

ACS Actividades de Construcción y Servicios, S.A.

Financial Statements
for the year ended December 31, 2007,
and Director' Report together with
Independent Auditors' Report

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

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

AUDITORS' REPORT ON FINANCIAL STATEMENTS

To the Shareholders of
ACS ACTIVIDADES DE CONSTRUCCIÓN Y SERVICIOS, S.A.:

1. We have audited the financial statements of ACS Actividades de Construcción y Servicios, S.A. comprising the balance sheet as of December 31, 2007, and the related statement of income and notes to financial statements for the year then ended. The preparation of these financial statements is the responsibility of the Company's directors. Our responsibility is to express an opinion on the financial statements taken as a whole based on our audit work performed in accordance with generally accepted auditing standards, which require examination, by means of selective tests, of the evidence supporting the financial statements and evaluation of their presentation, of the accounting principles applied and of the estimates made.
2. As required by Spanish corporate and commercial law, for comparison purposes the directors present, in addition to the 2007 figures for each item in the balance sheet and statements of income and of changes in financial position, the figures for 2006. Our opinion refers only to the 2007 financial statements. On March 16, 2007, we issued our auditors' report on the 2006 financial statements in which we expressed an unqualified opinion.
3. ACS Actividades de Construcción y Servicios, S.A. is the head of a corporate group which presents consolidated financial statements separately from the accompanying financial statements. On this same date we issued our auditors' report, on the 2007 consolidated financial statements of Fomento de Construcciones y Contratas, S.A. and Subsidiaries prepared in accordance with International Financial Reporting Standards, as adopted by the European Union (EU-IFRSs), which presented consolidated equity attributable, consolidated assets and consolidated income attributable of €4.654 million, €49.593 million, and €1.551 million, respectively, in which we expressed an unqualified opinion.
4. In our opinion, the accompanying financial statements for 2007 present, in all material respects, a true and fair view of the net worth and financial position of ACS Actividades de Construcción y Servicios, S.A. as of December 31, 2007, and of the results of its operations and of the funds obtained and applied by it in the year then ended, and contain the required information, sufficient for their proper interpretation and comprehension, in conformity with generally accepted accounting principles and standards applied on a basis consistent with that of the preceding year.
5. The accompanying directors' report for 2007 contains the explanations which the directors consider appropriate about the Company's situation, the evolution of its business and other matters, but is not an integral part of the financial statements. We have checked that the accounting information in the directors' report is consistent with that contained in the financial statements for 2007. Our work as auditors was confined to checking the directors' report with the aforementioned scope, and did not include a review of any information other than that drawn from the Company's accounting records.

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

Javier Parada Pardo
April 2, 2008

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

Financial Statement and Directors' Report
for the Year Ended 31 December 2007

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

BALANCE SHEETS AT 31 DECEMBER 2007 AND 2006

(Thousands of Euros)

ASSETS	31/12/2007	31/12/2006	EQUITY AND LIABILITIES	31/12/2007	31/12/2006
NON-CURRENT ASSETS:			EQUITY (Note 9):		
Intangible assets (Note 5)	631.862	673.081	Share capital	176.437	176.437
Cost	827.388	827.422	Share premium	897.294	897.294
Accumulated amortisation	(195.526)	(154.341)	Legal reserve	35.287	35.287
Property, plant and equipment (Note 6)	13.361	13.711	Other reserves	486.546	15.188
Land and structures	2.110	2.110	Reserve for treasury shares	174.954	67.276
Plant and machinery	1.473	1.389	Profit for the year	1.121.867	1.109.570
Other property, plant and equipment	20.029	19.071	Interim dividend paid	(264.655)	(141.149)
Advances and property, plant and equipment in construction	42	42	Total equity	2.627.730	2.159.903
Accumulated depreciation	(10.293)	(8.901)	PROVISIONS FOR CONTINGENCIES AND CHARGES (Note 11)	96.262	92.944
Investments (Note 7)	5.795.977	5.551.101	NON-CURRENT LIABILITIES (Note 10):		
Investments in Group companies	2.227.039	1.961.054	Bank borrowings	1.980.173	1.920.346
Loans to Group companies and associates	1.920.674	1.567.487	Payable to Group companies and associates	13.095	90.050
Investments in associates	1.741.019	2.116.274	Other non-current liabilities	-	71
Non-current investment securities	12.093	12.004	Total non-current liabilities	1.993.268	2.010.467
Other loans	1.053	1.289			
Allowances	(105.901)	(107.007)	CURRENT LIABILITIES		
Total non-current assets	6.441.200	6.237.893	Bank borrowings (Note 13)	745.927	599.361
DEFERRED CHARGES	3.637	5.434	Short-term payables to Group companies and associates (Note 12)	1.584.056	1.593.813
CURRENT ASSETS:			Trade payables	58.371	8.331
Inventories	255	215	Other nontrade payables (Note 13)	430.884	438.180
Accounts receivable (Note 8)	168.260	76.713	Operating allowances	42.311	29.987
Trade receivables for sales and services	4.087	4.159	Total current liabilities	2.861.549	2.669.672
Receivable from Group companies and associates	10.764	9.460			
Other accounts receivable	9.623	10.855	TOTAL EQUITY AND LIABILITIES	7.578.809	6.932.986
Tax receivables	143.786	52.239			
Short-term investments (Note 7)	787.718	540.338			
Current treasury shares (Note 9)	174.954	67.276			
Cash	1.944	2.914			
Prepayments and accrued income	841	2.203			
Total current assets	1.133.972	689.659			
TOTAL ASSETS	7.578.809	6.932.986			

The accompanying Notes 1 to 22 are an integral part of the balance sheet at 31 December 2007.

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

INCOME STATEMENTS

FOR THE YEARS ENDING 31 DECEMBER 2007 AND 2006

(Thousands of Euros)

DEBIT	31/12/2007	31/12/2006	CREDIT	31/12/2007	31/12/2006
EXPENSES:			INCOME:		
Procurements	3.970	5.824	Revenue (Note 16)	5.726	6.033
Raw materials and other supplies	870	848	Increase in inventories of finished goods and work in progres:	40	126
Other external expenses	3.100	4.976	In-house work on non-current assets	51	1.425
Staff costs	23.285	20.047	Other operating income (Note 16)	11.726	11.553
Wages, salaries and similar costs	18.885	16.075			
Employee benefit costs (Note 16)	4.400	3.972			
Depreciation and amortisation charge (Notes 5 and 6)	42.577	42.717			
Change in operating allowances	12.323	10.352			
Other operating expenses	26.416	23.533			
Outside services	24.482	21.565			
Taxes other than income tax	1.328	1.362			
Reversion reserve	606	606			
Profit from operations	-	-	Loss from operations	91.028	83.336
Finance and similar costs	199.917	132.630	Income from equity investments (Notes 7 and 16)	1.173.173	450.463
On payables to Group companies (Note 16)	70.551	53.542	Group companies	1.087.173	362.411
On payables to third parties and similar costs	128.322	77.334	Associates	85.733	87.840
Losses on financial assets	1.044	1.754	Non-group companies	267	212
Exchange losses	109	147	Other interest and similar income	94.224	62.508
			Group companies and associates (Note 16)	81.061	34.408
			Other interest	13.163	5.380
			Gains on financial assets	-	22.720
Financial profit	1.067.371	380.194	Financial loss	-	-
Profit from ordinary activities	976.343	296.858	Loss on ordinary activities	-	-
Change in allowances for intangible assets, property, plant and equipment and control portfolio (Note 16)	34.531	2.680	Gains on disposal of non-current assets (Note 16)	5.831	1.059.601
Losses on transactions involving treasury shares and own debentures (Notes 16 and 9)	1.957	244	Gains on transactions involving treasury shares and own debentures (Notes 16 and 9)	63.000	25.525
Extraordinary expenses (Note 16)	15.407	9.912	Extraordinary income	1.060	4.041
Prior years' expenses and losses	245	4	Prior years' income and profit	-	24
Extraordinary profit	17.751	1.076.351	Extraordinary loss	-	-
Profit before tax	994.094	1.373.209			
Corporation tax	(127.773)	263.639			
Profit for the year	1.121.867	1.109.570			

The accompanying notes 1 to 22 are an integral part of the 2007 income statement.

