

The income, expenses, assets and liabilities of the discontinued operations and assets classified as held for sale are presented separately in the consolidated income statement and the consolidated balance sheet, and continue to be measured at their carrying amounts adjusted for any possible impairment losses, except in the case of assets that had previously been classified as available-for-sale financial assets, which continue to be measured at fair value through equity.

At 31 December 2006, the balance of this heading related to the net cost of the investment in two motorway concessions (the Dundalk bypass in Ireland and the A1 Darrington-Dishford motorway in the United Kingdom) for which a preliminary purchase and sale agreement had been entered into. This agreement was closed in 2007-.

At 31 December 2007, this balance related mainly to the following:

1. The investment in Desarrollo de Concesiones Aeroportuarias S.L, which includes the Group’s investment in the airports of Chile, Columbia, Jamaica and Mexico, since in September 2007, the ACS Group reached an agreement for the sales of shares representing the whole of the share capital of this company, The carrying amount of these assets was EUR 216,340 thousand and the liabilities associated thereto amounted to EUR 103,233 thousand. The company’s total value amounted to EUR 270.8 million based on the amount of the transaction, the closure of which is still pending the required administrative authorisations.
2. The Union Fenosa Group’s 2.51% holding in the telecommunications operator France Telecom España, S.A. (previously Auna Operadores de Telecomunicaciones, S.A.), which amounted to EUR 197,343 thousand at December 2007. This holding was sold in February 2008 (Note 33).
3. The indirectly held shares in the share capital of Manila Electric Corporation, Inc., which amounted to EUR 77 million in December 2006 were classified at assets held for sale amounting to EUR 171,538 thousand in June. This holding was sold in February 2008 (Note 33).

Additionally, as indicated in Note 2.1, passenger transport was considered to be a discontinued operation and was classified as such in the income statement for 2006 and 2007. In 2007, the amount included under “Profit after Tax from Discontinued Operations” related to the profit contributed by the Continental Auto Group prior to its sale, as well as the profit net of taxes and related expenses corresponding to the sale of this operation, which amounted to EUR 423,727 thousand. The tax effect after having taken into account the tax credit for reinvestment, amounted to EUR 87,355 thousand.

The breakdown of the profit from discontinued operations in 2007 and 2006 is as follows:

	Thousands of Euros	
	2007	2006
Revenue	77,480	198,494
Operating expenses	70,904	169,370
Net operating income	6,576	29,124
Profit before tax	5,082	26,291
Profit after tax	2,986	20,291
Gains on disposal net of tax	420,741	-
Profit after tax from discontinued operations	423,727	20,240

3.10 Equity

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

Capital and other equity instruments issued by the Group are recognised in equity at the proceeds received, net of direct issue costs.

3.10.1 <u>Share capital</u>

Ordinary shares are classified as capital. There are no other types of shares.

Expenses directly attributable to the issue or acquisition of new shares are recognised in equity as a deduction from the amount thereof.

If the Group were to acquire or sell treasury shares, the amount paid or received for the treasury shares would be directly recognised in equity. No loss or gain from the purchase, sale, issue or amortisation of the Group's own equity instruments is recognised in the consolidated income statement for the year.

3.10.2 <u>Treasury shares</u>

Note 16.4 summarises the transactions performed with treasury shares in 2007 and 2006. Such shares are recognised as a reduction of equity in the accompanying consolidated balance sheet at 31 December 2007 and 2006. No gain or loss from the purchase, sale, issue or retirement of treasury shares is recognised.

The shares of the Parent are measured at average acquisition cost.

3.10.3 <u>Share options</u>

The Group has granted options on ACS, Actividades de Construcción y Servicios, S.A. shares to certain employees.

In accordance with IFRS 2, the options granted are deemed to be equity-settled share-based payment transactions and are therefore measured at fair value at the grant date and are expensed over the vesting period with a credit to equity, based on the periods of irrevocability of the options.

Since market prices are not available, the value of the share options has been determined using valuation techniques taking into consideration all factors and conditions that would have been applied in an arm's length transaction between knowledgeable parties (Note 29.3).

3.10.4 <u>Preference shares</u>

Issues of preference shares are considered to constitute equity instruments if, and only if::

- They do not include a contractual redemption obligation for the issuer, for a fixed or determinable amount at a fixed or determinable future date, or give the holder the right to require the issuer to redeem the instrument; and;

- Interest is payable at the discretion of the issuer.

In the case of issues of preference shares carried out by the energy activity area, the net amount received is classified in the consolidated balance sheet under "Minority Interests".

3.11 Government grants

The ACS Group has received grants from various government agencies mainly to finance investments in property, plant and equipment relating to environmental activity. Evidence of compliance with the conditions established in the related grant resolutions was provided to the relevant competent agencies.

Government grants given to the Group to acquire assets are taken to income over the same period and on the same basis as those applied to depreciate the asset relating to the aforementioned grant.

Government grants to compensate costs are recognised as income on a systematic basis over the periods necessary to match them with the related costs which they are intended to compensate.

Government grants receivable as compensation for expenses or losses already incurred, or for the purpose of giving financial support with no future related costs, are recognised as income in the period in which they become receivable.

3.12 Financial liabilities

Financial liabilities are classified in accordance with the content of the contractual arrangements, bearing in mind the economic substance thereof.

The main financial liabilities held by the Group companies relate to held-to-maturity financial liabilities which are measured at amortised cost.

Financial risk management is detailed in Note 22.

3.12.1 Bank borrowings and debt and other securities

Interest-bearing bank loans and overdrafts are recognised at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are recognised in the income statement on an accrual basis using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Loans are classified as current items unless the Group has the unconditional right to defer repayment of the debt for at least 12 months from the consolidated balance sheet date.

3.12.2 Trade and other payables

Trade payables are not interest bearing and are stated at their nominal value, which does not differ significantly from their fair value.

3.12.3 Current/Non-current classification

In the accompanying consolidated balance sheet debts due to be settled within 12 months are classified as current items and those due to be settled within more than 12 months as non-current items.

Loans due within 12 months but whose long-term refinancing is assured at the Group’s discretion, through existing long-term credit loan facilities, are classified as non-current liabilities.

Non-recourse financing is classified based on the same criteria, and the detail thereof is shown in Note 18.

3.12.4 Retirement benefit obligations

a) Post-employment benefit obligations

Certain Group companies have post-employment benefit obligations of various kinds to their employees. These obligations are classified by group of employees and may relate to defined contribution or defined benefit plans.

Under the defined contribution plans, the contributions made are recognised as expenditure under “Staff Costs” in the consolidated income statements as they accrue, whereas for the defined benefit plans actuarial studies are conducted once a year by independent experts using market assumptions and the expenditure relating to the obligations is recognised on an accrual basis, classifying the normal cost for the current employees over their working lives under “Staff Costs” and recognizing the associated finance cost, in the event that the obligation were to be financed, by applying the rates relating to investment-grade bonds on the basis of the obligation recognised at the beginning of each year (Note 21).

The defined benefit pension obligations arising from the companies incorporated as a result of the merger by absorption of Grupo Dragados in 2003, are funded by Group life insurance policies, in which investments have been assigned, and whose flows coincide in time and amount with the payment Schedule of the insured benefits. Based on the valuation made, at 31 December 2007, the amounts required to cover the obligations to current and retired employees amounted to EUR 78,473 thousand (EUR 84,506 thousand in 2006) and EUR 176,503 (171,596 thousand in 2006), respectively. The actuarial assumptions used are those indicated below::

Annual rate of increase of maximum social security pension benefit	2.00%
Annual wage increase	2.35%
Annual CPI (Consumer Price Index) growth rate	2.00%
Mortality table (*)	PERM/F-2000 P

(*) Guaranteed assumptions which will not vary

The applicable interest rates from the date of externalisation of these pension obligations ranged from a maximum of 5.93% in 2000 to a minimum of 3.05% in 2005. In 2007 an interest rate of 4.11% was applied and in 2006 the rate was 3.48%.

The aforementioned pension obligations, which are recognised under “Staff Costs” in the income statement, amounted to EUR 2,903 thousand in 2007 and EUR 4,016 thousand in 2006.

Additionally, ACS, Actividades de Construcción y Servicios, S.A. and other ACS Group companies have alternative pension system obligations to certain members of the management team and the Board of Directors. These obligations have been formalised through several group savings .insurance policies which provide benefits in the form of a lump sum. The contribution required in this connection amounted to EUR3.129 thousand and was recognized under “Staff Costs” in the 2007 income statements. The obligation assumed in this respect in 2006 amounted to EUR 3,958 thousand. The portion relating to the Parent’s directors who performed executive duties in 2007 amounted to EUR 2,010 thousand (EUR 2,022 thousand in 2006).

Lastly, other subsidiaries of Unión Fenosa have post-employment obligations which have been externalised through insurance policies, both in the case of defined benefit and certain defined contribution obligations, as well as defined contribution pension plans in relation to retirement benefits and defined benefit pension plans in relation to risk benefits.

The actuarial assumptions used in 2007 in the valuations of the aforementioned obligations were as follows:

Interest rate	4.54% - 5.33%
CPI	2.50%
Mortality tables	PERFM/F2000 GRM/F95

The amounts relating to the aforementioned pension obligations are detailed in Note 21.

b) Other employee benefit obligations

The expense relating to termination benefits is recognised in full when there is an agreement or when the interested parties have a valid expectation that such an agreement will be reached that will enable the employees, individually or collectively and unilaterally or by mutual agreement with the company, to cease working for the Group in exchange for a termination benefit. If a mutual agreement is required, a provision is only recognised in situations in which the Group considers that it will give its consent to the termination of the employees.

Also, the Group is obliged to pay certain amounts, from the retirement date onwards, to the group of employees that were affected by collective redundancy procedures in previous years, pursuant to the specific agreement reached that covers all the employees affected (Note 21), or, in certain cases such as that of Centrales Nucleares Almaraz-Trillo, A.I.E., to supplement the employees’ benefits under the collective redundancy procedure duly approved by the Government.

c) Changes in actuarial liabilities

The actuarial differences arising from changes in the assumptions used to measure the obligations, arising from the plans mentioned in the preceding section and the assumptions relating to the post-employment obligations assumed, give rise to actuarial losses and gains which are recognised in equity in full, pursuant to the amendment of IAS 19 published in the Official Journal of the European Communities on 24 November 2005. The actuarial differences arising from changes in the obligations assumed are recognised directly in the consolidated income statement.

3.12.5 Termination benefits

Under current legislation, the Spanish consolidated companies and certain foreign companies are required to pay termination benefits to employees terminated without just cause. There are no redundancy plans making it necessary to record a provision in this connection.

3.13 Provisions

The Group's consolidated financial statements include all the material provisions with respect to which it is considered that it is more likely than not that the obligation will have to be settled. Contingent liabilities are not recognised in the consolidated financial statements, but rather are disclosed, as required by IAS 37.

Provisions, which are quantified on the basis of the best information available on the consequences of the event giving rise to them and are reviewed and adjusted at the end of each year, are used to cater for the specific obligations for which they were originally recognised. Provisions are fully or partially reversed when such obligations cease to exist or are reduced.

Litigation and/or claims in process

At the end of 2006 certain litigation and claims were in process against the consolidated companies forming part of the ACS Group arising from the ordinary course of their operations, which, unless indicated below, are not representative on an individual level. The Group's legal advisers and directors consider that the outcome of litigation and claims will not have a material effect on the financial statements for the years in which they are settled.

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

Provisions for termination benefits to employees

Also, pursuant to current legislation, a provision is recognised to meet the cost of termination of temporary employees with a contract for project work.

Provisions for completion of construction projects

Inspection fee expenses, estimated costs for site clearance and other expenses that may be incurred from completion of the project through final settlement thereof are accrued over the execution period on the basis of production volumes and are recognised under "Current Provisions" on the liability side of the consolidated balance sheets.

Dismantling of non-current assets and environmental restoration

The Group is obliged to dismantle certain facilities at the end of their useful life, such as those associated with nuclear power plants and/or mines and the closing of landfills, and to ensure the environmental restoration of the sites where they were located. The related provisions have been made for this purpose and the present value of the cost that these tasks would represent has been estimated which, in the case of nuclear power plants, covers the period up to the date on which ENRESA assumes responsibility for the decommissioning of the plants and the management of the radioactive wastes.

Emission allowances

The Spanish Group companies that make CO2 emissions in their electricity generation activity must deliver in April of the following year allowances equal to the emissions made in the previous year.

The obligation to deliver emission allowances for the CO2 made during the year is recognised under "Current Liabilities - Provisions" in the consolidated balance sheet, and the expense relating to the emissions made is classified under "Procurements" in the consolidated income statement.

If at the date of preparation of the consolidated balance sheet any Group subsidiary does not have all the CO2 emission allowances required to cover the emissions made, the related expense and provision are recognised at each company without offsetting the shortfall with possible surplus allowances at other Group companies, using the best estimate of the price that will have to be paid to acquire the allowances required. The estimate is based on market prices and prices in actual transactions carried out after year-end.

Other provisions

Other provisions include mainly provisions for warranty costs.

3.14 Risk management policy

The ACS Group is exposed to certain risks which it manages by applying risk identification, measurement, concentration limitation and monitoring systems.

The main principles defined by the ACS Group for its risk management policy are as follows:

- Strict compliance with good corporate governance standards.
- Establishment by the Group's various lines of business and companies of the risk management controls required to assure that market transactions are performed in accordance with the policies, standards and procedures of the ACS Group.
- Special attention to the management of financial risk, basically including interest rate risk, foreign currency risk, liquidity risk and credit risk (Note 22).
- Exposure to regulatory risk. The exposure to this risk is significant in the energy area, and differs between the operations regulated in Spain and those regulated in Latin America. In the latter case, the level of profitability depends on the stability of the regulatory framework. Abroad, the risk should be managed through political risk insurance policies or, if necessary, by using the hedging provided by export credit agencies. When political risk hedging cannot be used, institutional and multilateral body relations are used, including the Reciprocal Investment Protection and Promotion Agreement entered into by the Spanish government and the local government of the country where the investment has been made.

The ACS Group's risk management is of a preventative nature and is aimed at the medium- and long-term taking into account the most probable scenarios with respect to the performance of the variables affecting each risk.

3.15 Derivative financial instruments

The Group's activities are exposed mainly to financial risks of changes in foreign exchange rates and interest rates. The transactions performed are in line with the risk management policy defined by the Group.

Derivatives are initially recognised at acquisition cost in the consolidated balance sheet and the required value adjustments are subsequently made to reflect their fair value at all times. These adjustments are recorded under “Financial Instrument Receivables” in the consolidated balance sheet if they are positive and under “Financial Instrument Payables” if they are negative. Gains and losses from fair value changes are recognised in the consolidated income statement, unless the derivative has been designated and is highly effective as a hedge, in which case it is recognised as follows:

- **Fair value hedges.**

The hedged item and hedging instrument are both measured at fair value, and changes in fair value are recognised in the consolidated income statement under “Gains due to Changes in the Value of Financial Instruments Classified at Fair Value”.

- **Cash flow hedges**

Changes in the fair value of the derivatives are recognised, in respect of the effective portion of the hedges, in equity under “Valuation Adjustments” in the accompanying consolidated balance sheet. Hedges are considered to be effective or efficient for derivatives in relation to which the effectiveness test results are within a range of 80% to 125%. The cumulative gain or loss recognised in this account is transferred to the consolidated income statement to the extent that the underlying has an impact on this account in relation to the hedged risk, and the related effect is deducted from the same heading in the consolidated income statement.

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

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

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

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

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

3.16 Revenue recognition

Revenue is recognised to the extent that the economic benefits associated with the transaction flow to the Group. Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for the goods and services provided in the normal course of business, net of discounts, VAT and other sales-related taxes.

Sales of goods are recognised when substantially all the risks and rewards arising from their ownership have been transferred.

Revenue associated with the rendering of services is recognised by reference to the stage of completion of the transaction at the balance sheet date, provided the outcome of the transaction can be estimated reliably.

In an agency relationship, when the reporting company acts as a commission agent, the gross inflows of economic benefits for amounts collected on behalf of the principal do not result in increases in equity for the company. Therefore, these inflows are not revenue and, instead, revenue is the amount of commissions.

Interest income is accrued on a time proportion basis, by reference to the principal outstanding and the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset’s net carrying amount.

Dividend income from investments is recognised when the shareholder's rights to receive payment have been established.

Following is a disclosure of specific revenue recognition criteria for certain activities carried on by the Group:

3.16.1 <u>Construction business</u>

In the construction business, the outcome of a construction contract is recognised by the percentage of completion method, by reference to the stage of completion of the contract work.

In the construction industry estimated revenues and costs of construction projects are susceptible to changes during the performance period which cannot be readily foreseen or objectively quantified. In this connection, production each year is valued at certification price of the units completed in the period that, since they are covered in the contract entered into with the owners, or in approved addenda or amendments thereto, do not give rise to any doubts regarding their certification. In addition, production is valued at certification price of other project units that have already been completed for which management of the consolidated companies consider there is reasonable assurance of recovery.

Should the amount of production from inception, valued at certification price, of each project be greater than the amount certified through the balance sheet date, the difference between the two amounts is recorded under "Trade and Other Receivables" on the asset side of the consolidated balance sheet. Should the amount of production from inception be lower than the amount of the certificates issued, the difference is recorded as “Customer Advances” under "Trade and Other Payables” on the liability side of the consolidated balance sheet.

Inspection fee expenses, estimated costs for site clearance and other expenses that may be incurred from completion of the project through final settlement thereof are accrued over the execution period on the basis of production volumes and are recognised under “Current Provisions” on the liability side of the consolidated balance sheet.

Machinery or other fixed assets acquired for a specific project are depreciated over the estimated project execution period and on the basis of the consumption pattern thereof. Permanent facilities are depreciated on a straight-line basis over the project execution period. The other assets are depreciated in accordance with the general criteria indicated in these notes to the financial statements.

Late-payment interest arising in relation to delays in the collection of certification amounts is recognised when collected.

3.16.2 <u>Industrial, urban and other services business</u>

Group companies recognise as the outcome from the rendering of services for each year the difference between production (valued at the sale price of the services provided during the period, which are covered by the initial contract entered into with the customer or in approved modifications or addenda thereto, and of services which have not yet been approved but there is reasonable assurance of recovery) and the costs incurred in the year.

Price increases recognised in the initial contract entered into with the customer are recognised as revenue on an accrual basis, regardless of whether they have been approved annually by it.

Late-payment interest is recognised as financial income when finally approved or collected.

3.16.3 <u>Revenue from the electricity business</u>

The Group companies recognise as revenue the remuneration of the electricity generation, transmission, distribution and retailing activities. The general framework in which the revenue obtained from the electricity business is recognized in the consolidated income statement depends to a great extent on industry regulation both in Spain and abroad. In this connection, following is a description of the regulation of the electricity industry:

Industry regulation in Spain

The general framework for the electricity industry in Spain is included in Law 54/1997, of 27 November 1997, which regulates the activities involved in the supply of electricity, i.e. generation, transmission, distribution, retailing and Intra-Community and international exchanges, and establishes as a basic principle that all consumers are entitled to receive a quality supply of electricity in Spain at the lowest possible cost without overlooking environmental protection. It also regulates the technical and economic management of the electricity system through the System Operator and Market Operator, respectively.

This Law was amended by Law 17/2007, of 4 July, which transposed European Parliament and Council Directive 2003/54/EC on common rules for the internal market in electricity into Spanish law. Most provisions of this Directive were already included in the above referred to Law 54/1997, and consequently, the amendments made by Law 17/2007 specifically refer to the following:

- Elimination of the current tariff system commencing on 1 January 2009 and establishment of a last resort tariff system for certain consumers defined in the Law.

- Unbundling of tariff based supply, which shall no longer be a distributor activity commencing on 1 January 2009. From this date, last resort supply will be carried out by the commercial agents appointed by the Government.

- Introduction of mandatory functional separation between the management of regulated and non-regulated activities.

- Creation of an office supervising changes in suppliers for both gas and electricity.

- Introduction of new regulatory body functions.

International industry regulation

The Group has a presence as an investor in: the electricity generation and distribution industry in Colombia and Panama; the electricity distribution industry in Guatemala, Moldova and Nicaragua; and in the electricity generation industry in Mexico, Kenya, the Dominican Republic and Costa Rica.

a) <u>International generation</u>

Generation in the countries in which the Group has investments is focused on the operation of facilities through long-term power purchase and sale agreements. The related agreements are entered into with the public agencies of the countries earmarked for investment or with distributors owned by third parties, which provide for the passing on to the client of possible changes in production costs. In the case of Mexico, the main country in which the Group has a presence as a generator, noteworthy is that the electricity industry has not been fully deregulated. The Group operates as an independent operator, arranging the majority of its transactions through long-term power purchase and sale agreements, in which the payments for available capacity fully cover the investment made, and the price of the power is adjusted on the basis of fuel price variations.

b) <u>International distribution</u>

Regulation in the countries in which the Group has investments in electricity distribution takes place within the framework of a deregulated electricity industry, the basic features of which are as follows: unbundling of activities in generation, transmission, distribution and retailing; competition in generation and retailing; regulated tariffs for transmission, distribution and supply to low level consumers: limits on vertical and horizontal concentration and the existence of regulators independent from the government.

Distribution is regulated. The distributors' functions are to transmit power at regulated tariffs from the transmission network to customer load points, and to supply power to regulated clients, that, because of their level of consumption, cannot freely choose their supplier. The regulated power supply tariffs are the sum of the price at which the energy is purchased from the producers, plus the transmission fee and the distribution cost. Deregulated market clients or eligible clients who have opted to buy power from a different supplier must pay the distribution fee or tariff.

Unlike in Spain, distribution margins are made up of the revenue from supplies to clients and the power purchase costs, and there is no settlement system between distributor companies similar to that in Spain.

Distributors purchase power from generators in the wholesale electricity market comprising contract and spot markets.

In the spot market, which is managed by an independent operator, mismatches between the power produced and demand and the power supply commitments are negotiated.
The hourly output of the power plants is also established in the spot market on the basis of the bids tendered by the plants or of their variable costs.
The price for each hour is equal to the bid price or to the variable costs of the last generating facility required to meet demand.

The distributors, except in Colombia, are obliged to have agreements for part of or all the demand of their regulated market clients. The prices, terms and conditions of the agreements are freely negotiated by the parties, and a public call for tenders is usually required for distributors to be able to enter into agreements for supplies to regulated market clients.

The tariffs are adjusted automatically (yearly, bi-yearly, quarterly or monthly), in order to reflect the variations in energy purchase prices and transmission fees and the changes in economic indicators (price indexes in the country in question and in the United States, exchange rates, customs duties, etc.) that influence the distribution costs.

The procedure to calculate distribution costs and automatically adjust the tariffs is usually in force for long periods of time, e.g. four or five years. Distribution costs are established in such a way as to enable an efficient company to recover its operating costs and obtain a return on its investments. An efficient company is understood to be one whose networks are adapted to demand and whose operating and investment costs are within the standard international range of values for the type of network being operated and market being served. Efficiency is also applied to set the level of energy losses in the distribution systems, taking into account the standard international values for the type of network being operated and market being served and the level of energy losses at the beginning of the period.

c) <u>Gas industry</u>

The deregulation of the gas industry in Spain began with the publication in 1998 of Oil and Gas Industry Law 34/1998, of 7 October. The regulatory framework for the gas industry was subsequently extended through Royal Decree-Law 6/2000, of 23 June, on urgent measures to intensify competition in the goods and services markets and Royal Decree 949/2001, of 3 August, regulating third-party access to gas facilities and establishing an integrated economic system for the natural gas industry.

In July 2007 Law 12/2007 was published. This law amended Oil and Gas Industry Law 34/1998, of 7 October in order to adapt it to the provisions of the European Parliament and Council Directive 2005/55/EC, of 26 June 2003, on common rules for the internal market in gas.

The new Law transposes the provisions of Directive 55/2003 which have not yet been included in Spanish regulation and makes other changes in the basic regulation of the system, the most significant of which are as follows:

- Redefining of the activities carried on by the different players in the gas system, and the establishment of a legal and functional separation between network activities and production and supply activities.
- Disappearance of the tariff system and creation of a last resort tariff of which consumers supplied at a pressure of four or fewer bars may avail themselves. Establishment of a progressive calendar, which shall conclude on 1 July 2010, at which time only clients who consume less than 1GWh per year may have access to this supply.
- Creation of an office supervising changes in suppliers, which guarantees that the consumer's right to change suppliers is exercised under the principles of transparency, objectivity and independence.
- Strengthening of the independence of the Technical System Manager, and mandatory legal and functional separation of the other activities engaged in by the main transporter, as well as the staff's signature of a code of conduct.
- Change in the obligations and rights of natural gas suppliers and distributors.
- Adaptation of the industry's economic system to the new situation in which only the commercial agents supply gas and electricity under fair trade conditions, with the exceptions required for last resort supply.

Specific cases

In relation to revenues the following specific cases should be added:

i. For the electricity supplied in the regulated market in Spain, the excess production cost of this electricity with respect to the proceeds received from selling it under the tariff system (shortfall in revenue from regulated activities), has been recognised as revenue in the consolidated income statement since it meets the general criteria for revenue recognition and there is reasonable certainty that the amount thereof will be recovered, irrespectively of the volume of future sales.

ii. The best estimate of the power and services supplied but not billed because they did not coincide with the regular meter reading or service billing period

iii. Access connection, inspection and coupling charges and meter rentals are recognised as revenue in the year in which the related services are contracted.

iv. Amounts relating to power sales between Group companies covered in bilateral contracts were eliminated from “Revenue – Electricity Sales” and “Procurements – Electricity Purchases” in the accompanying consolidated income statements.

v. In accordance with Order ITC/400/2007, of 26 February, the energy sold in relation to last resort supply contracts in Spain should be supplied by means of specific purchases form the organized production market for the supply of these contracts. Consequently, these sales were recognised as trading sales and only the margin relating to the difference between the sale and purchase amount was recorded as income.

vi. In the Power purchase agreements (PPAs) arranged in Mexico, set charges are received from the Mexican Federal Electricity Commission, which are not related to the use of the facilities, but rather to their availability and maintenance. These charges are billed according to a financial profile. The related revenues are recognized on a straight line basis over the term of the contract, regardless on the billing schedule agreed upon.

3.17 Expense recognition

An expense is recognised in the consolidated income statement when there is a decrease in future economic benefits as a result of a reduction of an asset, or an increase in a liability, which can be measured reliably. This means that an expense is recognised simultaneously to the recognition of the increase in a liability or the reduction of an asset.

Additionally, an expense is recognised immediately when a disbursement does not give rise to future economic benefits or when the requirements for recognition as an asset are not met.

Also, an expense is recognised when a liability is incurred and no asset is recognised, as in the case of a liability relating to a guarantee.

In the specific case of expenses associated with commission income when the commission agent does not have any inventory risk, as in the case of certain Group logistics service companies, the cost to sell or to render the related service does not constitute an expense for the company (commission agent) since the latter does not assume the inherent risks. In these cases, as indicated in the section on revenue recognition, the sale or service rendered is recognised for the net amount of the commission.

3.18 Offsetting

Asset and liability balances must be offset and, therefore, the net amount thereof is presented in the consolidated balance sheet only when they arise from transactions in which, contractually or by law, offsetting is permitted and the Group intends to settle them on a net basis, or to realise the asset and settle the liability simultaneously.

3.19 Corporation tax

The corporation tax expense represents the sum of the current tax expense and the change in deferred tax assets and liabilities.

The current income tax expense is calculated by aggregating the current tax arising from the application of the tax rate to the taxable profit for the year, after deducting the tax credits allowable for tax purposes, plus the change in deferred tax assets and liabilities.

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

Deferred tax liabilities are recognised for all taxable temporary differences, unless the temporary difference arises from the initial recognition of goodwill or the initial recognition (except in the case of a business combination) of other assets and liabilities in a transaction that affects neither accounting profit nor taxable profit.

Deferred tax assets are recognised for temporary differences to the extent that it is considered probable that the consolidated companies will have sufficient taxable profits in the future against which the deferred tax asset can be utilised, and the deferred tax assets do not arise from the initial recognition (except in a business combination) of other assets and liabilities in a transaction that affects neither accounting profit nor taxable profit. The other deferred tax assets (tax loss and tax credit carryforwards) are only recognised if it is considered probable that the consolidated companies will have sufficient future taxable profits against which they can be utilised.

The deferred tax assets and liabilities recognised are reassessed at each balance sheet date in order to ascertain whether they still exist, and the appropriate adjustments are made on the basis of the findings of the analyses performed.

Spanish companies in which the Parent owns more than 75% of their share capital file consolidated tax returns in accordance with the current regulations as part of Tax Group 30/99.

3.20 Earnings per share

Basic earnings per share are calculated by dividing net profit attributable to the Parent by the weighted average number of ordinary shares outstanding during the year, excluding the average number of shares of the Parent held by the Group companies (Note 32).

Diluted earnings per share are calculated by dividing net profit attributable to ordinary shareholders adjusted by the effect attributable to the dilutive potential ordinary shares by the weighted average number of ordinary shares outstanding during the year, adjusted by the weighted average number of ordinary shares that would have been outstanding assuming the conversion of all the potential ordinary shares into ordinary shares of the Parent. For these purposes, it is considered that the shares are converted at the beginning of the year or at the date of issue of the potential ordinary shares, if the latter were issued during the current period.

At 31 December 2007 and 2006, basic earnings per share were the same as diluted earnings per shares since none of the aforementioned circumstances arose.

3.21 Foreign currency transactions

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

Foreign currency transactions are initially recognised in the functional currency of the Group by applying the exchange rates prevailing at the date of the transaction.

At each balance sheet date, monetary assets and liabilities denominated in foreign currencies are translated to Euros at the rates prevailing on the balance sheet date. Non-monetary items measured at historical cost are translated to Euros at the exchange rates prevailing on the date of the transaction.

Any exchange differences arising on settlement or translation at the closing rates of monetary items are recognised in the consolidate income statement for the year, except for items that form part of an investment in a foreign operation, which are recognised directly in equity net of taxes until the date of disposal.

On certain occasions, in order to hedge its exposure to certain foreign currency risks, the Group enters into forward currency contracts and options (see Note 23 for details of the Group's accounting policies in respect of such derivative financial instruments).

On consolidation, the assets and liabilities of the Group's foreign operations are translated to Euros at the exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly. Any exchange differences arising are classified as equity. Such translation differences are recognised as income or as expenses in the year in which the operation is disposed of.

Goodwill and fair value adjustments arising on the acquisition of a foreign company are treated as assets and liabilities of the foreign company and translated at the closing rate.

3.22 Entities and branches located in hyperinflationary economies

None of the functional currencies of the consolidated subsidiaries and associates located abroad relate to hyperinflationary economies as defined by IFRSs. Accordingly, at the 2007 and 2006 accounting close it was not necessary to adjust the financial statements of any of the subsidiaries or associates to correct for the effect of inflation.

3.23 Consolidated cash flow statements

The following terms are used in the consolidated cash flow statements with the meanings specified:

Cash flows: inflows and outflows of cash and cash equivalents, which are short-term, highly liquid investments that are subject to an insignificant risk of changes in value.

Operating activities: the principal revenue-producing activities of the Group and other activities that are not investing or financing activities.

Investing activities: the acquisition and disposal of non-current assets and other investments not included in cash and cash equivalents.

Financing activities: activities that result in changes in the size and composition of the equity and borrowings of the Group that are not operating activities.

In view of the diversity of the Group's businesses and activities, the Group opted to report cash flows using the indirect method.

3.24 Standards and Interpretations not yet in force

In 2007 the following standards and interpretations, certain of which are already in force and others which were to come into force at 31 December 2007, were adopted in the European Union:

Standards and interpretations effective in the current period

In 2007 the Group adopted IFRS 7 “Financial Instruments: Disclosures”, which entered into force on 1 January 2007 for financial years commencing after that date, as well as the amendments to IAS 1 “Presentation of Financial Statements” in relation to the breakdowns of capital.

As a result of the adoption of IFRS 7 and the amendments to IAS 1, the qualitative and quantitative breakdowns of the balances in the consolidated financial statements relating to financial instruments and the management of capital have been expanded in the following notes:

- Breakdown of categories of financial assets and liabilities, including derivatives and accounting policies (Notes 3.8, 3.15 and 23).
- Breakdowns relating to capital management (Note 22).
- Breakdowns relating to risk accounting and Management policies (Notes 22 and 23).
- Detail of derivative financial instruments and recording of hedges (Note 23).

