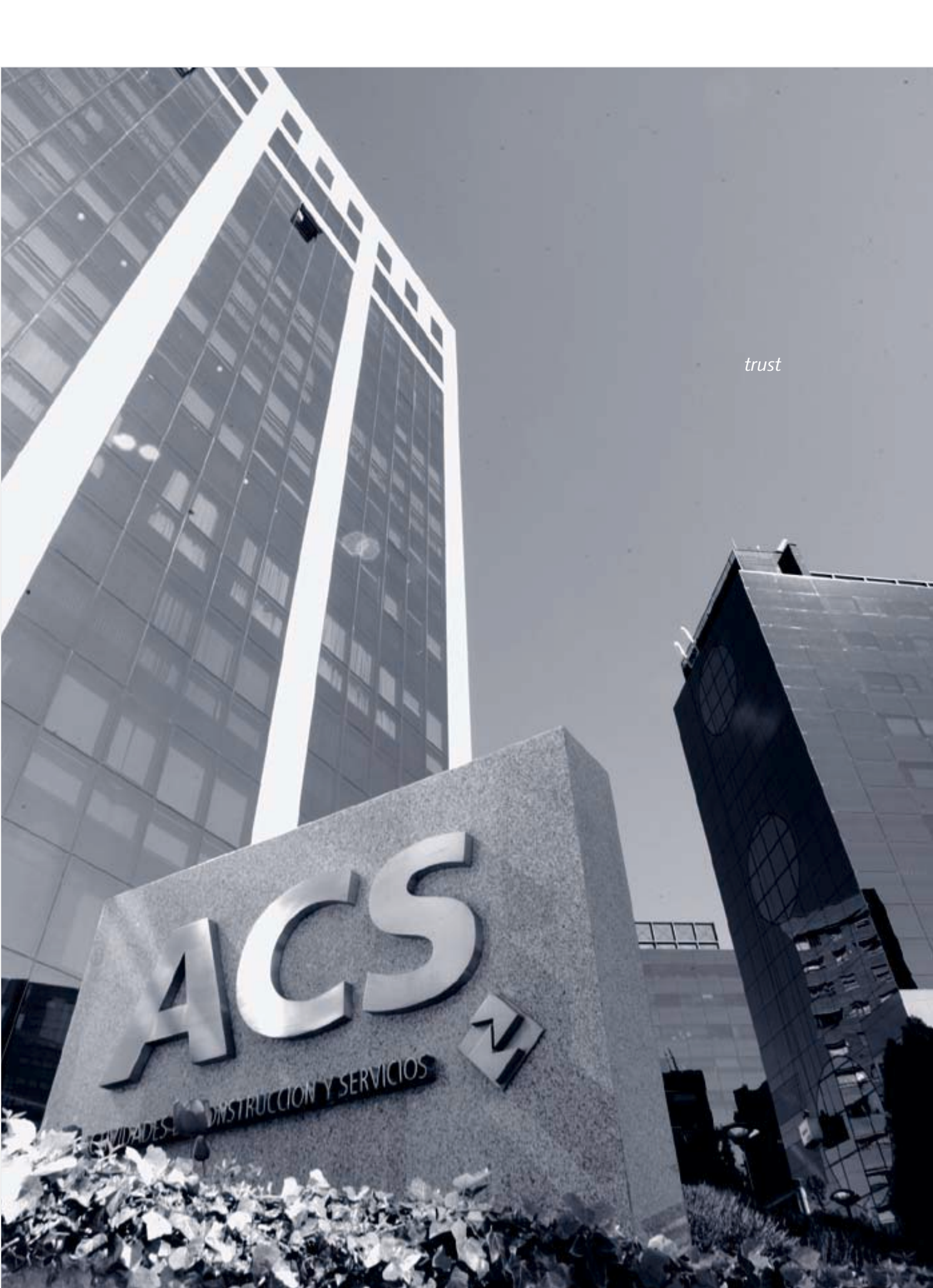


Corporate Governance in the **ACS** Group

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trust

ACS

CONSTRUCCION Y SERVICIOS





Hemisferic building, Arts and Sciences City of Valencia

In accordance with the ACS policy of transparency as regards shareholders and investors, the Board of Directors of ACS, Actividades de Construcción y Servicios, S.A. has approved the Annual Corporate Governance Report for 2004, which follows the guidelines set forth by the Special Commission for the Promotion of Transparency and Security in Stock Exchanges and Listed Companies ("Aldama Report"), as contained in 26/2003 Law, Ministerial Order 3722/2003 which develops it, and Circular 1/2004 of the Spanish Stock Market Commission (CNMV).

The ACS Group notified this to the CNMV and made it available to its shareholders via the corporate website (<http://www.grupoacs.com>) on April 5, 2005. This report contains information relative to the Company's ownership and management, risk management, General Shareholders Meetings and the capital markets, whose most significant aspects are described below.

5.1

Ownership Structure

5.1.1. Share capital

As of December 31, 2004 the share capital of the ACS Group was €176,436,567, represented by 352,873,134 ordinary shares, each with a face value of €0.50, all of the same class and series.

The last change to the share capital took place on June 10, 2004, when it was reduced by a face value of €1,353,679.50 by means of the redemption of 902,453 shares from the Company's treasury stock. The shares were redeemed at their acquisition price against the share capital for their face value, and the rest against free reserves. The face value of the shares was also reduced from €1.50 to €0.50, with the subsequent simultaneous increase in the number of shares representing the stock capital (3 x 1 split), from 117,624,378 to 352,873,134 shares.