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

Notes to Financial Statements for the Year Ended 31 December 2007

1. Company activities

ACS, Actividades de Construcción y Servicios, S.A. was incorporated by public deed on 13 October 1942, for an indefinite period. Its registered office is at Avda. Pío XII, nº 102, Madrid.

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

1. The business of constructing all kinds of public and private works, as well as the provision of services, for the conservation, maintenance and operation motorways, highways, roads and, in general any type of public or private ways and any other type of works. 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 alone 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 SOS 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 maintenance of hydraulic 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. Cleaning, washing, ironing, sorting and transportation of clothing.
17. Furniture assemblies and installations, including tables, shelves, office material, and similar or complementary objects.
18. Transports of all kinds, especially ground transportation of passengers and merchandise, and the activities related thereto. Management and operation, as well as provision of auxiliary and complementary services, of all manner of buildings and properties or complexes for public or private use, intended for use as service areas or stations, recreational areas, and bus or intermodal transportation stations.
19. The provision of integral health care and social assistance services by qualified personnel (physicians, psychologists, educators, university graduates in nursing, social workers, physical therapists and therapists) and performance of the following tasks: home care service; tele-home care and social health care; total or partial running or management of homes, day care centres, therapeutic communities and other shelters and rehabilitation centres; transportation and accompaniment of the above mentioned collectives; home hospitalisation and medical and nursing home care; supply of oxygen therapy, gas control, electro-medicine, and associated activities.
20. Provision of auxiliary services in housing developments, urban properties, industrial facilities, roadway networks, shopping centres, official agencies and administrative departments, sports or recreational facilities, museums, fairgrounds, exhibition galleries, conference and congress halls, hospitals, conventions, inaugurations, cultural and sports centres, sporting, social and cultural events, exhibits, international conferences, general shareholders' and owners' association meetings, receptions, press conferences, teaching centres, parks, farming facilities (agricultural, livestock and fisheries), forests, rural farms, hunting reserves, recreational and entertainment areas, and in general all kinds of properties and events, by means of porters, superintendents, janitors, ushers, guards or controllers, console operators, auditorium personnel, concierges, receptionists, ticket clerks (including ticket collection), telephone operators, collectors, caretakers, first aid personnel, hostesses and similar personnel or personnel who complement their functions, consisting of the maintenance and upkeep of the premises, as well as attention and service to neighbours, occupants, visitors and/or users, by undertaking the appropriate

tasks, excluding in all cases those which the law reserves for security firms. The development, promotion, exhibition, performance, acquisition, sale and provision of services in the field of art, culture and recreation, in their different activities, forms, expressions and styles.

21. Provision of emergency, prevention, information, telephone switchboard, kitchen and dining hall services. 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.

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

2. Basis of presentation of the financial statements

a) *True and fair view*

The accompanying financial statements, which were prepared from the accounting records of ACS, Actividades de Construcción y Servicios, S.A, and include the joint ventures in which it has an ownership interest, are presented in accordance with current Spanish legal provisions and, accordingly, give a true and fair view of the Company's equity and financial position, of the results of its operations and of the funds obtained and applied by it as established in the Spanish National Chart of Accounts.

The figures in these financial statements are expressed in thousands of euros.

These financial statements for the year ended 31 December 2007, which were prepared by the Company's directors, will be submitted for approval by the Annual General Meeting, and it is considered that they will be approved without any changes.

Together with the individual financial statements for 2007 of ACS, Actividades de Construcción y Servicios, S.A., the directors prepared the ACS Group's consolidated financial statements for the year then ended, which will also be submitted for approval by the Annual General Meeting. The consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (IFRSs) adopted by the EU. Note 4 details the consolidated effect of the ACS Group's consolidated financial statements prepared under these international standards in 2007.

b) *Accounting principles*

These financial statements were prepared by applying the generally accepted accounting principles under the applicable Spanish legal provisions and the accounting policies described in Note 4.

Headings which require a supplementary explanation due to their nature or relative significance are clarified in these notes.

c) *Comparative information*

As required by Spanish corporate law, for comparison purposes the directors present, in addition to the 2007 figures for each item in the balance sheet, income statement and statement of changes in financial position, the figures for 2006.

3. Distribution of profit

The distribution of profit of ACS, Actividades de Construcción y Servicios, S.A. that the Board of Directors will propose for approval by shareholders at the Annual General Meeting is as follows:

	Thousands of Euros
To voluntary reserves	504,339
Dividends	617,528
	1,121,867

The proposed dividend for the year amounts to EUR 1.75 per share, totalling EUR 617,528 thousand.

Of this amount, an interim dividend of EUR 0.75 per share, totalling EUR 264,655 thousand, was recorded as a reduction in the ACS Group's equity in the balance sheet under the heading "Interim Dividend Paid", was reported on the liability side of the balance sheet under "Other Non-Trade Payables" and was paid on 15 January 2008. For this purpose, at its meeting on 13 December 2007, the Board of Directors prepared the accounting statement required pursuant to Article 216 of the consolidated Corporations Law, in which it declared the existence of sufficient liquidity to distribute the interim dividend, as detailed below:

	Thousands of Euros
Cash available at 13 December 2007	513,481
Cash projection up to 15 January 2008	
Current transactions	(11,493)
Financial transactions	(38,473)
Collection of dividends from investees	660,597
Investments	(619,000)
Cash available prior to the payment of the interim dividend	505,112
Gross interim dividend	(264,655)
Cash available following payment of the interim dividend	240,457

The Company's earnings and the absence of causes giving rise to immediate claimability of liabilities at the aforementioned date permitted the payment of the interim dividend without the requirement to increase debt on payment of such dividend.

Given that the Board of Directors has proposed the payment of a final dividend of EUR 1 euros per share, the final dividend payable will amount to EUR 352,873 thousand.

4. Accounting policies

The main accounting policies applied by the Company in preparing its financial statements for 2007, in accordance with the Spanish National Chart of Accounts, were as follows:

a) **Intangible assets**

Intangible assets are recorded at acquisition cost, net of the interest relating to the financing thereof. The Company amortises its intangible assets on a straight-line basis over their useful life, which is estimated to be four years, except for goodwill.

The goodwill arising from the merger with Grupo Dragados, S.A. is amortised on a straight-line basis over 20 years.

b) Property, plant and equipment

Property, plant and equipment are valued at cost.

The cost of the assets does not include the interest relating to the financing thereof or exchange differences.

Upkeep and maintenance expenses not leading to increased productivity or to a lengthening of the useful lives of the assets are expensed currently.

In-house work on property, plant and equipment is valued at production cost.

The Company depreciates its property, plant and equipment by the straight-line method at annual rates based on the following years of estimated useful life:

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

The heading "Other Property, Plant and Equipment" includes works of art amounting to EUR 1,995 thousand, which are not depreciated.