Additionally, the following four IFRIC interpretations also became effective for the first time this year: IFRIC 7 Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies, IFRIC 8 Scope of IFRS 2, IFRIC 9 Reassessment of Embedded Derivatives and IFRIC 10 Interim Financial Reporting and Impairment Loss. The adoption of these interpretations did not have any affect on the Group’s consolidated financial statements.

Standards and Interpretations not yet in force

At the date of the preparation of these financial statements, the following standards and interpretations had been published by the IASB but had not yet entered into force, either because the date they were to enter into force was subsequent to the date of the financial statements, or because they had not yet been adopted by the European Union:

Standards and amended standards		**Mandatory Application in the year commencing:**
IFRS 8	Operating segments	1 January 2009
Revised IAS 23 (*)	Borrowing costs	1 January 2009
Revised IAS 1 (*)	Presentation of financial statements	1 January 2009
Revised IFRS 3 (*)	Business combinations	1 July 2009
Revised IAS 27 (*)	Consolidated and separate financial statements	1 July 2009
Amendment of IFRS 2 (*)	Share-based payment	1 January 2009

Interpretations

IFRIC 11	IFRS 2 Group and Treasury Share Transactions	1 March 2007
IFRIC 12 (*)	Service concession arrangements	1 January 2008
IFRIC 13 (*)	Customer royalty programmes	1 July 2008
IFRIC 14 (*)	IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction	1 January 2008

(*) Standards and interpretations not yet adopted by the European Union at the date of the preparation of these financial statements.

IFRS 8 Operating segments.-

This standard replaces IAS 14. The main novelty is that IFRS 8 requires an entity to adopt the 'management approach' to reporting on the financial performance of its operating segments. Generally, the information to be reported would be what management uses internally for evaluating segment performance and deciding how to allocate resources to operating segments. The directors have not yet assessed the effect that the application of this standard will have on the accompanying consolidated financial statements.

Revised IAS 23 Borrowing costs.-

The main change in this new revised version of IAS 23 is the removal of the option of immediately recognising as an expense borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale. This new standard may be applied prospectively. The directors consider that the Entrance into force of this standard will not affect the consolidated financial statements, since it does not give rise to a change in accounting policy given that the option of capitalising these costs is the accounting practice followed by the Group.

Revised IAS 1 Presentation of financial statements.-

The new version of this standard is aimed at improving users' ability to analyse and compare the information given in financial statements. These improvements will enable users of the consolidated financial statements to analyse changes in a company's equity resulting from transactions with owners in their capacity as owners (such as dividends and share repurchases) separately from 'non-owner' changes (such as transactions with third parties and income or expenses allocated directly to equity). The revised standard gives preparers of financial statements the option of presenting items of income and expense and components of other comprehensive income either in a single statement of comprehensive income with subtotals, or in two separate statements (a separate income statement followed by a statement of comprehensive income).

It also introduces new reporting requirements whenever an entity retrospectively applies an accounting policy or makes a retrospective restatement or reclassification of items' in its financial statements, as well as changes in the titles of certain financial statements in order to more clearly reflect their function (e.g., balance sheet will become statement of financial position). The effects of this standard will basically relate to presentation and breakdown.

Revised IFRS 3 Business combinations and related revisions to IAS 27 Consolidated and separate financial statements.-

The issue of these new standards is the result of a project to converge IFRSs with US GAAP in relation to business combinations. The revised IFRS 3 and related revision to IAS 27 introduce significant changes in relation to business combination accounting, which generally place greater emphasis on the use of fair value. Solely for illustrative purposes, in view of the significance of the changes made, the changes include, inter alia, acquisition costs, which must now be expensed rather than being recognized as an increased cost of the combination, step acquisitions, in which on the date that control is obtained, ownership interest is to be revalued at fair value, or the existence of the option to measure minority interests in the acquiree at fair value, as opposed to the current practice of measuring them as a proportion of the fair value of the net assets acquired. Since the application of this standard is prospective, the directors do not expect significant changes relating to the introduction of this new standard by the business combinations made. However, in view of the changes in this standard, the directors have not yet assessed the possible impact of its application on future business combinations and the related effects on the consolidated financial statements.

Amendment of IFRS 2 Share-based payments

The amendment of IFRS 2 basically aims to clarify the terms "vesting conditions" and "cancellations" of share-based payments used in the standard. The directors consider that the entrance into force of this amendment will not materially affect the consolidated financial statements.

IFRIC 11 IFRS 2 Group and treasury share transactions

This interpretation addressed how to apply IFRS 2 "Share-Based Payments" to share-based payment arrangements involving and entity's own equity instruments or equity instruments of another entity in the same group (e.g. equity instruments of its parent). The interpretation requires transactions to be paid with shares of the entity or another group entity to be accounted for as an equity-settled share-based payment transaction, regardless of how the equity instruments needed are obtained. The directors consider that the entrance into force of this interpretation will not materially affect the consolidated financial statements.

IFRIC 12 Service concession arrangements,-

Service concessions are arrangements whereby a government or other body grants contracts for the supply of public services- such as roads, airports, water and electricity supply- to private sector operators. Control of the assets remains in public hands, but the private sector operator is responsible for construction activities, as well for operating and maintaining the public sector infrastructures. IFRIC 12 addresses how service concession operators should apply existing IFRSs to account for the obligations they undertake and rights they receive in this type of arrangements.

The directors consider that the entrance into force of this interpretation will not materially affect the consolidated financial statements.

IFRIC 13 Customer loyalty programmes

The Interpretation addresses accounting by entities that grant loyalty award credits .(such as 'points' or travel kilometres) to clients who buy other goods or services. Specifically, it explains how such entities should account for their obligations to provide free or discounted goods or services (granted through points, kilometres, etc.) to clients who redeem award credits.

The Interpretation requires entities to allocate some of the proceeds of the initial sale to the award credits and recognise these proceeds as revenue only when they have fulfilled their obligations. They may fulfil their obligations by supplying awards themselves or paying a third party to do so.

The directors consider that the entrance into force of this interpretation will not materially affect the consolidated financial statements.

IFRIC 14 IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction

IFRIC 14 provides general guidance on how to assess the limit in IAS 19 Employee Benefits on the amount of the surplus that can be recognised as an asset. It also explains how the pensions asset or liability may be affected when there is a statutory or contractual minimum funding requirement, establishing the need to record an additional liability If the entity has the contractual obligation to make additional contributions to the plan and there are restrictions on their ability to recover them. The Interpretation will standardise practice and ensure that entities recognise an asset in relation to a surplus on a consistent basis. The directors consider that the entrance into force of this interpretation will not materially affect the consolidated financial statements.

4.- Property, plant and equipment

The changes in this consolidated balance sheet heading in 2007 and 2006 were as follows:

	Thousands of Euros							
	Land and Buildings	**Plant and machinery**	**Other Property, Plant and Equipment**	**Advances and Property, Plant and Equipment in the Course of Construction**	**Total Property, Plant and Equipment**	**Accumulated Depreciation**	**Impairment Losses**	**Total Net Property, Plant and Equipment**
Balance at 1 January 2006	**404,440**	**1,098,483**	**713,684**	**200,048**	**2,416,655**	**(1,055,991)**	**(8,223)**	**1,352,441**
Changes in the scope of consolidation	6,501	9,513	7,305	11,123	**34,442**	(12,971)	-	**21,471**
Additions or charges for the year	36,255	108,463	125,661	150,480	**420,859**	(234,695)	(10,933)	**175,231**
Disposals or reductions	(19,452)	(59,897)	(67,948)	(15,854)	**(163,151)**	93,583	1,520	**(68,048)**
Exchange differences	(1,252)	(2,961)	(4,152)	304	**(8,061)**	2,236	112	**(5,713)**
Transfers from/to other assets	11,706	86,919	(2,678)	(96,021)	**(74)**	1,689	(281)	**1,334**
Balance at 31 December 2006	**438,198**	**1,240,520**	**771,872**	**250,080**	**2,700,670**	**(1,206,149)**	**(17,805)**	**1,476,716**
Changes in the scope of consolidation	525,997	15,680,829	3,365,377	1,166,957	**20,739,159**	(7,454,995)	(79,715)	**13,204,449**
Additions or charges for the year	262,202	185,526	193,008	1,115,189	**1,755,926**	(758,995)	(9,310)	**987,620**
Disposals or reductions	(220,555)	(166,344)	(176,176)	(38,257)	**(601,333)**	263,828	23,460	**(314,045)**
Exchange differences	(3,579)	(136,946)	(9,443)	(3,712)	**(153,680)**	52,574	332	**(100,774)**
Transfers from/to other assets	69,773	472,854	(122,494)	(1,188,486)	**(768,353)**	34,573	6,139	**(727,641)**
Balance at 31 December 2007	**1,072,036**	**17,276,439**	**4,022,144**	**1,301,771**	**23,672,390**	**(9,069,164)**	**(76,900)**	**14,526,326**

Of which the following are leased assets:

	Thousands of Euros					
	Land and Buildings	**Plant and machinery**	**Other Property, Plant and Equipment**	**Total Property, Plant and Equipment**	**Accumulated Depreciation**	**Total Net Property, Plant and Equipment**
Balance at 31 December 2006	**7,521**	**69,481**	**122,753**	**199,755**	**(35,968)**	**163,787**
Balance at 31 December 2007	**4,968**	**1,090,755**	**37,664**	**1,133,387**	**(173,353)**	**960,034**

“Plant and Machinery” includes a gross amount of EUR 173.8 million at 31 December 2007, relating to the present value at the time of recognition of the payments that Unión Fenosa Gas, S.A. undertook to make when the time-charter agreements for the charter of two methane carriers used to transport liquid natural gas were entered into. These vessels, with capacities of 138,000 m3 and 140,500 m3 came into service in July 2004. The term of these agreements is 25 years, extendible to 30 years, with the latter considered as the term for the calculation of the amortisation of the value of the rights. The obligations under these agreements are recognized under “Bank Borrowings” in the accompanying consolidated balance sheet, net of the implicit deferred finance charges (Note 19).

Also, “Plant and Machinery” includes the present value of the lease payments payable, amounting to EUR 128.9 million in 2007, for the lease of capacity at the Termovalle power plant in Colombia entered into by Empresa de Energía del Pacífico, S.A., E.S.P., whereby this subsidiary acquired the obligation to pay the consortium that owns the plant for the availability of 140 MW (70% of the plant’s total capacity) until 2018. The liability assumed is recognised under “Non-Current Bank Borrowings” and “Current Bank Borrowings” in the accompanying consolidated balance sheet, net of the implicit deferred finance charges (Note 19).

The most significant additions in 2007, recognised under “Advances and Property, Plant and Equipment in the Course of Construction” relate to investments in the following facilities:

i) Generating facilities in Spain, mainly relating to the investment in coal boilers in the course of construction (La Robla and Meirama), gas plants (Sabón, Sagunto and Aceca) and the investment in the replacement of plant, property and equipment relating to specific facilities, amounting to EUR 325 million.

ii) Distribution, electricity transmission and other facilities by Unión Fenosa Distribución, S.A. amounting to EUR 316.8 million in 2007.

In 2007 units I, II and III of the Sagunto combined cycle plant (Valencia) were started up, specifically on 11 July, 19 September and 5 October, respectively, in relation to which the related transfers amounting to EUR 475.3 million were made from property, plant and equipment in the course of construction.

In 2007 and 2006 the companies capitalised to property, plant and equipment finance costs amounting to EUR 33,389 thousand and EUR 550 thousand, respectively.

Operating costs relating directly to property, plant and equipment in the course of construction capitalised in 2007 amounted to EUR 81,813 thousand (EUR 15,938 thousand in 2006).

Fully depreciated property, plant and equipment in use amounted to EUR 626,539 thousand in 2007 and EUR 355,119 thousand in 2006. In this connection, at 31 December 2007 the most significant generating facilities currently in service, whose gross cost per books amounts to EUR 101,300 thousand, are as follows:

- Aceca fossil-fuel plant
- Unit I of Narcea fossil-fuel plant
- El Pelgo hydroelectric plant
- Láncara hydroelectric plant

The detail of the most significant facilities the initial investment in which had been fully depreciated at 31 December 2007,(gross cost per books of EUR 301 million) and which are currently in service is as follows:

- Unit I of La Robla fossil-fuel plant
- Units I and II of the Sabón fossil-fuel plant
- Unit II of Narcea fossil-fuel plant

The Group has taken out insurance policies to cover the possible risks to which its property, plant and equipment are subject and the claims that might be filed against it for carrying on its business activities. These policies are considered to adequately cover the related risks.

The indemnities received for losses covered by insurance policed recognised in the income statement amounted to EUR 3,187 thousand in 2007 and EUR 1,575 thousand in 2006.

The Group has mortgaged land and buildings with a carrying amount of approximately EUR 23,715 thousand (EUR 11,781 thousand in 2006) to secure banking facilities granted to the Group.

At 31 December 2007, the Group had recognised a net EUR 4,825,360 thousand relating to property, plant and equipment owned by its foreign companies and branches (EUR 183,074 thousand in 2006).

At 31 December 2007, the Group had entered into contractual commitments for the future acquisition of property, plant and equipment amounting to EUR 57,849 thousand (EUR 22,887 thousand in 2006).

The impairment losses recognised in the 2007 and 2006 income statements, which amount to EUR 9,310 and EUR 10,933 thousand, respectively, relate mainly to the decrease in the market value of fibre optic cabling. The impairment losses reversed and recognised in the income statement total EUR 23,460 thousand (EUR 1,520 thousand in 2006).

5.- Non-current assets in projects

The balance of “Non-Current Assets in Projects” in the consolidated balance sheet at 31 December 2007, includes the costs incurred by the fully and proportionally consolidated companies in the construction of transport, service and power plant infrastructures whose operation constitutes the purpose of their respective concessions, the detail being as follows:

Company	Type of Infrastructure	End Date of Operation	Thousands of Euros		
			Investment	Accumulated Depreciation	Net Carrying Amount of Non-Current Assets in Projects
Autovía de La Mancha, S.A.	Motorway / Highway	2033	128,344	(13,790)	**114,554**
Concesionaria Santiago Brion, S.A.	Motorway / Highway	2035	95,570	-	**95,570**
Inversiones Nocedal, S.A.	Canon ByD - Motorway AC	2031	45,305	(4,550)	**40,755**
Taurus Holdings, S.A.	Canon ByD - Motorway VNE	2033	41,112	(2,813)	**38,299**
Reus-Alcover, Concessionària de la Genaralitat de Catalunya, S.A.	Motorway / Highway	2038	38,992	-	**38,992**
Andasol-1, 2 and Extresol-1	Thermal solar power plant	2028	358,358	-	**358,358**
Can Brians 2, S.A.	Penitentiary centre	2035	106,006	(2,681)	**103,325**
Remodelación Ribera Norte, S.A.	Police station	2024	47,119	-	**47,119**
Segas Services S.A.E	Liquefaction plant	2022	451,805	(51,916)	**399,890**
Fuerza y Energía de Tuxpan, S.A. de C.V.	Combined cycle electricity generation plant	2023	417,272	(91,665)	**325,607**
Grupo EUFER	Wind-powered facilities	2020	348,005	(55,203)	**292,801**
Fuerza y Energía de Tuxpan, S.A. de C.V.	Combined cycle electricity generation plant	2017	165,053	(35,559)	**129,494**
Planta de regasificación de Sagunto, S.A	Additional tank at regassification plant	2027	76,722	(7,660)	**69,062**
Hospital de Majadahonda, S.A.	Hospital	2035	229,120	-	**229,120**
Intercambiador Príncipe Pío, S.A.	Transport interchange	2040	62,195	(573)	**61,622**
Artemis Transmissora de Energía, S.A.	Energy transmission	2034	115,097	(6,978)	**108,119**
Artemis Transmissora de Energía, S.A.	Energy transmission	2035	39,866	(887)	**38,979**
Parque Eólico La Boga, S.L.	Wind-powered facility	2020	251,450	(6,583)	**244,867**
Al-Andalus Wind Power, S.L.	Wind-powered facility	2021	164,089	-	**164,089**
Beni Saf Water Company Spa.	Wind-powered facility	2024	80,512	-	**80,512**
Parque Eólico Marmellar, S.L.	Wind-powered facility	2021	53,916	(3,577)	**50,339**
Ecoven Parc Eólic, S.L.	Wind-powered facility	2021	54,996	(5,426)	**49,570**
Energías Ambientales de Vimianzo, S.A.	Wind-powered facility	2019	49,687	(17,790)	**31,897**
Energías Ambientales de Outes, S.A.	Wind-powered facility	2020	38,593	(7,542)	**31,051**
Easa Somozas, S.A.	Wind-powered facility	2018	47,475	(19,135)	**28,340**
Lestenergía, S.A.	Wind-powered facility	2026	133,405	(3,268)	**130,137**
Other wind-powered facilities (net value < 16 million €)	Wind-powered facility	-	80,230	(20,598)	**59,632**
Hydromanagement, S.L	Desalination plant	2031	78,887	-	**78,887**
Tirmadrid, S.A.	RSU Treatment Plant	2020	136,599	(63,380)	**73,219**
Planta de tratamiento de RSU y recuperación energética de Cantabria	Urban solid waste treatment plant	2038	70,297	(4,052)	**66,245**
UTE Albada	Urban solid waste treatment plant	2021	64,541	(10,164)	**54,377**
UTE Dehesas	Urban solid waste treatment plant	2015	59,519	(17,605)	**41,914**
Seguridad Integral Metropolitana, S.A.	Security systems	2014	61,003	(7,043)	**53,960**
Terminales del Sudeste, S.A.	Maritime terminal	2029	104,639	(8,080)	**96,559**
Graneles Sólidos Minerales, S.A.	Maritime terminal	2030	43,447	(472)	**42,975**
Other projects (net value < 15 million €)	-	-	112,137	(33,948)	**78,189**
Total			**4,451,364**	**(502,938)**	**3,948,426**

The changes in this heading in 2007 and 2006 were as follows:

	Thousands of Euros					
	2007			2006		
	Investment	Accumulated Depreciation	Net Carrying Amount	Investment	Accumulated Depreciation	Net Carrying Amount
Beginning balance	**1,972,825**	**(287,584)**	**1,685,241**	**1,564,279**	**(235,948)**	**1,328,331**
Changes in the scope of consolidation	728,279	(95,675)	632,604	(14,206)	-	(14,206)
Additions or charges for the year	1,194,242	(115,622)	1,078,620	886,905	(34,728)	852,177
Exchange differences	(129,631)	18,341	(111,290)	(15,247)	(989)	(16,236)
Disposals or reductions	(61,834)	22,064	(39,770)	(436,909)	(14,428)	(451,337)
Transfers	747,483	(44,462)	703,021	(11,997)	(1,491)	(13,488)
Ending balance	**4,451,364**	**(502,938)**	**3,948,426**	**1,972,825**	**(287,584)**	**1,685,241**

The most significant additions in 2007 relate to investments in thermal solar power plants, such as Andasol-1, 2 and Extresol-1 amounting to EUR 259,256 thousand, wind-powered facilities amounting to EUR 363,837 thousand and Hospital de Majadahonda, S.A. amounting to EUR119,553 thousand.

Additionally, the change in the scope of consolidation relates mainly to the full consolidation of Unión Fenosa, S.A.

The most significant additions in 2006 relate to the penitentiary centre of Can Brians 2, S.A. amounting to EUR 64,726 thousand, the Hospital de Majadahonda, S.A. amounting to EUR 87,094 thousand, the thermal solar power plant of Andasol amounting to EUR 99,102 thousand, the transport interchange of Transportes Príncipe Pío, S.A. amounting to EUR 40,810 thousand and wind-powered facilities amounting to EUR 220,826 thousand.

The most significant disposals in 2006 relate to the sale of Ferrocarriles de Norte de Colombia, S.A. (for EUR 244,358 thousand) and of Munirah, Transmissora de Energía, S.A. (for EUR 109,931 thousand). The only significant disposal in 2007 relates to Semacar in Argentina.

Interest capitalised in 2007 amounted to EUR 14,984 thousand (EUR 13,037 thousand in 2006). This capitalisation was performed by applying an average capitalisation rate of 4.7% in 2007 (4.1% in 2006).

The financing relating to non-current assets in projects is explained in Note 18.

At 31 December 2007, the Group had entered into contractual commitments for the acquisition of non-current assets in projects amounting to EUR 86,052 thousand (EUR 81,133 thousand in 2006).

6.- Investment property

The changes in this heading in 2007 and 2006 were as follows:

	Thousands of Euros	
	2007	2006
Beginning balance	**18,260**	**9,186**
Additions	8,229	9,241
Charges for the year	(491)	(147)
Impairment losses	-	(20)
Transfers from/to other assets	21,270	-
Ending balance	**47,268**	**18,260**

The Group's investment property relates to housing, car parks and commercial premises earmarked for lease.

The rental income earned from investment property amounted to EUR 3,970 thousand in 2007 (1,880 thousand in 2006).

Contractual commitments for the acquisition, construction or development of investment property, and for repairs, maintenance and improvements, were not material.

At the beginning of 2007, the gross carrying amount was EUR 20,050 thousand and accumulated depreciation (increased by accumulated impairment losses) amounted to EUR 1,790 thousand. At year-end, the gross carrying amount and accumulated depreciation were EUR 49,657 thousand and EUR 2,299 thousand, respectively. There were no material differences with respect to fair value in the accompanying consolidated financial statements.

The minimum amount of contractually guaranteed future leases at 31 December 2007 was not material.

7.- Goodwill

The changes in this consolidated balance sheet heading in 2007 and 2006 were as follows:

	Thousands of Euros	
	2007	2006
Beginning balance	**1,086,615**	**1,047,586**
Additions	183,741	58,454
Disposals	(102,091)	(19,027)
Impairment	(6,879)	(32)
Change in consolidation method	1,802,733	-
Exchange differences	(13,744)	(366)
Ending balance	**2,950,375**	**1,086,615**

The change in the scope of consolidation relates to the fully consolidation of Unión Fenosa, S.A. and involves the goodwill arising from this integration as well as the goodwill recognised by Grupo Unión Fenosa, S.A. prior to be fully consolidated in the ACS Group.

The calculation of the goodwill arising from the full consolidation of Unión Fenosa, S.A. is detailed in Note 2.2.f). Additionally, the calculation of the goodwill arising from the two most relevant purchases in 2007 (Schiavone Construction Company and Senda Ambiental, S.A.) are detailed in Note 2.2.f)

The detail by company of the changes in goodwill in 2007 is as follows:

Company	Thousands of Euros						
	Balance at 31/12/ 2006	Change in consolidation method	Additions	Disposals	Impairment	Exchange Differences	Balance at 31/12/2007
Parent	**780,939**	**-**	**-**	**-**	**-**	**-**	**780,939**
Merger with Grupo Dragados, S.A.	780,939	-	-	-	-	-	780,939
Construction	**158**	**-**	**50,837**	**-**	**(158)**	**-**	**50,837**
Schiavone Construction Company	-		50,837	-	-	-	50,837
Construction subsidiaries	158		-	-	(158)	-	-
Industrial Services	**85,120**	**-**	**5,635**	**(44,025)**	**-**	**-**	**46,730**
Alagarce, S.L.	10,893		-	(10,893)	-	-	-
AW Augusta Wind, S.L.	6,539	-	-	(6,539)	-	-	-
Electromur, S.A.	9,139	-	-	-	-	-	9,139
Grupo Humiclima	-	-	4,327	-	-	-	4,327
Injar, S.A.	6,078	-	-	-	-	-	6,078
Parque Eólico el Perul, S.L.	7,192	-	-	(7,192)	-	-	-
S.I.C.E., S.A.	11,708	-	-	-	-	-	11,708
Other industrial service subsidiaries	33,571	-	1,308	(19,401)	-	-	15,478
Environment and Logistics	**220,398**	**-**	**70,574**	**(43,882)**	**(6,206)**	**(259)**	**240,625**
Consenur, S.A.	4,210	-	-	-	-	-	4,210
Continental Auto, S.L.	27,126	-	-	(27,126)	-	-	-
Grupo Hijos de Simón Maestra, S.L.	6,787	-	-	(6,787)	-	-	-
Sintax Group	38,231	-	87	-	-	-	38,318
KDM, S.A.	4,542	-	-	-	-	-	4,542
Limpiezas Lafuente, S.L.	4,092	-	-	-	-	-	4,092
Limpiezas Municipales, S.A.	-	-	7,081	-	-	-	7,081
Marítima del Mediterráneo, S.A.	14,734	-	151	-	-	-	14,885
.	-	-	42,805	-	-	-	42,805
Servicios Urbanos e Medio Ambiente, S.A.	3,090	-	1,944	-	-	-	5,034
Sintax Logística, S.A.	5,634	-	-	-	-	-	5,634
TESC- Terminal Santa Catarina, S.A.	8,678	-	-	-	-	-	8,678
Tracemar, S.A.	10,826	-	-	-	-	-	10,826
Urbaser, S.A.	46,774	-	-	(168)	-	-	46,606
Other Environment and Logistics subsidiaries	45,674	-	18,506	(9,801)	(6,206)	(259)	47,914
Energy	**-**	**1,802,733**	**56,697**	**(14,186)**	**(515)**	**(13,485)**	**1,831,244**
Distribuidora Eléctrica de Occidente, S.A.	-	14,594	2,794	-	-	(3,049)	14,339
Distribuidora Eléctrica de Oriente, S.A.	-	20,962	-	(3,066)	-	(1,761)	16,135
Empresa de Energía de Pacífico, S.A. E.S.P. (C.H. de Hidroprado)	-	-	11,806	-	-	-	11,806
Empresa Distribuidora de Electricidad Chiriqui, S.A.	-	9,110	-	-	-	(1,010)	8,100
Empresa Distribuidora de Electricidad Metro Oeste, S.A.	-	36,804	-	-	-	(4,083)	32,721
Kangra Coal (Propietary), LTD	-	-	36,133	-	(515)	(3,043)	32,575
Unión Fenosa Generación, S.A.	-	66,196	-	-	-	-	66,196
Unión Fenosa, S.A.	-	1,629,715	-	-	-	-	1,629,715
Other Union Fenosa subsidiaries	-	25,352	5,964	(11,120)	-	(539)	19,657
Total	**1,086,615**	**1,802,733**	**183,743**	**(102,093)**	**(6,879)**	**(13,744)**	**2,950,375**

In the case of the ACS Group's goodwill, annually the carrying amount of the company or cash-generating unit is compared to the value in use obtained by means of the cash flow discounting measurement method (Note 3.6).

For the most significant goodwill arising from the merger between the Dragados and ACS Groups, the procedure detailed above was followed. In this case, the cash flows taken into consideration were those relating to the different cash-generating divisions or units. For this purpose, the Group based itself on the existing measurements in the market closest to the measurement date, comparing them with the carrying amount, to which the proportional part of goodwill was allocated, and no impairment was disclosed.

According to the estimates and projections available to the directors of the Group and of each of the companies concerned, the projected cash flows attributable to these cash-generating units (or groups of units) to which the goodwill is allocated will make it possible to recover the carrying amount of the goodwill recognised at 31 December 2007. If the carrying amount will not be recovered, the related impairment loss has been recognised (Note 29.5).

8.- Other intangible assets

The changes in this consolidated balance sheet heading in 2007 and 2006 were as follows:

	Thousands of Euros							
	Development Expenditure	Computer Software	Administrative Concessions	Other Intangible Assets	Total Other Intangible Assets	Accumulated Amortisation	Impairment Losses	Total Other Intangible Assets, Net
Balance at 1 January 2006	**3,187**	**37,370**	**85,592**	**56,490**	**182,639**	**(63,799)**	**(900)**	**117,940**
Changes in the scope of consolidation	114	94	12	6,242	6,462	(2,430)	-	4,032
Additions or charges for the year	362	6,170	25,791	1,772	34,095	(11,340)	900	23,655
Disposals or reductions	(9)	(1,179)	(1,160)	(10,465)	(12,813)	1,899	-	(10,914)
Exchange differences	-	(68)	(448)	(42)	(558)	69	-	(489)
Transfers from/to other assets	-	1,818	(1)	(1,685)	132	274	-	406
Balance at 31 December 2006	**3,654**	**44,205**	**109,786**	**52,312**	**209,957**	**(75,327)**	**-**	**134,630**
Changes in the scope of consolidation	64,418	339,714	343,075	841,030	1,588,237	(385,734)	(7,276)	1,195,227
Additions or charges for the year	8,201	33,670	110,095	51,259	203,225	(82,762)	(78)	120,385
Disposals or reductions	(17,688)	(28,214)	(3,666)	(71,350)	(120,918)	55,557	6,744	(58,617)
Exchange differences	(123)	(4,718)	(386)	(201)	(5,428)	4,104	-	(1,324)
Transfers from/to other assets	243	(199)	(1,731)	52,111	50,424	1,887	-	52,311
Balance at 31 December 2007	**58,705**	**384,458**	**557,173**	**925,161**	**1,925,497**	**(482,275)**	**(610)**	**1,442,612**

Administrative concessions relate mainly to the amounts paid in the Environment and Logistics Business, including most notably the amounts at 31 December 2006 relating to the SPL (EUR 30,734 thousand) and Urbaser (EUR 51,533 thousand) subgroups.

The 2006 period additions amounted to EUR 40,557 thousand, of which EUR 34,095 thousand relate to separate acquisitions and EUR 6,462 thousand to assets acquired through business combinations.

The changes in the scope of consolidation relate mainly to the inclusion of Unión Fenosa in 2007, and most notably the intangible assets allocated (Note 2.2.f).

In 2007, the most significant additions relate to administrative concessions of the Environment and Logistics Business amounting to EUR 109,826 thousand.

In 2007 investments amounted to EUR 1,828,249 thousand, of which EUR 1,058,694 thousand relate to separate acquisitions and EUR 566,330 thousand to assets acquired through business combinations.

At December 31 2007, the Group recognised CO2 emission allowances acquired to cover the annual emissions deficit amounting to EUR 4.3 million (5.7 million tonnes) under “other Intangible Assets. As indicated in Note 3.5.4, in 2007 the cost of the allowances received for no consideration (11.7 million tonnes) is considered to be zero.

Fully amortised intangible assets in use at 31 December 2007, amounted to EUR 22,954 thousand (EUR 21,615 thousand at 31 December 2006). There were no items temporarily taken out of use at 31 December 2007 or 31 December 2006.

No development expenditure was recognised as an expense in the accompanying 2007 and 2006 consolidated income statements.

There were no intangible assets whose title was restricted in 2007 or 2006.

At 31 December 2007 and 2006, there were no assets with an indefinite useful life other than those reported as goodwill.

9.- Joint ventures

The main aggregates relating to joint ventures are as follows:

	Thousands of Euros			
	UTE´s, EIG´s		Companies	
	2007	2006	2007	2006
Current assets	2,842,461	2,526,014	628,971	163,793
Non-current assets	336,546	279,983	1,749,517	340,208
Current liabilities	2,874,674	2,567,370	510,151	130,447
Non-current liabilities	132,697	118,779	1,191,071	278,339
Profit for the year	154,016	95,862	239,902	24,932
Revenue	3,689,947	3,766,471	1,083,197	275,102

The identification data relating to the main ACS Group companies and unincorporated joint ventures (UTEs) are detailed in Appendix II.