ACS shares are listed on the Madrid, Barcelona, Bilbao and Valencia stock exchanges and traded through the Spanish computerized trading system.

5.1.2. Significant shareholdings

As of December 31, 2004, the Company is aware of the following significant shareholdings in its capital structure:

Shareholder	Number of shares held directly	Number of shares held indirectly	% of total share capital
Corporación Financiera Alba, S.A.	-	54,879,558	15.552%
Corporación Financiera Alcor, S.A.	932,880	31,866,981	9.295%
Inversiones Vesan, S.A.	21,091,301	-	5.977%

- *Corporación Financiera Alba, S.A.* is a listed company with which there is a Shareholder's Agreement, about which the CNMV was informed and which was published as a Relevant Fact on June 9, 2004, and which affects 62.18% of the stock capital. Siblings Juan, Carlos, Leonor and Gloria March Delgado own all the shares of Banca March, S.A., a non-listed company devoted to banking which holds a significant stake in *Corporación Financiera Alba, S.A.* On May 24, 2004, said March Delgado siblings, who are also direct or indirect owners of stakes in *Corporación Financiera Alba, S.A.*, signed a Shareholders' Agreement regarding said Bank, which also affects *Corporación Financiera Alba, S.A.* on the basis of its stake. This Agreement is an extension of the one dated March 10, 1980, and is valid through March 31, 2015. Considering the stake of Banca March, S.A. as well as that of the shareholders party to the Agreement, they continue to jointly control *Corporación Financiera Alba, S.A.*

The indirect stake of Corporación Financiera Alba, S.A. in ACS consists of the following shareholdings:

Direct owner of the stake	Number of shares held directly	% of total share capital
Fondarte, S.A.	31,727,925	8.991%
Inversiones Finalba, S.A.	21,642,711	6.133%
Inversiones Arta, S.A.	1,508,922	0.428%

- *Since Imvernelín Patrimonio, S.L. is controlled by Corporación Financiera Alcor, which has no controlling shareholder, a tacit agreement exists between the parties. By the joint exercise of their voting rights, they have maintained a long-lasting joint policy with respect to the Company. The stake of Imvernelín Patrimonio, S.L. in the share capital of ACS is as follows:*

Direct owner of the stake	Number of shares held directly	% of total share capital
Imvernelín Patrimonio, S.L.	31,167,792	8.833%

The following companies are shareholders of Imvernelín Patrimonio, S.L. (with their respective stakes):

Shareholder	Stake in Imvernelín Patrimonio, S.L.
Corporación Financiera Alcor, S.A.	68.532%
Comercio y Finanzas, S.A.	15.734%
Percacer, S.A.	15.734%

- *Corporación Financiera Alcor, S.A. owns 932,880 shares in ACS, representing 0.264% of the share capital. The following are the shareholders of Corporación Financiera Alcor, S.A., with their respective direct stakes in ACS:*

Direct owner of the stake	Stake in Corporación Financiera Alcor, S.A.	Number of shares held directly	% of total share capital
Comercio y Finanzas, S.A. ⁽¹⁾	44.10%	90,594	0.026%
Percacer, S.A. ⁽²⁾	44.10%	600,594	0.170%
Mr. Alberto Cortina de Alcocer	5.90%	4,728	0.001%
Mr. Alberto de Alcocer Torra	5.90%	3,273	0.001%

⁽¹⁾ 99.99% of the shares in this company are in turn the property of Mr. Alberto de Alcocer Torra

⁽²⁾ 95% of the shares in the company are in turn the property of Mr. Alberto Cortina de Alcocer

No one shareholder has control over the Company for the purposes of Section 4 of the Stock Exchange Law. Likewise, there is no knowledge of any quasi-corporate or concerted agreements between significant shareholders by virtue of which the shareholders exercise or could exercise joint control over it.

5.1.3. Board member stakes in the share capital

As of December 31, 2004, the Company was informed that Board members held the following stakes in the Company:

Board member	Date first appointed	Date last appointed	Number of shares held directly	Direct stake	Number of shares held indirectly (*)	Indirect stake	Total number of shares	% of total stake
Mr. José María Aguirre González	29/6/95	12/6/01	421,500	0.119%	-	0.000%	421,500	0.119%
Mr. Agustín Batuecas Torrego	29/6/99	14/10/03	749,088	0.212%	-	0.000%	749,088	0.212%
Mr. Miguel Blesa de la Parra	14/10/03	14/10/03	2,430	0.001%	-	0.000%	2,430	0.001%
Mr. Álvaro Cuervo García	5/9/97	19/6/03	-	0.000%	42,000	0.012%	42,000	0.012%
Mr. Javier Echenique Landiribar	20/5/04	20/5/04	24,438	0.007%	-	0.000%	24,438	0.007%
Mr. Isidro Fernández Barreiro	5/9/97	14/10/03	14,046	0.004%	-	0.000%	14,046	0.004%
Mr. Antonio García Ferrer	14/10/03	14/10/03	5,920	0.002%	-	0.000%	5,920	0.002%
Mr. Joan David Grimá Terré	14/10/03	14/10/03	-	0.000%	2,550	0.001%	2,550	0.001%
Mr. José María Loizaga Viguri	28/6/89	14/10/03	128,313	0.036%	100,000	0.028%	228,313	0.065%
Mr. Pedro-José López Jiménez	28/6/89	14/10/03	-	0.000%	1,700,000	0.482%	1,700,000	0.482%
Mr. Santos Martínez-Conde Gutiérrez-Barquín	19/6/02	19/6/03	3,378	0.001%	-	0.000%	3,378	0.001%
Mr. Florentino Pérez Rodríguez	28/6/89	14/10/03	-	0.000%	21,091,301	5.977%	21,091,301	5.977%
Mr. Miguel Roca Junyent	14/10/03	14/10/03	12	0.000%	-	0.000%	12	0.000%
Mr. Julio Sacristán Fidalgo	19/2/98	19/6/03	1,356	0.000%	-	0.000%	1,356	0.000%
Mr. Pablo Vallbona Vadell	5/9/97	14/10/03	12,000	0.003%	-	0.000%	12,000	0.003%