This heading also includes the property, plant and equipment relating to the concession for the construction and subsequent operation of the Palacio Municipal de Deportes from the City Council of Huelva, which will revert to the Council in 2008. Accordingly the Company is recording a reversion reserve to supplement the book depreciation of these assets over the concession term.

c) Long-term investments

Except for the additions arising from the merger with Grupo Dragados, S.A., and regardless of whether they are fixed income or equity securities, long-term investments are carried at the lower of acquisition cost or market value, which is taken to be their underlying carrying amount at the balance sheet date, adjusted by the amount of the unrealized gains disclosed at the time of the acquisition and still existing at the date of subsequent valuation.

Long-term investments added in the merger process were valued in accordance with the following criteria:

1. Unlisted securities were valued at the consolidated underlying carrying amount thereof at the date of acquisition.
2. Listed securities were valued at market price at the date of acquisition.

Unrealized losses (cost higher than market value at year-end) are recorded under the heading "Long-Term Investments – Allowances".

Investments of a permanent nature are considered to be long-term investments and short-term marketable securities are presented under the heading "Short-Term Investments" in the balance sheet.

The Company is the Parent of a Group of companies listed in Note 7. The financial statements do not reflect the effect of applying consolidation criteria in accordance with Spanish GAAP. The main aggregates in the ACS Group's consolidated financial statements for 2007 prepared in accordance with Final Provision Eleven of Law 62/2003, of 30 December, applying the International Financial Reporting Standards approved by the European Union, are as follows:

	Thousands of Euros
Total assets	49,593,444
Equity:	10,441,035
- of the Parent	4,653,757
- of minority interests	5,787,278
Income	21,311,677
Profit for the year	2,122,447
- of the Parent	1,551,115
- of minority interests	571,332

d) Non-trade loans

Loans are recorded at their face value, increased by the unmatured accrued interest thereon. Loans maturing in under 12 months from the balance sheet date are classified as current loans and those maturing at over 12 months as non-current loans.

e) Provisions for contingencies and charges

Pension fund

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

These defined benefit pension obligations are funded by group life insurance policies, in which investments have been assigned whose flows coincide in time and amount with the payment schedule of the insured benefits. Based on the valuation made, the amounts required to cover the obligations to current and retired employees amounted to EUR 77,763 thousand and EUR 176,503 thousand, respectively, at 31 December 2007. 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 growth rate	2.00%
Mortality table (*)	PERMF-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.

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

Since the Company has charged the portion of the cost corresponding to the various Group companies, the amount recorded for all the aforementioned commitments under the heading "Staff Cost" in 2007 was EUR 2,938 thousand. The portion relating to the Company's directors who performed executive duties in 2007 amounted to EUR 2,010 thousand (Note 17).

Provision for third-party liability

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

Additionally, and in accordance with the opinion of the external lawyers responsible for the legal aspects of this matter, the Company considers that there is no 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, this decision was appealed to the Madrid Provincial Appellate court, which has not yet handed down a ruling.

Reversion reserve

A reversion reserve is recorded for the assets used in administrative concessions that revert to public agencies on completion of the concession terms. The reserve is calculated on the basis of supplementing the depreciation of the related assets, so that their net carrying amount is zero on completion of the concession term.

The Company considers that the periodic maintenance plans, whose cost is allocated to expenses in the year it is incurred, are sufficient to ensure that the assets used revert in good working condition on completion of the concession terms and that, accordingly, no significant expenses will arise as a result of the reversion.

f) Classification of debt

Current and non-current liabilities are recorded at face value. Liabilities maturing in under 12 months from year-end are classified as current liabilities and those maturing at over 12 months as long-term.

These liabilities are increased by the unmatured accrued interest thereon, and are recorded by the same method as the principal amount. Interest is recorded as an expense in the year in which it is incurred.

g) Corporation tax

The corporation tax expense for the year is calculated on the basis of accounting profit before taxes, increased or decreased, as appropriate, by the permanent differences from taxable profit, net of tax relief and tax credits, excluding withholdings and payments on account.

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

h) Foreign currency transactions

Assets and liabilities whose acquisition or production cost is denominated in foreign currencies are translated to euros at the exchange rates prevailing at the date of each acquisition or at the date on which the related items are included in the balance sheet. The underlying carrying amount of subsidiaries in foreign currencies is calculated at the exchange rate ruling on the balance sheet date.

Exchange differences arising as a result of fluctuations in exchange rates between the settlement date and the date on which the transactions were performed are taken to income.

The balances of receivables and payables denominated in foreign currencies at 31 December 2007 were translated to euros by applying the exchange rate prevailing at the balance sheet date, except in the case of gains resulting from exchange differences, which are recognised when realised.

i) Revenue and expense recognition

Revenues and expenses are generally recognised on an accrual basis, i.e. when the actual flow of the related goods and services occurs, regardless of when the resulting monetary or financial flow arises.

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

The profit or loss relating to the services performed at joint ventures is also recognised in accordance with the aforementioned criteria.

j) Treasury shares

Treasury shares are carried at the lower of acquisition cost, market value or underlying carrying amount. Market value is taken to be the lower of market price in the last quarter or at year-end. The related restricted reserve and adjustment against either income or reserves were included under "Equity" as appropriate in accordance with the Spanish Accounting and Audit Institute (ICAC) query 48 of December 2001, given that the underlying carrying amount was the lowest of the three values.

k) Termination benefits

Under current labour legislation, the Company is required to pay termination benefits to employees terminated under certain conditions. No related provision was recorded in the accompanying financial statements, given that the Company's directors do not foresee any significant terminations of this nature.

5. Intangible assets

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

	Thousands of Euros			
	Balance at 31/12/06	Additions or Provisions	Transfers	Balance at 31/12/07
Cost:				
Computer Software	3,232	-	(34)	3,232
Rights on leased assets	34	-	-	-
Goodwill	824,156	-	(34)	824,156
Total cost	827,422	-	(34)	827,388
Accumulated amortisation:				
Total accumulated Amortisation	(154,341)	(41,185)	-	(195,526)
Total net cost	673,081	(41,185)	(34)	631,862

Goodwill arose mainly as a result of the merger with Grupo Dragados, S.A. in 2003, and was calculated as the difference between the underlying carrying amount at the date of the merger and the amounts assigned to assets and the acquisition price paid in April 2002 and in the takeover bid launched in March 2003.

Fully amortised intangible assets amounted to EUR 3,208 thousand at 31 December 2007.

6. Property, plant and equipment

The changes in property, plant and equipment accounts and in the related depreciation in 2007 were as follows:

	Thousands of Euros			
	Balance at 31/12/06	Additions or Provisions	Transfers	Balance at 31/12/07
Cost:				
Land and structures	2,110	-	-	2,110
Plant and machinery	1,389	84	-	1,473
Other property, plant and equipment	19,071	924	34	20,029
Advances and property, plant and equipment in the course of construction	42	-	-	42
Total cost	22,612	1,008	34	23,654
Accumulated depreciation	(8,901)	(1,392)	-	(10,293)
Total net cost	13,711	(384)	34	13,361

The Company's fully depreciated property, plant and equipment amounted to EUR 1,266 thousand at 31 December 2007.

In 2007 the Company acquired from ACS Group companies certain assets at a cost of EUR 51 thousand.

The Company has taken out insurance policies to cover the possible risks to which its property, plant and equipment are subject. The assets are in located in Spain.