10.- Investments in companies accounted for by the equity method

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

	Thousands of Euros	
	2007	2006
Beginning balance	**6,800,485**	**4,958,411**
Additions	1,791,736	1,857,143
Disposals	(156,465)	(362,756)
Change in consolidation method	(4,218,946)	(2,168)
Profit of associates	193,145	421,122
Changes in the equity of associates		
-Exchange differences/ Other	(11,927)	(89,346)
-Cash flow hedges	21,337	28,700
Available-for-sale financial assets	12,981	181,780
Transfer to non-current assets held for sale	(56,237)	-
Distribution of dividends	(144,681)	(192,401)
Ending balance	**4,231,428**	**6,800,485**

The detail, by company, of the investments accounted for by the equity method are as follows:

Company	2007					2006				
	% of Ownership	**Share of Net Assets**	**Profit for the year**	**Goodwill**	**Total Carrying Amount**	**% of Ownership**	**Share of Net Assets**	**Profit for the year**	**Goodwill**	**Total Carrying Amount**
Abertis Infraestructuras, S.A.	24.83%	1,346,123	142,172	485,988	**1,974,283**	24.83%	1,264,505	141,882	485,988	**1.892.375**
Hochtief Aktiengesellschaft	25.08%	649,853	30,776	598,776	**1,279,405**	-	-	-	-	**-**
Indra Sistemas, S.A.	15.00%	185,801	15,419	243,738	**444,958**	-	-	-	-	**-**
Itumbiara Transmissora de Energia, Ltda.	33.33%	47,016	1,493	-	**48,509**	33.33%	35,515	(192)	-	**35.323**
Rutas del Pacífico, S.A.	50.00%	38,259	(4,438)	-	**33,821**	50.00%	40,250	(813)	-	**39.437**
Nordeste Transmissora de Energía, Ltda.	49.99%	27,969	5,342	-	**33,311**	49.99%	24,806	4,330	-	**29.136**
TP Ferro Concesionaria, S.A.	50.00%	30,354	-	-	**30,354**	50.00%	27,575	-	-	**27.575**
Circunvalación Alicante, S.A.	50.00%	30,186	(671)	-	**29,515**	50.00%	26,630	(180)	-	**26.450**
Operaciones Portuarias Canarias, S.A.	45.00%	18,251	1,006	9,638	**28,895**	45.00%	17,632	662	9,638	**27.932**
Serra da Mesa Transmissora de Energia Ltda	33.33%	28,332	-	-	**28,332**	-	-	-	-	**-**
Metro de Sevilla Sdad. Concesionaria de la Junta de Andalucía, S.A.	31.13%	25,558	-	-	**25,558**	31.13%	25,110	-	-	**25.110**
Porto Primavera, Ltda.	33.33%	24,440	805	-	**25,245**	33.33%	20,381	64	-	**20.445**
Cleon, S.A.	25.00%	25,296	(92)	-	**25,204**	25.00%	25,272	24	-	**25.296**
Sociedade Galega do Medio Ambiente, S.A.	49.00%	19,159	1,183	-	**20,342**	-	-	-	-	**-**
Nea Odos Concession, Société Anonyme	33.33%	19,281	(219)	-	**19,062**	-	-	-	-	**-**
STE - Sul Transmissora de Energía, Ltda.	49.90%	16,102	2,047		**18,149**	49.90%	13,265	1,462	-	**14.727**
DPI, Terminals Dominicana Ltda.	30.00%	8,668	702	5,412	**14,782**	30.00%	6,088	(687)	6,797	**12.198**
Sociedad Concesionaria Autopista Central, S.A.	48.00%	14,733	(675)	-	**14,058**	48.00%	37,698	(11,127)	-	**26.571**
Vila do Conde, Ltda.	33.33%	12,609	896	-	**13,505**	33.33%	9,921	(348)	-	**9.573**
Expansión de Transmissao Eléctrica Brasil, S.A.	25.00%	7,467	2,915	-	**10,382**	25.00%	7,477	3,314	-	**10.791**
Cachoeira Paulista Transmisora de Energía, S.A.	33.00%	8,030	2,099	-	**10,129**	33.00%	8,092	1,522	-	**9.614**
Unión Fenosa, S.A.	-	-	-	-	**-**	40.47%	2,454,151	247,312	1,652,165	**4.353.628**
Aeropuertos Mexicanos del Pacífico, S.A. de C.V.	-	-	-	-	**-**	33.33%	58,183	3,729	2,767	**64.679**
Remolcadores de Barcelona, S.A.	-	-	-	-	**-**	38.70%	12,189	2,058	495	**14.742**
Other associates	-	112,036	(7,615)	(792)	**103,629**	-	103,810	28,108	2,965	**134.883**
Total		**2,695,523**	**193,145**	**1,342,760**	**4,231,428**		**4,218,550**	**421,120**	**2,160,815**	**6.800.485**

Acquisition of Unión Fenosa, S.A.

In 2006, the ACS Group continued to strengthen its position in Unión Fenosa, S.A. through the direct acquisition by ACS, Actividades de Construcción y Servicios, S.A. of 1.46 % of the share capital of Unión Fenosa, S.A. and through the acquisition by Roperfeli, S.L. (100% owned by the ACS Group) of 4.5% of the share capital of Unión Fenosa, S.A.

The latter acquisition was financed in a manner similar to the purchase by PR Pisa, S.A , and the shares of Unión Fenosa, S.A. were pledged as security (Note 18).

The total acquisition cost of the ownership interest in Unión Fenosa, S.A. at 31 December 2006 amounted to EUR 4,150,734 thousand.

At the end of 2006, the underlying carrying amount of the ACS Group's ownership interest in Unión Fenosa, S.A. (40.47%) was EUR 1,817,373 thousand. Following the assignment of net assets at fair value amounting to EUR 884,090 thousand, and after having taken into consideration the corresponding deferred tax, goodwill amounting to EUR 1,652,165 thousand arose and is attributable to the profitability of the business acquired and to the expected synergies in the Group following the acquisition.

The depreciation and amortisation charge for the assigned assets amounted to EUR 22,851 thousand in 2006, and was recorded as a reduction to "Results of Associates" in the accompanying consolidated income statement.

Unión Fenosa, S.A. was fully consolidated commencing in January 2007 (Note 2.2.f).

Ownership interest in Hochtief, A.G.

On 20 March 2007, the ACS Group entered into an agreement for the purchase of 17,554,000 shares representing 25.08% of the share capital of Hochtief, A.G. at a price of EUR 72 per share, subject to the authorisation of the German competition authorities.

Once this authorisation had been granted, the aforementioned percentage of ownership interest was acquired on 24 April 2007 and from this date, the company was accounted for by the equity method.

At the end of 2007, the underlying carrying amount of the ACS Group's ownership interest in Hochtief, A.G. (25.08%) was EUR 1,279,405 thousand following the assignment of net assets at fair value amounting to EUR 132,973 thousand, and relating mainly to the value of concessions, the airport business and operations in Pacific Asia, and after having taken into consideration the corresponding deferred tax, goodwill amounting to EUR 598,776 thousand arose and is attributable to the profitability of the business acquired and to the expected synergies in the Group following the acquisition.

The depreciation and amortisation charge for the assigned assets amounted to EUR 2,408 thousand in 2007, and was recorded as a reduction to "Results of Associates" in the accompanying consolidated income statement.

Additionally, at 31 December 2007, the Group had entered into a derivatives agreement, and specifically, an equity swap on 3,430,000 shares of Iberdrola, S.A, which represented 4.9% of its share capital and may be settled in cash or shares at the option of ACS Actividades de Construcción y Servicios, S.A. At the date of the preparation of these financial statements, the ownership interest continued to be the same as in the previous year. The change in the amount relating to the fair value of this derivative amounting to EUR 56,352 thousand, is included under "Gains due to changes in the value of financial instruments classified at fair value" in the accompanying consolidated income statement.

Exchange of Soluziona Consultoría y Tecnología, S.L for Indra Sistemas, S.A.

In January 2007 all of the ownership interests of Unión Fenosa, S.A. in Soluziona Consultoría y Tecnología, S.L. (including its interest in Prointec, S.A.), Soluziona Internacional Servicios Profesionales, S.L.U. and Soluziona Seguridad, S.A.U. were exchanged for 18.06 million shares of Indra Sistemas, S.A. representing 11% of its share capital This transaction gave rise to a consolidated gain before tax for the ACS Group of EUR 150,300 thousand, which was recognised under “Gains on Disposals of Non-Current Assets”. In April and May 2007, Unión Fenosa, S.A. acquired additional percentages of 3.10% and 0.90%, respectively, increasing its ownership interest in Indra Sistemas, S.A. to the currently held 15%. At year-end the value of this interest is EUR 445 million, including goodwill prior to its allocation amounting to EUR 345.9 million and a gain of 15.4 million.

Of this goodwill, EUR 243.7 million was recognised as such, whereas EUR 102.2 million was allocated to various company assets. The detail of the assets to which the goodwill was allocated is as follows:

Allocation of goodwill to assets	Thousands of Euros
Commercial relations	94,616
Land	4,444
Intangible assets	3,124
Total	**102,184**

Commercial relations are amortised on a time proportion basis over the period in which it is estimated that the order book will generate cash flows. The intangible assets are amortised over a ten-year period.

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

In December 2006, the ACS Group sold its ownership interest in Inmobiliaria Urbis, S.A. in response to the takeover bid launched by the Inmobiliario Reyal Group at the price of EUR 26 per share. The price charged amounted to EUR 822,605 thousand with profit before tax of EUR 510,860 thousand, and was recorded under "Gains on Disposals of Non-Current Assets" in the accompanying 2006 consolidated income statement.

The market values of the ACS Group's investments in associates listed on an organised secondary market at 31 December 2007 are as follows:

	Thousands of Euros
Abertis Infraestructuras, S.A.	3,397,073
Hochtief, A.G.	1,614,968
Indra Sistemas, S.A.	457,437

Under profit for 2006, noteworthy is the recognition in the income statement as a result of the drop in corporation tax rates, of deferred taxes generated following the assignment of assets in the process of acquiring these ownership interests (Note 27.4). EUR 90,897 thousand was recognised in the income statement for the year ended 31 December 2006 (EUR 55,938 thousand relating to Unión Fenosa, S.A. and EUR 34,959 thousand to Abertis Infraestructuras, S.A.).

In 2007, this effect did not arise except in relation to Hochtief AG and Abertis Infraestructuras, S.A., due to the drop in the tax rate in Germany and the United Kingdom, respectively, which had no material effect on the ACS Group's consolidated financial statements.

11.- Financial assets

The detail of the balance of this heading in the consolidated balance sheets in 2007 and 2006 is as follows:

	Thousands of Euros			
	2007		2006	
	Non-Current	Current	Non-Current	Current
Investment securities	5,098,616	595,461	3,117,950	957,612
Loans to associates	140.019	7,952	101,828	5,712
Other loans	829.646	817,450	207,202	917,615
Total	**6,068,281**	**1,420,863**	**3,426,980**	**1,880,939**

11.1 Investment securities

11.1.1 Non-current investment securities

The detail, by company, of the balance of this heading at 31 December 2007 is as follows:

	Thousands of Euros		
	Cost	**Provision**	**Net Balance**
Corporate unit and other			
Iberdrola, S.A.	3.750.445	-	3,750,445
Xfera Móviles, S.A.	79.206	-	79,206
Construction			
Madrid Calle 30, S.A.	50.000	(5.624)	44,376
Transportes Ferroviarios Madrid, S.A.	3.414	(264)	3,150
Industrial Services			
Sistema Eléctrico de Conexión Valcaire, S.L.	5.562	-	5,562
Environment and Logistics			
Cargolink Armazéns de Cargas, Ltda.	4.348	-	4,348
Concessions			
Accesos de Madrid Concesionaria Española, S.A.	45.669	(3.074)	42,595
Energy			
Grupo Cepsa	949.907	-	949,907
Red Electrica de España, S.A	58.490	-	58,490
Isagen, S.A.	94.967	-	94,967
Richards Bay Coal Terminal	37.189	-	37,189
Other investments	78,773	(50,392)	28,381
Total	**5,157,970**	**(59,354)**	**5,098,616**

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

	Thousands of Euros		
	Cost	**Provision**	**Net Balance**
Corporate unit and other			
Iberdrola, S.A.	2,985,931	-	2,985,931
Xfera Móviles, S.A.	22,286	-	22,286
World Trade Center Barcelona, S.A.	2,404	(364)	2,040
Autopistas del Sol, S.A.	8,889	(8,889)	-
Construction			
Madrid Calle 30, S.A.	40,000	-	40,000
Sacresa Belgique, S.A.	4,446	-	4,446
Compañía Nueva Plaza de Toros de Barcelona, S.A.	3,011	(132)	2,879
Transportes Ferroviarios Madrid, S.A.	3,414	(614)	2,800
Parque Temático de Madrid, S.A.	3,516	(1,329)	2,187
Industrial Services			
Saneamiento Norte, S.A.	3,667	(3,667)	-
Concessions			
Accesos de Madrid Concesionaria Española, S.A.	44,722	(2,193)	42,529
SCL Terminal Aéreo Santiago, S.A., Sociedad Concesionaria	2,864	(1,720)	1,144
Other investments	20,730	(9,022)	11,708
Total	**3,145,880**	**(27,930)**	**3,117,950**

In accordance with IAS 39, these investments are considered to be available-for-sale financial assets. They have generally been measured at cost since there is no reliable market for them, except for in the case of Iberdrola, S.A., Cepsa and Red Eléctrica Española, S.A., which are traded through the Spanish computerized trading system.

A 31 December 2007 and 2006, the ACS Group had an ownership interest of 17% in the share capital of Xfera Móviles, S.A. through ACS Telefonía Móvil, S.L. following the sale of a portion of its ownership interest to the Telia Sonera Group in June 2006. At 31 December 2006, following the aforementioned sale, which gave rise to a gain of EUR 25,635 thousand and the capital increase in 2006, this ownership interest was carried at cost for an amount of EUR 35,376 thousand. At 31 December 2007, this ownership interest is valued at EUR 139,896 thousand, following the contributions made, including the participating loans associated thereto.

Acquisition of 7.2% of Iberdrola, S.A.

On 29 September 2006, through Residencial Monte Carmelo, S.L., a company 100% owned by the ACS Group, the Group acquired a total 90,154,918 shares of Iberdrola, S.A., representing 10% of this company. Following the split and capital increases carried out by Iberdrola in 2007, at 31 December 2007 the ACS Group holds 360,619,672 shares representing 7.2% of the share capital of Iberdrola.

The carrying value per consolidated books relating to the acquisition of Iberdrola, S.A. amounted to EUR 3,297,346 thousand in 2006 and 2007. In accordance with IAS 39, this ownership interest was adjusted to market price at year-end with an effect on equity of EUR 3,750,445 thousand in 2007, and to EUR 453,099 thousand prior to taxes in 2007 (EUR 311,415 thousand in 2006 (net of taxes it amounts to EUR 371,541 thousand in 2007 and EUR 217,990 thousand in 2006) and was included as part of equity under “Valuation Adjustments – Available-for-Sale Financial Assets” in the accompanying balance sheet.

This transaction was financed through a syndicated loan and a credit line with different banks. The shares of Iberdrola, S.A. and a subordinated loan of ACS, Actividades de Construcción y Servicios, S.A. (Note 18) were pledged as security.

Additionally, at 31 December 2006, the Group had entered into a derivatives agreement and specifically an equity swap on shares of Iberdrola, S.A., which represented 0.88% of its share capital and may be settled in cash or shares at the option of the ACS Group. At 31 December 2007, the aforementioned equity swap affected 5.2% of the share capital of Iberdrola, S.A.

The change in the amount relating to the fair value of this derivative amounting to EUR 170,865 thousand, is included under "Gains due to changes in the value of financial instruments classified at fair value" in the accompanying consolidated income statement.

In addition to the investments in Iberdrola, S.A. and Xfera Móviles, S.A., noteworthy at 31 December 2007 are the following available-for-sale investments, on which there are no restrictions regarding use or impairment losses.

a) 1% ownership interest in Red Eléctrica de España, S.A. amounting to EUR 58.5 million at 31 December 2007.

b) 5% ownership interest in the Cepsa Group, amounting to EUR 950 million at 31 December 2007.

c) In 2007 the South African company Kangra Coal (Proprietary) LTD was included in the scope of consolidation. This company holds 2.3% of the shares of Richards Bay Coal Terminal, an investment classified as available-for-sale financial asset. At 31 December 2007, this ownership interest amounted to EUR 37 million.

d) Colombiana Empresa de Energía del Pacífico S.A., E.S.P. recognises its 5.04% ownership interest in the share capital of ISAGEN, S.A at fair value, on the basis of its stock market price. At 31 December 2007, this holding was valued at EUR 94.9 million.

11.1.2 Current investment securities

“Current Investment Securities” mainly relates to investments made in government debt securities in order to place cash surpluses. These are highly liquid and high-rotation assets that generate market returns.

11.2 Loans to associates

The detail of the balances of “Loans to Associates” and of the scheduled maturities at 31 December 2007 is as follows:

	Thousands of Euros					
	Current	Non-Current				
	2008	2009	2010	2011	2012 and Subsequent Years	Total Non-Current
Euro loans	**7,178**	24	-	-	69,696	**69,720**
Foreign currency loans	**774**	-	-	-	70,299	**70,299**
Total	**7,952**	**24**	**-**	**-**	**139,995**	**140,019**

The detail of the balances of “Loans to Associates” and of the scheduled maturities at 31 December 2007 is as follows:

	Thousands of Euros					
	Current	Non-Current				
	2007	2008	2009	2010	2011 and Subsequent Years	Total Non-Current
Euro loans	**1,726**	24	8,915	-	6,269	**15,208**
Foreign currency loans	**3,986**	1,916	-	-	84,704	**86,620**
Total	**5,712**	**1,940**	**8,915**	**-**	**90,973**	**101,828**

Noteworthy under this heading are the EUR 35,686 thousand (EUR 38,916 thousand in 2006) loan granted to Sociedad Concesionaria Autopista Central, S.A. and the EUR 26,056 thousand (EUR 24,900 thousand in 2006) loan to Sociedad Concesionaria Vespucio Norte Express, S.A. which were granted in Chilean pesos and mature after 2012.

These loans bear market interest.

11.3 Other loans

The detail of the balances of “Other Loans” and of the scheduled maturities at 31 December 2007, is as follows:

	Thousands of Euros					
	Current	Non-Current				
	2008	2009	2010	2011	2012 and Subsequent Years	Total Non-Current
Euro loans	**776,132**	47,817	2,209	677	708,249	**758,952**
Foreign currency loans	**41,318**	477	151	11	70,055	**70,694**
Total	**817,450**	**48,294**	**2,360**	**688**	**778,304**	**829,646**

The detail of the balances of “Other Loans” and of the scheduled maturities at 31 December 2007, is as follows:

	Thousands of Euros					
	Current	Non-Current				
	2007	2008	2009	2010	2011 and Subsequent Years	Total Non-Current
Euro loans	**894,371**	20,304	4,701	3,234	175,080	**203,319**
Foreign currency loans	**23,245**	290	139	125	3,329	**3,883**
Total	**917,616**	**20,594**	**4,840**	**3,359**	**178,409**	**207,202**

Under this balance sheet heading, current euro loans mainly relate to surplus cash investments, short-term “repos”, and the current account with the securitisation SPV (Note 13).

This balance sheet heading includes the financing of the shortfall in revenue from regulated activities in the electricity industry, since, based on current legislation, the Group is entitled to recover it and such recovery is not subject to future contingent factors. The total industry shortfall in 2007 was estimated to amount to EUR 784 million, of which Unión Fenosa Generación, S.A. finances 12.84%, and recognised EUR 100.6 million in this connection. To this amount it is also necessary to add the outstanding EUR 250.8 million relating to the previous year.

Non-current loans included refinanced loans to local government entities amounting to EUR 85,512 thousand at 31 December 2007 (EUR 47,746 thousand at 31 December 2006).

At 31 December 2006, "Current Euro Loans" included the EUR 328,179 million pledged to secure the financing granted to the ACS Group, through Sociedad Residencial Monte Carmelo, S.A. for the purchase of 7.2% of Iberdrola, S.A. (Note 18). This amount may not be reimbursed to the ACS Group until the investment/debt coverage ratio established in the financing arrangement has been exceeded. At 31 December 2007, the balance of this account was cancelled and there was no obligation to replace this balance.

These loans bear interest at a rate tied to Euribor less a market spread.

12.- Inventories

The detail of “Inventories” is as follows:

	Thousands of Euros	
	Balance at 31/12/2007	**Balance at 31/12/2006**
Raw materials and other supplies	579,939	405,596
Work in progress, semi-finished goods and finished goods	75,915	104,345
Fixtures	131,214	115,662
Advances	113,506	116,502
Allowances	(3,745)	(3,850)
Total	**896,829**	**738,255**

In 2007 inventories with a carrying amount of EUR 9,973 thousand (EUR 10,533 thousand in 2006) have been pledged and/or mortgaged as security for the repayment of debts.

The total impairment losses on inventories recognised and reversed in the consolidated income statement for 2007, relating to the various ACS Group companies, amounted to EUR 1,207 thousand and EUR 1,306 thousand, respectively (EUR 2,331 thousand and EUR 1,813 thousand in 2006).

13.- Trade and other receivables

The carrying amount of trade and other receivables reflects their fair value, the detail being as follows:

	Thousands of Euros	
	Balance at 31/12/2007	**Balance at 31/12/2006**
Trade receivables for sales and services	7,676,591	5,696,114
Receivable from companies accounted for using the equity method	187,724	89,446
Other receivables	791,453	273,556
Provisions	(412,127)	(112,986)
Total	**8,243,641**	**5,946,130**

Trade receivables for sales and services

The detail of this heading at 31 December 2007 and 2006 is as follows:

	Thousands of Euros	
	Balance at 31/12/2007	**Balance at 31/12/2006**
Trade receivables and notes receivable	6,473,473	4,600,804
Completed work pending certification	1,203,118	1,095,310
Total	**7,676,591**	**5,696,114**
Advances received on orders (Note 24)	(2,273,515)	(1,803,013)
Allowances for doubtful debts	(397,755)	(81,803)
Total net trade receivables balance	**5,005,321**	**3,811,298**

The detail of the net trade receivables balance, by line of business, is as follows:

	Thousands of Euros	
	Balance at 31/12/2007	**Balance at 31/12/2006**
Construction	1,716,311	1,444,093
Industrial services	1,524,699	1,660,488
Environment and Logistics	922,030	775,260
Concessions	9,510	8,775
Energy	990,663	-
Corporate unit and other	(157,892)	(77,318)
Total	**5,005,321**	**3,811,298**

At 31 December 2007, retentions held by clients for contract work in progress amounted to EUR 175,355 thousand (EUR 199,579 thousand in 2006).

The Group companies assign trade receivables to financial entities, without the possibility of recourse against them in the event of non-payment. The balance of receivables was reduced by EUR 473,578 thousand in this connection at 31 December 2007 and by EUR 415,141 thousand at 31 December 2006.

Substantially all the risks and rewards associated with the receivables, as well as control over them, were transferred through the sale and assignment of the receivables, since no repurchase agreements have been entered into between the Group companies and the credit institutions that have acquired the assets, and the credit institutions may freely dispose of the acquired assets without the Group companies being able to limit this right in any manner. Consequently, the balances receivable relating to the receivables assigned or sold under the aforementioned conditions were derecognised in the consolidated balance sheet. The Group companies continued to manage collection during the period to maturity.

The balance of “Trade Receivables and Notes Receivable” was reduced by the amounts received from the CAP-TDA1 "Fondo de Titulización de Activos, a securitisation SPV which was set up on 25 June 2003.

The ACS Group companies fully and unconditionally assign receivables to the securitisation SPV. By means of this mechanism, .at the date of assignment, the Company charges a set price (cash price) which does not reverse back to the securitisation SPV for any reason. This securitisation SPV, which is subject to Spanish law, transforms the receivables into tradeable bonds. It is managed by a management company called Titulización de Activos, Sociedad Gestora de Fondos de Titulización, S.A. The bonds issued by the securitisation SPV received an AAA rating from rating agencies.

The amount of the receivables sold to the securitisation SPV was EUR 328,848 thousand at 31 December 2007 (EUR 299,477 thousand at 31 December 2006), of which EUR 109,875 thousand (EUR 89,055 thousand at 31 December 2006) were recognised as a current account with the securitisation SPV included under “Other Current Financial Assets-Other Loans” (Note 11.3).

A concentration of credit risk is not considered to exist since the Group has a large number of clients engaging in various activities. The main clients of Construction and Environment are public authorities.

Group management considers that the carrying amount of trade receivables reflects their fair value.

14.- Other current assets

The detail of this heading is as follows:

	Thousands of Euros	
	Balance at 31/12/2007	**Balance at 31/12/2006**
Advance payments	73,703	44,514
Current account with sundry debtors	30,638	34,918
Current accounts with venturers in joint ventures	57,545	27,962
Other	24,704	6,456
Total	**186,590**	**113,850**

15.- Cash and cash equivalents

"Cash and Cash Equivalents" includes the Group's cash and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets reflects their fair value.

16.- Equity

The changes in equity accounts in 2007 and 2006 were as follows:

	Thousands of Euros											
							Valuation adjustments					
	Share capital	Share premium	Revaluation Reserves and Retained Earnings	Retained Earnings at Consolidated Companies	Exchange differences	Treasury shares	Available-for-sale financial assets	Derivatives	Profit Attributed to the Parent	Interim dividend	Minority Interests	TOTAL
Balance at 1 January 2006	**176,437**	**897,294**	**543,003**	**280,397**	**76,170**	**-**	**21,047**	**(51,517)**	**608,657**	**(70,575)**	**154,611**	**2,635,524**
Revenue (expenses) for the year recognised in equity												
Foreign transaction exchange differences					(117,642)						(2,837)	(120,479)
Hedging instruments								83,843			2,201	86,044
Available-for-sale financial assets							(49,707)					(49,707)
Reclassifications			74,234	(82,736)	2,752			5,750				--
Subtotal			**74,234**	**(82,736)**	**(114,890)**		**(49,707)**	**89,593**			**(636)**	**(84,142)**
Share options			4,035									4,035
Distribution of profit from the prior year												
To reserves			98,537	298,396					(396,933)			--
Dividends			2,134						(211,724)	70,575	(19,550)	(158,565)
Treasury shares			16,433			(283,004)						(266,571)
Change in the scope of consolidation and other effects of a lesser amount				10,894							(17,077)	(6,183)
Profit for the year 2006									1,250,088		23,324	1,273,412
2006 interim dividend										(141,149)		(141,149)
Balance at 31 December 2006	**176,437**	**897,294**	**738,376**	**506,951**	**(38,720)**	**(283,004)**	**(28,660)**	**38,076**	**1,250,088**	**(141,149)**	**140,672**	**3,256,361**
Revenue (expenses) for the year recognised in equity												
Foreign transaction exchange differences					(53,157)						(59,263)	(112,420)
Hedging instruments								69,631			43,830	113,460
Available-for-sale financial assets							689,567				135,322	824,889
Actuarial gains and losses				(13,267)							(17,847)	(31,114)
Reclassifications			32,007	(32,007)								--
Subtotal			**32,007**	**(45,274)**	**(53,157)**		**689,567**	**69,631**			**102,042**	**794,816**
Share options			3,836									3,836
Distribution of profit from the prior year												
To reserves			315,590	493,407					(808,997)			--
Dividends			5,280						(441,091)	141,149	(236,945)	(531,607)
Treasury shares			41,205			(233,337)						(192,132)
Change in the scope of consolidation and other effects of a lesser amount			31	41,760							5,210,177	5,251,969
Profit for the year 2007									1,551,115		571,332	2,122,447
2007 interim dividend										(264,655)		(264,655)
Balance at 31 December 2007	**176,437**	**897,294**	**1,136,325**	**996,844**	**(91,876)**	**(516,341)**	**660,907**	**107,707**	**1,551,115**	**(264,655)**	**5,787,278**	**10,441,035**

16.1 Share capital

At 31 December 2007, the share capital of the Parent amounted to EUR 176,437 thousand and was represented by 352,873,134 fully subscribed and paid shares of EUR 0.5 par value each, all with the same voting and dividend rights**.**

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

Apart from the Parent, the companies included in the scope of consolidation whose shares are listed on securities markets are Abertis Infraestructuras, S.A. and Unión Fenosa, S.A. (on the Spanish stock markets), Hochtief A.G (on the German stock markets) and Dragados y Construcciones Argentina, S.A.I.C.I. (on the Buenos Aires Stock Exchange).

At 31 December 2007, the shareholders with an ownership interest of over 10% in the share capital of the Parent were Corporación Financiera Alba, S.A. –with an ownership interest of 22.13%, Corporación Financiera Alcor, S.A. –with an ownership interest of 12.75% and Inversiones Vesán, S.A. –with an ownership interest of 11.00%.

16.2 Share premium

The share premium at 31 December 2007 and 2006 amounted to EUR 897,294 thousand. There have been no changes in the share premium account in the past two years.

The Consolidated Companies Law expressly permits the use of the share premium account balance to increase capital and does not establish any specific restrictions as to its use.

16.3 Other reserves

The detail of this heading at 31 December 2007 and 2006 is as follows:

	Thousands of Euros	
	Balance at 31/12/2007	**Balance at 31/12/2006**
Revaluation reserves	2,124	2,124
Reserves of the Parent	1,134,201	736,252
Reserves at consolidated companies	996,844	506,951
Exchange differences	(91,876)	(38,720)
Total	**2,041,293**	**1,206,607**

16.3.1 <u>Revaluation reserves</u>

Pursuant to Royal Decree Law 7/1996, of 7 June, the Parent availed itself of account revaluation and recorded a revaluation reserve of EUR 2,124 thousand, net of the single 3% tax.

The balance of this account may be used, free of taxes, to offset accounting losses, both accumulated losses and current losses, or losses which may be incurred in the future, and to increase capital. Once a ten-year period has elapsed, the balance of this account may be taken to unrestricted reserves, provided that the monetary surplus has been realised. The surplus will be deemed to have been realised in respect of the portion on which depreciation has been taken for accounting purposes or when the revalued assets have been transferred or derecognised.

If this balance were used in a manner other than that provided for in Royal Decree-Law 7/1996, it would be subject to tax.

16.3.2 <u>Reserves of the Parent</u>

This heading includes the reserves set up by the Group's Parent, mainly in relation to retained earnings, and if applicable, in compliance with the various applicable legal provisions.

The detail of this heading at 31 December 2007and 2006 is as follows:

	Thousands of Euros	
	Balance at 31/12/2007	**Balance at 31/12/2006**
Legal reserve	35,287	35,287
Voluntary reserves	500,155	28,798
Reserve for treasury shares	174,954	67,276
Reserve for redenomination of share capital in Euros	162	162
Other retained earnings	113,193	389,001
Subtotal	**823,751**	**520,524**
Transfer to treasury shares	310,450	215,728
Total	**1,134,201**	**736,252**

Legal reserve

Under the Consolidated Companies Law, 10% of net profit for each year must be transferred to the legal reserve until the balance of this reserve reaches at least 20% of the share capital.

The legal reserve can be used to increase capital provided that the remaining reserve balance does not fall below 10% of the increased share capital amount. Otherwise, until the legal reserve exceeds 20% of share capital, it can only be used to offset losses, provided that sufficient other reserves are not available for this purpose.

The legal reserve recognised by the Group's Parent, which amounts to EUR 35,287 thousand, has reached the stipulated level.

Voluntary reserves

These are reserves, the use of which is not limited or restricted, freely set up by means of the allocation of the Parent's profits, after the payment of dividends and the required appropriations to the legal or other restricted reserves in accordance with current legislation.

Pursuant to Article 194 of the Consolidated Companies Law, until the start-up expenses and goodwill recorded in the individual financial statements in accordance with generally accepted accounting principles in Spain have not been fully amortised, any distribution of profit is prohibited, unless the unrestricted reserves recorded are at least equal to the amount of the unamortised balances. In this case the reserves allocated to meet this requirement are considered to be restricted reserves.

Reserve for treasury shares

As required by Article 79.3 of the Consolidated Companies Law, the company has recorded a reserve for treasury shares, with a charge to voluntary reserves. This reserve is unrestricted until the shares are disposed of or retired.

16.3.3 <u>Reserves at consolidated companies and translation differences</u>

The detail, by line of business, of the balances of these accounts in the consolidated balance sheets – after considering the effect of consolidation adjustments – is as follows:

	Thousands of Euros			
	2007		2006	
	Reserves	**Exchange differences**	**Reserves**	**Exchange differences**
Construction	217,944	(6,871)	218,948	(3,843)
Industrial services	409,028	28,623	321,774	14,873
Environment and Logistics	302,019	(8,636)	174,842	(4,929)
Concessions	(72,406)	(9,600)	(27,823)	3,746
Energy	159,542	(81,824)	-	-
Corporate unit and other	(19,284)	(13,568)	(180,790)	(48,567)
Total	**996,843**	**(91,876)**	**506,951**	**(38,720)**

Certain Group companies have clauses in their financing agreements (this is standard practice in project financing) restricting the payment of dividends until certain ratios have been met.