(*) Through:

Direct owner of the stake	Number of shares held directly	Direct stake
Sociedad de Estudios y Estrategia Empresarial, S.A.	42,000	0.012%
Grial Inversiones	2,550	0.001%
Inversiones Europeas, S.L.	100,000	0.028%
Fidwei Inversiones, S.L.	1,465,000	0.415%
Lynx Capital, S.A.	235,000	0.067%
Inversiones Vesan, S.A.	21,091,301	5.977%

Company Board members hold 31.733% of the share capital of ACS:

Shareholder	Number of shares held directly	Number of shares held indirectly	% of total share capital
Corporación Financiera Alba, S.A.	-	54,879,558	15.552%
Corporación Financiera Alcor, S.A.	932,880	31,866,981	9.295%
Inversiones Vesan, S.A.	21,091,301	-	5.977%
Rest of the Board of Directors	1,362,481	1,844,550	0.909%
Total Board of Directors	23,386,662	88,591,089	31.733%

- Corporación Financiera Alba, S.A, is represented on the Board of Directors by Mr. Pablo Valbona Vadell, Mr. Isidro Fernández Barreiros and Mr. Santos Martínez-Conde Gutiérrez-Barquín.

Company Board Members with stock options are:

Board member	Number of options held directly	Number of options held indirectly	Equivalent number of shares	% of share capital
Mr. Agustín Batuecas Torrego	192,000	-	192,000	0.054%
Mr. José Luis del Valle Pérez	685,341	-	685,341	0.194%
Mr. Antonio García Ferrer	390,000	-	390,000	0.111%
Mr. Florentino Pérez Rodríguez	2,616,354	-	2,616,354	0.741%

5.1.4. Treasury stock

Own shares

At the 2003 year-end, the Company held 902,453 shares in treasury stock (equivalent to 2,707,359 shares following the 3 for 1 split in June 2004). These shares were redeemed in their entirety by resolution of the General Shareholders' Meeting of May 20, 2004.

In 2004 certain transactions were performed with treasury stock. From these transactions, the ACS Group obtained capital gains of €29.6 million, recorded as extraordinary revenue in the income statement.

The balance at December 31, 2004 amounted to 1,726,969 shares, 0.489% of the share capital, all acquired in 2004.

The movements for the year were as follows:

	Shares	Thousands of Euros	Face Value (Euros)
Balance at December 31, 2003	902,453	26,875	1,353,679.5
Purchases before stock split	1,895,439	75,823	2,843,158.5
Retirement of treasury stock	(902,453)	(33,125)	(1,353,679.5)
Balance after stock split	5,686,317	69,573	2,843,158.5
Purchases	6,144,713	93,486	3,072,356.5
Sales	(10,104,061)	(133,928)	(5,052,031)
Balance at December 31, 2004	1,726,969	29,131	863,484.5

Current authorisation for the acquisition of treasury stock

At the General Shareholders' Meeting held on May 20, 2004, the Board of Directors of the Company and the Boards of the subsidiaries were authorised to purchase treasury stock for the 18-month period following the date of the General Shareholders' Meeting, and pursuant to the terms and requirements set forth in section 75 and other, consistent legislation of the Corporations Law. The face value of this treasury stock, when added to what is already held by the Company and its subsidiaries, shall not exceed 5% of the share capital in circulation. The minimum and maximum prices, respectively, should be the face value of the stock and the price at which they were traded during the Stock Exchange session on the day of purchase, or the prices authorised by the competent body of the Stock Exchange or CNMV.

5.1.5. Distribution of the capital

Shareholder	Number of shares held directly	Number of shares held indirectly	% of total share capital
Corporación Financiera Alba, S.A.	-	54,879,558	15.552%
Corporación Financiera Alcor, S.A.	932,880	31,866,981	9.295%
Inversiones Vesan, S.A.	21,091,301	-	5.977%
Rest of the Board of Directors	1,362,481	1,844,550	0.909%
Total Board of Directors	23,386,662	88,591,089	31.733%
Treasury Stock	1,726,969	-	0.489%
Tied up capital	25,113,631	88,591,089	32.223%
Floating capital			67.777%
TOTAL			100%

5.2

Management Structure

5.2.1. Responsibilities of the Board of Directors

The Board of Directors of the ACS Group is entrusted with the representation of the Company and the management of its businesses, as well as with undertaking any operations that comprise its corporate purpose or are related thereto, and to act in accordance with the interests of the Company and its shareholders.