7. Investments

The changes in 2007 in the "Long-Term Investments" and "Short-Term Investments" accounts, and in the related allowances, classified by group, were as follows:

a) Investments in Group companies

	Thousands of Euros	
	Cost	Allowance
Balance at 31 December 2006	1,961,054	(97,361)
Additions/Provisions		
Cariátide, S.A.	3,165	(3,165)
Residencial Monte Carmelo, S.A.	-	(481)
ACS Colombia, S.A.	92	(92)
Transfers		
Unión Fenosa, S.A.	375,255	-
Derecognitions/Amount used		
Inversora de Infraestructuras, S.L.	(107,827)	-
Aguas del Huesna, S.L.	(4,700)	4,700
Villanova, S.A.	-	15
Balance at 31 December 2007	2,227,039	(96,384)

b) Investments in associates

	Thousands of Euros	
	Cost	Allowance
Balance at 31 December 2006	2,116,274	-
Transfers		
Unión Fenosa, S.A.	(375,255)	-
Balance at 31 December 2007	1,741,019	-

c) Non-current investment securities

	Thousands of Euros	
	Cost	Allowance
Balance at 31 December 2006	12,004	(9,646)
Additions/Provisions		
Neotec Capital Riesgo, Sociedad de Fondos, S.A., S.C.R.	89	(37)
Derecognitions/Amount used		
World Trade Center Barcelona, S.A.	-	136
Casa de Suecia, S.A.	-	1
C. Empresas Inversión Castilla y León, S.A.	-	29
Balance at 31 December 2007	12,093	(9,517)

The main changes in the year were the result of the following:

Reclassification of Unión Fenosa, S.A.

The ownership interest in Unión Fenosa, S.A. was reclassified from associate to Group company. This reclassification was performed in 2007. As a result of various increases in ownership interest through its investees PR Pisa, S.A.U. and Roperfeli, S.L., ACS, Actividades de Construcción y Servicios, S.A. appointed 50% of the members of the Board of Directors of Unión Fenosa, S.A. Consequently, from the standpoint of consolidation, it was now possible to take de facto control over the investee.

Acquisition of Cariátide, S.A.

In April 2007, the Company acquired the ownership interest held by Dragados, S.A. in Cariátide, S.A. Subsequently, Cariátide S.A. acquired 17,554,000 shares (representing an ownership interest of 25.08%) in Hochtief, A.G., at a price of 72 euros per share. This ownership interest had been maintained at year-end.

This transaction was carried out firstly through a bridge loan of EUR 1,263,888 thousand from BBVA secured by ACS, Actividades de Construcción y Servicios, S.A.

Subsequently, on 20 June 2007, structured bridge financing from BBVA was arranged. This financing amounting to EUR 948,000 thousand and was divided into two tranches, Tranche A consisting in a loan of EUR 632,000 thousand and Tranche B consisting of 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 transaction. 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 to be met, the pledge could be executed. If the aforementioned coverage ratio were not to be maintained and the ACS Group were to decide 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 earns interest at both a fixed and variable rate, on the basis of the company's net profit and the related interest is capitalised annually.

Derecognitions

Inversora de Infraestructuras, S.A.

This derecognition was the result of the collection of an extraordinary dividend obtained as a refund for the share premium.

Aguas y Servicios del Huesna, S.L.

In October 2007, all the shares held in this company were sold.

Other

At 31 December 2007, ACS, Actividades de Construcción y Servicios, S.A. had entered into certain derivative or financial instrument agreements relating to the following companies:

1. Iberdrola, S.A.

At 31 December 2007, the Company had entered into a derivatives agreement, and specifically, an equity swap on shares of Iberdrola, S.A. affecting 259,939,800 shares, which represented 5.2% of its share capital, which 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, this ownership interest was being maintained in the same terms.

2. Hochtief, A.G.

At 31 December 2007, the Company 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 at year-end.

3. Unión Fenosa, S.A.

At 31 December 2007, the Company 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 ACS, Actividades de Construcción y Servicios, S.A. On 8 January 2008 the Company 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 Company's direct and indirect ownership interest in Unión Fenosa amounts to 45.305% of its share capital (Note 19).

The main data on Group companies at 31 December 2007 were as follows:

	Registered Office	Net Cost of the Investment	Dividends Received	% of Ownership		Share capital (*)	Reserves (*)	Net Profit (Loss) for the Year(*) (*)	Extraordinary Profit (Loss) for the Year (*)
				Direct	Indirect				
CONSTRUCTION									
Dragados, S.A.	Avda. de Tenerife, 4-6 San Sebastián de los Reyes - Madrid	360,752	281,145	100.00	-	200,819	144,107	269,950	(29,611)
Comunidades Gestionadas, S.A. (COGESA)	Orense, 34 – Madrid	-	-	-	100.00	19,112	51,800	8,406	-
INDUSTRIAL SERVICES									
ACS Servicios, Comunicaciones y Energía, S.L.	Cardenal Marcelo Spínola, 10 – Madrid	214,620	228,219	100.00	-	72	(90)	269	3
Venezolana de Limpiezas Industriales, S.A. (VENELIN)	Caracas (Venezuela)	1,057	-	82.80	-	5,655	(1,178)	742	37
Imesapi, S.A.	Avda. Manoteras, 26 Madrid	1	-	-	100.00	12,020	26,184	21,078	4,639
URBAN SERVICES									
ACS, Servicios y Concesiones, S.L.	Avda. Tenerife, 4-6 San Sebastián de los Reyes (Madrid)	897,065	518,828	100.00	-	386,249	1,678	502.438	467.298

	Registered Office	Net Cost of the Investment	Dividends Received	% of Ownership		Share capital (*)	Reserves (*)	Net Profit (Loss) for the Year(*) (*)	Extraordinary Profit (Loss) for the Year (*)
				Direct	Indirect				
CONCESSIONS									
Inversora de Infraestructuras, S.L.	Avda. de Tenerife, 4-6 San Sebastián de los Reyes (Madrid)	265,773	44,020	100.00	-	188,023	12,849	35,877	42,681
ACS Colombia, S.A.	Santa Fé de Bogotá Colombia	-	-	92.00	8.00	650	(100)	(93)	-
ENERGY									
Unión Fenosa, S.A.	Avda. de San Luis, 77 Madrid	375,255	14,961	3.90	36.57	914,038	1,799,351	531,405	263,429
OTHER									
ACS Telefonía Móvil, S.L. (Telecommunications)	Avda. Pío XII, 102 Madrid	-	-	100.00	-	3,114	(8,118)	(21,442)	(28,936)
PR Pisa, S.A.U. (Energy)	Avda. Pío XII, 102 Madrid	15,271	-	100.00		5,270	20,773	37,528	-
Villanova, S.A. (Acquisition of movable and immovable property)	Avda. Pío XII, 102 Madrid	235	-	99.99	0.01	150	75	10	-
Novovilla, S.A. (Acquisition of movable and immovable property)	Avda. Pío XII, 102 - Madrid	563	-	99.99	0.01	601	104	4	(676)
Residencial Monte Carmelo, S.A. (Energy)	Avda. Pío XII, 102 - Madrid	-	-	99.99	0.01	481	1,400	(13,313)	-
Roperfeli, S.L. (Energy)	Avda. Pío XII, 102 - Madrid	63	-	99.50	0.50	6	1,425	32	-
Cariátide, S.A. (Construction)	Avda. Pío XII, 102 - Madrid	-	-	99.99	0.01	1,803	363	(17,122)	-
		2,130,655	1,087,173						

(*) Data relating to the individual companies.

At 31 December 2007 the Company had a nominal 17% ownership interest in Xfera Móviles, S.A. through ACS Telefonía Móvil, S.L. Xfera Móviles, S.A. has been in the commercial launching phase since December 2006. On the basis of the aforementioned information, the Company has provisioned the loss incurred, adjusting the investment to the underlying carrying amount of its holding.