The exchange differences at 1 January 2004 were recognised in the transition to IFRSs as opening reserves. Consequently, the amount presented in the Group's consolidated balance sheet at 31 December 2007 relates exclusively to the difference arising from 2004 to 2007, net of the tax effect, between the closing and opening exchange rates; on non-monetary items whose fair value is adjusted against equity and on the translation to Euros of the balances in the functional currencies of fully and proportionally consolidated companies, as well as companies accounted for using the equity method, whose functional currency is not the Euro.

The currencies with the greatest impact on exchange differences were the Chilean peso, Brazilian real, and Mexican and Colombian pesos, whose performance in 2007 and 2006 explain the significant changes therein.

16.4 Treasury shares

The changes in "Treasury Shares" in 2007 and 2006 were as follows:

	2007		2006	
	Number of shares	Thousands of Euros	Number of shares	Thousands of Euros
At beginning of year	**6,985,055**	**283,004**	**-**	**-**
Purchases	32,851,277	1,459,203	22,537,670	778,276
Sales	(27,895,271)	(1,225,866)	(15,552,615)	(495,272)
At end of year	**11,941,061**	**516,341**	**6,985,055**	**283,004**

As of 31 December 2007, the Parent owned 11,941,061 treasury shares, of EUR 0.5 par value each, representing 3.38% of share capital, with a carrying value per consolidated books of EUR 516,341 thousand which is recorded under "Equity -Treasury Shares" in the accompanying consolidated balance sheet.

The average purchase price of the shares of ACS in 2007 was EUR 44.42 per share and the average selling price of the shares in 2007 was EUR 43.95 per share (EUR 34.53 and EUR 33.47 per share, respectively, in 2006).

16.5 Valuation adjustments

The changes in the balance of this heading in 2007 and 2006 were as follows:

	Thousands of Euros	
	2007	2006
Beginning balance	**9,416**	**(30,470)**
Hedging instruments	69,631	89,593
Available-for-sale financial assets	689,567	(49,707)
Ending balance	**768,614**	**9,416**

The adjustments for hedging instruments relate to the reserve generated by changes in the fair value of the financial instruments designated and classified as cash flow hedges. These relate mainly to interest rate and exchange rate hedges tied to balance sheet asset and liability items, as well as the future transaction commitments to which the recording of hedges applies, due to the fulfilment of certain requirements of IAS 39.

Available-for-sale financial assets include the unrealised losses and gains arising from changes in fair value net of the related tax effect. The main changes arose from the ownership interest in Iberdrola, S.A. (EUR 371,541 thousand) and indirect holdings owned through Unión Fenosa, S.A. amounting to EUR 213,768 thousand (mainly Cepsa, France Telecom España, S.A. and Red Eléctrica Española, S.A.).

This heading also includes the indirect ownership interest held by Abertis Infraestructuras, S.A. amounting to EUR 64,493 thousand in 2007 and EUR 50,587 thousand in 2006 (mainly relating to its holding in Brisa Auto-estradas de Portugal, S.A.).

16.6 Interim dividend

At the meeting on 13 December 2007, the Parent's Board of Directors resolved to distribute an interim dividend of EUR 0.75 per share, totalling EUR 264,655 thousand, which was paid on 15 January 2008. For this purpose, the Parent prepared the liquidity statement required under Article 216 of the Consolidated Companies Law in this connection. This interim dividend paid is recognised under "Interim Dividend" and is deducted from "Equity Attributable to the Parent" included at 31 December 2007 under the heading "Other Current Liabilities" in the accompanying consolidated balance sheet.

At the meeting on 14 December 2006, the Parent's Board of Directors resolved to distribute an interim dividend of EUR 0.40 per share, totalling EUR 141,149 thousand, which was paid on 15 January 2007. For this purpose, the Parent prepared the liquidity statement required under Article 216 of the Consolidated Companies Law in this connection. This interim dividend paid is recognised under "Interim Dividend" and is deducted from "Equity Attributable to the Parent" included at 31 December 2006 under the heading "Other Current Liabilities" in the accompanying consolidated balance sheet.

16.7 Minority Interests

The detail, by line of business, of the balance of "Minority Interests" in the consolidated balance sheet at 31 December 2007 and 2006 is as follows:

	Thousands of Euros			
	Balance at 31/12/2007		Balance at 31/12/2006	
	Minority Interests	Profit attributed to Minority Interests	Minority Interests	Profit attributed to Minority Interests
Construction	26,764	4,225	15,318	8,600
Industrial Services	83,879	7,862	50,398	8,400
Environment and Logistics	82,713	9,892	41,373	6,943
Concessions	18,473	(69)	10,259	(619)
Energy	5,004,117	549,422	-	-
Total	**5,215,946**	**571,332**	**117,348**	**23,324**

This heading in the accompanying consolidated balance sheet reflects the proportional share of the equity of minority interests in the Group companies. The changes in 2007, by item, were as follows:

	Thousands of Euros
Balance at 31 December 2006	**140,672**
Profit for the year	571,332
Dividends received	(236,945)
Change in the scope of consolidation	5,194,954
Changes in share capital	15,223
Valuation adjustments	161,305
Exchange differences and other	(59,263)
Balance at 31 December 2007	**5,787,278**

The changes in 2006, by item, were as follows:

	Thousands of Euros
Balance at 31 December 2005	**154.611**
Profit for the year	23,324
Dividends received	(19,550)
Change in the scope of consolidation	(19,462)
Changes in share capital	2,385
Valuation adjustments	2,201
Exchange differences and other	(2,837)
Balance at 31 December 2006	**140,672**

The detail of this balance at 31 December 2007, by business segment, is as follows:

	Thousands of Euros				
	Share capital	**Reserves**	**Preference Shares**	**Profit for the Year**	**Total**
Construction	22,514	4,250	-	4,225	**30,989**
Industrial Services	68,405	15,474	-	7,862	**91,741**
Environment and Logistics	36,295	46,417	-	9,893	**92,605**
Concessions	16,128	2,345	-	(69)	**18,404**
Energy	544,133	3,762,232	697,753	549,421	**5,553,539**
Total	**687,475**	**3,830,718**	**697,753**	**571,332**	**5,787,278**

The detail of this balance at 31 December 2006, by business segment, is as follows:

	Thousands of Euros			
	Share capital	**Reserves**	**Profit for the Year**	**Total**
Construction	16,193	(875)	8,600	**23,918**
Industrial Services	45,863	4,535	8,400	**58,798**
Environment and Logistics	29,535	11,838	6,943	**48,316**
Concessions	12,120	(1,861)	(619)	**9,640**
Total	**103,711**	**13,637**	**23,324**	**140,672**

In 2005 Unión Fenosa Preferentes, S.A. issued preference shares for a par value of EUR 700 million, which are classified under "Minority Interests”. The main features of this issue are as follows:

Dividend: variable and non-cumulative: from the disbursement date (30 June 2005) to 30 June 2015, the dividend will be three-month Euribor plus a spread of 0.65%; from that date, it will be three-month Euribor plus a spread of 1.65%.

Dividend payments: dividends will be paid each calendar quarter in arrears. Payment is conditional on the obtainment by Unión Fenosa of distributable profit, which is deemed to be the lower of net profit declared by the Unión Fenosa Group and that of the guarantor.

Term: perpetual. The issuer may retire the shares issued in full or partially after 30 June 2015. If the shares are retired, they will be retired for their par value

Yield: payment of dividends will be preferred and non-cumulative and is conditional on the obtainment of distributable profit by Unión Fenosa and on the payment of dividends to holders of the common shares. The issuer may opt to, but is not obliged to, make payment in kind to the shareholders by increasing the par value of the preference shares.

Guarantee: joint and several irrevocable guarantee from Unión Fenosa, S.A.

Voting rights: none.

At 31 December 2007, the balance relating to this issue of preference shares amounted to EUR 697.753 thousand.

At 31 December 2007, the shareholders with an ownership interest equal to or exceeding 10% of the share capital of the Group's main subsidiaries were as follows:

Group Company	Percentage of Ownership	Shareholder
Construction		
Can Brians 2, S.A.	25.00%	Proinosa Promocion e Ingenieria de Obras, S.A. (20,00%)
Constructora Vespucio Norte, S.A.	46.00%	Hochtief Construction Chilena Ltda. (45,00%)
Gisca, S.A.	47.50%	Amec Spie Capag, S.A.
Hospital de Majadahonda, S.A.	45.00%	Bovis Lend Lease, S.A. (25,00%)
		Sufi, S.A. (20,00%)
Intercambiador de Transportes de Príncipe Pío, S.A.	30.00%	Empresa de Blas y Compañía S.L. (25,97%)
Industrial Services		
Andasol 1, S.A.	25.00%	Solar Millennium Vierwaltungsgesellshaft, mbh
Andasol 2, S.A.	25.00%	Solar Millennium Vierwaltungsgesellshaft, mbh
Artemis Transmissora de Energia, Ltda.	49.00%	Eletrosul Centrais Electricas, S.A.
Beni Saf Water Company Spa.	49.00%	Algerian Energy Company -SPA
Emurtel, S.A.	49.90%	Ginés Heredia (20,00%)
		José María Rodríguez (29,90%)
Iberoamericana de Hidrocarburos, S.A. de C.V.	46.40%	Monclova
Procme, S.A.	25.00%	José Reis Costa
Serpista, S.A.	49.00%	Temg Mantenimiento, S.A. (10,00%)
		Iberia, S.A. (39,00%)
Societat Eólica de l' Enderrocada, S.A.	20.00%	Eficiencia Energética Sociedad Anónima (10,00%)
		IDAE (Instituto para la Diversificación y Ahorro de la Energía) (10,00%)
Uirapuru Transmissora de Energia, Ltda.	49.00%	Eletrosul Centrais Electricas, S.A.
Venezolana de Limpiezas Indust., C.A.	17.20%	Fomento de Construcciones y Contratas, S.A.
Environment and Logistics		
Autoterminal, S.A.	42.29%	Barcelona Car Terminal, S.A. (28,30%)
Centro de Transferencias, S.A.	30.00%	Emgrisa
Combalía Logístic Services, S.A.	27.94%	Antonio Combalía Goicoechea
Comercial Combalía Sagrera, S.A.	16.32%	Antonio Combalía Goicoechea
Construrail, S.A.	49.00%	Renfe Operadora
Frigoríficos de Castellón, S.A.	25.00%	Fac Fruit, S.L.
Jingtang International Container Terminal, Co. Ltd.	48.00%	Jing Tang Port Investment Co, Ltd. (40,00%)
Monegros Depura, S.A.	45.00%	Marcor Ebro, S.A.
Puerto Seco Santander-Ebro, S.A.	37.50%	Autoridad Portuaria de Santander (12,50%)
		Transportes y Distribución, S.A. (12,50%)
		Andrés Madorrán , S.A. (12,50%)
Residuos Industriales de Zaragoza, S.A	30.00%	Marcor Ebro, S.A.
Residuos Sólidos Urbanos de Jaén, S.A.	40.00%	Diputación Provincial de Jaén
Servicios Generales de Jaén, S.A.	25.00%	Caja Provincial de Ahorros de Jaén
SM Gestinver, S.A.	30.00%	Romva, S.A. (11,30%)
Terminales del Sudeste, S.A.	15.00%	Cargas y Expediciones, S.A. (11,00%)
Terminales Marítimas de Santander, S.L.	19.00%	M. Romeu y Compañía, S.L.
Tirmadrid, S.A.	33.64%	Unión Fenosa Energías Especiales, S.A. (18,64%)
		Endesa Cogeneración y Renovables, S.A. (15,00%)
Trenmedia, S.A.	49.00%	Comercial del Ferrocarril , S.A.
Urbana de Servicios Ambientales, S.L.	30.00%	Construcciones Sánchez Domínguez (20,00%)
		Unicaja (10,00%)
Vertederos de Residuos, S.A.	16.03%	Fomento de Construcciones y Contratas, S.A.
Concessions		
Autovía de La Mancha S.A. Conces. JCC Cast-La Mancha	33.33%	CYOP, S.A.
Autovía del Camp del Turia, S.A.	35.00%	Sedesa Concesiones (30,00%)
		Sedesa Obras y Servicios (5,00%)
Concesionaria Santiago Brión, S.A.	30.00%	Francisco Gómez y Cía, S.L. (15,00%)
		Extraco Construcciones e Proyectos, S.A. (15,00%)
Green Canal Golf, S.A.	47.84%	Tecnoconcret (23,92%)
		Soto Once (23,92%)
MBJ Airports, Ltd.	25.50%	YVR Airports
Soc.Inversora de Infraestructuras de la Mancha, S.L	33.33%	CYOP, S.A.

Group Company	Percentage of Ownership	Shareholder
Energy		
Compañía de Electricidad de Tulúa, S.A.	44.93%	Corporación Autónoma Regional del Valle del Cauca (13,70%)
		Empresas Municipales de Cali (15,55%)
Empr Distribuidora de Electricidad Metro Oeste, S.A	49.00%	Estado Panameño (48,25%)
Empresa Distribuidora de Electricidad Chiriqui, S.A	49.00%	Estado Panameño (47,85%)
Empresa Generadora de Pacífico, S.A. E.S.P.	36.18%	Corporación Autónoma Regional del Valle del Cauca (15,88%)
		Empresas Municipales de Cali (18,02%)
Energía y Servicios de Panamá, S.A	49.00%	Estado Panameño (48,05%)
First Independent Power (Kenya), Ltd.	10.41%	JHR Consultans Kenya, Ltd.
Iberáfrica Power, Ltd.	28.34%	KPLC Pension Fund (20,00%)
Kangra Coal (Propietary), Ltd	36.00%	Shanduka Coal Investments (Propietary), Ltd (26,00%)
		Kangra Group (Propietary), Ltd (10,00%)
Planificación e Inversión Estratégica, S.A.	38.78%	Dreadnought International Corporation (19,39%)
		Inversiones Eléctricas Centroamericanas, S.A. (19,39%)
U.F. Generadora Torito, S.A.	35.00%	Rafael de Ureña Francés
Unión Fenosa Generadora La Joya, S.A.	35.00%	Cintruénigo, S.A
Zemer Energia, S.A de C.V	50.00%	Zemer Constructora, S.A. de C.V. (17,50%)
		Geobat Energía, S.L. (20,00%)

17.- Grants related to assets

The changes in the balance of this heading in 2007 and 2006 were as follows:

	Thousands of Euros	
	2007	2006
Beginning balance	**81.062**	**250.606**
Changes in the scope of consolidation	562,350	(173,801)
Additions	180,805	8,432
Transfers	(986)	154
Recognition in income statement	(12,632)	(4,329)
Ending balance	**810,599**	**81,062**

The most significant movement in 2007 was the change in the scope of consolidation relating to Unión Fenosa, S.A. In 2006, of most significance was the exclusion from the scope of consolidation of Ferrocarriles del Norte de Colombia, S.A. following its sale.

The grants related to assets taken to income in 2007 (recognised under “Other Income” in the consolidated income statement) amounted to EUR 12,632 thousand (EUR 4,329 thousand in 2006). Following is a detail of the approximate timing of recognition in the consolidated income statement:

	Thousands of Euros					
	2007			2006		
	<1	2-5	>5	<1	2-5	>5
Grants related to assets	12,110	52,648	745,841	5,788	19,385	55,889

Grants related to assets relate mainly to third-party contributions for the improvement of the electricity distribution facilities and are allocated to income in proportion to the period depreciation on the subsidised assets. In 2007 the balance of these grants amounted to EUR 325.2 million.

18- Non-recourse financing

“Non-Recourse Financing” on the liability side of the balance sheet includes the financing for the acquisition of Unión Fenosa, S.A., Iberdrola, S.A. and Hochtief, A.G., as well as the financing amount associated with projects. The detail of the balance of this heading, by company, at 31 December 2007 is as follows:

Company	Thousands of Euros		
	Current	Non-Current	Total
Unión Fenosa, S.A.	42.992	2.786.921	**2.829.913**
Iberdrola, S.A.	59,675	2,741,380	**2,801,055**
Hochtief Aktiengesellschaft	22,695	919,418	**942,113**
Project financing			
Parque Eólico La Boga, S.L.	234	275,634	**275,868**
Andasol-1 y 2, Extresol-1	658	251,835	**252,493**
Grupo Eufer	29,636	220,862	**250,498**
Hospital de Majadahonda, S.A.	15,651	193,329	**208,980**
Fuerza y Energía de Tuxpan, S.A. de C.V.	15,557	185,995	**201,552**
Segas Services, S.A.E	12,276	183,024	**195,300**
CME	7,985	103,959	**111,944**
Hydromanagement	-	106,471	**106,471**
Aumancha	-	102,655	**102,655**
Al Andalus Wind Power, S.L.	2,301	99,546	**101,847**
Concesionaria Santiago Brion, S.A.	-	81,000	**81,000**
Can Brians 2, S.A. (Barcelona)	80,700	-	**80,700**
Terminales del Sudeste, S.A.	-	67,256	**67,256**
Empresa Mantenimiento y Explotación M-30, S.A. (Madrid)	-	66,000	**66,000**
Plata de regasificación de Sagunto, S.A	2,690	58,370	**61,060**
Cobra Instalaciones Méjico	-	60,848	**60,848**
Artemis Transmissora de Energia, S.A.	5,649	52,683	**58,332**
Intercambiador Príncipe Pío, S.A. (Madrid)	7,812	50,000	**57,812**
Seguridad Integral Metropolitana, S.A.	16,057	40,459	**56,516**
Beni Saf Water Company Spa.	-	51,447	**51,447**
Parque Eólico Marmellar, S.L.	2,727	44,495	**47,222**
Ecovent Parc Eólic, S.L.	1,149	41,454	**42,603**
Remodelación Ribera Norte, S.A.	876	37,827	**38,703**
Tirmadrid, S.A.	7,733	29,585	**37,318**
Tecmed BKU UTE Albada	2,164	35,135	**37,299**
Fuerza y Energía de Naco Nogales, S.A. de C.V.	3,871	31,950	**35,821**
Madrid Calle 30	-	34,000	**34,000**
Planta de tratamiento de RSU y recuperación energética de Cantabria	-	33,525	**33,525**
Graneles Sólidos Minerales, S.A.	-	33,467	**33,467**
Other (non-recourse financing < 30 million €)	22,087	257,731	**279,818**
Total	**363,175**	**9,278,259**	**9,641,434**

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

Company	Thousands of Euros		
	Current	Non-Current	Total
Unión Fenosa, S.A.	42,724	2,834,231	**2,876,955**
Iberdrola, S.A.	1,344	2,770,474	**2,771,818**
Project financing			
Parque Eólico La Boga, S.L.	11,235	165,643	**176,878**
Autovía de La Mancha, S.A. Conces. JCC Castilla-La Mancha	-	102,655	**102,655**
Hospital de Majadahonda, S.A.	11,166	82,279	**93,445**
CME	13,487	77,772	**91,259**
Andasol-1 y 2	-	77,900	**77,900**
Can Brians 2, S.A.	60,989	7,785	**68,774**
Artemis Transmissora de Energía, S.A.	5,139	54,815	**59,954**
Terminales del Sudeste, S.A.	-	59,875	**59,875**
Cobra Instalaciones Méjico	-	59,337	**59,337**
Parque Eólico Marmellar, S.L.	8,884	47,125	**56,009**
Concesionaria Santiago Brión, S.A.	-	46,600	**46,600**
Ecoven Parc Eólic, S.L.	4,334	41,544	**45,878**
Tirmadrid, S.A.	7,321	37,218	**44,539**
Tecmed BKU UTE Albada	2,012	37,300	**39,312**
Intercambiador Príncipe Pío, S.A. (Madrid)	-	39,225	**39,225**
Empresa Mantenimiento y Explotación M-30, S.A. (Madrid)	-	50,000	**50,000**
Aguas del Huesna, S.L.	5,150	26,780	**31,930**
Sistemas de Seguridad Metropolitana, S.A.	4,553	24,599	**29,152**
Energías Ambientales de Outes, S.A.	2,426	26,455	**28,881**
Energías Ambientales de Vimianzo, S.A.	2,934	24,941	**27,875**
Easa Somozas, S.A.	3,271	23,730	**27,001**
Vertresa RWE Senda UTE Las Dehesas	1,833	23,688	**25,521**
Graneles Sólidos Minerales, S.A.	-	16,365	**16,365**
Societat Eólica de l' Enderrocada, S.A.	2,085	8,463	**10,548**
Intercambiador de Transportes Avda. de América, S.A.	1,344	9,198	**10,542**
Energías Ambientales de Novo, S.A.	1,082	7,898	**8,980**
Servicios de Aguas de Misiones, S.A	1,566	6,410	**7,976**
Remodelación Ribera Norte, S.A.	-	6,496	**6,496**
Aunor, S.A.	494	751	**1,245**
Total	**195,373**	**6,797,552**	**6,992,925**

At 31 December 2007, the detail, by maturity, of non-current financing is as follows:

	Thousands of Euros				
	Maturity in				
	2009	2010	2011	2012 and Subsequent Years	Total
Balance at 31 December 2007	170,488	2,481,146	638,517	5,988,108	**9,278,259**

The most significant financing arrangements were as follows:

Financing of the acquisition of Unión Fenosa, S.A.

The balance at 31 December 2007 relates to the bank financing obtained by the ACS Group for the acquisition of an initial 22.07% in September 2005, as well as the 10% acquired in March 2006 of the shares of Unión Fenosa, S.A. and of an additional 4.5% in November 2006.

For the acquisition of shares representing 22.07% of the share capital of Unión Fenosa, S.A., for EUR 2,219,286 thousand in 2005 syndicated bank financing amounting to EUR 1,664,000 thousand was obtained, with interest tied to Euribor plus a spread, secured by the shares acquired, and maturing on 11 November 2010 (Note 10). The remaining 25% was contributed through the subordinated debt of the SPV (PR Pisa, S.A.).

As a result of the acquisition of an additional 10% of Unión Fenosa, S.A. for EUR 1,005,440 thousand through the takeover bid launched in March 2006, additional financing of EUR 753,998 thousand was obtained from a number of banks under an arrangement entered into on 23 February 2006, with interest tied to Euribor plus a spread, secured by the shares acquired, and maturing on 11 November 2010 as in the case of the initial financing. The remaining 25% was contributed through the subordinated debt of the SPV (PR Pisa, S.A.).

The main characteristics of both financing arrangements include the maintenance of a coverage ratio over the market value of the shares of Unión Fenosa, S.A. If this ratio were not met, the pledge could be executed. If the aforementioned coverage ratio were not met and the ACS Group decided to maintain the financing, it would be required to provide funds up to a limit of EUR 363,281 thousand in the form of a subordinated loan. Both at 31 December 2007 and at the date of the preparation of these financial statements, this coverage ratio was being met.

In relation to the initial and additional financing, interest rate swaps were entered into to hedge 90% and 80%, respectively, of the amounts borrowed to finance this transaction maturing in July 2010.

In 2006, the ACS, Group acquired 4.5% of the share capital of Unión Fenosa, S.A. through Roperfeli, S.L. This transaction was financed by means of a loan financed by Ixis Corporate and Investment Bank entered into on 13 November 2006 and secured by the shares of Unión Fenosa, S. A., amounting to EUR 468,141 thousand (i.e. 85% of the acquisition), with a fixed interest rate and maturing at five years, and by means of a subordinated loan arranged by the shareholder ACS, Actividades de Construcción y Servicios, S.A. for the remaining 15% of the acquisition.

The main characteristics of the financing arrangement include the maintenance of a coverage ratio over the market value of the shares of Unión Fenosa, S.A. If this ratio were not met, the pledge could be executed. If the aforementioned coverage ratio were not met and the ACS Group decided to maintain the financing, ACS, Actividades de Construcción y Servicios, S.A. would be required to provide funds up to a limit of EUR 55.075 thousand in the form of a subordinated loan.

Both at 31 December 2007 and at the date of the preparation of these financial statements, this coverage ratio was being met. To meet this ratio, at the end of 2006 ACS, Actividades de Construcción y Servicios, S.A. contributed EUR 36,375 thousand which was recorded under "Cash and Cash Equivalents".

Financing of the acquisition of Iberdrola, S.A.

For the acquisition of 7.2% of Iberdrola, S.A. non-recourse financing was also obtained. The financing of this transaction was arranged in two phases:

First Phase

Through a bridge loan financed by Banco Bilbao Vizcaya Argentaria, S.A. and Caja de Ahorros y Monte de Piedad de Madrid amounting to EUR 3,350,000 thousand which was arranged on 2 October 2006 and is secured by the shares of Iberdrola, S. A., for which the meeting of a coverage ratio over the market value of the shares of Iberdrola, S.A. is required. To meet this ratio, the shareholder ACS, Actividades de Construcción y Servicios, S.A. contributed EUR 95,649 thousand through a subordinated loan.

Second Phase

The aforementioned bridge loan was repaid in the following manner:

- Through a syndicated loan with different credit institutions: Banco Bilbao Vizcaya Argentaria, S.A.; Caja Madrid; ICO; IXIS; HVB; Mediabanca; La Caixa and Caixa Galicia, arranged on 28 December 2006 and amounting to EUR 2,486,900 thousand and a credit line from Banco Bilbao Vizcaya Argentaria, S.A. guaranteed by the aforementioned banks, amounting to EUR 331,600 thousand. Both loans mature on 28 December 2011, bear interest tied to Euribor plus a spread, and are secured by the shares acquired. In relation to this financing, in 2007, various interest rate swaps were entered into for 90% of this syndicated loan amount, which mature in July 2011. The balance at 31 December 2006 amounted to EUR 2,771,818 thousand and to EUR 2,801,055 thousand at 31 December 2007.

  The main characteristics of the financing arrangement include the maintenance of a coverage ratio over the market value of the shares of Iberdrola, S.A. If this ratio were not met, the pledge could be executed. If the aforementioned coverage ratio were not met and the ACS Group decided to maintain the financing, ACS, Actividades de Construcción y Servicios, S.A. would be required to provide funds up to a limit of EUR 331,600 thousand in the form of a subordinated loan. Both at 31 December 2007 and at the date of the preparation of these financial statements, this coverage ratio was being met. In relation to this loan, a balance of EUR 328,179 thousand recorded under "Other Loans" (Note 11.3) was pledged to secure the financing for the purchase of 7,22% of Iberdrola, S.A. This amount may not be reimbursed to the Group until the investment/debt coverage ratio established in the financing arrangement has been exceeded. At 31 December 2007 this balance was cancelled.

- The rest of the investment was financed with a subordinated loan of the Parent.

Financing of the acquisition of Hochtief, A.G.

The acquisition of 25.08% of the share capital of Hochtief, A.G., on 24 April 2007 was firstly financed through a bridge loan of EUR 1,263,888 thousand from BBVA, which was jointly and severally guaranteed by ACS, Actividades de Construcción y Servicios, S.A.

Subsequently, on 20 June 2007, financing by BBVA was arranged amounting to EUR 948,000 thousand, and divided into two tranches: tranche A, consisting in a loan of EUR 632,000 thousand; and Tranche B, consisting in a current account credit line amounting to EUR 316,000 thousand. Both tranches are secured by the shares acquired and have a finance cost tied to Euribor.

Lastly, on 24 July 2007, definitive financing of the acquisition was obtained through the novation of the previous loans. The sole and final maturity date for this financing is 24 July 2012.

The main characteristics of the financing arrangement include the maintenance of a coverage ratio over the market value of the shares of Hochtief, A.G. If this ratio were not met, the pledge could be executed. If the aforementioned coverage ratio were not maintained and the ACS Group decided to maintain the financing, ACS, Actividades de Construcción y Servicios, S.A. would be required to provide funds up to a limit of EUR 316,000 thousand in the form of a subordinated loan. Both at 31 December 2007 and at the date of the preparation of these financial statements, this coverage ratio was being met.

The remainder of the investment was made through a participating loan from ACS, Actividades de Construcción y Servicios, S.A. amounting to EUR 326,000 thousand, the sole and final maturity date of which is 31 October 2012. This loan bears interest at both a fixed and variable rate, on the basis of the company's net profit.

Project financing

Project financing included, inter alia, the following:

- Wind-powered facilities. These are financed through non-current non-recourse loan agreements granted to shareholders, which are tied to Euribor plus a floating spread based on certain ratios and mature between 2012 and 2026.

- Hospital de Majadahonda, S.A. This is financed through a syndicated bank loan at a variable rate of interest tied to Euribor and maturing in 2033.

- Thermal solar plants are financed through syndicated loans tied to Euribor plus a market spread, maturing between 2024 and 2029.

- Generation and gas projects are financed through loans in US dollars maturing between 2017 and 2027.

- The financing of the electricity transmission line Artemis Transmisora de Energía Ltda., matures in 2017 and was granted by Banco Nacional de Desarrollo de Brasil (National Development Bank of Brazil) at a fixed interest rate.

- Hydromanagement is financed through a loan tied to Euribor maturing in 2031.

- Integral urban solid waste treatment plants. These are financed through loans maturing between 2015 and 2021, and bearing interest tied to MIBOR or Euribor, which varies depending on the debt ratios and the repayment percentage.

- Terminales del Sudeste, S.A. This is financed through a syndicated loan bearing interest tied to Euribor which matures in 2019.

- Autovía de La Mancha, S.A. C.J.CC.CLM. This is financed through a long-term loan amounting to EUR 102,655 thousand, with a grace period of 4 years and maturing in 2028. EUR 84,000 thousand have been hedged at fixed interest rate.

The Group has arranged various interest rate hedges in connection with the aforementioned financing (Note 23).

The average annual interest rate for this type of financing amounted to 4.7 % in 2007 and to 4.1% in 2006.

The debts relating to non-recourse financing are secured by project assets and include clauses requiring that certain ratios be complied with by the project and which were being met in all cases at 31 December 2007.

19.- Bank borrowings, debt instruments and other held-for-trading liabilities

The detail of the bank borrowings at 31 December 2007 and the repayment schedules are as follows:

	Thousands of Euros					
	Current	Non-Current				
	2008	2009	2010	2011	2012 and Subsequent Years	Total Non-Current
Euro loans	**2,102,075**	538,895	2,641,132	421,558	660,899	**4,262,484**
Foreign currency loans	**575,463**	138,622	225,401	156,475	707,738	**1,228,236**
Finance lease	**85,829**	94,368	102,502	77,182	493,705	**767,757**
Total	**2,763,367**	**771,885**	**2,969,035**	**655,215**	**1,862,342**	**6,258,477**

The detail of the bank borrowings at 31 December 2006 and the repayment schedules are as follows:

	Thousands of Euros					
	Current	Non-Current				
	2007	2008	2009	2010	2011 and Subsequent Years	Total Non-Current
Euro loans	**1,009,755**	95,350	179,643	2,404,890	504,038	**3,183,921**
Foreign currency loans	**182,718**	8,849	5,540	3,623	3,716	**21,728**
Finance lease	**36,390**	31,129	22,479	13,217	18,826	**85,651**
Total	**1,228,863**	**135,328**	**207,662**	**2,421,730**	**526,580**	**3,291,300**

In 2007 and 2006 the ACS Group satisfactorily repaid all its financial liabilities at their maturity date. Also, at the date of the preparation of these financial statements, the Group had not defaulted on any of its financial obligations.

19.1 Debt instruments and other held-for-trading liabilities

The detail, by maturity, of the ACS Group's non-current and current held-for-trading liabilities at 31 December 2007 is as follows:

	Thousands of Euros					
	2008	2009	2010	2011	2012	Total Non-Current
Nonconvertible debentures and bonds	-	46,957	567,276	-	-	**614,233**
Preference shares	-	-	-	-	581,322	**581,322**
Other held-for-trading liabilities	597,069	23,690	-	-	-	**23,690**
Total	**597,069**	**70,647**	**567,276**	**-**	**581,322**	**1,219,245**

The "Non-Convertible Debentures and Bonds" include mainly the Euronotes totalling EUR 500 million issued in 2003 by Unión Fenosa Finance, BV which bear interest at 5%.

"Other Held-for-Trading Liabilities" includes the corporate promissory notes issued by Unión Fenosa, S.A. The average annual interest rate on the outstanding corporate promissory notes was 4.03% and 2.89% in 2007 and 2006, respectively.