In particular, the Board of Directors is responsible for the following:

- Acceptance of Board member resignations.
- Appointment, revocation and acceptance of resignations for the Chairman, Vice Chairman and Secretary of the Board.
- Appointment, revocation and acceptance of resignations of Board members on Board Commissions and Committees.
- Delegation of all or part of the powers corresponding to the Board to any of its members, with the exception of non-transferable powers.
- Formulation of individual and consolidated annual accounts and management reports and submittal thereof to the General Shareholders' Meeting for approval.
- Preparation of reports, including the Annual Corporate Governance Report and any proposals that, pursuant to current legislation and the Company's By-laws, are the responsibility of the Board of Directors.
- Approval of the annual budgets.
- Approval of any mergers, spin-offs or concentration transactions concerning the main subsidiaries of the Group in which the Company is the controlling company.
- Approval of the issue of series of bonds, promissory notes, debentures or similar titles by the main companies of the Group in which the Company is the controlling company.
- Approval of the assignment of rights on the commercial name, trademarks and industrial or intellectual property rights that belong to the Company or companies of the Group, providing these are of financial relevance.
- Approval of the Rules of the Board of Directors.
- In general, the exercise of all duties that correspond to the Board by Law, the By-laws and the Rules of the Board of Directors, as well as the exercise of any other duties delegated to it by the General Shareholders Meeting, in turn assigning only those that are expressly permitted in the resolution on delegation passed during the General Shareholders' Meeting.

The annual accounts prepared by the Board of Directors will be presented to the Board by the Chairman and CEO and by the Corporate General Manager who, in turn, is responsible for the economic-financial affairs of the Company.

5.2.2. Composition of the Board of Directors

Special relevance is given to the figure of the Independent Non-Executive Director, a person of renowned professional status who can bring experience and knowledge to corporate governance and who, being neither an executive or proprietary director, is elected as such and offers the characteristics that ensure impartial and objective criteria.

There is no limit to the term of Independent Non-Executive Director. Article 11 of the Rules of the Board of Directors provides in general that Board members shall hold their positions for the duration of their terms, which may not exceed 5 years, and they may be re-elected one or several times for equal periods of maximum duration. Once the term of their appointment has expired, Board members may continue to hold their positions until the next General Shareholders' Meeting.

The Extraordinary General Shareholders' Meeting of October 14, 2003 increased the minimum (11) and maximum (21) number of members permitted on the Board of Directors, and established a Board of Directors comprised of 18 members, 4 of which are Executive Directors, 8 Proprietary and External Directors and 6 Independent Non-Executive Directors:

Position	Board member	Date first appointed	Date last appointed	Election Procedure	Membership Capacity
Chairman and CEO	Mr. Florentino Pérez Rodríguez	28/6/89	14/10/03	General Meeting	Executive
Executive Vice Chairman	Mr. Antonio García Ferrer	14/10/03	14/10/03	General Meeting	Executive
Vice Chairman	Mr. Pablo Vallbona Vadell	5/9/97	14/10/03	General Meeting	Proprietary and External
Board member	Mr. José María Aguirre González	29/6/95	12/6/01	General Meeting	Independent Non-Executive
Board member	Mr. Agustín Batuecas Torrego	29/6/99	14/10/03	General Meeting	Executive
Board member	Mr. Miguel Blesa de la Parra	14/10/03	14/10/03	General Meeting	Independent Non-Executive
Board member	Mr. Álvaro Cuervo García	5/9/97	19/6/03	General Meeting	Independent Non-Executive
Board member	Mr. Manuel Delgado Solís	20/5/04	20/5/04	General Meeting	Proprietary and External
Board member	Mr. Javier Echenique Landiribar	20/5/04	20/5/04	General Meeting	Proprietary and External
Board member	Mr. Isidro Fernández Barreiro	5/9/97	14/10/03	General Meeting	Proprietary and External
Board member	Mr. Joan David Grimá Terré	14/10/03	14/10/03	General Meeting	Independent Non-Executive
Board member	Mr. José María Loizaga Viguri	28/6/89	14/10/03	General Meeting	Independent Non-Executive
Board member	Mr. Pedro-José López Jiménez	28/6/89	14/10/03	General Meeting	Proprietary and External
Board member	Mr. Santos Martínez-Conde Gutiérrez-Barquín	19/6/02	19/6/03	General Meeting	Proprietary and External
Board member	Mr. Javier Monzón de Cáceres	20/5/04	20/5/04	General Meeting	Proprietary and External
Board member	Mr. Miguel Roca Junyent	14/10/03	14/10/03	General Meeting	Independent Non-Executive
Board member	Mr. Julio Sacristán Fidalgo	19/2/98	19/6/03	General Meeting	Proprietary and External
Secretary Board member	Mr. José Luis del Valle Pérez	28/6/89	14/10/03	General Meeting	Executive

The Board will elect a Chairman from among its own members, as set forth in current legislation, Company By-laws and the Rules of the Board of Directors. The Chairman will undertake all the responsibilities that correspond to the Company's highest executive position within the guidelines established by the General Shareholders' Meeting, the Board of Directors and the Executive Committee.

The broadest of powers will be vested in the Chairman so that he may carry out his duties and, unless prohibited by Law, he may delegate his power of attorney, either totally or partially, to any fellow Board member or to any member of the Company's senior management or, in general, to anyone he considers suitable or necessary.