The main data on Associates at 31 December 2007 were as follows:

	Registered Office	Net Cost of the Investment	Dividends Received	% of Ownership		Share capital (*)	Reserves (*)	Net Profit (Loss) for the Year(*) (*)	Extraordinary Profit (Loss) for the Year (*)
				Direct	Indirect				
CONCESSIONS									
Abertis Infraestructuras, S.A.	Avda. del Parc Logistic, 12-20 – Barcelona	1,722,675	82,133	24.83	-	1,915,226	1,132,348	466,869	53,321
Scutvias Autoestradas da Beira Interior, S.A.	Lisbon (Portugal)	9,840	3,600	20.00	-	49,200	1,922	18,506	114
TP Ferro Concesionaria, S.A.	Plaza de la Palmera, 6-7, 3ª Pta. – 17600 Figueres (Girona)	8,504	-	16.53	33.47	51,435	-	-	-
		1,741,019	85,733						

(*) Data relating to the individual companies.

In relation to the Company's holding in Scutvias Autoestradas da Beira Interior, S.A., noteworthy is the sales agreement entered into with the rest of the Portuguese shareholders with an ownership interest in this company which was signed at the end of 2007. The conditions of this agreement are subject to the obtainment of the related authorisations from Scutvias, the concession provider and the banks financing the concession. This transaction amounts to EUR 56 million euros, which was charged as an advance prior to year-end. At the date of the preparation of these financial statements, this transaction had not yet been completed.

Of the relevant Group companies, associates and securities portfolio, only the following are listed on the stock exchange:

	Average Fourth Quarter of 2007	2007 Year-End
Abertis Infraestructuras, S.A.	22.74 €	22.04 €
Unión Fenosa, S.A.	45.51 €	46.19 €
Iberdrola, S.A.	11.02 €	10.40 €
Hochtief, A.G.	89.76 €	92.00 €

At 31 December 2007 the market value of the ACS Group's direct and indirect holdings was significantly higher than their carrying amount.

d) Loans to Group companies and associates

The Company has granted ACS Telefonía Móvil, S.L. five participating loans, the main data of which are as follows:

Grant Date	Thousands of Euros	Maturity
June 2001	13,972	June 2021
December 2001	9,980	December 2021
January 2002	9,980	January 2022
April 2002	5,988	April 2022
February 2004	2,595	February 2024
TOTAL	42,515	

These loans earn interest at an annual rate that can reach 12% on the basis of the Company's finance income. No interest was earned in 2007.

Additionally, the Company has granted loans and credit lines to the following Group companies and associates:

Company	Thousands of Euros	Maturity
PR Pisa, S.A.	876,192	2010
Residencial Montecarmelo, S.A.	578,646	2011
Roperfeli, S.L.	92,320	2011
Cariátide, S.A.	326,000	2012
Total Group Companies	1,873,158	
Scutvias Autoestradas da Beira Interior, S.A.	5,001	2029
Total Associates	5,001	

The loan granted to PR Pisa, S.A.U. relates to the contribution made to this company to finance the acquisitions of ownership interest in Unión Fenosa, S.A. It has a fixed interest rate and matures on 31 December 2010. The related interest is capitalised annually.

The loan granted to Residencial Monte Carmelo, S.A. relates to the contribution made to this company to finance the acquisition of a 7.2% ownership interest in Iberdrola, S.A. This loan has a fixed interest rate and matures on 31 December 2011. The related interest is capitalised annually.

The loan granted to Roperfeli, S.L. relates to the contribution made to this company to finance the acquisition of a 4.5% ownership interest in Unión Fenosa, S.A. This loan has a fixed interest rate and matures on 31 December 2011. The related interest is capitalised annually.

The loan granted to Cariátide, S.A. relates to the contribution made to this company as a participating loan for the financing of the acquisition of 25.08% of Hochtief, A.G. This loan earns interest at both a fixed and variable rate, on the basis of the company's net profit, and interest is capitalised annually. This loan matures on 31 October 2012.

The subordinated loan granted to Scutvias Autoestradas da Beira Interior, S.A. earns interest at an annual rate of 11%.

e) *Short-term investments*

The detail of the balance of this heading in the balance sheet at 31 December 2007 is as follows:

	Thousands of Euros
Short-term deposits	3
Short-term loans to Group companies and associates	106,368
Dividend receivable from Group companies and associates	681,347
Total short-term investments	787,718

The dividend receivable from Group companies and associates relates to interim dividends approved by the Boards of Directors of the investees.

The short-term loans to Group companies and associates earn interest at market rates.

8. Accounts receivable

The detail of the balance of the "Accounts Receivable" heading at 31 December 2007, is as follows:

	Thousands of Euros
Trade receivables for sales and services	4,087
Receivable from Group companies	7,075
Receivable from associates	3,689
Sundry accounts receivable	9,622
Employee receivables	1
Tax receivables	143,786
TOTAL	168,260

The "Trade Receivables for Sales and Services" account includes the amount of the certifications for completed work and services performed that were outstanding at the balance sheet date.

The "Tax Receivables" balance of EUR 143,786 thousand includes, inter alia, EUR 28,154 thousand receivable from the tax authorities for prepaid taxes relating to the externalization of the pension plan (Note 4), in accordance with Article one of the ICAC Resolution dated 25 September 1991 and other prepaid taxes amounting to EUR 22,287 thousand. Of the remaining balance, EUR 92,564 thousand relate to the pending corporation tax refund.

9. Equity

The changes in 2007 in each balance sheet item included under this heading were as follows:

	Thousands of Euros							
	Share capital	Share Premium	Legal Reserve	Other Reserves	Reserves for Treasury Shares	Profit for the Year	Interim Dividend	Total Equity
Balance at 31/12/06	176,437	897,294	35,287	15,188	67,276	1,109,570	(141,149)	2,159,903
Distribution of profit:								
Reserves	-	-	-	673,758	-	(673,758)	-	-
Dividends	-	-	-	-	-	(435,812)	141,149	(294,663)
Interim dividends (Note 3)	-	-	-	-	-	-	(264,655)	(264,655)
Reserve for treasury shares	-	-	-	(107,678)	107,678	-	-	-
Provision for treasury shares	-	-	-	(94,722)	-	-	-	(94,722)
Period profit	-	-	-	-	-	1,121,867	-	1,121,867
Balance at 31/12/07	176,437	897,294	35,287	486,546	174,954	1,121,867	(264,655)	2,627,730

a) Share capital

Share capital was represented by 352,873,134 fully subscribed and paid bearer shares of EUR 0.5 each, all of them 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.

At 31 December 2007, the shareholders with an ownership interest of over 10% in the Company's share capital were Corporación Financiera Alba, S.A. with an ownership interest of 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%.

b) Share premium

The consolidated Corporations Law expressly permits the use of the share premium balance to increase capital and establishes no specific restrictions as to its use for other purposes.

c) Legal reserve

Under the Consolidated Corporations Law, 10% of profit for each year must be transferred to the legal reserve until the balance of this reserve reaches at least 20% of share capital. At 31 December 2007, the legal reserve had reached the legally stipulated threshold. The legal reserve may not be distributed to shareholders, except in the event of liquidation of the Company.

The legal reserve can be used to increase capital provided that the remaining reserve balance does not fall below 10% of the increased share capital amount.

Except as mentioned above, until the legal reserve exceeds 20% of share capital, it can only be used to offset losses, provided that sufficient other reserves are not available for this purpose.

d) Treasury shares

As of 31 December 2007, the Company owned 11,941,061 treasury shares, of EUR 0.5 par value each, representing 3.38% of capital stock, with a net carrying amount of EUR 174,954 thousand. These shares were recorded under "Current Treasury Shares" in the accompanying balance sheet, net of the allowance of EUR 341,387 thousand, of which EUR 30,937 were recorded against income and EUR 310,450 were recorded against voluntary reserves. This allowance was made to recognize the lower carrying amount of the treasury

shares per consolidated books in accordance with the regulation published by the ICAC in its query 48, dated December 2001.