The preference shares relate to the issue made by Unión Fenosa Financial Services USA, LLC in 2003 for a total par value of EUR 609.2 million. The features of this share issue are as follows:

Dividend: variable and non-cumulative; three-month Euribor plus a spread of 0.25% APR with a cap of 7% and a floor of 4.25% until 20 May 2013, and three-month Euribor plus a spread of 4% APR from that date. The dividends accrued during the year are included under the heading "Finance Costs" in the accompanying consolidated income statement.

Term: perpetual. The issuer has the option of retiring all or some of the shares early on or after 20 May 2013. If the shares are retired, they will be retired for their par value.

Yield: payment of dividends will be preferred and non-cumulative and is conditional on the obtainment of a consolidated profit or on the payment of dividends to holders of the common shares.

Guarantee: joint and several irrevocable guarantee from Unión Fenosa, S.A.

Voting rights: none.

19.2 Bank loans

The ACS Group's most significant bank loans are as follows:

In 2005, ACS, Actividades de Construcción y Servicios, S.A. arranged a syndicated loan amounting to EUR 1,500 million with 39 credit institutions, which matures on 22 July 2010, on which date a single repayment in full is required. This loan bears interest a variable rate tied to Euribor plus a spread. Various interest rate swaps were arranged to hedge 100% of the loan granted, which mature in July 2010. This loan requires compliance with certain ratios that are being met by the Group.

Additionally, the Parent arranged bilateral non-current loans with different credit institutions amounting to a nominal EUR 420,000 thousand, at an interest rate tied to Euribor plus a market spread.

Non-current financing includes EUR 650 million relating to a syndicated loan granted to Urbaser, S.A. on 26 May 2005, which fully matures in five years and requires compliance with certain ratios that are being met by the Urbaser Group. Various interest rate swaps were arranged to cover 60% of this loan, which mature in June 2010.

Additionally, the SPL Group was granted a syndicated loan amounting to EUR 280,000 thousand, which also requires compliance with certain ratios that are being met by the SPL Group. Various interest rate swaps were arranged to cover 64% of this loan, which mature in June 2011.

The ACS Group’s mortgage loans amount to EUR 17,452 thousand (EUR 10,125 thousand in 2006).

At 31 December 2007 the Group companies had undrawn credit facilities totalling EUR 3,858,108 thousand (EUR 1,788,878 thousand in 2006), which sufficiently cover all the Group’s needs in relation to its short-term commitments.

At 31 December 2007, non-current and current bank borrowings in foreign currencies amounted to EUR 1,595,931 thousand, of which EUR 1,047,814 thousand were denominated in US dollars and EUR 315,025 thousand were denominated in Colombian pesos, and both of which corresponded to the energy business.

At 31 December 2006 the non-current bank borrowings included mainly loans denominated in Chilean pesos and Colombian pesos amounting to EUR 7,422 and EUR 3,075 thousand, respectively.

Foreign currency loans and credits are recognised at their equivalent Euro value at each year-end, calculated at the exchange rates prevailing at 31 December 2007.

In 2007 the Group’s Euro loans and credits bore average annual interest of 4.53% (3.32% in 2006). Foreign currency loans and credits bore average annual interest of 7.76% (7.40% in 2006).

In accordance with its risk management policy, the ACS Group attempts to achieve a reasonable balance between non-current financing for the Group's strategic investments (above all, non-recourse financing as described in Note 18) and current financing for the management of working capital. Changes in interest rates had hardly any effect on finance charges (Note 22), since approximately 77% of the ACS Group’s non-current borrowings were arranged at a fixed interest rate.

19.3 Finance lease obligations

The detail of the amounts payable under finance leases at 31 December 2007 and 2006 is as follows:

	Thousands of Euros			
	Within One Year	**Between Two and Five Years**	**After Five Years**	**Balance at 31/12/2007**
Present value of minimum lease payments	85,833	274,049	493,705	**853,587**
Unaccrued finance charges	24,200	76,681	227,091	**327,972**
Total amounts payable under finance leases	**110,033**	**350,730**	**720,796**	**1,181,559**

	Thousands of Euros			
	Within One Year	**Between Two and Five Years**	**After Five Years**	**Balance at 31/12/2006**
Present value of minimum lease payments	36,390	66,825	18,826	**122,041**
Unaccrued finance charges	3,334	5,170	1,196	**9,700**
Total amounts payable under finance leases	**39,724**	**71,995**	**20,022**	**131,741**

It is the Group's policy to lease certain of its fixtures and equipment under finance leases. The average lease term is three to four years. Interest rates are set at the contract date. All leases are on a fixed repayment basis. The contingent rental payments were not material at 31 December 2007 nor at 31 December 2006.

All the lease obligations are denominated in Euros.

The Group's finance lease obligations are secured by the lessors' charges on the leased assets.

20.- Other financial liabilities

The breakdown of the balance of this heading in the consolidated balance sheets is as follows:

	Thousands of Euros			
	2007		2006	
	Non-Current	Current	Non-Current	Current
Non-bank borrowings at a reduced interest rate	40,930	4,879	31,528	5,111
Payable to associates	5,686	-	-	-
Other	1,890	113,976	485	3,687
Total	**48,506**	**118,855**	**32,013**	**8,798**

"Non-Bank Borrowings at a Reduced Interest Rate" are loans at reduced or zero interest rates granted by the Ministry of Industry, Commerce and Tourism and dependent agencies. The effect of the financing at market interest rates would not be material.

21.- Provisions

The changes in provisions in 2007 were as follows:

NON-CURRENT	Thousands of Euros			
	Provision for Pensions and Similar Obligations	Provision for Taxes	Provision for Third-Party Liabilities	Total
Balance at 31 December 2006	**2,565**	**26,184**	**280,450**	**309,199**
Changes in the scope of consolidation	649,687	57,733	423,609	1,131,029
Additions or charges for the year	61,121	19,454	183,189	263,764
Amounts used	(82,767)	(14,432)	(81,468)	(178,667)
Reversals	(11,461)	(865)	(58,507)	(70,833)
Increases due to the passing of time and the effect of exchange rates on discount rates	43,056	-	6,186	49,242
Exchange differences	(1,588)	(108)	(3,409)	(5,105)
Balance at 31 December 2007	**660,613**	**87,966**	**750,050**	**1,498,629**

Provision for pensions and similar obligations

Most of the Group's post-employment obligations relate to the Energy area and come from the Spanish companies Unión Fenosa, S.A., Unión Fenosa Distribución, S.A. and Unión Fenosa Generación, S.A. and from the Colombian companies Electrificadora del Caribe, S.A. E.S.P. and Empresa de Energía del Pacífico, S.A. E.S.P.

As regards the Spanish companies, the employees who retired prior to November 2002 and a residual portion of the current personnel, are entitled to defined benefit supplementary pension payments. This commitment has been externalised through insurance policies. There is no additional obligation to pay the insurance policy premiums, except for those arising from the updating of certain actuarial variables, basically the increase in the CPI and the retirement age.

Most of the Spanish companies' current employees are participants in defined contribution retirement or defined benefit risk pension plans, which are jointly sponsored, employment-based and transferable pursuant to current legislation. The Unión Fenosa pension plan is included in the "Unión Fenosa Pensiones Fondo de Pensiones", fund managed by Santander Pensiones, S.A., E.G.F.P. and deposited at Santander Investment Services, S.A. Lastly, certain defined contribution obligations not included in the aforementioned plan are externalised through insurance policies.

The contributions to the aforementioned schemes are recognised as employee benefits as they vest. Benefit mounts payable in advance are recognised as an asset on an accrual basis.

Unión Fenosa, S.A. jointly manages the externalisation of the pension obligations for Unión Fenosa, S.A., Unión Fenosa Distribución, S.A. and Unión Fenosa Generación, S.A., under an agreement signed between the parties, and pays, on the companies' behalf, the related premiums or contributions arising from the maintenance of the pension obligations established. In 2007 Unión Fenosa, S.A. updated its various insurance policies by arranging supplementary policies to ensure that its pension obligations were covered at all times.

There are also other defined benefit pension obligations at the Colombian electric utilities Electrificadora Del Caribe, S.A. E.S.P. and Empresa de Energía Del Pacífico S.A. E.S.P, for which the accrued liability is covered on the basis of actuarial studies conducted in accordance with IFRSs.

Also, the liabilities incurred at 31 December 2007 include other obligations to the employees of certain Spanish and Colombian companies, such as electricity consumption, educational grants and healthcare.

The actuarial valuation was performed individually by group of employees based on the projected unit credit method. At 31 December 2007, the assumptions used to calculate the actuarial liability were as follows:

	Actuarial Assumptions	
	2007	
	Spain	Colombia
Interest rate	4.49% - 5.33%	10.317%
CPI	2.5%	4.7%
Mortality tables	PERM/F2000 GRM/F 95	TCMR ISS 80/89

Actuarial Assumptions

The detail of the actuarial liabilities and externalised plan assets for the existing defined benefit obligations is as follows:

Actuarial Assets and Liabilities at 31/12/07	Thousands of Euros
Externalised plan assets (owed by the insurers)	736,375
Provision for post-employment benefits	659,998

Of the provision amount, EUR 5,241 thousand were recognised under “Staff Costs.” The increases due to the passing of time and the effect on the discount rate were recognised under “Finance Costs” and relate to the current employee costs and the finance costs of the related provisions accrued during the year. The amounts recognised under “Equity” relate to the actuarial gains and losses arising from assumption differences.

In previous years, the Energy area approved voluntary redundancy plans enabling employees who met certain conditions to take early retirement prior to reaching retirement age. The provision recognised in this connection amounted to EUR 82.9 million at 31 December 2007.

In 2007 the amounts used recognised with a credit to equity were related mainly to the change in the actuarial assumptions associated with the post-employment benefit obligations at the Spanish companies amounting to EUR 55.7 million. The main change related to the future cost of electricity.

Provision for third-party liabilities

The detail, at 31 December 2007, of the provision for third-party liabilities, by line of business, is as follows:

Line of Business	Thousands of Euros
Construction	42,905
Industrial services	52,313
Environment and Logistics	90,385
Energy	466,335
Corporate Unit	98,112
Total	**750,050**

The purpose of these provisions is to cover different Group liabilities

and they include, inter alia, provisions for litigation, arbitration and claims in which the various Group companies act as the defendant due to the liabilities inherent to the activities carried on by them, provisions for restructuring costs (basically in the industrial area) and provisions for the closing and post-closing of landfills (basically in the services area).

In the Energy area, the provision for third-party liability includes, inter alia, the provision of EUR 67.9 million required to cover the costs of decommissioning nuclear power plants at 31 December 2007, as established in Electricity Industry Law 54/1997, of 27 November, Royal Decree 1349/2003, of 31 October, governing the activities of ENRESA and its financing, and Royal Decree-Law 5/2005, of 11 March, on urgent measures to boost productivity and improve public contracting. This provision includes the costs that arise during the period of transfer of the plants and the value of the residual energy, capacity of the last core, calculated on the basis of present current costs to which a discount rate of 6.5% is applied.

Lignitos de Meirama, S.A. had recognised a provision of EUR 36.8 million at 31 December 2007 in accordance with its plan to provide for mine abandonment expenses, which was approved by the tax authorities, as provided for in the Spanish Companies Law.

Based on the evaluation of the expected cash flows of the distributors of Moldova, Nicaragua and Kenya, performed in accordance with the most stringent profitability criteria, and considering the good performance of the operating parameters of the businesses in 2007, the Group has recognised an impairment loss of EUR 164.7 million on the assets.

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

CURRENT	Thousands of Euros			
	Provision for Termination Benefits	**Provision for Contract Work Completion**	**Operating Allowance**	**Total**
Balance at 31 December 2006	**10,647**	**131,610**	**92,758**	**235,015**
Additions or charges for the year	4,044	42,965	62,243	**109,252**
Amounts used	(961)	(36,655)	(73,412)	**(111,028)**
Reversals	(68)	(3,347)	(15,632)	**(19,047)**
Exchange differences	(352)	(143)	(561)	**(1,056)**
Changes in the scope of consolidation	(1,188)	-	61,102	**59,914**
Balance at 31 December 2007	**12,122**	**134,430**	**126,498**	**273,050**

22.- Financial risk and capital management

In view of its activities, the ACS Group is exposed to different financial risks, mainly arising from the ordinary course of its operations, the borrowings to finance its operating activities, and its investments in companies with functional currencies other than the Euro. The financial risks to which the operating units are subject include interest rate, foreign currency, liquidity and credit risks.

Interest rate risk on cash flows

This risk arises from changes in future cash flows from borrowings bearing interest at floating rates (or with current maturity and likely renewal) as a result of fluctuations in market interest rates.

The objective of the management of this risk is to mitigate the impact on the cost of the debt arising from fluctuations in interest rates. For this purpose financial derivatives which guarantee fixed interest rates or rates with a narrow range of fluctuation are arranged for a substantial portion of the borrowings that may be affected by this risk (Note 23).

Taking into consideration the existing hedging instruments, as well as financing at a fixed interest rate, the sensitivity of the ACS Group's profit or loss to changes in interest rates, prior to tax and minority interests, is as follows:

	Million of Euros	
	2007	**2006**
Change in interest rate	+1% -1%	+1% -1%
Effect on profit or loss	38.8 (38.8)	25.6 (25.6)

Foreign currency risk

The foreign currency risk arises mainly from the foreign operations of the ACS Group which makes investments and carries out business transactions in functional currencies other than the Euro, and from loans granted to Group companies in currencies other than those of the countries in which they are located.

To reduce the risk inherent to structural investments in foreign operations with a functional currency other than the Euro, the Group attempts to arrange debt in the same functional currency as the assets being financed.

For the hedging of net positions in currencies other than the Euro in the performance of contracts in force and contracts in the backlog, the Group uses different financial instruments for the purpose of mitigating exposure to foreign currency risk (Note 23).

Noteworthy in this connection is the risk relating to the foreign exchange rates associated with fuel procurement activity given that the price for the purchases of imported coal is normally set in US dollars. The procedure followed is to budget the payments associated with coal purchases on an annual basis and to plan a detailed quarterly timetable. On the basis of the foreseeable payments and projected collections, the purchase and sale transactions required to ensure that the related flows are made.

This also occurs in the case of gas purchase agreements, and, therefore, the related risk is hedged by arranging foreign exchange hedging derivatives.

In this regard, the main currency operated with against the Euro is the US dollar and the sensitivity is as follows:

	Thousands of Euros			
	2007		**2006**	
	+5%	-5%	+5%	-5%
Effect on profit or loss before tax	4.1	(4.1)	3.4	(3.4)
Effect on equity before tax	56.3	(56.3)	5.8	(5.8)

Liquidity risk

This risk results from the timing gaps between fund requirements for business investment commitments, debt maturities, working capital requirements, etc. and the funds arising from cash generated in the course of the Group's ordinary operations, different forms of bank financing, capital market operations and divestments.

The Group's objective with respect to the management of liquidity risk to maintain a balance between the flexibility, term and conditions of the credit facilities arranged on the basis of projected short-, medium-, and long-term fund requirements. In this connection, noteworthy is the use of non-recourse financing, as described in Note 18, and current financing for working capital requirements.

Credit risk

This risk mainly relates to the non-payment of trade receivables. The objective of credit risk management is to reduce the impact of credit risk exposure as far as possible by means of the preventive assessment of the solvency rating of the Group’s potential clients. When contracts are being performed, the credit rating of the outstanding amounts receivable is periodically evaluated and the estimated recoverable doubtful receivables are adjusted and written down with a charge to the income statement for the year.

Capital management

The ACS Group’s objectives in relation to capital management are to maintain an optimal financial-equity structure in order to reduce the cost of capital, while safeguarding the company’s ability to continue operating with an adequately stable debt-to-equity ratio.

The capital structure is mainly controlled through the debt-to-equity ratio, which is calculated by dividing net financial debt by net equity. Net financial debt is understood to comprise the following:

+ Net recourse debt:
  + Non-current bank borrowings
  + Current bank borrowings
  + Issue of bonds and debentures
  - Cash and other current financial assets
+ Project financing debt.

The Group’s directors consider the leverage to be appropriate at 31 December 2007. Following is the detail thereof:

	Thousands of Euros	
	2007	2006
Net recourse debt	**6,933**	**1,753**
Non-current bank borrowings	6,307	3,323
Current bank borrowings	2,882	1,238
Issue of bonds and debentures	1,816	-
Cash, current financial assets and other liquid assets	(4,072)	(2,808)
Project financing	**9,641**	**6,993**
Equity	10,441	3,256
Leverage	159%	268%
Leverage to recourse debt	**66%**	**54%**

23.- Derivative financial instruments

The ACS Group's different lines of business expose it to financial risks, mainly foreign currency and interest rate risks. In order to minimise the impact of these risks and in accordance with its risk management policy (Note 22), the ACS Group entered into various financial derivative contracts, most of which have non-current maturities.

The detail, by maturity, of the notional amounts of the aforementioned hedging instruments, on the basis of the nature of the contracts, is as follows:

	Thousands of Euros							
	Notional Value	2008	2009	2010	2011	2012	Subsequent Years	Net Fair Value
Interest rate	7,635,449	24,539	80,958	4,195,258	2,265,277	652,390	417,027	142,127
Exchange rate	456,069	169,903	113,979	41,132	131,055	-	-	10,429
Non-qualified hedges	2,891,105	2,637,041	-	86,715	167,349	-	-	113,615
Total	**10,982,623**	**2,831,483**	**194,937**	**4,323,105**	**2,563,681**	**652,390**	**417,027**	**266,171**

The following table shows the fair value of the hedging instruments based on the nature of the contract at 31 December 2007 and 2006:

	Thousands of Euros			
	2007		2006	
	Asset	Liability	Asset	Liability
Interest rate				
Cash flows	150,713	8,586	82,430	8.730
Non-efficient	-	-	89	6
Exchange rate	10.737	308	5,245	-
Non-qualified hedges	171.164	57,549	335	11,054
Total	**332.614**	**66,443**	**88,099**	**19,791**

The Group has no hedges for investments in foreign operations, since the foreign currency risk is covered with transactions carried out in local currencies. Additionally, the most significant foreign investments were made with non-current financing, in which the interest rates on project financing debt were hedged.

Cash flow hedges (interest rate)

The objective of using these derivatives was to limit changes in interest rates on its project borrowings and to guarantee fixed interest rates, mainly by entering into interest rate swaps as the borrowings are arranged and used.

Most of the hedges are interest rate swaps which mature on the same date as or slightly earlier than the underlying amounts hedged.

Hedges of this type are mainly related to the various syndicated loans within the Group and to non-recourse financing, both at 31 December 2007 and 31 December 2006 (Note 18).

In relation to syndicated loans, the following hedges were arranged:

- Loan of EUR 1,500 million. Various interest rate swaps were arranged to hedge 100% of this loan, which mature in July 2010.

- The syndicated financing of the Urbaser Group is hedged by interest rate swaps amounting to EUR 390,000 thousand, which mature in June 2010.

- The syndicated financing of the SPL Group is hedged by interest rate swaps amounting to EUR 180,000 thousand, which mature in September 2011.

Noteworthy are the following hedges in relation to non-recourse financing:

- - Hedging of the financing of the acquisition of the initial 32.07% of Unión Fenosa, S.A. Interest rate swaps were entered into to hedge 80% of the amounts borrowed until July 2010 at a fixed interest rate.

- Interest rate hedge to cover 90% of the syndicated loan financing the purchase of 7.2% de Iberdrola, S.A. and maturing in July 2011.

- Interest rate swap to hedge the loan relating to the purchase of de Hochtief, A.G. for EUR 632,000 thousand, which matures in 2012.

- Hedging of the project financing of wind-powered facilities. These relate mostly to interest rate swaps maturing between 2008 and 2021.

- Terminal del Sudeste, S.A. entered into an interest rate swap, the notional amount of which totalled EUR 43 million, maturing in 2019.

- - Autovía de La Mancha has hedges amounting to EUR 84 million instrumented in an interest rate swap maturing in 2016.

- The concession company Reus-Alcover has various interest rate hedges totalling EUR 38,940 thousand and maturing in 2035.

- La Concesionaria Santiago Brión, S.A. entered into two interest rate swaps amounting to EUR 27,000 thousand and maturing in 2032.

Cash flow hedges (exchange rate)

The foreign currency risk relates mainly to contract work in which payables and/or receivables are in a currency other than the functional currency.

The most significant derivatives contracted to hedge these risks relate to foreign currency hedges for industrial projects in Mexico amounting to EUR 159,531 thousand and maturing in 2008.

Derivative Instruments not qualified as hedges

Of the non-hedging derivative instruments, noteworthy at 31 December 2007 was the derivatives agreements, and specifically, the equity swap entered into by the Parent on shares of Iberdrola, S.A. affecting 259,939,800 shares, which represented 5.2% of its share capital and which may be settled in cash or shares at the option of ACS Actividades de Construcción y Servicios, S.A.

Additionally, at 31 December 2007, the Group had entered into an equity swap on shares of Hochtief, A.G. representing 4.9% of its share capital, and may be settled in cash or shares at the option of ACS Actividades de Construcción y Servicios, S.A.

Lastly, at 31 December 2007, the Parent had entered into an equity swap on shares of Unión Fenosa, S.A. affecting 5,931,181 shares, representing 1.95% of its share capital and which may be settled in cash or shares at the option of the Group. On 8 January 2008 the Group executed the option to settle the swap in shares and accordingly, increased its ownership interest in Unión Fenosa, S.A. by this percentage. This transaction was completed with a purchase on the same date of 8,802,785 shares. Therefore, at the date of the presentation of these financial statements, the Group's direct and indirect ownership in Unión Fenosa amounts to 45.305% of its share capital (Note 33).

Additionally, at 31 December 2006, the Group had entered into a derivatives agreement (specifically an equity swap) in which the Company had shares representing 1.53% of a listed foreign company. This swap was settled in 2007, with a gain on the whole of the transaction amounting to EUR 924 thousand.

The changes in the fair value of these instruments were charged to the income statement in 2007 with a net profit of EUR 124,694 thousand (loss of EUR 10,062 thousand in 2006), recognised under the heading "Gains due to Changes in the Value of Financial Instruments Classified at Fair Value".

Additionally, non-hedging derivative instruments worthy of mention include those relating to share option plans. As discussed in Note 29.3, the Group has granted share option plans to certain managers and directors carrying out executive functions.

The obligations arising from these plans have been externalised and transferred to a financial institution. In relation to these obligations, the financial institution has a put option hedging the risk that the value of the share option will be less than the exercise price.

Since this derivative is a fair value hedge, the hedged item is measured in the same manner as the hedging instrument and the effect is recognised in the income statement. The changes in the fair value of these derivatives recorded with a charge to the income statement gave rise to gains of EUR 360 thousand at 31 December 2007 and to EUR 12,036 thousand at 31 December 2006.

24.- Trade and other payables

"Trade and Other Payables" includes mainly the amounts outstanding for trade purchases and related costs.

Client advances for contract work amounted to EUR 2,273,515 thousand in 2007 (EUR 1,803,013 thousand in 2006) (Note 13).

25.- Other current liabilities

The detail of this heading at 31 December 2007 and 2006 is as follows:

	Thousands of Euros	
	Balance at 31/12/2007	Balance at 31/12/2006
Advance payments received	109,927	37,779
Payable to non-current asset suppliers	107,693	51,431
Remuneration payable	255,911	168,571
Interim dividend payable (Note 16.6)	378,061	141,149
Deposits and guarantees received	321,511	2,475
Other	691,600	238,006
Total	**1,864,703**	**639,411**

26.- Segments

26.1 Basis of segmentation

In accordance with the ACS Group's internal organisational structure, and consequently, its internal reporting structure, the Group carries on its business activities through lines of business, which are the primary reporting segments as indicated in IAS 14.

26.1.1 Primary segments – business segments

The business segments used to manage the ACS Group are as follows:

- **Construction.** Engaging in the construction of civil works, and residential and non-residential building construction.

- **Industrial services.** This segment is engaged in the development of applied engineering services, installations and the maintenance of industrial infrastructures in the energy, communications and control systems sectors.

- **Environment and Logistics** This segment groups together environmental services, the outsourcing of integral building maintenance and logistics services.

- **Concessions**. This segment mainly engages in transport infrastructure concessions.

- **Energy.** It carried on its activities through Unión Fenosa, S.A. in 2007.

- **Corporate Unit.** This segment groups together strategic investments in energy (Unión Fenosa, S.A. for 2006 and Iberdrola, S.A), construction and concessions (Hochtief, A.G.), telecommunications (Xfera Móviles, S.A.) and concessions (Abertis Infraestructuras, S.A.) activities. The property line of business, performed through Inmobiliaria Urbis, S.A., was sold in December 2006.

26.1.2 Secondary segments – geographical segments

The ACS Group is managed by business segments and the management based on geographical segments is irrelevant. Accordingly, a distinction is made between Spain and the rest of the world, in accordance with the stipulations of IAS 14.

26.2 Basis and methodology for business segment reporting

The reporting structure is designed in accordance with the effective management of the different segments comprising the ACS Group. Each segment has its own resources based on the entities engaging in the related business, and accordingly, has the assets required to operate the business.

Each of the business segments relates mainly to a legal structure, in which the companies report to a holding company representing each activity for business purposes. Accordingly, each legal entity has the assets and resources required to perform its business activities in an autonomous manner.

In accordance with IAS 1, paragraph 83, the information for each segment includes a subtotal of the gross operating income, which is calculated on the basis of operating income plus the depreciation and amortisation charge and the change in operating allowances.

Segment reporting for these businesses is presented below.

26.2.1 Income statement by business segment: 2007

	Thousands of Euros						
	Construction	**Industrial Services**	**Environment and Logistics**	**Concession s**	**Energy**	**Corporate Unit and Adjustments**	**Group Total**
REVENUE	**7,352,857**	**5,488,732**	**2,834,851**	**35,791**	**5,966,778**	**(367,332)**	**21,311,677**
Operating expenses	(6,364,991)	(3,848,344)	(1,257,381)	(97,917)	(3,581,868)	370,583	(14.779.918)
Staff costs	(904,087)	(1,262,187)	(1,371,362)	(12,364)	(487,822)	(27,565)	(4.065.387)
Other income	465,103	110,155	175,354	75,955	213,629	(16.091)	1.024.105
GROSS OPERATING INCOME	**548,882**	**488,356**	**381,462**	**1,465**	**2,110,717**	**(40,405)**	**3,490,477**
Depreciation and amortisation charge	(78,975)	(67,548)	(127,698)	(8,976)	(680,990)	(1,926)	(966.113)
Impairment/Reversal of current assets	(9,570)	(8,293)	(20,941)	2,266	2	(1,368)	(37,904)
NET OPERATING INCOME	**460,337**	**412,515**	**232,823**	**(5,245)**	**1,429,729**	**(43,699)**	**2,486,460**
Net impairment losses	(765)	(1,159)	(6,207)	85	(63,184)	253	(70,977)
Gains due to changes in the value of financial instruments classified at fair value	-	-	-	-	-	124,335	124,335
Finance income	132,449	55,051	33,832	27,850	88,886	36,681	374.749
Finance costs	(72,255)	(105,666)	(87,536)	(29,002)	(558,610)	(261,616)	(1.114.685)
Exchange differences	(8,226)	(4,850)	(1,449)	(2,238)	18,268	(179)	1.326
Profit of associates	(1,123)	20,276	728	(21,324)	21,639	172,949	193.145
Gains on disposal of non-current assets	6,107	4,485	41,002	37,836	244,654	5,831	339,915
Other gains or losses	(31,978)	(9,346)	(10,927)	(574)	(48,550)	(21,079)	(122.454)
PROFIT BEFORE TAX	**484,546**	**371,306**	**202,266**	**7,388**	**1,132,832**	**13,476**	**2,211,814**
Corporation tax	(170,018)	(98,508)	(60,719)	(3,802)	(353,191)	173,144	(513.094)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS	**314,528**	**272,798**	**141,547**	**3,586**	**779,641**	**186,620**	**1,698,720**
Profit after tax from discontinued operations	-	-	-	-	-	423,727	423,727
PROFIT FOR THE YEAR	**314,528**	**272,798**	**141,547**	**3,586**	**779,641**	**610,347**	**2.122.447**
Profit attributed to minority interests	(4,225)	(7,862)	(9,893)	69	(549,421)	-	(571,332)
PROFIT ATTRIBUTED TO THE PARENT	**310,303**	**264,936**	**131,654**	**3,655**	**230,220**	**610,347**	**1,551,115**

26.2.2 Income statement by business segment: 2006

	Thousands of Euros					
	Construction	Industrial Services	Environment and Logistics	Concessions	Corporate Unit and Adjustments	Group Total
REVENUE	**6,750,334**	**4,747,697**	**2,458,620**	**26,056**	**(114,030)**	**13,868,677**
Operating expenses	(5,981,671)	(3,247,193)	(1,055,382)	(27,044)	86,752	(10,224,538)
Staff costs	(808,219)	(1,103,623)	(1,200,431)	(9,561)	(26,799)	(3,148,633)
Other income	543,578	22,749	121,942	17,488	17,620	723,377
GROSS PROFIT (LOSS) FROM OPERATIONS	**504,022**	**419,630**	**324,749**	**6,939**	**(36,457)**	**1.218.883**
Depreciation and amortisation charge	(81,721)	(51,587)	(113,125)	(10,095)	(2,074)	(258,602)
Impairment/Reversal of current assets	415	(3,302)	(16,168)	423	822	(17.810)
NET PROFIT (LOSS) FROM OPERATIONS	**422,716**	**364,741**	**195,456**	**(2,733)**	**(37,709)**	**942.471**
Net impairment losses recognized/reversed	(1,966)	(10)	661	(11,584)	93	(12.806)
Gains due to changes in the value of financial instruments classified at fair value	-	88	-	-	1,975	2,063
Finance income	107,249	43,829	18,602	20,783	(4,870)	185,593
Finance costs	(47,695)	(77,490)	(65,850)	(20,160)	(199,052)	(410,247)
Exchange differences	(8,568)	(4,672)	(902)	(981)	(251)	(15,374)
Results of associates	5,190	15,327	3,593	(28,284)	425,596	421,422
Gains on disposal of non-current assets	19,503	3,342	3,387	26,982	530,605	583.819
Other gains or losses	(53,245)	(23,190)	(755)	(6,205)	4,539	(78,856)
PROFIT BEFORE TAX	**443,184**	**321,965**	**154,192**	**(22,182)**	**720,926**	**1.618.085**
Corporation tax	(152,483)	(90,938)	(38,221)	4,260	(87,582)	(364,964)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS	**290,701**	**231,027**	**115,971**	**(17,922)**	**633,344**	**1,253,121**
Profit after tax from discontinued operations	-	-	-	-	20,240	20,240
PROFIT FOR THE YEAR	**290,701**	**231,027**	**115,971**	**(17,922)**	**653,584**	**1,273,361**
Profit attributed to minority interests	(8,600)	(8,401)	(6,891)	619	-	(23.273)
PROFIT ATTRIBUTED TO THE PARENT	**282,101**	**222,626**	**109,080**	**(17,303)**	**653,584**	**1,250,088**

26.2.3 Balance sheet by business segment: 2007

ASSETS	Thousands of Euros						
	Construction	Industrial Services	Environment and Logistics	Concessions	Energy	Corporate Unit and Adjustments	Group Total
NON-CURRENT ASSETS	**1,794,651**	**2,261,653**	**2,331,870**	**719,014**	**20,172,843**	**7,340,820**	**34,620,851**
Property, plant and equipment / investment property	943.036	1,567,332	1,302,421	255,918	14,227,199	(1,657)	18,294,249
Goodwill	556,658	46,730	240,629	-	1,831,244	275,114	2,950,375
Other intangible assets	13,857	275,406	207,573	80,788	1,092,753	6	1,670,383
Non-current financial assets	162,987	332,133	532,235	361,160	2,149,857	6,761,337	10,299,709
Other non-current assets	118,113	40,052	49,012	21,148	871,790	306,020	1,406,135
CURRENT ASSETS	**6,559,421**	**4,278,940**	**2,496,882**	**639,011**	**2,681,261**	**(1,682,922)**	**14,972,593**
Inventories	536,683	163,803	28,244	6	167,615	478	896.829
Trade and other receivables	3.020.410	2,777,152	1,013,888	19,839	1,593,704	(181,352)	8,243,641
Other current financial assets	1,751,575	246,666	561,600	304,210	76,657	(1,519,845)	1,420,863
Other current assets	275,038	376,070	118,652	25,280	358,624	10,791	1,164,455
Cash and cash equivalents	975.715	715,249	774,498	68,334	115,780	2,006	2,651,582
Subtotal current assets	**6,559,421**	**4,278,940**	**2,496,882**	**417,669**	**2,312,380**	**(1,687,922)**	**14,377,370**
Non-current assets held for sale and discontinued operations.	**-**	**-**	**-**	**221,342**	**368,881**	**5,000**	**595,223**
TOTAL ASSETS	**8,354,072**	**6,540,593**	**4,828,752**	**1,358,025**	**22,854,104**	**5,657,898**	**49,593,444**