The Board may also elect one or two Vice Chairmen from among its members, who will substitute the Chairman in case of delegation, absence or illness and, in general, will perform all duties entrusted to them by the Chairman, the Executive Committee and the Board of Directors. The substitution of the Chairman by the Vice Chairmen will take place by order of election or, otherwise, by order of seniority or, as a last resort, by order of descending age.

The Board may designate a CEO in whom it will delegate all appropriate powers with the exception of those that are non-transferable by Law or the Company Bylaws. The current Chairman of the Board, Mr. Florentino Pérez Rodríguez, is also CEO, and all powers of the Board are vested in him with the exception of those that are non-transferable. His duties are defined not only by the scope of those non-transferable powers, but by his duties as Chairman of the Executive Committee as well.

The Board of Directors will appoint a Secretary, who may or may not be a Board member but who should be a practising attorney. In addition to the duties attributed by current legislation, the Company By-laws and the Rules of the Board of Directors, the Secretary of the Board shall monitor the legality of the actions of the corporate boards to which he belongs, making any warnings for this purpose which will be included in the Minutes.

5.2.3. Duties and obligations of members of the Board of Directors

Pursuant to the Rules of the Board of Directors, Board members shall:

- Attend meetings of the Board and the Committees of which they form a part, unless they have reasonable cause to delegate their representation and proxy to another Board member.
- Inform and prepare themselves appropriately for Board meetings and participate actively in Board debates.
- Oppose the approval of any resolutions that, to their understanding, are contrary to Law or the Company By-laws, or that are contrary to Company interests, and ensure that this opposition is clearly reflected in the Minutes of the meeting.
- Refrain from disclosing any discussions of the Board or information that is not of general knowledge obtained while acting as Board member.

Additionally, the Board of Directors will be obligated to adopt or promote the adoption of as many measures as necessary or advisable to ensure the transparency of Company actions in the financial markets and to undertake all tasks required of a listed company.

In order for the General Shareholders' Meeting to function properly, the Board of Directors shall make all legally-required information available to the shareholders before the General Meeting as well as any information that should reasonably be furnished on the basis of corporate interests and on the basis of which shareholders may form an opinion.

Accordingly, for maximum transparency and disclosure of all relevant information and in order to provide immediate shareholder access thereto, the Board of Directors has made all information deemed to be of general interest available on the corporate website (<http://www.grupoacs.com>), in particular the Company By-laws, the Rules of the Board of Directors, any reports that must be furnished to the stock exchanges, notices of General Shareholders Meetings, proposals submitted for the deliberation and approval of the General Shareholders' Meeting, resolutions adopted in the last General Shareholders Meeting and the current Annual Report.

5.2.4. Board of Directors operations

The Board of Directors will meet when Company interests so require, following the call from its Chairman or failing that, through a Vice Chairman, whether at their own initiative or upon the request of at least two members of the Board. In any case, the Board will meet at least 4 times a year in order to know how the Group is performing against budgets and the previous financial period.

The Board will be deemed as convened when one half plus one of its members is either present or represented. Without prejudice to their obligation to attend, any member that cannot be personally present at a meeting may be represented at the meeting by another member and cast his vote by proxy.

Unless otherwise provided by current legislation, the Company By-laws or the Rules of the Board of Directors, resolutions of the Board of Directors will be passed by absolute majority of the members in attendance, whether present or represented.

In 2004 the Board of Directors met on 7 occasions, all of which were attended by the Chairman.

5.2.5. Board of Directors Committees

In the interest of greater efficiency, the Board of Directors may delegate its duties to the Executive Committee, the Audit Committee and the Remuneration Committee, whose duties are regulated by current legislation and the Company By-laws.

Executive Committee

The Executive Committee will exercise all duties delegated to it by the Board of Directors, except for those that by Law or the Company By-laws are considered non transferable. However, the Board of Directors may address and decide on any matters of its competence, while the Executive Committee, on the other hand, may submit any matter requiring a decision to the Board of Directors should the Committee consider that the Board of Directors should decide on the issue, even if it is the responsibility of the Executive Committee.

The current composition of the Executive Committee is:

Name	Position	Membership type
Mr. Florentino Pérez Rodríguez	Chairman	Executive
Mr. José María Loizaga Viguri	Committee member	Independent Non-Executive
Mr. Isidro Fernández Barreiro	Committee member	Proprietary and External
Mr. Antonio García Ferrer	Committee member	Executive
Mr. Javier Echenique Landiribar	Committee member	Proprietary and External
Mr. Pedro-José López Jiménez	Committee member	Proprietary and External
Mr. Pablo Vallbona Vadell	Committee member	Proprietary and External
Mr. José Luis del Valle Pérez	Secretary non member	

The Executive Committee will meet whenever called by its Chairman, either at his own initiative or at the request of a minimum of two members. In 2004, the Executive Committee met on 10 occasions. The Executive Committee is understood to be in session when a majority of its members are in attendance, whether present or represented. Decisions will be reached by majority of those in attendance, whether present or represented.

Audit Committee

The responsibilities of the Audit and Control Committee are as follows:

- To inform the General Shareholders' Meeting on issues of its competence raised by shareholders.
- To propose the appointment of the external auditors referred to in Section 204 of the Revised Text of the Corporations Law to the Board of Directors for submittal to the General Shareholders' Meeting.
- To revise and approve any significant changes to accounting policies of the Company and the subsidiaries in the Corporate Group, as well as the Corporate Group itself. Also, in general and with regard to external auditors, to receive information on any matters that could jeopardise their independence and any other matters relative to the auditing of accounts, as well as any other communications specified in account auditing legislation and technical auditing standards.
- To supervise the internal audit services, should these exist in the corporate organisation.
- To be informed of the financial information process and the internal control measures of the Company.