As required by Article 79.3 of the Spanish Corporations Law, the Company has recorded a reserve for treasury shares amounting to EUR 174,964 thousand, with a charge to voluntary reserves. This reserve is unrestricted until the shares are disposed of or retired.

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

	Treasury	Thousands of Euros
Balance at 31/12/ 06	6,985,055	67,276
Purchases	32,851,277	1,459,202
Sales	(27,895,271)	(1,225,865)
Provision at underlying carrying amount against income	-	(94,722)
Provision at underlying carrying amount against voluntary reserves	-	(30,937)
Balance at 31/12/07	11,941,061	174,954

Sale of treasury shares gave rise to gains of EUR 63,000 thousand and losses of EUR 1,957 thousand.

e) *Other reserves*

These reserves are voluntary and are not subject to any restrictions on their use, except for the portion relating to the redenomination of the share capital in euros in 2002, which amounts to EUR 162 thousand, the use of which is restricted.

Pursuant to Article 194 of the Consolidated Spanish Companies law, until the goodwill has been fully amortised, any distribution of profit is prohibited, unless the unrestricted reserves recorded are at least equal to the balance of the unamortised balances. In this case the reserves allocated to meet this requirement are considered to be restricted reserves.

10. Non-current liabilities

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

	Thousands of Euros	Final and Sole Maturity
Bank borrowings	1.980.173	
Caja Madrid	1,500,000	2010
Caixa Galicia	100,000	2010
Caixa Galicia	30,000	2011
Fortis Bank, S.A.	100,000	2010
ICO	100,000	2016
BBK	90,000	2009
BBK	60,000	2010
Other entities	173	2009
Payable to Group companies and associates	13,095	
TOTAL	1,993,268	

The loan amounting to €1,500 million is a syndicated loan arranged with 39 entities whose agent entity was Caja Madrid. This loan matures on 22 July 2010, at which time a single repayment is to be made in full. The loan bears interest at a rate tied to Euribor and requires compliance with certain ratios that are being met by the ACS Group.

All the loans bear a market interest rate tied to Euribor.

The balance payable to Group companies and associates relates mainly to a loan granted by Inversora de Infraestructuras, S.A., at an interest rate tied to Euribor, which matures annually and is tacitly renewable for one-year periods.

11. Provisions for contingencies and charges

The changes in 2007 were as follows:

	Thousands of Euros		
	Provision for Third-Party Liability	Reversion Reserve	Total
Balance at 31/12/06	88,399	4,545	92,944
Period Provisions	4,037	606	4,643
Amounts used	(1,325)	-	(1,325)
Balance at 31/12/07	91,111	5,151	96,262

The balance of this heading was recorded to meet estimated third party liability and other estimated risks indicated in Note 4 e) and to cover the reversion reserve for the assets requiring it.

12. Short-term payables to Group companies and associates

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

	Thousands of Euros
Dragados, S.A.	1,206,502
Iridium Concesiones de Infraestructuras, S.A.	293,531
Villanova, S.A.	120
Short-term loans	1,500,153
Joint ventures	50
Other current accounts with Group companies and associates	83,853
Total	1,584,056

The short-term loans bear interest at market rates and include unmatured accrued interest.

The balance payable to Dragados, S.A. relates to a credit agreement which matures annually and is automatically renewal, except in the case of express prior notice of termination by the parties thereto.

13. Non-trade payables

The credit lines and loans amounted to EUR 740,378 thousand with a limit of EUR 1,030,173 thousand. All these credit lines and loans bear market interest rates tied to Euribor.

The unmatured interest accrued at 31 December 2007 amounted to EUR 5,549 thousand.

The detail of "Other Non-trade Payables" at 31 December 2007 is as follows:

	Thousands of Euros
Tax payables	157,267
Dividend payable (Note 3)	264,655
Other payables	8,962
Total	430,884

As a result of the strategic investments made in recent years, the balance of the Company's working capital is negative. However, there are no short-term payables whose payment may be claimed immediately, e.g. the payables to Group companies and associates.

14. Tax matters

ACS, Actividades de Construcción y Servicios, S.A. is the parent of the tax group 30/99.

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

	Thousands of Euros
Accounting profit for the year before taxes	994,094
Permanent differences:	
Increases	58,054
Decreases	(12,895)
Adjusted profit	1,039,253
Timing differences:	
Increases	9,943
Decreases	(15,830)
Taxable profit	1,033,366
32.5% of adjusted profit	337,757
Tax credit for dividends	(380,048)
Other tax credits	(91,001)
Adjustment for tax rate to deferred tax assets and liabilities,	249
Adjustments to previous years and other	5,270
Corporation tax income	(127,773)

The permanent timing differences relate mainly to the allowance for treasury shares and the non-deductible portion of the amortisation of goodwill arising on the merger. There are also permanent and timing differences relating to the differences in the accounting and tax timing of recognition of period provisions in 2007 or in previous years.

In the 2006 corporation tax return, the Company recorded a tax credit for reinvestment amounting to EUR 90,988 thousand, in relation to the gains of EUR 454,941 thousand on the sale of Inmobiliaria Urbis in 2006, which were already decreased on the basis of the double taxation credit. The reinvestment commitment was met through the acquisition of non-current financial assets in 2006.

The Company has the commitment to maintain investments in relation to which it availed itself of tax credits for the reinvestment of gains, as detailed in the notes to the financial statements for 2003 and 2005 and the notes to the financial statements of Grupo Dragados, S.A. for 2001 and 2002.

Also, in relation to the tax group's consolidated tax, in 2007 different group companies applied a tax credit for the reinvestment of gains. These reinvestment commitments were met through the acquisition of non-current assets by other Group companies. In this connection, Appendix I lists the investments by the different Group companies in

property, plant and equipment and non-current financial assets in 2007, which are able to be used to meet the reinvestment commitments made by other Group companies.

In 2007 the Spanish tax authorities completed the tax audit in relation to the years 2000 to 2002 on the absorbed company, Grupo Dragados, S.A., and on the tax group of which it was the parent.

As a result of the completed tax audits, consolidated corporation tax assessments lowering the volume of tax carryforwards for export activity pending at the end of 2002 by EUR 28,501 thousand for the whole of the tax group were signed on a contested basis. The risk arising from this assessment and other tax litigation of a lesser amount are appropriately covered with provisions for contingencies and charges.

Additionally, in relation to the aforementioned tax audits, other tax assessments, the portions attributable to the Company being immaterial, were paid with a charge to the income statement for 2007 and, if appropriate, deferred tax assets. In the event of a tax audit by the tax inspection authorities of the open years, significant liabilities are not expected to arise for the Company.

As explained in the notes to the financial statements for 2006, in the past year the Company adjusted its deferred tax assets and liabilities to the new tax rates approved by Law 35/2006. Since this adjustment took into account the effect relating to the drop in the tax rate applicable for 2008, in 2007 the company only adjusted the effect on new timing differences arising in 2007, which were immaterial.

15. Guarantee commitments to third parties and other contingent liabilities

The Company basically acts as guarantor to facilitate the granting of guarantees to Group companies and associates for their provision to Government bodies and private customers in order to secure the correct performance of their contracts. The guarantees granted at 31 December 2007 amounted to EUR 275,695 thousand.

Company management considers that any unforeseen liabilities which might arise from the guarantees provided would not be material.

16. Income and expenses

The detail of "Employee Benefit Costs" in income statement at 31 December 2007 is as follows:

	Thousands of Euros
Employer social security taxes	808
Contributions to supplementary pension systems	2,938
Other employee benefit costs	654
Total	4,400

The revenue of EUR 5,726 thousand relates to the holding in the joint venture UTE Dramar, which engages in contract work for the Government ports.