EQUITY AND LIABILITIES	Thousands of Euros						
	Construction	Industrial Services	Environment and Logistics	Concessions	Energy	Corporate Unit and Adjustments	Group Total
EQUITY	**770,390**	**815,674**	**1,354,813**	**551,620**	**6,504,750**	**443,788**	**10.441.035**
Equity attributed to the Parent	737.645	723,933	1,262,209	533,216	951,211	445,543	4,653,757
Minority Interests	32,745	91,741	92,604	18,404	5,553,539	(1,755)	5.787.278
GRANTS RELATED TO ASSETS	**-**	**7,964**	**53,748**	**-**	**748,887**	**-**	**810.599**
NON-CURRENT LIABILITIES	**695,628**	**1,727,079**	**1,537,013**	**259,634**	**11,405,935**	**5,024,858**	**20.650.147**
Debt instruments and other held-for-trading liabilities	-	-	-	-	1,219,245	-	1,219,245
Bank borrowings	182,889	239,546	1,155,433	2,161	2,702,086	1,976,362	6.258.477
Project financing	375,068	1,331,446	222,496	221,331	3,467,120	3,660,798	9.278.259
Other financial liabilities	31,089	9,210	1,978	6,056	968,513	(968,340)	48.506
Financial instrument payables	-	594	148	1,674	-	64,027	66,443
Other non-current liabilities	106,582	146,283	156,958	28,412	3,048,971	292,011	3.779.217
CURRENT LIABILITIES	**6,888,054**	**3,989,876**	**1,883,178**	**546,771**	**4,194,532**	**189,252**	**17.691.663**
Debt instruments and other held-for-trading liabilities	-	-	-	-	597,069	-	597,069
Bank borrowings	491,350	276,697	269,224	358,433	621,908	745,755	2.763.367
Project financing	105,862	51,664	14,848	1,410	107,022	82,369	363.175
Trade and other payables	5.157.530	3,062,785	570,673	20,800	1,695,642	27,632	10,535,062
Other financial liabilities	3,038	1,658	891	44,878	119,409	(51,019)	118.855
Other current liabilities	1,130,274	597,072	1,027,542	18,017	1,053,482	(615,485)	3.210.902
Subtotal current liabilities	**6,888,054**	**3,989,876**	**1,883,178**	**443,538**	**4,194,532**	**189,252**	**17.588.430**
Non-current assets held for sale and discontinued operations.	**-**	**-**	**-**	**103,233**	**-**	**-**	**103,233**
TOTAL EQUITY AND LIABILITIES	**8.354.072**	**6,540,593**	**4,828,752**	**1,358,025**	**22,854,104**	**5,657,898**	**49,593,444**

26.2.4 Balance sheet by business segment: 2006

ASSETS	Thousands of Euros					
	Construction	Industrial Services	Environment and Logistics	Concessions	Corporate Unit and Adjustments	Group Total
NON-CURRENT ASSETS	**1,458,349**	**1,326,073**	**2,241,508**	**755,232**	**9,302,713**	**15,083,875**
Property, plant and equipment / investment property	699,732	834,586	1,199,991	181,829	1,080	2,917,218
Goodwill	505,983	85,119	220,399	-	275,114	1,086,615
Other intangible assets	3,579	126,224	182,986	84,825	15	397,629
Non-current financial assets	139,341	236,164	578,341	479,214	8,794,405	10,227,465
Other non-current assets	109,714	43,980	59,791	9,364	232,099	454,948
CURRENT ASSETS	**5,967,137**	**3,457,381**	**1,573,865**	**416,913**	**(1,316,467)**	**10,098,829**
Inventories	514,385	139,128	84,305	-	437	738,255
Trade and other receivables	2,706,379	2,457,402	881,067	19,566	(118,284)	5,946,130
Other current financial assets	2,045,812	263,508	439,343	345,997	(1,213,721)	1,880,939
Other current assets	267,050	231,594	88,538	23,648	(24,790)	586,040
Cash and cash equivalents	433,511	365,749	80,612	6,881	39,891	926,644
Subtotal current assets	**5,967,137**	**3,457,381**	**1,573,865**	**396,092**	**(1,316,467)**	**10,078,008**
Non-current assets held for sale and discontinued operations.	**-**	**-**	**-**	**20,821**	**-**	**20,821**
TOTAL ASSETS	**7,425,486**	**4,783,454**	**3,815,373**	**1,172,145**	**7,986,246**	**25,182,704**

EQUITY AND LIABILITIES	Thousands of Euros					
	Construction	Industrial Services	Environment and Logistics	Concessions	Corporate Unit and Adjustments	Group Total
EQUITY	**741,600**	**741,530**	**1,251,682**	**678,707**	**(157,158)**	**3,256,361**
Equity attributed to the Parent	715,927	682,729	1,203,370	669,066	(155,403)	3,115,689
Minority Interests	25,673	58,801	48,312	9,641	(1,755)	140,672
GRANTS RELATED TO ASSETS	**-**	**8,776**	**72,286**	**-**	**-**	**81,062**
NON-CURRENT LIABILITIES	**330,379**	**942,193**	**1,516,944**	**268,947**	**7,586,660**	**10,645,123**
Bank borrowings	33,601	165,841	1,177,292	-	1,914,566	3,291,300
Project financing	169,536	657,222	207,636	158,453	5,604,705	6,797,552
Other financial liabilities	21,607	7,553	7,961	88,867	(93,975)	32,013
Financial instrument payables	-	1,353	480	6,903	11,055	19,791
Other non-current liabilities	105,635	110,224	123,575	14,724	150,309	504,467
CURRENT LIABILITIES	**6,353,507**	**3,090,955**	**974,461**	**224,491**	**556,744**	**11,200,158**
Bank borrowings	108,215	201,427	126,235	193,280	599,706	1,228,863
Project financing	72,649	59,430	17,882	1,344	44,068	195,373
Trade and other payables	5,172,565	2,266,047	511,555	15,467	18,718	7,984,352
Other financial liabilities	6,484	2,125	45	19	125	8,798
Other current liabilities	993,594	561,926	318,744	14,381	(105,873)	1,782,772
TOTAL EQUITY AND LIABILITIES	**7,425,486**	**4,783,454**	**3,815,373**	**1,172,145**	**7,986,246**	**25,182,704**

The detail of revenue from construction is as follows:

	Thousands of Euros	
	2007	**2006**
Spain	6,920,297	6,319,114
Civil engineering work	3,965,807	3,457,230
Building construction	2,954,490	2,861,884
International	432,560	431,220
Total	**7,352,857**	**6,750,334**

The detail of revenue from industrial services is as follows:

	Thousands of Euros	
	2007	**2006**
Networks	900,438	806,401
Specialised facilities	2,084,159	1,714,251
Integrated projects	1,646,145	1,489,454
Control systems	1,030,149	910,714
Eliminations	(172,159)	(173,123)
Total	**5,488,732**	**4,747,697**

Of the total revenue from industrial services, EUR 1,709,450 thousand related to international operations in 2007 (EUR 1,574,549 thousand in 2006), representing 31.1% and 33.2%, respectively.

The detail of revenue from services is as follows

	Thousands of Euros	
	2007	**2006**
Environmental	1,327,052	1,191,120
Ports and logistics	667,952	560,434
Integral maintenance	839,847	707,067
Total	**2,834,851**	**2,458,621**

Of the total revenues from services, EUR 340,343 thousand related to international operations in 2007 (EUR 268,780 thousand in 2006), representing 12% and 10.9%, respectively.

The detail of revenue from the energy line of business is as follows:

	Thousands of Euros	
	2007	**2006**
Electricity sales	4,289,634	-
Gas sales	346,173	-
Energy services rendered	1,006,994	-
Professional services rendered	159,844	-
Other sales	164,133	-
Total	**5,966,778**	**-**

Inter-segment sales are made at prevailing market prices.

The breakdown of certain of the Group’s consolidated balances based on the geographical location of the companies that gave rise to them is as follows:

	Thousands of Euros		Thousands of Euros	
	Spain		**Rest of the World**	
	2007	**2006**	**2007**	**2006**
Revenues	16,269,602	11,587,712	5,042,075	2,280,965
Segment assets	41,531,942	23,097,832	8,061,502	2,084,872
Total net investments	1,470,215	5,289,522	1,933,033	117,531

27.- Tax matters

27.1 Consolidated tax group

Pursuant to current legislation, the consolidated tax group 30/99 includes ACS, Actividades de Construcción y Servicios, S.A., as the Parent, and the Spanish subsidiaries in which the Parent has, directly or indirectly, an ownership interest of at least 75%, and that meet the other requirements provided for in Spanish legislation regulating the tax consolidation regime.

Additionally, Unión Fenosa, S.A. is the parent of a second tax Group also including its investees under the aforementioned conditions.

The Group's other subsidiaries file individual tax returns in accordance with the tax legislation in force in each country.

27.2 Years open for review by the tax authorities

In 2007 the Spanish tax authorities completed the tax audit in relation to all state taxes applicable to the companies in the now extinct tax group 24/79, whose parent was Grupo Dragados, S.A., for 2000 to 2002, and also the tax group whose parent is Unión Fenosa, S.A. for 2000 and 2001.

As a result of this audit, tax assessments of scantly material amounts were accepted and recognised in the accompanying financial statements. Additionally, other tax assessments not specifying the tax charge payable were issued to both groups and signed on a contested basis. By means of these assessments the authorities reduced the amount of tax credits relating to export activities which both companies maintained as pending application at the end of the audited periods.

Any effect on the income statements that a ruling against the appeals filed by the Group might have, including in the case of similar proceedings initiated by other group companies in 2006 is covered, to the most extent, by the provisions for contingencies and expenses. In view of this coverage and arguments for a ruling in the company's favour, the Group considers that no additional liabilities will arise in this connection.

Additionally, in view of the varying interpretations that can be made of the applicable tax legislation, the outcome of the tax audits of the open years that could be conducted by the tax authorities in the future could give rise to tax liabilities which cannot be objectively quantified at the present time. However, the directors of the ACS Group consider that the liabilities that might arise, if any, would not have a material effect on the consolidated financial statements for 2007.

27.3 Reconciliation of the current income tax expense to accounting profit

The reconciliation of the income tax expense resulting from the application of the standard tax rate in force in Spain to the current tax expense recognised, as well as the determination of the average effective tax rate, are as follows:

	Thousands of Euros	
	2007	**2006**
Consolidated profit before tax	2,211,814	1,618,085
Net profit from equity accounted investments	(193,145)	(421,422)
Permanent differences	134,163	(71,802)
Taxable profit	2,152,832	1,124,862
Tax at 32.5% in 2007 and 35% in 2006	699,670	393,701
Tax credits and tax relief	(193,747)	(54,239)
Effect of different standard tax rate in other countries	6,096	8,091
Current income tax expense	512,019	347,553
Effective rate, excluding equity method	25.36%	29.04%

27.4 Detail of income tax expense

The detail of the corporation tax expense is as follows:

	Thousands of Euros	
	2007	2006
Current income tax expense (table 27.3)	512,019	347,553
Deferred tax expense	14,292	3,549
Deferred tax income	(2,355)	(1,146)
Expense/(Income) relating to adjustments to current tax	20,093	6,149
Expense/(Income) relating to adjustments to prior years' tax	(18,290)	2,692
Expense/(Income) relating to the effect of legislative changes on deferred taxes	3,284	17,077
(Income) arising from the application of prior years' deferred tax assets	(27,231)	(13,253)
Expense arising from deferred tax assets generated in the year	11,282	2,343
Ending corporation tax expense balance	**513,094**	**364,964**

<u>Adjustment of tax rate</u>

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

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

Accordingly, in 2006, taking into account the year in which the corresponding reversal will foreseeably be made, the Group has estimated the amount of its deferred tax assets and liabilities, as well as the tax assets recorded in the balance sheet. Consequently, an increase in corporate income tax amounting to EUR 17,077 thousand was recorded in 2006 under the "Corporation Tax Expense" in the income statement.

Furthermore, in 2006 the deferred tax liabilities of Unión Fenosa, S.A. amounting to EUR 55,938 thousand and of Abertis Infraestructuras, S.A. amounting to EUR 34,959 thousand were adjusted by 5% (from 35% to 30%) These adjustments were recorded under "Profit of Associates" in the income statement (Note 10). These tax liabilities are tied to the fair value assigned to the identifiable net assets in the purchase of both companies, as part of the difference in the purchase price and the carrying amount of these companies in the financial statements.

Consequently, there was no material effect in 2007.

27.5 Tax recognised in equity

In addition to the corporation tax recognised in the consolidated income statement, in 2007 and 2006 the Group recognised EUR 91,724 thousand and EUR 55,277 thousand, respectively, directly in equity. These amounts relate mainly to the tax effect of available-for-sale assets, treasury share transactions, cash flow derivatives and exchange differences.

The effect of the decrease in the corporation tax rate in Spain on equity was negative, and amounted to EUR 4,983 thousand.

27.6 Deferred taxes

The detail of the main deferred tax assets and liabilities recognised by the Group and of the changes therein during the year is as follows:

	Thousands of Euros								
			Charge/Credit to Equity				Business combinations		
	Balance at 31 December 2006	Charge/ Credit to Income Statement	Foreign Currency Balance Translation Differences	Charge/Credit to Asset and Liability Revaluation Reserve	Available-for-sale financial assets	Other	Period Additions	Period Disposals	**Balance at 31 December 2007**
Assets									
-Temporary differences	**333,976**	(73,814)	(22)	(2,365)	(93,424)	3,441	726,190	(15,311)	**878,671**
-Tax losses	**12,484**	964	(188)	-	-	-	31,038	(68)	**44,230**
-Tax credits	**12,259**	9,462	-	-	-	-	112,531	-	**134,252**
Liabilities:									
-Temporary differences	**100,547**	77,305	(264)	16,624	136,835	27,738	1,593,068	(6,185)	**1,945,668**

Noteworthy in the balance of deferred tax liabilities at 31 December 2007 and 2006 was the deferred amount recorded in relation to the deductible portion of the amortisation of goodwill arising from the merger with Grupo Dragados, S.A.

Deferred tax assets and liabilities have not been offset.

In 2007 and 2006, the movements in deferred taxes for temporary differences arose as a result of the following:

	Thousands of Euros	
	2007	**2006**
Deferred Tax Assets:		
Asset valuation adjustments and impairment losses	80,279	93,870
Pension costs	307,079	47,353
Other provisions	290,046	124,850
Income with different timing of recognition for tax and accounting purposes	29,520	5,953
Business combinations	2,233	16,460
Other	169,514	45,490
Total	**878,671**	**333,976**
Deferred Tax Liabilities:		
Assets recognised at an amount higher than their tax base	1,630,635	64,490
Income with different timing of recognition for tax and accounting purposes	92,781	15,108
Other	222,252	20,949
Total	**1,945,668**	**100,547**

In addition to the amounts recognised on the asset side of the balance sheet, as detailed in the table above, the Group has other deferred tax assets and tax loss and tax credit carryforwards not recognised on the asset side of the balance sheet because it is not possible to predict the future flows of economic benefits, the detail of which at 31 December 2006 is as follows (in thousand of euros):

Valid Until	Temporary Differences	Tax Losses	Tax credits
2008	-	-	163
2009-2012	-	9,678	663
Subsequent years	-	8,878	545
Unlimited	26,429	-	-

The temporary differences arising in connection with investments in associates and interests in joint ventures are not material.

28.- Revenue

The distribution of revenue relating to the Group's ordinary operations is as follows:

	Thousands of Euros	
	2007	2006
Construction	7,352,857	6,750,334
Industrial Services	5,488,732	4,747,697
Environment and Logistics	2,834,851	2,458,620
Concessions	35,791	26,056
Energy	5,966,778	-
Corporate unit and other	(367,332)	(114,030)
Total	**21,311,677**	**13,868,677**

In 2007 foreign currency transactions relating to sales and services amounted to EUR 4,712,317 thousand (EUR 1,240,214 thousand in 2006) and those relating to purchases and services received amounted to EUR 3,385,190 thousand (1,364,559 thousand in 2006).

The backlog by line of business as of 31 December 2007 was as follows:

	Thousands of Euros
	2007
Construction	12,010,620
Industrial Services	5,853,521
Environment and Logistics	14,457,620
Total	**32,321,761**

EUR 468,315 thousand (EUR 342,465 thousand in 2006) relating to property, plant and equipment and intangible assets in projects were recognised under “Other Income” in the income statement.

29.- Expenses

29.1 Materials consumed and other external expenses

The detail of this heading is as follows:

	Thousands of Euros	
	2007	2006
Purchases and changes in inventories	5,746,796	2,950,744
Subcontractor work	4,659,134	4,413,947
Contract work carried out by other companies	1,889,875	1,337,555
Total	**12,295,805**	**8,702,246**

In 2007 the Group recognised a cost of EUR 6.8 million in relation to Article 2 of Royal Decree Law 3/2006 of 24 February under “Energy Services Purchased.”, This amount relates to the best estimate of the increase in revenues from sales on the organised wholesale market, as a result of the effect of the internalization of the cost of the freely assigned CO2 emission allowances on the setting of prices for the energy sold in this market.

29.2 Staff costs

The detail of “Staff Costs” is as follows:

	Thousands of Euros	
	2007	2006
Wages and salaries	3,133,058	2,470,734
Social security costs	855,417	724,560
Other staff costs	76,912	33,985
Total	**4,065,387**	**3,229,279**

EUR 5,683 thousand in 2007 and EUR 6,208 thousand in 2006 relating to the share option plans were charged to the income statement and are recognised under “Other Staff Costs”.

The year-on-year change is a result of the partial performance of the plan in 2007, as compared to 2006, in which it appears in full.

The average number of employees at Group companies in 2007 was 142,860 (118,823 in 2006).

The detail of the average number of employees, by professional category and sex is as follows:

Category	Average Number of Employees in 2007			Average Number of Employees in 2006		
	Men	Women	TOTAL	Men	Women	TOTAL
University graduates	6,866	2,373	**9,239**	3,479	1,214	**4,693**
Junior college graduates	5,322	1,640	**6,962**	4,831	1,300	**6,131**
Non-graduate line personnel	8,060	1,911	**9,971**	5,305	1,187	**6,492**
Clerical staff	3,759	3,485	**7,244**	2,725	3,062	**5,787**
Other staff	70,984	38,460	**109,444**	63,793	31,927	**95,720**
Total	**94,991**	**47,869**	**142,860**	**80,134**	**38,690**	**118,823**

The distribution of the average number of employees, by line of business, was as follows:

	Number of Employees	
	2007	2006
Construction	19,259	18,630
Industrial services	37,334	33,905
Environment and Logistics	72,947	66,176
Concessions	311	58
Energy	12,952	-
Corporate unit and other	57	54
Total	**142,860**	**118,823**

29.3 Share-based payments

In 2007 and 2006 there were two share option plans, the salient features of which are as follows:

- **2004 Plan**

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

Number of shares covered under the Plan: 7,038,000 shares
Beneficiaries: 33 managers: 1 manager with 1,710,000 shares; 6 managers with between 900,000 and 300,000 shares; 16 managers with 108,000 shares, 10 managers with between 75,000 and 45,000 shares.
Acquisition price: EUR 13.91 per share.

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

In 2007 804,000 share options were exercised (15,000 options in 2006).

- **2005 Plan**

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

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

Beneficiaries: 39 managers – 1 manager with 1,400,000 shares, 6 managers with between 950,000 and 350,000 shares, 7 managers with between 178,000 and 100,000 shares and 25 managers with between 83,769 and 19,825 shares.
Acquisition price: EUR 24.10 per share.

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

In 2007 133,000 share options were exercised.

The share options are always to be exercised by means of equity instruments and never in cash. However, as indicated in Note 23, since the Group has hedged the commitments arising from these plans with a financial institution, in no case shall the exercise thereof involve the issue of equity instruments additional to those outstanding at 31 December 2006 and 2007. In this respect and in accordance with IFRS 2, "Share-Based Payments" EUR 5,683 thousand were to charged to income in 2007 for these plans (EUR 6,208 thousand in 2006) with a credit to equity. Additionally, these costs do not imply the recognition of income by the managers for tax purposes until the options are exercised, as provided in the various option plans and the legislation in force. The Parent has externalised these commitments and transferred them to a financial institution.

The stock market price of ACS shares at 31 December 2007 and 2006 was EUR 40.65 and EUR 42.71 euros per share, respectively.

29.4 Operating leases

The most significant information relating to the operating leases held by the Group as lessee is as follows:

	Thousands of Euros	
	2007	2006
Lease payments under operating leases recognised in profit for the year	733,938	595,073

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Thousands of Euros	
	2007	2006
Within One Year	57,069	55,646
Between Two and Five Years	95,221	102,824
After Five Years	37,381	52,255

The Group has no material operating leases as lessor.

29.5 Net impairment losses

The balances included under this heading relate mainly to the losses on the investments in Moldavia and Kenya amounting to EUR 55 million (Note 21). It also includes impairment losses on property, plant and equipment amounting to EUR 9,310 thousand (Note 4) (EUR 10,933 thousand in 2006) and to impairment losses on goodwill amounting to EUR 6,879 thousand (32 thousand in 2006).

29.6 Gains due to changes in the value of financial instruments classified at fair value

This heading includes the effect on the income statement of derivative instruments which do not meet the efficiency criteria provided in IAS 39, or which are not hedging instruments. The most significant effect is from derivatives relating to the investment in Iberdrola, S.A. and Hochtief, A.G.

29.7 Finance income

This heading includes EUR 94,933 thousand relating to the dividend of Iberdrola, S.A. in 2007 (EUR 41,471 thousand in 2006).

It also includes the gain on the sale of the 2% ownership interest in Red Eléctrica Española, S.A.

30.- Gains on disposal of non-current assets

The detail of this heading is as follows:

	Thousands of Euros	
	2007	2006
Gains on non-current assets	26,509	14,179
Gains on equity investments	331,790	570,771
Gains/losses on other equity instruments held for sale	(72)	3,148
Loss on non-current assets	(15,618)	(4,140)
Loss on equity investments	(2,694)	(139)
Total	**339,915**	**583,819**

In 2007 noteworthy was the exchange of Soluziona for Indra, leading to a gain of EUR 150,300 thousand. Additionally, the holding in Applus + was sold giving rise to a gain of EUR 100,400 thousand, and the AI and Dundalk motorway concessions in the United Kingdom and Ireland, respectively , giving rise to a gain of EUR 37,923 thousand

Noteworthy is the sale of the 24.8% ownership interest in Inmobiliaria Urbis, S.A. with a gain of EUR 510,860 thousand, as a result of the takeover bid launched by Construcciones Reyal (Note 10) and the partial sale of Xfera Móviles, S.A. amounting to EUR 25,635 thousand.

31.- Distribution of profit

The distribution of the Parent’s net profit for 2007 that the Board of Directors will propose for approval by shareholders at the Annual General Meeting is as follows:

	Thousands of Euros
To voluntary reserve	504,339
Dividends (EUR 1.75 per share)	617,528
Total	**1,121,867**

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

Of the dividend out of 2007 profit, an interim dividend of EUR 0.75 per share was already approved in 2007 for a total of EUR 264,655 thousand, which was recognised as a reduction in the ACS Group's equity at 31 December 2007.

The Board of Directors has presented the liquidity statement required under Article 216 of the revised Companies Law in the individual financial statements of the Parent.

32.- Earnings per share

32. 1 Basic earnings per share

Basic earnings per share are calculated by dividing the net profit attributed to the Group by the weighted average number of ordinary shares outstanding during the year, excluding the average number of treasury shares held in the year.

Accordingly:

	2007	2006	Change (%)
Net profit for the year (thousands of Euros)	1,551,115	1,250,088	24,08
Weighted average number of shares outstanding	344,274,640	349,090,260	-1,38
Basic earnings per share (Euros)	4,51	3,58	25,82

Without taking into account the profit from discontinued operations, the basic earnings per share amount to EUR 3.28 per share in 2007, and EUR 3.52 per share in 2006.

32. 2 Diluted earnings per share

The diluted earnings per share were the same as basic earnings per share. At 31 December 2007 and 2006, the ACS Group had no ordinary shares that could potentially be diluted since no convertible debt had been issued and as stipulated in Note 29.3, the share based payments would not involve an increase in capital for the Group given the manner in which they operate. Therefore, in no case would exercising share options lead to diluted earnings.

33.- Events after the balance sheet date

Purchase of an additional 4.8% of the share capital in Unión Fenosa, S.A.

The ACS Group's strategic commitment to Unión Fenosa, S.A. in 2007 was reinforced with the purchase of an additional 4.8% increasing its ownership to 45,3% of the share capital of this company.

Preliminary agreement for the sale of Chilean motorways

On 4 January 2008, the ACS Group reached a preliminary agreement to sell its ownership interest in the Chilean toll roads, Autopista Central, S.A. (50%) and Rutas del Pacífico, S.A. (48%), to a consortium led by Abertis Infraestructuras, S.A. for over EUR 700 million.

Sale of the ownership interest in Manila Electric Company (Meralco)

On 23 January 2007, the ownership interest of 9.16% indirectly held by Unión Fenosa, S.A. in Manila Electric Company (Meralco), the leading electricity distributor in the Philippine market, was sold for EUR 250 million, meaning that the company is values at EUR 2,730 million,

The ownership interest in this company was considered to be held-for-sale in the accompanying financial statements, and was recognised at fair value through Reserves. At year-end this company was valued at the price set in the sales transaction carried out in January 2008.

This sale in 2008 gave rise to a gain of EUR 154.6 million before tax, minority interests and the allocation of assets, given the transfer to the income statement of the valuation reserves associated with the ownership interest sold.

Sale of the ownership interest in France Telecom España, S.A.

On 15 February 2008, the ownership interest of 2.51% held by Unión Fenosa, S.A. in France Telecom España, S.A. (formerly Auna Operadores de Telecomunicaciones, S.A.), was sold for EUR 197.3 million, meaning the company is valued at EUR 7,853 million.

The ownership interest in this company was considered to be held-for-sale in the accompanying financial statements, and was recognised at fair value through Reserves. At year-end this company was valued at the price set in the sales transaction carried out in February 2008.

This sale in 2008 gave rise to a gain of EUR 135 million before tax, minority interests and the allocation of assets, given the transfer to the income statement of the valuation reserves associated with the ownership interest sold.

34.- Balances and transactions with related parties

Transactions between the Parent and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this Note. Transactions between the Group and its associates are disclosed below. Transactions between the Parent and its subsidiaries and associates are disclosed in the Parent's individual financial statements.

34.1 Transactions with associates

In 2007 the Group companies performed the following transactions with related parties that do not form part of the Group:

	Thousands of Euros							
	Sales of Goods and Services		Purchases of Goods and Services		Accounts Receivable		Accounts Payable	
	2007	2006	2007	2006	2007	2006	2007	2006
Associates	502,330	517,592	3,817	1,569	285,289	253,165	80,427	51,635
Joint ventures	8,925	5,060	3,278	7,011	16,518	17,934	5,489	6,366

Transactions between Group companies are generally carried out at market prices.

34.2 Balances and transactions with other related parties

Information relating to the transactions with related parties carried out in 2007 is disclosed in accordance with the Order EHA/3050/2004, of 15 September of the Ministry of Economy and Finance and the CNMV Circular 1/2005, of 1 April.

34.2.1 Transactions with significant shareholders

The transactions performed in 2007 are as follows:

Description of the Transaction	Thousands of Euros	Related Party
Provision of services	19	Grupo Iberostar
Financing agreements: loans	13,970	Banca March, S,A,
Financing agreements: other	129,370	Banca March, S,A,
Guarantees	39,350	Banca March, S,A,
Reception of services	3,624	Rosan Inversiones, S.L.
Reception of services	3,016	Grupo Iberostar

(1) At the Meeting of the Board of Directors of ACS, Actividades de Construcción y Servicios, S.A. held on 29 May 2005, it was reported that a construction contract had been entered into between Rosan Inversiones, S.L., a company controlled by the Chairman of ACS, Actividades de Construcción y Servicios, S.A., and the subsidiary Dragados, S.A. under market conditions both legally and economically. Additionally, the contract entered into with Dragados, S.A. was amended on 1 April 2006 to include construction work amounting to an additional 8,677 thousand. On 31 July 2007 the contract was amended to transform it into a Management contract from the date it was originally signed. At 31 December 2007, initial work certificates amounted to EUR 9,885 thousand. The Board of Directors of ACS, Actividades de Construcción y Servicios, S.A. was previously informed of both the original contract and the amendments thereto.

All these commercial transactions were carried out on an arm's-length basis in the ordinary course of business, and related to ordinary Group company transactions.

The transactions performed in 2006 are as follows:

Description of the Transaction	Thousands of Euros	Related Party
Finance lease agreements	5,670	Banca March, S,A,
Credit lines	6,990	Banca March, S,A,
Guarantees	38,080	Banca March, S,A,
Financing agreements (mainly reverse factoring)	115.920	Banca March, S,A,
Construction contract work (2)	4,057	Rosan Inversiones, S.L.

(2) At the Meeting of the Board of Directors of ACS, Actividades de Construcción y Servicios, S.A. held on 29 May 2005, it was reported that a construction contract had been entered into between Rosan Inversiones, S.L., a company controlled by the Chairman of ACS, Actividades de Construcción y Servicios, S.A., and the subsidiary Dragados, S.A. under market conditions both legally and economically. Additionally, the contract entered into with Dragados, S.A. was amended on 1 April 2006 to include construction work amounting to an additional EUR 8,677 thousand. At 31 December 2006, the construction work certifications amounted to EUR 4,057 thousand (including the remainder of the first contract and the extension entered into in 2006). The Board of Directors of ACS, Actividades de Construcción y Servicios, S.A. was previously informed of this transaction at the meeting held on 30 March 2006.

All these commercial transactions were carried out on an arm's-length basis in the ordinary course of business, and related to ordinary Group company transactions.

34.2.2 Transactions between individuals, companies or Group entities related to Group shareholders or Board members

The transactions performed in 2007 were as follows:

Description of the Transaction	Thousands of Euros	Related Party
Financing agreements: loans	550,027	Banco Santander
Financing agreements: loans	636,625	Banco Santander
Financing agreements: others (specify)	377,895	Banco Santander
Financing agreements: others (specify)	1,289	Banco Santander
Finance lease agreements	427	Banco Santander
Finance lease agreements	777	Banco Santander
Guarantees	1,137,417	Banco Santander
Guarantees	74,828	Banco Santander
Financing agreements: loans	396,340	Banesto
Financing agreements: loans	482,770	Banesto
Financing agreements: others (specify)	251,433	Banesto
Finance lease agreements	200	Banesto
Finance lease agreements	297	Banesto
Guarantees	521,544	Banesto
Guarantees	12,095	Banesto
Financing agreements: loans	6,124	Santander Banespa
Financing agreements: loans	50,536	Banco Guipuzcoano
Guarantees	46,574	Banco Guipuzcoano
Operating lease agreements	587	Fidalser, S.L.
Service loan	36	Fidalser, S.L.
Dividends and other distributed profit	1,775	Fidwei Inversiones, S.L.
Dividends and other distributed profit	812	Lynx Capital, S.A.
Provision of services	11,305	Grupo Terratest
Sale of goods (unfinished or finished)	2,676	Indra
Purchase of property, plant and equipment	61	Indra
Provision of services	2,579	Indra
Reception of services	72,375	Indra
Operating lease agreements	1,422	Indra
License agreements	13	Indra
Dividends and other distributed profit	14,093	Indra
Provision of services	1,398	Zardoya Otis, S.A.
Financing agreements: loans	467	Banco Santander Río
Financing agreements: loans	647	Banco Santander Río
Guarantees	19	Banco Banif
Finance lease agreements	1	Hispamer
Financing agreements: loans	560	Banco Santander Colombia
Other (specify)	66,704	UNIPSA, Correduría de Seguros, S.A.
Sale of goods (unfinished or finished)	117	Geblasa
Financing agreements: others (specify)	1,569	Banesto
Financing agreements: loans	156	Banco Banif

The transactions performed with Banco Guipuzcoano are indicated because Mr. José María Aguirre González is Chairman of its Board of Directors. The transactions performed with Banco Santander Central Hispano and its Group companies are indicated due to their relationship with the Director Joan-David Grimá Terré. The transactions performed with Terratest Técnicas Especiales, S.A., Fidalser, S.L., Fidwei Inversiones, S.L. and Lynx Capital, S.A. are indicated due to their relationship with the director Pedro José López Jiménez. The transactions performed with Indra Sistemas, S.A. are indicated because Mr. Javier Monzón de Cáceres is the Chairman of this Company. The transactions performed with the Zardoya Group are indicated due to their relationship with the Board Member Mr. Jose María Loizaga.