- To revise and inform on the estimates of Company management and corporate group management regarding possible significant tax and legal contingencies.
- To be informed of the results of inspections carried out by official agencies.
- To be informed of the routine information provided by the Company to the Stock Exchanges.
- Any other matters especially entrusted to it by the Board of Directors.

Persons who are currently employed by or have held a position of employment in the Company within the past three years may not be appointed to the Audit Committee. The Chairman must necessarily be a non-executive member of the Board and may not hold his position for more than four years, although he may be re-elected one year after his termination.

The current composition of the Audit Committee is as follows:

Name	Position	Membership type
Mr. Santos Martínez-Conde Gutiérrez-Barquín	Chairman	Proprietary and External
Mr. Álvaro Cuervo García	Committee member	Independent Non-Executive
Mr. Julio Sacristán Fidalgo	Committee member	Proprietary and External
Mr. Manuel Delgado Solís	Committee member	Proprietary and External
Mr. José Luis del Valle Pérez	Secretary non member	

The Audit Committee will be understood as convened when the majority of its members are in attendance, and it will pass resolutions by majority of votes, with the Chairman casting the deciding vote. The Audit Committee will meet when called by its Chairman and at least twice yearly, coinciding with the initial and final stages of the audit of the Company's financial statements and the consolidated financial statements of the Corporate Group and always prior to issuing the corresponding audit reports. In 2004, the Audit Committee met on 6 occasions.

Remuneration Committee

The Remuneration Committee will report to the Board of Directors on the following matters:

- The remuneration scheme of the Chairman of the Board and other senior Company executives.
- The remuneration of Board members.
- Any long-term plans based on share value, such as stock options.

The Remuneration Committee is comprised as follows:

Name	Position	Membership type
Mr. Pablo Vallbona Vadell	Chairman	Proprietary and External
Mr. José María Aguirre González	Committee member	Independent Non-Executive
Mr. José María Loizaga Viguri	Committee member	Independent Non-Executive
Mr. Javier Echenique Landiribar	Committee member	Proprietary and External
Mr. José Luis del Valle Pérez	Secretary non member	

The Committee shall be deemed as convened once the majority of its members are present and resolutions will be passed by majority of votes, with the Chairman casting the deciding vote. The Committee will be called to meet by the Chairman at least twice yearly. In 2004, the Compensation Committee met on 3 occasions.

5.2.6. Remuneration of Board members and the Management team

Remuneration of Board members, set forth under the concept of amenities in the By-laws, is determined by the Board at the recommendation of the Remuneration Committee. The overall amount of compensation must be annually approved by the General Shareholders' Meeting as part of the resolution for the allocation of results.

The By-laws establish that, in addition to certain expenses and allowances agreed upon at the General Shareholders' Meeting, the Board of Directors will receive remuneration for statutory participation that will not exceed 10% of the net profits and will be payable only after the obligatory allocations to the legal reserve and, when applicable, the statutory reserves have been made, and following the payment of a dividend to the shareholders of at least 4% of the capital paid per share.

It is expressly authorized that remuneration to all or some of the members of the Board of Directors and to the management of the Company and the companies comprising the Group may take the form of company stock or stock options or may be established at the value of this stock, in the manner, terms and conditions agreed upon by resolution of the General Shareholders' Meeting, in accordance with legal requirements.

The Board of Directors will decide how to distribute the overall amount of remuneration, owed to it as a body, among its members, the amounts of which may vary. The compensation for Board members and Group management for financial year 2004 is itemized as follows:

Compensation of the Board of Directors

The remuneration accrued during the financial year 2004 by the members of the Company's Board of Directors was €6,753 thousand, in accordance with the following concepts:

Thousand of Euros

Concept

Fixed salary	2,168
Variable remuneration	2,458
Expenses	-
Statutory considerations	1,790
Stock options and/or other financial instruments	337
Others	-

Members of the Board also enjoyed other benefits, itemized as follows:

Thousand of Euros

Other benefits

Advances	-
Loans	-
Pension plans and funds: Contributions	425
Pension plans and funds: Obligations acquired	1,803
Life insurance premiums	4
Guarantees constituted by the Company in favour of Board Members	-

The amount corresponding to the entry "Pension Funds and Plans: Contributions" includes amounts paid by the Company during the year, while the entry "Pension Funds and Plans: Obligations Acquired" additionally includes the obligations that may be imputed to the year for this concept, even though they may have been paid earlier.

Additionally, the remuneration accrued in 2004 by members of the Boards of Directors in all Group companies amounted to €1,415 thousand, as follows:

Thousand of Euros

Concept

Fixed salary	308
Variable remuneration	224
Expenses	430
Statutory considerations	-
Stock options and/or other financial instruments	14
Others	439

"Stock options and/or other financial instruments" includes the proportional amount of the financial cost borne by the Company, on the basis of the number of stock options held by Board members. This is not considered as income until actually exercised, as established by several stock options and current applicable legislation.

The following is a breakdown of total compensation per type of Board member:

Thousand of Euros

Membership type	By Company	By Group
Executive	5,559	884
Proprietary and External	747	495
Independent Non-Executive	447	36
Other non-executive Board members	-	-
	6,753	1,415

Management team Compensation

The compensation accrued in 2004 for the Group Management Team, excluding the members of the Board of Directors, was €18,874 thousand.