Transactions performed with Group companies and associates:

	Thousands of Euros
Finance income	81,061
Finance costs	70,551
Services rendered	9,519
Services received	724
Other external expenses	3,100
Dividends received	1,172,906

The average number of employees at the Company in 2007 was as follows:

	Permanent Employees	Men	Women
Management and university graduates	32	26	6
Junior college graduates	4	3	1
Clerical personnel	14	-	14
Other personnel	7	7	-
Total	57	36	21

The heading "Other Operating Income" relates mainly to the billing of other Group companies and associates for services rendered.

Extraordinary income

The gains on fixed assets related mainly to the sale of the ownership interest in Aguas y Servicios del Huesna, S.L. (Note 7).

The other extraordinary income related to the net gain on transactions with treasury shares amounting to EUR 61,043 thousand (Note 9).

Extraordinary expenses related mainly to the loss incurred in relation to the resolution of lawsuits filed against the company in relation to Colombia.

The changes in allowances relate mainly to the provision for the adjustment of the treasury shares to market value (Note 9.d)

17. Other disclosures

Remuneration of directors

In 2007 the members of the Board of Directors de ACS, Actividades de Construcción y Servicios, S.A. received the following remuneration for membership of the Boards of Directors of the Parent or Group companies and/or for being senior executives of the Group companies:

	Thousands of Euros
Fixed remuneration	2,615
Variable remuneration	3,181
Bylaw-stipulated directors' emoluments	2,040
Other	1,500
Total	9,336

Other Benefits	Thousands of Euros
Pension funds and plans: Contributions	2,010
Life insurance premiums	12
Total	2,022

The Company has not granted any advances, loans or guarantees to any of the Board members.

The amount recognised under "Pension Funds and Plans: Contributions" is explained in Note 4 e).

Share-based payments

In 2007 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.

At 31 December 2007, 804,000 of the 2004 plan options had been exercised.

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 of the 2005 plan options were exercised.

The share options are always to be exercised through the settlement of equity instruments and never in cash. However, in no case shall the exercise thereof involve the issue of equity instruments additional to those outstanding at 31 December 2007.

The Company has externalised these commitments with a financial institution. The Company bears the finance costs incurred by this financial institution each year as a result of the aforementioned externalisation.

The stock market price of ACS shares at 31 December 2007 was EUR 40.65. Consequently, no risk arose for the Company.

Information on the Environment

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

CO₂ Emissions

Given the activities carried on by the Company, there are no matters relating to CO₂ emissions affecting the Company. Consequently, no information relating to CO₂ emissions is included in these notes to financial statements.

Auditors' fees

The auditors' fees for audit of the individual financial statements of the Company and its consolidated group in 2007 amounted to EUR 174 thousand.

Additionally, the Company paid EUR 31 thousand to audit firms other than its main auditor for other services not relating to auditing or accounting.

Detail of directors' equity interests in companies engaging in similar business activities and performance by directors, as independent professionals or as employees, of similar activities

Pursuant to Article 127 ter.4 of the Spanish Corporations Law, introduced by Law 26/2003, which amends Securities Market Law 24/1988, and the revised Spanish Corporations Law, in order to reinforce the transparency of listed corporations, following is a detail of the companies engaging in an activity that is identical, similar or complementary to the activity that constitutes the corporate purpose of ACS, Actividades de Construcción y

Servicios, S.A. in which the members of the Board of Directors own 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 Martínez-Conde Gutiérrez-Barquín	Fomento de Construcciones y Contratas, S.A.	Construction and Services	0.004%	None
Santos Martínez-Conde Gutiérrez-Barquín	Compañía Española de Petróleos, S.A. (Cepsa)	Energy	0.001%	None
Santos Martínez-Conde Gutiérrez-Barquín	Repsol YPF, S.A.	Energy	0.001%	None
Santos Martínez-Conde Gutiérrez-Barquín	Compañía Distribución Integral Logista, S.A.	Logistics	0.002%	None
Santos Martínez-Conde Gutiérrez-Barquín	Indra Sistemas, S.A.	Information technologies and defence systems	0.001%	None
Santos Martínez-Conde Gutiérrez-Barquín	Renta Corporación Real Estate, S.A.	Real Estate	0.008%	None
Santos Martínez-Conde Gutiérrez-Barquín	Grupo Ferrovial, S.A.	Construction and Services	0.001%	None
Santos Martínez-Conde Gutiérrez-Barquín	Abengoa, S.A.	Engineering and Assembly	0.002%	None
Santos Martínez-Conde Gutiérrez-Barquín	Gamesa Corporación Tecnológica, S.A.	Wind-powered Facilities	0.001%	None
Santos Martínez-Conde Gutiérrez-Barquín	Telefónica, S.A.	Telephony	0.001%	None
Santos Martínez-Conde Gutiérrez-Barquín	Abertis Infraestructuras, S.A.	Concessions	0.000%	None
Santos Martínez-Conde Gutiérrez-Barquín	Martinsa-Fadesa, S.A.	Real Estate	0.001%	None

Owner	Investee	Activity	Ownership Interest	Functions
Santos Martínez-Conde Gutiérrez-Barquín	Iberdrola Renovables, S.A.	Energy	0.000%	None
Santos Martínez-Conde Gutiérrez-Barquín	Gás Natural SDG, S.A.	Energy	0.001%	None
Santos Martínez-Conde Gutiérrez-Barquín	Enagas, S.A.	Energy	0.001%	None
Santos Martínez-Conde Gutiérrez-Barquín	Iberdrola, S.A.	Energy	0.001%	None
Santos Martínez-Conde Gutiérrez-Barquín	Unión Fenosa, S.A.	Energy	0.001%	Director
Santos Martínez-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 company	Employee	Corporación Financiera Alba, S.A.	Vice Chairman

Name	Activity Performed	Type of Arrangement	Company through which the Activity is Performed	Position or Function at the Company Concerned
Pablo Valbona Vadell	Concessions	Employee	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 company	Employee	Corporación Financiera Alba, S.A.	Deputy Vice Chairman
Isidro Fernández Barreiro	Security	Employee	Prosegur, S.A.	Vice Chairman
José María Loizaga Viguri	Lifts	Employee	Zardoya Otis, S.A.	Vice Chairman

Name	Activity Performed	Type of Arrangement	Company through which the Activity is Performed	Position or Function at the Company Concerned
José María Loizaga Viguri	Venture Capital	Independent Professional	Cartera Hotelera, S.A.	Chairman
José María Loizaga Viguri	Storage Systems	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 Rail, 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	Employee	Explotación Comercial del Intercambiador, 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 company	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	Motorway 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

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	Automobile Parts	Employee	Continental Tires, S.L.	Chairman
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 company	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

In 2007 the Company performed commercial transactions with companies in which certain of its Board Members perform management functions. All these commercial transactions were carried out on an arm's-length basis in the ordinary course of business, and related to ordinary Company transactions.