The other financing agreements with Banco Santander Central Hispano and Banesto mainly correspond to reverse factoring for suppliers.

Transactions were performed with Unipsa, Correduría de Seguros, S.A. (a company related to Banca March, S.A.) amounting to EUR 66,704 thousand relating to "intermediate premiums" and not to consideration for insurance Brokerage services. All these commercial transactions were carried out on an arm's length basis in the ordinary course of business and relate to the normal operations of the Group companies.

All these commercial transactions were carried out on an arm's length basis in the ordinary course of business and relate to the normal operations of the Group companies.

The transactions performed in 2006 were as follows:

Description of the Transaction	Thousands of Euros	Related Party
Financing agreements: loans	435,089	Banco Santander
Financing agreements: loans	419,865	Banco Santander
Financing agreements: mainly reverse factoring	313,845	Banco Santander
Finance lease agreements	709	Banco Santander
Finance lease agreements	1,076	Banco Santander
Guarantees	879,232	Banco Santander
Guarantees	73,140	Banco Santander
Financing agreements: loans	113,773	Banesto
Financing agreements: loans	429,506	Banesto
Financing agreements: mainly reverse factoring	142,077	Banesto
Finance lease agreements	1,964	Banesto
Finance lease agreements	816	Banesto
Guarantees	468,268	Banesto
Guarantees	27	Banco Banif
Finance lease agreements	72	Hispamer
Financing agreements: loans	4,687	Santander Banespa
Loan financing agreements	6,352	Banco Guipuzcoano
Guarantees	15,755	Banco Guipuzcoano
Provision of services	2,513	Atlas Copco, S.A.E.
Operating lease agreements	668	Fidalser, S.L.
Dividends and other distributed profit	852	Fidwei Inversiones, S.L.
Dividends and other distributed profit	15,442	Terratest Técnicas Especiales, S.A.
Cooperation agreements	807	Terratest Técnicas Especiales, S.A.
Provision of services	1,105	Indra Sistemas, S.A.
Reception of services	1,133	Indra Sistemas, S.A.
Provision of services	2,016	Zardoya Otis, S.A.
Financing agreements: mainly reverse factoring	2,165	Banco Santander
Guarantees	26,260	Banesto

The transactions performed with Banco Guipuzcoano are indicated because Mr. José María Aguirre González is Chairman of its Board of Directors.

The transactions performed with Banco Santander Central Hispano and its Group companies are indicated due to their relationship with the director Joan-David Grimá Terré.

The transactions performed with Terratest Técnicas Especiales, S.A., Fidalser, S.L., Fidwei Inversiones, S.L., Lynx Capital, S.A. and Atlas Copco, S.A.E. are indicated due to their relationship with the director Pedro José López Jiménez.

The transactions performed with Indra Sistemas, S.A. are indicated because Mr. Javier Monzón de Cáceres is the Chairman of this Company.

The transactions performed with the Zardoya Otis, S.A. Group are indicated due to their relationship with the director Mr. Jose María Loizaga Viguri.

All these commercial transactions were carried out on an arm's length basis in the ordinary course of business and relate to the normal operations of the Group companies.

35.- Board of Directors and senior executives

In 2007 and 2006 the members of the Board of Directors de ACS, Actividades de Construcción y Servicios, S.A. received the following remuneration for membership of the Board of Directors of the Parent or of those of Group companies or for being senior executives of the Group companies.

	Thousands of Euros	
	2007	**2006**
Fixed remuneration	3,036	2,823
Variable remuneration	3,331	3,183
Bylaw-stipulated directors' emoluments	4,026	2,189
Other	1,560	60
Total	**11,953**	**8,255**

EUR 1,924 thousand and EUR 12,100 thousand were charged to income in relation to share options granted to members of the Board of Directors with executive duties in 2007 and 2006, respectively. These amounts relate to share options, which do not imply the recognition of income by the beneficiaries until the date on which the options are exercised, as provided for under current legislation.

Additionally, the benefits relating to pension funds and plans and to life insurance premiums are as follows:

Other Benefits	Thousands of Euros	
	2007	**2006**
Pension funds and plans: contributions	2,010	2,022
Pension funds and plans: obligations assumed	2,010	2,022
Life insurance premiums	12	12

The amount recognised under "Pension Funds and Plans: Contributions" relates to disbursements by the Company during the year. The amount recognised under "Pension Funds and Plans: Obligations Assumed" relates, in addition to the foregoing, to obligations charged to income in the year in this connection, even if they had been disbursed prior to the related year.

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

Remuneration, by type of director, was as follows:

	Thousands of Euros	
	2007	**2006**
Executive directors	8,768	6,735
Non-executive nominee directors	2,474	1,030
Non-executive independent directors	711	490
Total	**11,953**	**8,255**

35.1 Transactions with members of the Board of Directors

The transactions with members of the Board of Directors or with companies in which they have an ownership interest giving rise to relatedness with the ACS Group are indicated in Note 34.2 on transactions with related parties.

35.2 Remuneration of senior executives

The remuneration of the Group's senior executives in 2007 and 2006, excluding those who are simultaneously executive directors, was as follows.

	Thousands of Euros	
	2007	2006
Salaries (fixed and variable)	21,733	21,213
Pension plans	1,227	3,037
Life insurance	28	50

EUR 3,759 thousand and EUR 4,106 thousand were charged to income in relation to share options granted to the Group's senior executives in 2007 and 2006, respectively.

In addition to the transactions mentioned earlier in relation to remuneration, share option plans and pension plans, which are explained in the related Note, the ACS Group's transactions include the purchases of flats amounting to EUR 540 thousand in 2007, which derive from the ordinary course of business and which were performed at market prices.

36.- Other disclosures concerning the Board of Directors

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

Owner	Investee	Activity	Ownership Interest	Functions
Pablo Vallbona Vadell	Abertis Infraestructuras, S.A.	Concessions	0.001%	Vice-Chairman
Antonio García Ferrer	Abertis Infraestructuras, S.A.	Concessions	0.000%	Director
Javier Echenique Landiribar	Abertis Infraestructuras, S.A.	Concessions	0.002%	Director
Isidro Fernández Barreiro	Iberdrola S.A.	Energy	0.0022%	None
Isidro Fernández Barreiro	Endesa, S.A.	Energy	0.0004%	None
Isidro Fernández Barreiro	Grupo Ferrovial, S.A.	Construction and Services	0.0067%	None
Isidro Fernández Barreiro	Fomento de Construcciones y Contratas, S.A.	Construction and Services	0.0011%	None
Pedro López Jiménez	Terratest Técnicas Especiales, S.A.	Special Foundations	45%	Chairman (through Fapindus, S.L.)
Pedro López Jiménez	Unión Fenosa, S.A.	Energy	0.098%	Chairman
Santos Martinez-Conde Gutiérrez-Barquín	Fomento de Construcciones y Contratas, S.A.	Construction and Services	0.004%	None
Santos Martinez-Conde Gutiérrez-Barquín	Compañía Española de Petróleos, S.A. (Cepsa)	Energy	0.001%	None
Santos Martinez-Conde Gutiérrez-Barquín	Repsol YPF, S.A.	Energy	0.001%	None
Santos Martinez-Conde Gutiérrez-Barquín	Compañía Distribución Integral Logista, S.A.	Logistics	0.002%	None
Santos Martinez-Conde Gutiérrez-Barquín	Indra Sistemas, S.A.	Information technologies and defence systems	0.001%	None

Owner	Investee	Activity	Ownership Interest	Functions
Santos Martinez-Conde Gutiérrez-Barquín	Renta Corporación Real Estate, S.A.	Real Estate	0.008%	None
Santos Martinez-Conde Gutiérrez-Barquín	Grupo Ferrovial, S.A.	Construction and Services	0.001%	None
Santos Martinez-Conde Gutiérrez-Barquín	Abengoa, S.A.	Engineering and Assembly	0.002%	None
Santos Martinez-Conde Gutiérrez-Barquín	Gamesa Corporación Tecnológica, S.A.	Wind-powered Facilities	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	0.000%	None
Santos Martinez-Conde Gutiérrez-Barquín	Martinsa-Fadesa, S.A.	Real Estate	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	0.001%	None
Santos Martinez-Conde Gutiérrez-Barquín	Iberdrola, S.A.	Energy	0.001%	None
Santos Martinez-Conde Gutiérrez-Barquín	Unión Fenosa, S.A.	Energy	0.001%	Director
Santos Martinez-Conde Gutiérrez-Barquín	S.G. Aguas de Barcelona, S.A.	Water	0.003%	None
Javier Monzón de Cáceres	Indra Sistemas, S.A.	Information technologies and defence systems	0.047%	Chairman
Javier Monzón de Cáceres	Banco Inversis Net, S.A.	Finance	0%	Individual representing the Board Member Indra Sistemas, S.A.
Javier Monzón de Cáceres	YPF, S.A.	Energy	0%	Director
José Luis del Valle Pérez	Inmobiliaria Paredes, S.A.	Real Estate	13.57%	Sole Director
José Luis del Valle Pérez	Del Valle Inversiones, S.A.	Real Estate	33.33%	Director acting severally
José Luis del Valle Pérez	Inversiones Montecarmelo, S.A.	Real Estate	23.49%	None
José Luis del Valle Pérez	Sagital, S.A.	Private security and integral building maintenance	5.10%	None
José Luis del Valle Pérez	Continental Industrias del Caucho, S.A.	Automobile Parts	0%	Chairman
José Luis del Valle Pérez	FSC Servicios de Franquicia, S.A.	Automobile Parts	0%	Chairman
José Luis del Valle Pérez	Continental Tires, S.L.	Automobile Parts	0%	Chairman
Florentino Pérez Rodríguez	Abertis Infraestructuras, S.A.	Concessions	0%	Vice-Chairman

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

Name	Activity Performed	Type of Arrangement	Company through which the Activity is Performed	Position or Function at the Company Concerned
Pablo Valbona Vadell	Infrastructure Concessions	Employee	Abertis Infraestructuras, S.A.	Vice Chairman
Pablo Valbona Vadell	Holding	Employee	Corporación Financiera Alba, S.A.	Vice-Chairman
Pablo Valbona Vadell	Concessions	Employee	Iberpistas, S.A.C.E.	Chairman
Antonio García Ferrer	Construction	Employee	Dragados, S.A.	Director
Antonio García Ferrer	Industrial Services	Employee	ACS, Servicios , Comunicaciones y Energía, S.L.	Director
Antonio García Ferrer	Urban services and concessions	Employee	ACS, Servicios y Concesiones, S.L.	Director
Antonio García Ferrer	Infrastructure Concessions	Employee	Abertis Infraestructuras, S.A.	Director
Antonio García Ferrer	Energy	Employee	Unión Fenosa, S.A.	Director
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.	Vice Chairman
José María Aguirre González	Finance	Employee	Banco Guipuzcoano, S.A.	Chairman
José María Aguirre González	Steel	Employee	Acerinox, S.A.	Director
Manuel Delgado Solís	Construction	Employee	Dragados, S.A.	Director
Manuel Delgado Solís	Energy	Employee	Unión Fenosa, S.A.	Director
Javier Echenique Landiribar	Industrial Services	Employee	ACS, Servicios , Comunicaciones y Energía, S.L.	Director
Javier Echenique Landiribar	Construction materials	Employee	Uralita, S.A.	Director
Javier Echenique Landiribar	Energy	Employee	Repsol YPF, S.A.	Director
Javier Echenique Landiribar	Paper	Employee	Ence, S.A.	Director
Javier Echenique Landiribar	Infrastructure Concessions	Employee	Abertis Infraestructuras, S.A.	Director
Isidro Fernández Barreiro	Holding	Employee	Corporación Financiera Alba, S.A.	Deputy Vice Chairman

Name	Activity Performed	Type of Arrangement	Company through which the Activity is Performed	Position or Function at the Company Concerned
Isidro Fernández Barreiro	Security	Employee	Prosegur, S.A.	Vice Chairman
José María Loizaga Viguri	Lifts	Employee	Zardoya Otis, S.A.	Vice-Chairman
José María Loizaga Viguri	Venture Capital	Independent Professional	Cartera Hotelera, S.A.	Chairman
José María Loizaga Viguri	Sistemas de Almacenaje	Employee	Mecalux	Director
José María Loizaga Viguri	Energy	Employee	Unión Fenosa, S.A.	Director
Agustín Batuecas Torrego	Port and logistics services	Employee	Dragados Servicios Portuarios y Logísticos, S.L.	Vice-Chairman
Agustín Batuecas Torrego	Rail transport of goods	Employee	Continental Raíl, S.A.	Individual representing Continental Auto, S.L. Chairman and CEO
Agustín Batuecas Torrego	Transport interchange	Employee	Intercambiador de Transportes Avenida de América, S.A.	Individual representing Continental Auto, S.L. Chairman and CEO
Agustín Batuecas Torrego	Transport interchange	Employee	Intercambiador de Transportes Príncipe Pío S.A.	Individual representing Continental Auto, S.L. Chairman and CEO
Agustín Batuecas Torrego	Transport interchange	Employee	Intercambiador de Transportes Plaza de Castilla, S.A.	Individual representing Continental Auto, S.L. Chairman and CEO
Agustín Batuecas Torrego	Commercial activities	Employee	Explotación Comercial del Intecambiador, S.A.	Individual representing Clece, S.A. Chairman and CEO
Agustín Batuecas Torrego	Rail transport of goods	Employee	Construrail, S.A.	Director
Pedro José López Jiménez	Construction	Employee	Dragados, S.A.	Vice-Chairman
Pedro José López Jiménez	Urban services and concessions	Employee	ACS, Servicios y Concesiones, S.L.	Director
Pedro José López Jiménez	Energy	Employee	Unión Fenosa, S.A.	Chairman
Pedro José López Jiménez	Energy	Employee	Cepsa	Director
Pedro José López Jiménez	Special Foundations	Employee	Terratest Técnicas Especiales, S.A.	Chairman (through Fapindus, S.L.)
Pedro José López Jiménez	Information Technologies	Employee	Indra Sistemas, S.A.	Vice Chairman
Santos Martínez-Conde Gutiérrez- Barquín	Energy	Employee	Unión Fenosa, S.A.	Director
Santos Martínez-Conde Gutiérrez- Barquín	Steel	Employee	Acerinox, S.A.	Director
Santos Martínez-Conde Gutiérrez- Barquín	Holding	Employee	Corporación Financiera Alba, S.A.	CEO
Javier Monzón de Cáceres	Urban services and concessions	Employee	ACS, Servicios y Concesiones, S.L.	Director

Name	Activity Performed	Type of Arrangement	Company through which the Activity is Performed	Position or Function at the Company Concerned
Javier Monzón de Cáceres	Information Technologies	Employee	Indra Sistemas, S.A.	Chairman
Javier Monzón de Cáceres	Finance	Employee	Banco Inversis Net, S.A.	Individual representing the Board Member Indra Sistemas, S.A.
Javier Monzón de Cáceres	Energy	Employee	YPF, S.A.	Director
Julio Sacristán Fidalgo	Tollroad Concessions	Employee	Autopistas Aumar, S.A.C.E.	Director
Julio Sacristán Hidalgo	Energy	Employee	Unión Fenosa, S.A.	Director
Miguel Roca Junyent	Infrastructure Concessions	Employee	Abertis Infraestructuras, S.A.	Non-Director secretary
Miguel Roca Junyent	Finance	Employee	Banco Sabadell, S.A.	Non-Director secretary
Álvaro Cuervo García	Stock Exchange	Employee	BME-Bolsas y Mercados Españoles, S.A.	Director
José Luis del Valle Pérez	Urban services and concessions	Employee	ACS, Servicios y Concesiones, S.L.	Director-Secretary
José Luis del Valle Pérez	Industrial Services	Employee	ACS, Servicios , Comunicaciones y Energía, S.L.	Director-Secretary
José Luis del Valle Pérez	Construction	Employee	Dragados, S.A.	Director-Secretary
José Luis del Valle Pérez	Engineering and Assembly Work	Employee	Cobra Gestión de Infraestructuras, S.L.	Director-Secretary
José Luis del Valle Pérez	Engineering and Assembly Work	Employee	Sociedad Española de Montajes Industriales, S.A.	Director-Secretary
José Luis del Valle Pérez	Port and Logistic Services	Employee	Dragados Servicios Portuarios y Logísticos, S.L.	Director
José Luis del Valle Pérez	Infrastructure Concessions	Employee	Iridium Concesiones de Infraestructuras, S.A.	Director
José Luis del Valle Pérez	Integral Maintenance	Employee	Clece, S.A.	Director
José Luis del Valle Pérez	Concessions	Employee	Saba Aparcamientos, S.A.	Director
José Luis del Valle Pérez	Urban Services	Employee	Urbaser, S.A.	Director
José Luis del Valle Pérez	Investments	Employee	Del Valle Inversiones, S.A.	Director acting severally
José Luis del Valle Pérez	Automobile Parts	Employee	Continental Industrias del Caucho, S.A.	Chairman
José Luis del Valle Pérez	Automobile Parts	Employee	FSC Servicios de Franquicia, S.A.	Chairman
José Luis del Valle Pérez	Automobile Parts	Employee	Continental Tires, S.L.	Chairman

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	Energy	Employee	Unión Fenosa, S.A.	Director
José Luis del Valle Pérez	Motorway Concessions	Employee	Iberpistas, S.A.C.E.	Director
Francisco Verdú Pons	Holding	Employee	Corporación Financiera Alba, S.A.	Director
Florentino Pérez Rodríguez	Concessions	Employee	Abertis Infraestructuras, S.A.	Vice Chairman
Florentino Pérez Rodríguez	Industrial Services	Employee	ACS, Servicios , Comunicaciones y Energía, S.L.	Chairman

37.- Guarantee commitments to third parties

At 31 December 2007 the Group had provided guarantees to third parties in connection with its business activities totalling EUR 8,999,039 thousand (EUR 5,268,555 thousand in 2006).

The Group's directors consider that no material liabilities additional to those recognised in the accompanying consolidated balance sheet will arise as a result of the transactions described in this Note.

The contingent liabilities include that relating to the normal liability of the companies with which the Group carries on its business activities. Normal liability is that related to compliance with the contractual obligations assumed in the course of the provision of construction, industrial services or urban services by the companies or the joint ventures of which they are venturers.

This coverage is achieved by means of the corresponding guarantees provided to secure the performance of the contracts, compliance with the obligations assumed in the concession contracts, etc.

Lastly, the various Group companies are exposed to the risk of having court and out-of-courts claims filed against them. In these cases, the directors of the Group companies consider that the possible effect on the financial statements would not be material.

Guarantees included, inter alia, the guarantees given by Unión Fenosa, S.A. in relation to securities issues by different subsidiaries, amounting to EUR 2,774,148 thousand (for the issue of preference shares amounting to EUR 1,359,245 thousand and bonds of Unión Fenosa Finance, B.V. amounting to EUR 500,000 thousand).

38.- Information on the environment

Environmental activities are those aimed at preventing, reducing or repairing damage to the environment.

The ACS Group's activities include an environmental area consisting of street cleaning, the collection of urban solid waste, the operation of landfills and waste treatment plants, etc. Additionally, an environmental impact study is performed for most construction contracts.

However, the ACS Group does not consider the assets and expenses relating to these activities to be of an environmental nature to the extent that they are performed by third parties.

The main environmental measures taken by the ACS Group in 2007 included most notably the following:

Construction

The construction area adopted measures aimed at preventing water pollution, soil contamination, emissions into the atmosphere and effects on natural species including both flora and fauna, as well as the effect incidents cause on people's everyday lives. In 2007 the main objective was the management of construction and demolition waste. The environmental problems relating to these wastes are not only a result of the large volume generated, but also their management, considering that the current treatment of these wastes is unsatisfactory in most cases, since most are finally dumped into landfills.

Therefore, the ACS Group companies have defined the appropriate management of construction and demolition waste as a strategic line in their works. In this connection, they have established initiatives aimed at the reduction of the generation of such waste, the re-usage of the waste on-site or in other authorised locations and recycling, either on-site or by transporting the waste to classification and treatment plans that allow for the appropriate treatment of valuable fractions.

All of the above is performed on a global level to achieve two significant goals aimed at the sustainable development of the sector: the reduction of the amounts dumped at landfills; and the reduction of the use of natural resources by taking advantage of the resources they contain.

By applying the policies and measures included in the annual environmental plan, 16.57% of the total construction and demolition waste generate was recycled. Also, water and energy consumption has continued to be optimised.

At 31 December 2007, there were no environmental assets and no material expenses were incurred.

Environment and Logistics

The Environment and Logistics is working hard to reduce the fuel consumed by the various fleets of vehicles managed, an objective that was achieved in 2007.

The ACS Group, through its company Urbaser, S.A., is the leader in the management of solid urban waste treatment plants in Spain, and has undertaken significant actions abroad. The whole of these plants gives rise to equivalent CO_2 emission savings with respect to the baseline solution: Dumping of around 5 million tons per year, more than double the amount achieved in 2006.

One of the ACS Group Environment activities is the treatment and integral Management of water as a scarce resource. The ACS Group is responsible for the supply of drinking water to over three million people in Spain, Latin America and Morocco and its treatment, and focuses on maximum efficiency and savings in the use of this extremely valuable resource, which amounts to 286 million cubic metres per year. For the ACS Group, the sustainable management of water is a key resource in its commitment to the environment and to sustainability.

The main environmental assets are the purifying facilities, bio-filters and other assets, the purpose of which is to minimise damage to the environment. At 31 December 2007, the value of these assets, net of depreciation, was EUR 26,393 thousand (EUR 21,536 thousand in 2006).

The environmental expenses incurred in 2007 and 2006 were not material.

Industrial Services

At all operating centres and branches measures have been taken to reduce the significant waste produced at the work centre (raw material consumption / generation of waste /valuation and recycling of waste). For example:

- 50% of the cable reel bobbins were recuperated.
- 61.3% of the wood waste generated was valued.
- The production of hazardous waste was reduced by 71% at Dragados Offshore.
- Reduction in fuel consumption and vehicle emissions in the intensive activities requiring the use of vehicles such as Control Systems.
- In relation to traffic control and signing, replacement of the traditional light bulbs with low energy bulbs.

Additionally, specific environmental protection plans have been developed and implemented in unique projects or projects with special features such as the following:

- Environmental Management plan for sulphur removal works at boilers.
- Contingency plan for accidental marine contamination setting out guidelines to be followed in the case of the dumping of hydrocarbons into the sea.
- Environmental plan for the manufacture of topsides at shipyards.
- Environmental plans in relation to hydrosulphurization in acidic waters produced in refinery facilities.
- Development of decontamination equipment for the removal of asbestos at the Rota Naval Base.

At 31 December 2007, there were no environmental assets and no material expenses were incurred.

Energy

In view of its commitment to the environment, the ACS Group's main initiatives in the energy area in 2007 were aimed at guaranteeing compliance with environmental legislation, reducing the environmental impact of its operations, obtaining new environmental certificates and increasing the environmental training and awareness of employees, clients and suppliers.

Unión Fenosa has had 9.337 MW of generation, 82.2% of its total installed capacity, the Damietta liquefaction plant and the distribution and retailing of electricity in Spain and Panamás certified under the UNDE EN ISO 14001 standard.

The upward trend of economic efforts aimed at the prevention and reduction of pollution and its effects on people and the environment continued in 2007, with investments in projects aimed at the reduction of atmospheric pollution by coal boilers, the improvement of the energy yielded by fossil-fuel and hydroelectric plants, the fostering of clean technologies, combined cycles and renewable energy, and savings and energy efficiency plans targeting electricity and gas consumers.

The cost of environmental actions carried out in this area amounted to EUR 178.3 million, of which EUR 152.0 million related to investments. The remaining EUR 26.3 million were expenses incurred in relation to environmental management. The increase in investments with respect to previous years was mainly the result of environmental investments made at the fossil-fuel plants of Meirama, La Robla and Narcea for the adaptation to large combustion facility regulations amounting to EUR 89.7 million, investments made for the combined cycle plant of Sabón amounting to EUR 46.6 million and investments relating to the environmental improvement of hydroelectric production facilities amounting to EUR 7.3 million. Investments in environmental R&D amounted to EUR 2.1 million. Ecotasas (environmental taxes) amounting to 14.0 million were paid

In relation to the climate change, the Group shares the society's growing concern and believes in the effectiveness of its preventive actions. Therefore, it has taken a stand against global warming and set objectives for the reduction of greenhouse gas emissions, which are being fulfilled. In 2007, the Unión Fenosa Group's total CO_2 emissions amounted to 22.9 million tonnes and its specific emissions totalled 473 g CO_2/kWh. Since 1990 the Group reduced the specific CO_2 emissions generated at its generation facilities by 15.1% and the specific emissions generated at fossil-fuel plants in Spain were reduced by 29.3%.

In the first quarter of 2007 in Spain, and in accordance with greenhouse gas allowance legislation, the CO_2 emissions generated in 2006 were verified, in the second year of the European market of emission allowances. Total emissions of 15.8 million tons were verified for its generation facilities.

Additionally, the Emission Reduction Certificates (ERC) from Clean Development Mechanisms continued to be purchased through the Spanish Coal fund managed by the World Bank, with an investment of EUR 7 million (280,000 ERC per year), the Multilateral Coal Credit Fund, managed by the European Reconstruction and Development Bank and the European Investment Bank, with an investment amounting to EUR 14 million (330,000 ERC per year) as well as the bilateral purchasing of ERCs from different sector projects. Unión Fenosa, S.A. was the first Spanish company to obtain authorisation from the United Nations for its Clean Development Mechanism Project (CDM), and is currently carrying out four projects of this kind in Panama and Costa Rica.

In 2007, specific emissions into the atmosphere from Spanish fossil-fuel plants stood at 6.43 g SO2 /kWh, 1,83 g NOx/kWh y 0,24 g particles/kWh, i.e. a reduction of 44.6%, 56.7% and 62.5% respectively, as compared to 2002.

76 quality tests were performed on the soil of the fossil-fuel plants and substations and were completed in 53 facilities, all of which complied with RD 9/2005 which lists the activities with a potential to contaminate soil as well as the criteria and standards for the declaration of contaminated soils.

The plan for the removal of equipment with polychloro-biphenyl) was continued and 525 tons were managed. Inventories, removal and appropriate storage of this waste were carried out in the international area, which significantly reduced the risk of contamination of the facilities resulting from the dumping of this waste.

8 new substations were included in the Environmental Risk Assessment System and 10% of the facilities charged in previous years were updated. Additionally, the database was divided in order to be able to assess risk by areas, and was adapted to the provisions of Law 26/2007, on Environmental Responsibility, relating to the prevention of environmental harm.

Environmental provisions

The Group's directors consider that any environmental contingencies that might arise are sufficiently covered by the third-party liability insurance policies that have been taken out. The amount of the provisions for probable or certain third-party liability, litigation in progress and indemnity payments or outstanding obligations of an undetermined amount is not material. "Non-Current Provisions" includes period provisions for the expenses relating to the closing and post-closing of landfills and to cover the cost of decommissioning nuclear power plants (Note 21).

39.- Auditors' fees

The fees for financial audit services provided to the various companies comprising the Consolidated Group in 2007 amounted to EUR 6,814 thousand (EUR 3,943 thousand in 2006). Of this amount, EUR 5,695 thousand (EUR 2,998 thousand in 2006) corresponded to the principal auditor, Deloitte, S.L.

The Group paid EUR 5,337 thousand (EUR 459 thousand in 2006) to audit firms for other services, mainly accounting services. Of this amount, EUR 2,673 thousand (EUR 167 thousand in 2006) corresponded to the principal auditor, Deloitte, S.L.

The increase from 2006 to 2007 was mainly a result of the full consolidation of Unión Fenosa in 2007.

40.- Explanation added for translation to english

These consolidated financial statements are presented on the basis of IFRSs as adopted by the European Union. Certain accounting practices applied by the Group that conform with IFRSs may not conform with other generally accepted accounting principles.