5.2.7. Other information regarding the Board of Directors

Board members with executive positions in other ACS Group companies

The following members hold the indicated executive positions in other ACS Group companies:

Board member	Company	Position
Mr. José María Aguirre González	Cobra, Instalaciones y Servicios, S.A. ACS Servicios, Comunicaciones y Energía, S.L.	Chairman Vice chairman
Mr. Agustín Batuecas Torrego	Continental Auto, S.L.	Chairman and CEO
Mr. José Luis del Valle Pérez	ACS Servicios y Concesiones, S.L. ACS Servicios, Comunicaciones y Energía, S.L. Dragados, S.A. Cobra, Instalaciones y Servicios, S.A. Sociedad Española de Montajes Industriales, S.A. Iberpistas S.A.C.E. Dragados Servicios Portuarios y Logísticos, S.L. Dragados Concesiones de Infraestructuras, S.A. Clece, S.A. Continental Auto, S.L. Saba Aparcamientos, S.A. ACS Telefonía Móvil, S.L. Urbaser, S.A.	Board member - Secretary Board member - Secretary Board member - Secretary Board member - Secretary Board member - Secretary Board member Board member Board member Board member Board member Board member Board member Board member Board member
Mr. Manuel Delgado Solís	Dragados, S.A.	Board member
Mr. Javier Echenique Landiribar	ACS Servicios, Comunicaciones y Energía, S.L.	Board member
Mr. Isidro Fernández Barreiro	Xfera Móviles, S.A.	Board member
Mr. Antonio García Ferrer	Dragados, S.A. ACS Servicios, Comunicaciones y Energía, S.L. ACS Servicios y Concesiones, S.L. Abertis Infraestructuras, S.A. Inmobiliaria Urbis, S.A.	Board member Board member Board member Board member Board member
Mr. Pedro-José López Jiménez	ACS Servicios, Comunicaciones y Energía, S.L. ACS Servicios y Concesiones, S.L. Sociedad Española de Montajes Industriales, S.A. Dragados, S.A. Cobra, Instalaciones y Servicios, S.A.	Board member Board member Board member Vice chairman Vice chairman
Mr. Santos Martínez-Conde Gutiérrez-Barquín	ACS Servicios, Comunicaciones y Energía, S.L. ACS Servicios y Concesiones, S.L. Sociedad Española de Montajes Industriales, S.A. Dragados, S.A. Montajes Industriales, S.A. Dragados, S.A. Autopistas Concesionaria Española S.A.U.	Board member Board member Board member Board member Board member Board member Board member
Mr. Javier Monzón de Cáceres	ACS Servicios y Concesiones, S.L.	Board member
Mr. Pablo Vallbona Vadell	Abertis Infraestructuras, S.A.	Vice chairman
Mr. Julio Sacristán Fidalgo	Autopistas Aumar S.A.C.E.	Board member

Associated operations

In 2004, the ACS Group maintained commercial relations with companies in which some of its Board members hold positions of responsibility. These commercial transactions were carried out in the normal course of business, under market conditions, and are regular operations of Group companies.

Board members with executive positions in companies that are significant shareholders

According to the information provided, the following members of the Board of Directors are members and/or executives of the following companies that are significant shareholders of ACS:

Board member	Significant shareholder	Position
Mr. Florentino Pérez Rodríguez	Inversiones Vesan, S.A.	Administrator
Mr. Isidro Fernández Barreiro	Corporación Financiera Alba, S.A.	CEO
Mr. Santos Martínez-Conde Gutiérrez-Barquín	Corporación Financiera Alba, S.A.	General manager
Mr. Pablo Vallbona Vadell	Corporación Financiera Alba, S.A.	Vice chairman
Mr. Agustín Batuecas Torrego	Inversiones Batuecas Torrego, S.L.	CEO

Board members with connections to significant shareholders

Board Member	Significant Shareholder	Relationship
Mr. Julio Sacristán Fidalgo	Inversiones Vesan, S.A.	Relation of Mr Florentino Pérez, Administrator of Inversiones Vesan, S.A.
Mr. Pablo Vallbona Vadell	Corporación Financiera Alba, S.A.	Executive Vice chairman of Banca March S.A., main shareholder of Corporación Financiera Alba, S.A.
Mr. Isidro Fernández Barreiro	Corporación Financiera Alba, S.A.	Director of Banca March S.A., main shareholder of Corporación Financiera Alba, S.A.

Board members who are members of the Boards of Directors of other listed companies

According to the information provided, the following members of the Board of Directors are also members of the Boards of Directors of listed companies other than the ACS Group:

Board member	Listed Company	Position
Mr. José María Aguirre González	Banco Guipuzcoano, S.A. Acerinox, S.A.	Chairman Board member
Mr. Miguel Blesa de la Parra	Endesa, S.A. Iberia Lineas Aereas de España, S.A.	Board member Vice Chairman
Mr. Alvaro Cuervo García	Tafisa, Tableros de Fibras, S.A.	Board member
Mr. Javier Echenique Landiribar	Telefónica Móviles, S.A. Uralita, S.A.	Board member Board member
Mr. Isidro Fernández Barreiro	Prosegur, S.A.	Board member
Mr. Joan David Grimá Terré	Antena 3, TV S.A.	Board member
Mr. José María Loizaga Viguri	Zardoya Otis, S.A. Cartera Hotelera, S.A.	Vice Chairman Chairman
Mr. Pedro-José López Jiménez	Lingotes Especiales, S.A.	Board member
Mr. Santos Martínez-Conde Gutiérrez-Barquín	Acerinox, S.A.	Board member
Mr. Javier Monzón de Cáceres	Indra Sistemas, S.A.	Chairman