18. Statements of changes in financial position

	Year	
	2007	2006
SOURCE OF FUNDS		
Funds obtained from operations	1,165,525	99,248
Non-current liabilities	-	320,531
Disposal and derecognition of non-current assets		
Property, plant and equipment	808	161
Long-term investments	113,086	1,259,214
Deferred charges	1,797	2,483
Total funds obtained	1,281,216	1,681,637

	Year	
	2007	2006
APPLICATION OF FUNDS		
Acquisition of non-current assets		
Intangible assets	-	6
Property, plant and equipment	1,008	1,679
Long-term investments	356,533	1,130,993
Dividends	559,318	280,165
Underlying carrying amount of treasury shares	94,722	215,728
Non-current liabilities	17,199	-
Total funds applied	1,028,780	1,628,571
Funds obtained in excess of funds applied (Increase in working capital)	252,436	53,066

Change in working capital

	2007		2006	
	Increases	Decreases	Increases	Decreases
Inventories	40	-	123	-
Accounts receivable	91,547	-	-	54,229
Accounts payable	-	191,877	-	322,090
Short-term investments	247,380	-	359,091	-
Treasury shares	107,678	-	67,276	-
Cash	-	970	1,419	-
Prepayments and accrued income	-	1,362	1,476	-
Total	446,645	194,209	429,385	376,319
Change in working capital	-	252,436	-	53,066

Reconciliation of profit for the year to funds obtained from operations:

	2007	2006
Net profit for the year	1,121,867	1,109,570
Depreciation and amortisation charge	42,577	42,717
Reversion reserve	606	606
Provision for long-term investments	3,594	2,680
Provision for contingencies and expenses	2,712	3,276
Losses on the sale of non-current assets	(5,831)	(1,059,601)
Total	1,165,525	99,248

19. Events after the balance sheet date

On 8 January 2008, the Company acquired 14,733,966 shares representing 4.83% of the share capital of Unión Fenosa, S.A. Therefore, at the date of the presentation of these financial statements, its direct and indirect ownership interest amounted to 45.31% (Note 7).

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 of which the parent is Abertis for over EUR 700 million. It is projected that this transaction will be closed in the first quarter of 2008.

20. Proposed distribution of profit

The distribution of profit of ACS, Actividades de Construcción y Servicios, S.A. that the Board of Directors will propose for approval by shareholders at the Annual General Meeting is as follows:

	Euros
To voluntary reserve	504,339,405.95
Dividends	617,527,984.50
	1,121,867,390.45

The total dividend for the year proposed is EUR 1.75 per share, totalling EUR 617,528 thousand, of which an interim dividend of EUR 0.75 per share, totalling EUR 264,655 has already been paid. Accordingly, the final dividend amounts to EUR 352,873.

21. Transition to new accounting principles

On 20 November 2007, R.D.1514/2007 was published, approving the New Spanish National Chart of Accounts entering into force on 1 January 2008. The use of this Chart is mandatory for all financial years initiated from the date on which it entered into force.

Pursuant to the Royal Decree, the first financial statements prepared in accordance with the principles contained therein shall be considered to be initial financial statements and shall not contain comparative figures for the

previous year. However, the presentation of comparative information for the previous year shall be allowed as long as it is adapted to the new plan. Additionally, the Plan contains several transitory provisions in which different options are allowed upon the first application of the Spanish National Chart of Accounts, as well as the voluntary adoption of certain exceptions in the initial application process.

The Company is carrying out a transition plan for the purpose of adapting to the new accounting standards, which includes, inter alia, an analysis of the difference in principles and standards, a determination as whether or not to present comparative information adapted to the new standards, and accordingly, in relation to the opening balance sheet date, the selection of accounting principles and standards to be applied in the transition and an evaluation of the changes in reporting procedures and information systems required.

At the date of the presentation of these financial statements, the aforementioned plan was still in the process of being prepared and it was impossible to fully and reliably estimate the possible impacts of the transition on the basis of all relevant information.

22. Explanation added for translation to English

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

APPENDIX I

Reinvestment Tax Credit

Following are the investments made in 2007 by companies included in the tax group 30/99 which can be used for the purpose of applying the tax credit for the reinvestment of gains obtained from other companies in the tax group.

Company	Thousands of Euros	
	Property, plant and equipment	Long-Term Investments
Marítima del Mediterráneo, S.A.	217	30,699
Graneles Sólidos Minerales, S.L.	11,011	
Terminales del Sudeste, S.A.	14,327	
Marítima Valenciana, S.A.	21,007	
Clece, S.A.	4,800	17,959
Iridium Concesiones de Infraestructuras, S.A.		9,038
Desarrollo de Concesiones Ferroviarias, S.L.		3,414
Desarrollo de Concesiones Viales Uno, S.L.		7,160
Tecsa	1,601	
Geotecnia y Cimientos, S.A.	1,474	
Simetsa	38,248	
Parque Eólico La Boga, S.A.	278,323	
Parque Eólico S. Cruz del Tozo, S.A.	8,767	
Cobra Instalaciones y Servicios, S.A.	5,100	
Hidrolazán, S.L.	2,926	
Cobra Instalaciones y Servicios Internacional, S.A.		20,141
Sermicro, S.A.	3,182	
API Movilidad, S.A.	1,937	
Emesa		3,400
Cariátide, S.A.		1,263,888
Urbaser, S.A.	26,000	55,614
Vertresa	1,093	
Tracemar, S.L.	556	
Consenur, S.A.	3,028	1,300
Cymi, S.A.		8,020
Can Brians 2, S.A.	104,023	
Andasol Central Termosolar Uno, S.A.		2,731
Andasol Central Termosolar Dos, S.A.		2,731
Tedagua, S.A.		600
Cosersa	490	
Sociedad Española de Montajes Industriales, S.A.	2.560	
Maessa	1,253	

Declaration of Responsibility and Preparation

The members of the Board of Directors hereby declare that to the best of their knowledge, the foregoing financial statements were prepared in accordance with applicable accounting principles. Accordingly, they give a true and fair view of the equity, financial position and results of ACS, Actividades de Construcción y Servicios, S.A. The approved Directors' report includes a true and fair view of the business performance, results and position of ACS, Actividades de Construcción y Servicios, S.A., together with a description of the main risks and uncertainties it faces. In accordance with the law in force, the members of the Board of Directors hereby sign this declaration of responsibility, the financial statements and the directors' report of ACS, Actividades de Construcción y Servicios, S.A., prepared in accordance with the standards in force, closed at 31 December 2007, set forth on 51 sheets of plain paper, all of which are hereby signed by the Chairman and Secretary of the Board of Directors.

Florentino Pérez Rodríguez (Chairman)	Antonio García Ferrer (Vice Chairman)
Pablo Vallbona Vadell (Vice Chairman)	José María Aguirre González (Board Member)
Agustín Batuecas Torrego (Board Member)	Álvaro Cuervo García (Board Member)
Javier Monzón de Cáceres (Board Member)	Joan David Grimá Terré (Board Member)
Isidro Fernández Barreiro (Board Member)	José María Loizaga Viguri (Board Member)
Javier Echenique Landiribar (Board Member)	Santos Martínez-Conde Gutiérrez- Barquín (Board Member)
Pedro José López Jiménez (Board Member)	Miguel Roca Junyent (Board Member)
Manuel Delgado Solís (Board Member)	Francisco Servando Verdú Pons (Board Member)
Julio Sacristán Fidalgo (Board Member)	José Luis del Valle Pérez (Director – Secretary)

Madrid, 27 March 2008

The "Treasury Shares Disclosures Document" form was prepared by the Board of Directors at its meeting held on 27 March 2008.

The aforementioned disclosures relate to the year ended 31 December 2007, and all pages are signed by the Chairman and the Secretary, this last page being signed, where specified, by the members of the Board of Directors:

Florentino Pérez Rodríguez (Chairman)	Antonio García Ferrer (Vice Chairman)
Pablo Vallbona Vadell (Vice Chairman)	José María Aguirre González (Board Member)
Agustín Batuecas Borrego (Board Member)	Álvaro Cuervo García (Board Member)
Javier Monzón de Cáceres (Board Member)	Joan David Grimá Terré (Board Member)
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Manuel Delgado Solís (Board Member)	Francisco Servando Verdú Pons (Board Member)
Julio Sacristán Fidalgo (Board Member)	José Luis del Valle Pérez (Director – Secretary)

Madrid, 27 March 2008