2007 Directors' Report on the Consolidated Group

March 27th, 2008

2.1.1 Business performance of the ACS Group in 2007

2.1.1.1 Main financial aggregates

ACS Group Main Financial Aggregates		January - December	
Millions of Euros	2006	2007	Var. 07/06
Revenue	**13.868,7**	**21.311,7**	**+53,7%**
International	*16,4 %*	*23,7 %*	
Gross profit from operations	**1.218,9**	**3.490,5**	**+186,4%**
Margin	*8,8 %*	*16,4 %*	
Net profit from operations	**942,5**	**2.486,5**	**+163,8%**
Margin	*6,8%*	*11,7 %*	
Ordinary net profit*	**815,1**	**1.010,2**	**+23,9%**
Attributable net profit	**1.250,1**	**1.551,1**	**+24,1%**
Margin	*9,0%*	*7,3 %*	
EPS	**3,58 €**	**4,51 €**	**+25,8%**
Cash flow from operations	**899,1**	**2.122,8**	**+136,1%**
Net investments	**5.399,8**	**3.403,2**	**-37,0%**
Total net debt	**8.746,3**	**16.574,5**	**+89,5%**
Net debt with recourse	1.753,4	6.933,1	+295,4%
Non recourse financing	6.992,9	9.641,4	+37,9%
Net worth	**3.256,4**	**10.441,0**	**+220,6%**
Shareholders' equity	3.115,7	4.653,8	+49,4%
Minority interests	140,7	5.787,3	n.a.
*Leverage***	*53,8%*	*66,4%*	

* Profit after taxes excluding extraordinary results

** Net debt with recourse / Equity

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

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

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

2.1.1.2 Consolidated income statement of the ACS Group

ACS Group Consolidated Income Statement					January - December
Millions of Euros	2006	%	2007	%	Var. 07/06
Revenue	**13.868,7**	**100,0 %**	**21.311,7**	**100,0 %**	**+53,7%**
Other income	723,4	5,2 %	1.024,1	4,8 %	+41,6%
Total production value	**14.592,1**	**105,2 %**	**22.335,8**	**104,8 %**	**+53,1%**
Operating expenses	(10.224,5)	(73,7 %)	(14.779,9)	(69,4 %)	+44,6%
Staff costs	(3.148,7)	(22,7 %)	(4.065,4)	(19,1 %)	+29,1%
Gross profit from operations	**1.218,9**	**8,8 %**	**3.490,5**	**16,4 %**	**+186,4%**
Depreciation and amortization charge	(258,6)	(1,9 %)	(966,1)	(4,5 %)	+273,6%
Current assets allowances	(17,8)	(0,1 %)	(37,9)	(0,2 %)	+112,8%
Net profit from operations	**942,5**	**6,8 %**	**2.486,5**	**11,7 %**	**+163,8%**
Finance income	198,1	1,4 %	499,4	2,3 %	+152,2%
Finance costs	(420,6)	(3,0 %)	(1.115,0)	(5,2 %)	+165,1%
Exchange differences	(15,4)	(0,1 %)	1,3	0,0 %	n.a.
Net impairment losses	(12,8)	(0,1 %)	(71,0)	(0,3 %)	n.a.
Gains on companies accounted for using the equity	330,5	2,4 %	193,1	0,9 %	-41,6%
Gains on non-current assets disposals	583,8	4,2 %	339,9	1,6 %	n.a.
Other gains or losses	(78,9)	(0,6 %)	(122,5)	(0,6 %)	+55,3%
Profit before tax from continuing operations	**1.527,2**	**11,0 %**	**2.211,8**	**10,4 %**	**+44,8%**
Income tax	(274,1)	(2,0 %)	(513,1)	(2,4 %)	+87,2%
Profit after tax from continuing operations	**1.253,1**	**9,0 %**	**1.698,7**	**8,0 %**	**+35,6%**
Profit after tax from discontinued operations	20,2	0,1 %	423,7	2,0 %	n.a.
Profit for the year	**1.273,4**	**9,2 %**	**2.122,4**	**10,0 %**	**+66,7%**
Minority interests	(23,3)	(0,2 %)	(571,3)	(2,7 %)	n.a.
Profit attributable to the Parent	**1.250,1**	**9,0 %**	**1.551,1**	**7,3 %**	**+24,1%**

2.1.1.2.1 Revenue

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

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

Revenue					January - December
Millions of Euros	2006	%	2007	%	Var. 07/06
Construction	6.750,3	48%	7.352,9	34%	+8,9%
Concessions	26,1	0%	35,8	0%	n.a.
Environment & Logistics	2.458,6	18%	2.834,9	13%	+15,3%
Industrial Services	4.747,7	34%	5.488,7	25%	+15,6%
Energy			5.966,8	28%	n.a.
Corporate Unit/Adjustments	(114,0)		(367,4)		
Total	**13.868,7**		**21.311,7**		**+53,7%**

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

Sales in Spain					January - December
Millions of Euros	2006	%	2007	%	Var. 07/06
Construction	6.319,1	93,6 %	6.920,3	94,1 %	+9,5%
Concessions	19,6	75,4 %	24,0	67,1%	+22,3%
Environment & Logistics	2.189,8	89,1 %	2.494,6	88,0 %	+13,9%
Industrial Services	3.173,1	66,8 %	3.779,3	68,9 %	+19,1%
Energy			3.418,8	57,3%	
Corporate Unit/Adjustments	(114,0)		(367,4)		+222,1%
Total	**11.587,7**	**83,6 %**	**16.269,6**	**76,3 %**	**+40,4%**

Sales Abroad					January - December
Millions of Euros	2006	%	2007	%	Var. 07/06
Construction	431,2	6,4 %	432,7	5,9 %	+0,3%
Concessions	6,4	24,6 %	11,8	32,9%	+83,4%
Environment & Logistics	268,8	10,9 %	340,3	12,0 %	+26,6%
Industrial Services	1.574,6	33,2 %	1.709,4	31,1 %	+8,6%
Energy			2.548,0	42,7%	
Corporate Unit/Adjustments					
Total	**2.281,0**	**16,4 %**	**5.042,1**	**23,7 %**	**+121,1%**

2.1.1.2.2 Gross profit from operations

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

Gross profit from operations					January - December
Millions of Euros	2006	%	2007	%	Var. 07/06
Construction	504,0	40%	548,9	15%	+8,9%
Concessions	6,9	1%	1,5	0%	n.a.
Environment & Logistics	324,7	26%	381,5	11%	+17,5%
Industrial Services	419,6	33%	488,4	14%	+16,4%
Energy			2.110,7	60%	n.a.
Corporate Unit/Adjustments	(36,3)		(40,5)		
Total	**1.218,9**		**3.490,5**		**+186,4%**

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

2.1.1.2.3 Net profit from operations

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

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

2.1.1.2.4 Profit before tax from continuing operations

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

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

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

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

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

2.1.1.2.5 Net profit attributable to the Group

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

Net profit attributable					**January - December**
Millions of Euros	**2006**	**%**	**2007**	**%**	**Var. 07/06**
Construction	282,1	33%	310,3	29%	+10,0%
Concessions	(17,3)	(2%)	3,7	0%	n.a.
Environment & Logistics	109,1	13%	131,7	12%	+20,7%
Industrial Services	222,6	26%	264,9	25%	+19,0%
Energy	170,1	20%	230,2	21%	+35,4%
Listed Associates	81,1	10%	137,6	13%	+69,6%
Corporate Unit/Adjustments	402,4		472,7		+17,5%
Total	**1.250,1**		**1.551,1**		**+24,1%**

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

ACS Group **Reconciliation of 2007 Ordinary Net Profit**		
Millions of Euros		**Var 07/06**
Net profit attributable	**1.551,1**	**+24,1%**
less: Capital gain Grupo Continental Auto	(423,7)	
less: Capital gain from Soluziona	(49,7)	
less: Other exceptional results	(67,5)	
Ordinary net profit	**1.010,2**	**+23,9%**

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

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

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

2.1.1.3 Consolidated Balance Sheet

ACS Group Consolidated Balance Sheet					31st of December 2007
Millions of Euros	2006	%	2007	%	Var. 07/06
Property, plant and equipment	2.917,2	11,6 %	18.294,2	36,9 %	+527,1%
Goodwill	1.086,6	4,3 %	2.950,4	5,9 %	+171,5%
Intangible assets	397,6	1,6 %	1.670,4	3,4 %	+320,1%
Financial assets	10.227,5	40,6 %	10.299,7	20,8 %	+0,7%
Other non-current assets	454,9	1,8 %	1.406,1	2,8 %	+209,1%
Non-current assets	**15.083,9**	**59,9 %**	**34.620,9**	**69,8 %**	**+129,5%**
Inventories	738,3	2,9 %	896,8	1,8 %	+21,5%
Accounts receivables	5.946,1	23,6 %	8.243,6	16,6 %	+38,6%
Current finacial assets	1.880,9	7,5 %	1.420,9	2,9 %	-24,5%
Cash and cash equivalents	926,6	3,7 %	2.651,6	5,3 %	+186,1%
Other current assets	586,0	2,3 %	1.164,5	2,3 %	+98,7%
Current assets	**10.078,0**	**40,0 %**	**14.377,4**	**29,0 %**	**+42,7%**
Available-for-sale non-current assets	**20,8**	**0,1 %**	**595,2**	**1,2 %**	
Total assets	**25.182,7**	**100,0 %**	**49.593,4**	**100,0 %**	**+96,9%**
Shareholders' equity	3.115,7	12,4 %	4.653,8	9,4 %	+49,4%
Minority interests	140,7	0,6 %	5.787,3	11,7 %	n.a.
Equity	**3.256,4**	**12,9 %**	**10.441,0**	**21,1 %**	**+220,6%**
Capital subsidies	**81,1**	**0,3 %**	**810,6**	**1,6 %**	**+900,0%**
Bond issues			1.219,2	2,5 %	
Bank borrowings	3.291,3	13,1 %	6.258,5	12,6 %	+90,2%
Non-recourse financing	6.797,6	27,0 %	9.278,3	18,7 %	+36,5%
Other financial liabilities	32,0	0,1 %	48,5	0,1 %	+51,5%
Other non-current liabilities	524,3	2,1 %	3.845,7	7,8 %	+633,5%
Non-current liabilities	**10.645,1**	**42,3 %**	**20.650,1**	**41,6 %**	**+94,0%**
Bond issues			597,1	1,2 %	
Bank borrowings	1.228,9	4,9 %	2.763,4	5,6 %	+124,9%
Non-recourse financing	195,4	0,8 %	363,2	0,7 %	+85,9%
Trade payables	7.984,4	31,7 %	10.535,1	21,2 %	+31,9%
Other financial liabilities	8,8	0,0 %	118,9	0,2 %	n.a.
Other current liabilities	1.782,8	7,1 %	3.210,9	6,5 %	+80,1%
Current liabilities	**11.200,2**	**44,5 %**	**17.588,4**	**35,5 %**	**+57,0%**
Liabilities linked to assets on sale			**103,2**	**0,2 %**	
Total equity & liabilities	**25.182,7**	**100,0 %**	**49.593,4**	**100,0 %**	**+96,9%**

2.1.1.3.1 Non-current assets

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

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

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

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

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

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

2.1.1.3.2 Working capital

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

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

2.1.1.3.3 Net borrowings

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

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

Detail of borrowings		January - December	
Millions of Euros	2006	2007	Var. 07/06
Net debt with recourse	**1.753**	**6.933**	**295,4%**
Non-current bank borrowings	3.323	6.307	89,8%
Current bank borrowings	1.238	2.882	132,9%
Bond issue		1.816	
Cash and other cash equivalents	-2.808	-4.072	45,1%
Project financing	**6.993**	**9.641**	**37,9%**
Net borrowings	**8.746**	**16.574**	**89,5%**

2.1.1.3.4 Other non-current liabilities

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

2.1.1.3.5 Equity

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

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

2.1.1.4 Cash Flow

ACS Group Cash Flow Statement		January - December	
Millions of Euros	2006	2007	Var. 07/06
Gross profit from operations	**1.218,9**	**3.490,5**	**+186,4%**
plus: Dividends received from investees	232,4	238,4	
plus: Interests and dividends received	145,0	279,8	
less: Interests paid	(410,2)	(1.114,7)	
less: Income tax	(197,8)	(599,0)	
less: Other adjustments	(89,2)	(172,2)	
Cash obtained from operations	**899,1**	**2.122,8**	**+136,1%**
Dec/(Inc) Trade receivables, completed work pending certificatio	(471,8)	(399,3)	
Dec/(Inc) Inventories	(184,8)	(9,9)	
Inc/(Dec) Trade payables	959,4	518,3	
Inc/(Dec) Other current and non-current assets	87,2	129,5	
Changes in Working Capital, Net	**390,0**	**238,6**	**-38,8%**
Net cash flows from operating activities	**1.289,1**	**2.361,4**	**+83,2%**
less: Investments in property, plant and equipment and intar	(509,1)	(1.246,1)	
less: Concession project investments	(613,9)	(1.789,6)	
less: Non-current financial asset investments	(280,9)	(349,5)	
less: Unión Fenosa acquisition	(1.728,0)		
less: Iberdrola acquisition	(3.297,3)		
less: Hochtief acquisition		(1.264,9)	
Non-current assets investments	**(6.429,3)**	**(4.650,1)**	**-27,7%**
Non-current asset disposals	**1.029,5**	**1.246,9**	**n.a.**
Net cash flows from investing activities	**(5.399,8)**	**(3.403,2)**	**-37,0%**
Inc/(Dec) Non- current borrowings	614,5	295,0	
Inc/(Dec) Current borrowings	(581,7)	1.180,4	
Inc/(Dec) Non-recourse financing	4.636,4	2.309,5	
Changes in borrowings	**4.669,2**	**3.784,9**	**-18,9%**
Dividends paid	(211,7)	(441,1)	
Treasury share transactions	(257,7)	(172,3)	
Changes in own financing	**(469,4)**	**(613,4)**	**n.a.**
Dividends paid to Unión Fenosa minorities		(188,6)	
Other sources & consolidation changes	69,7	(216,2)	
Other sources of financing	**69,7**	**(404,8)**	**n.a.**
Net cash flows from financing activities	**4.269,5**	**2.766,7**	**-35,2%**
Inc/(Dec) Cash & current financial assets	158,8	1.724,9	
Cash position at begining of year	**767,8**	**926,6**	**+20,7%**
Cash position at end of year	**926,6**	**2.651,5**	**+186,2%**

2.1.1.4.1 Net cash flows from operating activities

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

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

2.1.1.4.2 Consolidated net investments

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

Grupo ACS **Net Investments**			**January - December**
Millions of Euros	**Gross Investment**	**Divestments**	**Net Investment**
Construction	205,6	(30,0)	175,6
Concessions	437,9	(72,5)	365,4
Environment & Logistics	499,2	(116,7)	382,6
Industrial Services	863,8	(18,4)	845,3
Energy	1.273,2	(345,0)	928,2
Corporate Unit	1.370,4	(664,3)	706,1
Total	**4.650,1**	**(1.246,9)**	**3.403,2**

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

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

million). EUR 110 million were invested in Port and Logistics Services, and basically in container terminals.

- In Industrial Services EUR 863.8 million were invested mainly in renewable energy projects such as thermal solar plants (EUR 267 million) and wind farms (EUR 287 million). Investments were also made in other concession projects such as desalination plants in Murcia and Algeciras (EUR 80 million) and electricity transmission lines in Brazil (EUR 91 million).

- In the Energy area, Unión Fenosa invested EUR 1,273.2 million, mainly for the completion of the combined cycle plants in Sagunto and Sabón, the environmental adaptation and conversion of several thermal power plants (Narcea, Robla and Meirama) and the development of gas infrastructure and renewable energy projects in Spain. In the international area, of significance was the investment amounting to EUR 118 million in the Kangra Mine (South Africa).

  The detail, by business line, is as follows:

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

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

2.1.1.5 Profit/Loss by business areas

2.1.1.5.1 Construction

Construction Main Financial Aggregates			**January - December**
Millions of Euros	**2006**	**2007**	**Var. 07/06**
Sales	**6.750,3**	**7.352,9**	**+8,9%**
EBITDA	**504,0**	**548,9**	**+8,9%**
Margin	7,5%	7,5%	
EBIT	**422,7**	**460,3**	**+8,9%**
Margin	6,3%	6,3%	
Profit before tax from continuing operations	**443,2**	**484,5**	**+9,3%**
Margin	6,6%	6,6%	
Net Profit	**282,1**	**310,3**	**+10,0%**
Margin	4,2%	4,2%	
Backlog	**10.661**	**12.011**	**+12,7%**
Months	19	19	
Cash flow from operations		**389**	
Net investments		**176**	
Total net debt / (Cash)		**(1.538)**	
Debt / EBITDA		n.a.	

2.1.1.5.2

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

Construction Revenue breakdown by activity			**January - December**
Millions of Euros	**2006**	**2007**	**Var. 07/06**
Civil Engineering Works	3.888,4	4.398,4	+13,1%
Non Residential Building	1.739,6	1.725,3	-0,8%
Residential Building	1.122,3	1.229,2	+9,5%
Total	**6.750,3**	**7.352,9**	**+8,9%**
International	*431,2* *6%*	*432,6* *6%*	*+0,3%*

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

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

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

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

Construction **Backlog breakdown by activity**			**January - December**
Millions of Euros	**2006**	**2007**	**Var. 07/06**
Civil Engineering Works	6.777,0	8.023,4	+18,4%
Non Residential Building	2.067,7	2.238,3	+8,3%
Residential Building	1.816,5	1.749,0	-3,7%
Total	**10.661,2**	**12.010,7**	**+12,7%**
International	*761,3* *7%*	*2.243,1* *19%*	*+194,6%*

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

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

2.1.1.5.3 Industrial Services

Industrial Services **Main Financial Aggregates**			**January - December**
Millions of Euros	**2006**	**2007**	**Var. 07/06**
Sales	**4.747,7**	**5.488,7**	**+15,6%**
EBITDA	**419,6**	**488,4**	**+16,4%**
Margin	8,8%	8,9%	
EBIT	**364,7**	**412,5**	**+13,1%**
Margin	7,7%	7,5%	
Profit before tax from continuing operations	**322,0**	**371,3**	**+15,3%**
Margin	6,8%	6,8%	
Net Profit	**222,6**	**264,9**	**+19,0%**
Margin	4,7%	4,8%	
Backlog	**5.087**	**5.854**	**+15,1%**
Months	13	13	
Cash flow from operations		**338**	
Net investments		**845**	
Total net debt / (Cash)		**948**	
Debt / EBITDA		1,9x	

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

Industrial Services **Revenue breakdown by activity**			**January - December**
Millions of Euros	**2006**	**2007**	**Var. 07/06**
Support Services	**3.431,3**	**4.014,7**	**+17,0%**
Networks	806,3	900,4	+11,7%
Specialized Products	1.714,3	2.084,2	+21,6%
Control Systems	910,7	1.030,1	+13,1%
Energy Projects	**1.489,5**	**1.646,1**	**+10,5%**
EPC Projects	1.217,4	1.331,1	+9,3%
Renewables	272,1	315,0	+15,8%
Generation	64,0	83,6	+30,7%
Construction	208,1	231,4	+11,2%
Consolidation Adjustments	*-173,1*	*-172,1*	*n.a.*
TOTAL	**4.747,7**	**5.488,7**	**+15,6%**
International	*1.574,5*	*1.709,5*	*+8,6%*
% over total sales	*33%*	*31%*	

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

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

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

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

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

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

Industrial Services Backlog breakdown by activity			**January - December**
Millions of Euros	**2006**	**2007**	**Var. 07/06**
Support Services	**3.698,2**	**3.875,8**	**+4,8%**
Domestic backlog	2.662,1	2.789,5	+4,8%
International backlog	1.036,1	1.086,3	+4,8%
Energy Projects	**1.388,4**	**1.977,7**	**+42,4%**
Domestic backlog	966,8	1.070,9	+10,8%
International backlog	421,6	906,8	+115,1%
TOTAL	**5.086,6**	**5.853,5**	**+15,1%**
International	3.628,9	3.860,4	+6,4%
Support Services	1.457,7	1.993,1	+36,7%
% over total backlog	*29%*	*34%*	

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

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

Energy Projects **Renewable Energy**		**January - December**
	Installed Capacity	**Attributable to ACS**
Wind, installed	834 MW	72%
Wind, under construction	484 MW	86%
Thermosolar, under construction	150 MW	83%
Total	**1.467 MW**	**78%**
Wind, pipeline	1.530 MW	75%
Thermosolar, pipeline	250 MW	100%

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

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

2.1.1.5.4 Environment & Logistics[1]

Environment & Logistics **Main Financial Aggregates**		**January - December**	
Millions of Euros	**2006**	**2007**	**Var. 07/06**
Sales	**2.458,6**	**2.834,9**	**+15,3%**
EBITDA	**324,7**	**381,5**	**+17,5%**
Margin	13,2%	13,5%	
EBIT	**195,5**	**232,8**	**+19,1%**
Margin	7,9%	8,2%	
Profit before tax from continuing operations	**154,2**	**202,3**	**+31,2%**
Margin	6,3%	7,1%	
Net Profit	**109,1**	**131,7**	**+20,7%**
Margin	4,4%	4,6%	
Backlog	**13.059**	**14.458**	**+10,7%**
Months	65	61	
Cash flow from operations		**235**	
Net Investments		**383**	
Total net debt / (Cash)		**329**	
Debt / EBITDA		0,9x	

1 Continental Auto is not included in any period

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

Environment & Logistics **Revenue breakdown by activity**		**January - December**	
Millions of Euros	**2006**	**2007**	**Var. 07/06**
Environmental Services	1.191,1	1.327,1	+11,4%
Ports & Logistics Services	560,4	668,0	+19,2%
Facility Management	707,1	839,8	+18,8%
TOTAL	**2.458,6**	**2.834,9**	**+15,3%**
International	*268,8* *11%*	*340,3* *12%*	*+26,6%*

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

The backlog of Environmental Services and Logistics reached EUR 14.457 million, equivalent to over 5 years of production.

Environment & Logistics **Backlog breakdown by activity**		**January - December**	
Millions of Euros	**2006**	**2007**	**Var. 07/06**
Environmental Services	7.278,1	8.028,0	+10,3%
Ports & Logistics Services	4.885,3	5.375,0	+10,0%
Facility Management	895,1	1.054,7	+17,8%
TOTAL	**13.058,5**	**14.457,7**	**+10,7%**
International	*2.370,2* *18%*	*4.069,7* *28%*	*+71,7%*

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

2.1.1.5.5 Concessions

Concessions Main Financial Aggregates		January - December	
Millions of Euros	2006	2007	Var. 07/06
Sales	26,1	35,8	n.a.
EBITDA	6,9	1,5	n.a.
EBIT	(2,7)	(5,2)	n.a.
Equity method	(28,3)	(21,3)	n.a.
Capital Gains	27,0	37,8	n.a.
Attributable net profit	(17,3)	3,7	n.a.
Net investments		365	
Net debt		262	

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

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

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

2.1.1.5.6 Energy

Energy Main Financial Aggregates		January - December	
Millions of Euros	2006	2007	Var. 07/06
Sales		**5.966,8**	**n.a.**
EBITDA		**2.110,7**	**n.a.**
Margin		35,4%	
EBIT		**1.429,7**	**n.a.**
Margin		24,0%	
Profit before tax from continuing operations	**127,5**	**1.132,8**	**n.a.**
Margin		19,0%	
Net profit	**170,1**	**230,2**	**+35,4%**
Margin		3,9%	
Cash flow from operations		**1.255**	
Net investments		**928**	
Total net debt / (Cash)		**9.610**	
Debt / EBITDA		4,6x	

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

Energy Revenue breakdown by activity		January - December	
Millions of Euros	2006	2007	Var. 07/06
Generation	2.168,1	2.217,9	+2,3%
Distribution	660,7	741,6	+12,2%
Gas	585,9	610,0	+4,1%
Other / Adjustments	121,4	-150,7	n.a.
Domestic	**3.536,1**	**3.418,8**	**-3,3%**
International	**2.447,3** *41%*	**2.548,0** *43%*	**+4,1%**
TOTAL	**5.983,4**	**5.966,8**	**-0,3%**

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

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

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

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

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

Energy **Backlog breakdown by activity**		**January - December**	
Millions of Euros	**2006**	**2007**	**Var. 07/06**
Generation	445,2	514,1	+15,5%
Distribution	248,7	316,1	+27,1%
Gas	310,2	291,6	-6,0%
International	333,1	380,7	+14,3%
Other / Adjustments	-30,4	-16,0	+0,0%
TOTAL Unión Fenosa	**1.306,8**	**1.486,5**	**+13,7%**
Consolidation adj. ACS		**-56,8**	
TOTAL ACS Energy		**1.429,7**	

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

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

2.1.1.5.7 Listed associates[2]

Associates Main Financial Aggregates			January - December
Millions of Euros	**2006**	**2007**	**Var. 07/06**
Abertis	106,9	142,2	+33,0%
Hochtief*		(25,7)	n.a.
Iberdrola*	40,6	267,5	n.a.
Gross contribution to profit	**147,5**	**384,0**	**+160,3%**
Associated finance costs	(102,1)	(313,3)	
Taxes	35,7	66,9	
Net profit	**81,1**	**137,6**	**+69,6%**
Abertis	63,9	95,5	+49,6%
Hochtief*		(46,2)	n.a.
Iberdrola*	17,3	88,3	+411,8%

* Including the effect from equity derivatives assessed at fair value

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

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

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

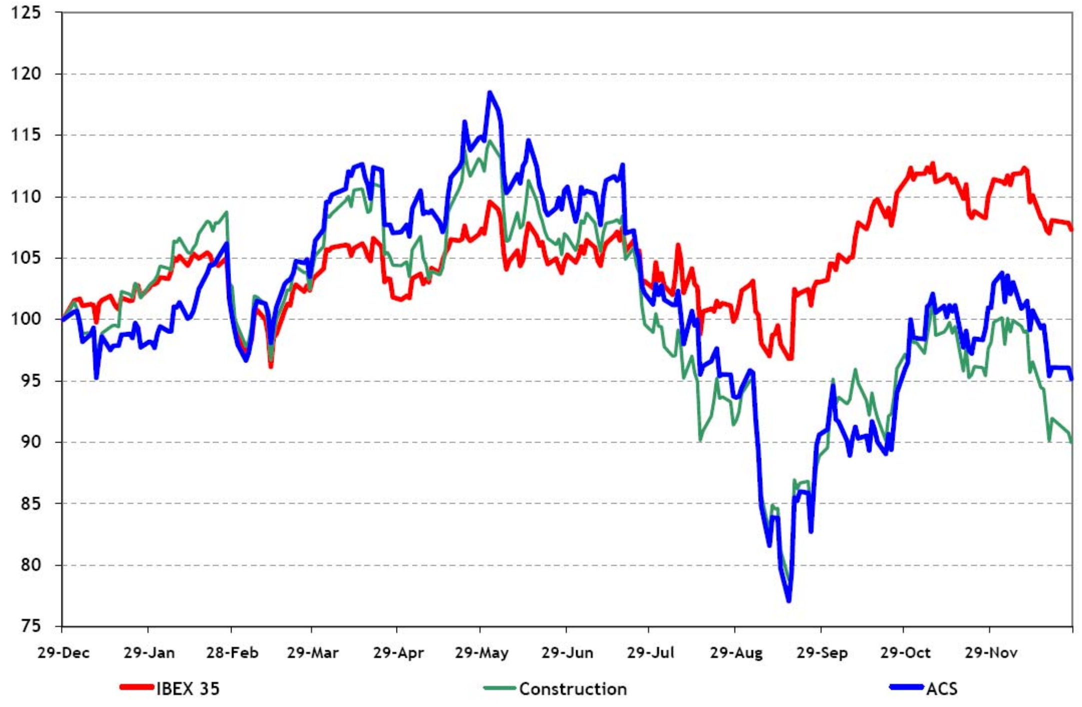
Accordingly, the net contribution of the listed companies to the Group's profit in 2007 was EUR 137.6 million.

[2] **To homogenise the data, the Urbis contribution has not been included.**

2.1.2 Stock Market Performance

2.1.2.1 Stock market information for 2007

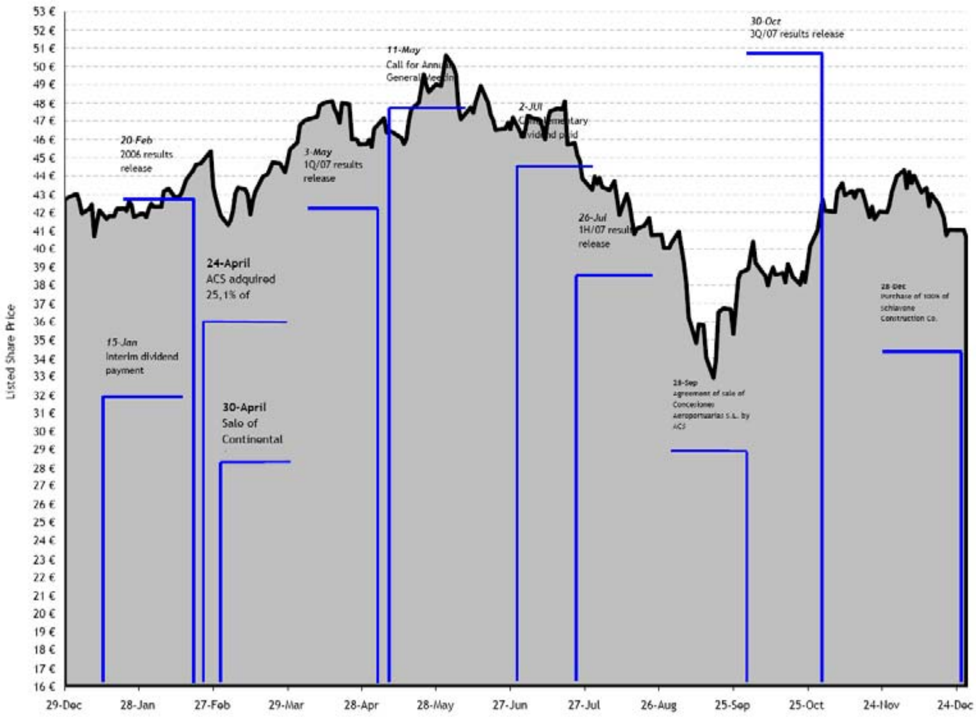
In terms of the stock market, 2007 was complicated as a result of the high volatility greatly characterising this year, which was marked by the financial crisis affecting the most developed countries due to the "subprime" effect. In this context, the performance of the main stock market indexes was moderate.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



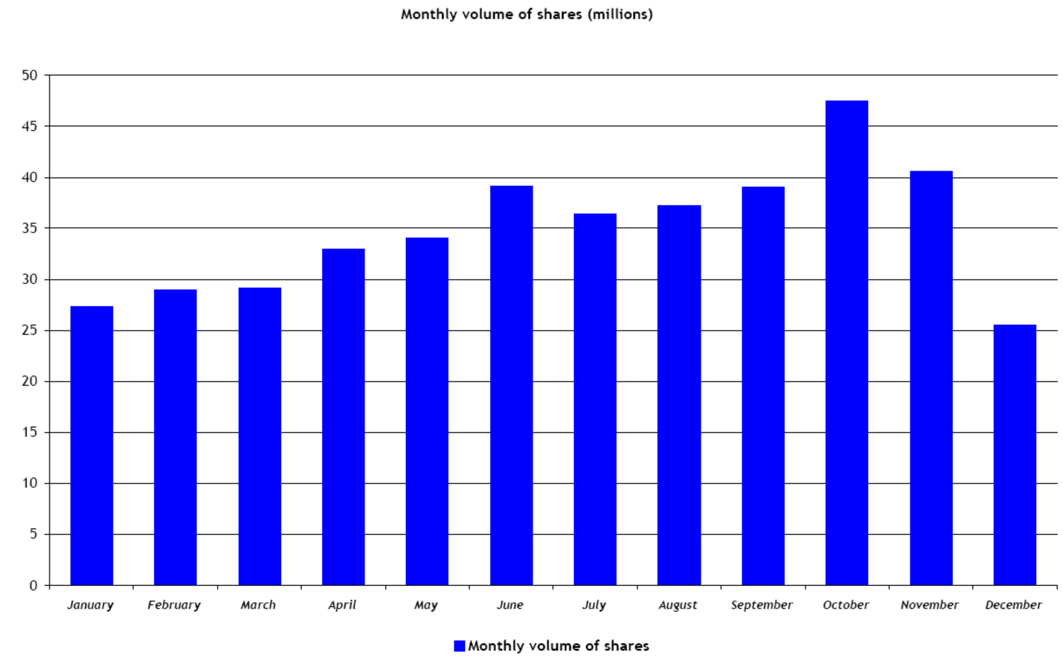
Simultaneously, in the Spanish market, the IBEX35 index rose by 7.3%, and reached its high of over 15,945.7 points on 8 November. However, the construction sector performed poorly and fell by 10%, whereas the ACS Group showed a drop of only 5.4% performing significantly better than the main European and Spanish companies in the sector.

The detail of the ACS Group's main stock market data in 2007 is as follows:

The ACS Share	2006	2007
Closing Price	**42.71 €**	**40.65 €**
Revaluation in the period	**56.96%**	**-4.82%**
Cumulative revaluation since 31.12.2000	410.27%	385.66%
Period high	43.70 €	50.95 €
Date reached	15-dic	01-jun
Period low	26.62 €	32.10 €
Date reached	18-ene	17-sep
Average in the Period	33.46 €	43.08 €
Total volume (thousands of euros)	279,966	417,896
Daily average volume (thousands of euros)	1,097.91	1,651.76
Total traded effective (millions of euros)	9,386	18,003
Daily average effective (millions of euros)	36.81	71.16
Number of shares (millions of euros)	352.87	352.87
Market cap at end of period (millions of euros)	**15,071**	**14,344**



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



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

2.1.2.2 Treasury shares

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

Treasury Shares	Number of Shares
Opening balance at 31 December 2006	**6,985,055**
Purchases	32,851,277
Sales	-27,895,271
Closing balance at 31 December 2007	**11,941,061**

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

2.1.3 Risk Management Policy

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

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

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

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

2.1.3.2 Financial risk management

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

Risks arising from changes in interest rates affecting cash flows are mitigated by hedging the rates through the use of financial instruments which cushion their fluctuation.

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

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

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

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

2.1.4 Human Resources

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

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

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

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

2.1.5 Technological Innovation and Environmental Protection

2.1.5.1 Research and development activities

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

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

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

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

In the ACS Group's Environment & Logistics area, efforts are concentrated on two main activities: the improvement of solid urban waste management and the reduction of CO_2 emissions, as well as inter-modal logistics systems improving the efficiency of the transport of goods.

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

2.1.5.2 Environmental protection

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

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

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

2.1.6 Significant Events Subsequent to Year-End

2.1.6.1 Payment of Dividends of the ACS Group

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

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

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

2.1.6.3 Increased shareholding of the ACS Group in Unión Fenosa

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

2.1.7 Outlook for 2008

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

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

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

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

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

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

Awareness of the climate change and the Kyoto Protocol have fostered this type of activity in order to reduce the emission of gases generated naturally in solid urban waste dumps (carbon anhydride and methane), which produce the greenhouse effect. This treaty has also paved the way for other future businesses relating to the emission of CO_2.

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

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

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

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

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

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

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

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

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

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

b) Any restriction on the transferability of securities.

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

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

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

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

d) Any restriction on voting rights.

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

e) Shareholders' agreements.

No shareholders' agreements have been reported to the Company.

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

Appointment and substitution of members of the Board of Directors.

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

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

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

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

Amendment of the Company By-laws

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

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

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

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

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

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

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

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

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