Stakes held by Board members in companies with activities that are equal, similar or complementary to those of the ACS Group

According to the information provided, the following Board members hold stakes in companies with activities that are equal, similar or complementary to those of ACS Group:

Board member	Company	% Stake	Position
Mr. José María Aguirre González	Inmobiliaria Urbis, S.A.	0.005	Chairman
Mr. Miguel Blesa de la Parra	Corporación Financiera de Caja Madrid, S.A. Cintra Concesiones de Infraestructuras de Transporte, S.A.	- 0.001	Chairman
Mr. José Luis del Valle Pérez	Inmobiliaria Paredes, S.A. Del Valle Inversiones, S.A. Inversiones Montecarmelo, S.A. Sagital, S.A. Continental Industrias del Caucho, S.A. Fsc Servicios de Franquicia, S.A.	13.570 33.330 23.490 5.100 - -	Sole Administrator Joint Administrator Chairman Chairman
Mr. Javier Echenique Landiribar	Erhardt y Cía. S.A.	-	Board member
Mr. Isidro Fernández Barreiro	FCC	0.001	
Mr. Antonio García Ferrer	Inmobiliaria Urbis, S.A.	-	Board member
Mr. José María Loizaga Viguri	Mercapital, S.L. Capital Stock Inversiones Europeas, S.L.	20.224 99.990 99.970	Chairman Chairman Vice Chairman
Mr. Pedro-José López Jiménez	Terratest Técnicas Especiales, S.A. Ghesa Ingeniería y Tecnología, S.A. Atlas Copco, Sae	45.000 - -	Chairman (through Fapindus, S.L) Board member Board member
Mr. Santos Martínez-Conde Gutiérrez-Barquín	FCC Grupo Ferrovial, S.A. Abengoa Gamesa Corporación Tecnológica, S.A. Abertis Infraestructuras, S.A.	0.003 0.001 0.002 - - -	0.039 Chairman
Mr. Javier Monzón de Cáceres	Indra Sistemas, S.A. Indra SI, S.A. Europraxis-Atlante, S.L. Inversis Networks, S.A. Banco Inversis Net, S.A. Marco Polo Investments Scr.	- - - - - -	Board member Chairman Board member Board member Representative Individual representing Board member Indra Sistemas, S.A.

Mechanisms established to detect and regulate possible conflicts of interest between the company and/or the Group, Board members, executives or significant shareholders

A. Rules fo the Board of Directors

Article 13 of the Rules of the Board of Directors specifically regulates conflicts of interest, whereupon by virtue of their loyalty as Company representatives, Board members shall avoid any conflicts of interest between themselves and their closest relatives on the one hand, and the Company on the other, and will inform the Board of Directors of any possible conflict of interest whenever such conflict cannot be avoided, and this conflict of interest shall be recorded in the Minutes of the next Board Meeting. Furthermore, Board members shall inform the Company as soon as possible, and in any case within the next five days, of any shares, stock options or derivatives based on share value that are held directly or indirectly by the members themselves or by their more direct relatives.

Board members shall notify the Company of any significant changes in their own professional status, particularly any change that affects the status or condition that was taken into account for their appointment to the Board. In addition, they shall inform the Company of any legal or administrative procedure that may have a serious negative effect on the reputation of the Company.

Board members shall abstain from intervening in deliberations and voting on issues in which they have a special interest. This will be duly noted in the Minutes.

In addition, article 14 on non-competition and the use of information establishes that Board members may not hold, whether directly or indirectly, any position in or represent any company or firm that competes with the Company or any company within the Group.

Board members may in no way use any non-public information to which they shall have had access in the exercise of their role as Board member for private purposes. In particular, Board members, unless they authorized by the Board, may not use any knowledge on any commercial transaction about which they shall have become aware in the exercise of their role for their own personal benefit.

With the exception of a duly-authorized payment in kind, Board members may not make use of Company assets or use their position to increase their net worth without providing the corresponding compensation.

B. Rules of Conduct in the Stock Market

The Rules of Conduct in the Stock Market are a series of measures to detect and control possible conflicts of interest between the Company and/or its Group, Board members, executives and significant shareholders.

In its meeting of July 17, 2003, the Executive Committee of ACS, Actividades de Construcción y Servicios, S.A., by virtue of the powers vested in it by the Board of Directors, approved the Rules of Conduct in the Stock Market, informing the CNMV of this on July 31, 2003. On the other hand the Board of Directors, in its meeting of July 1, 2004, unanimously resolved to approve a series of amendments to the Rules of Conduct in the Stock Market which was notified to the CNMV on July 2, 2004.

In general, the rules are applicable to members of the Board of Directors and the Management Committee, and to all Company representatives and employees who perform activities that could have a fundamental influence on the price of Company stock. It also applies to Company representatives, personnel and external consultants who, for specific purposes, have privileged or reserved information regarding Company stock.

The Monitoring Unit envisaged in the Rules will provide the stock exchange supervisory authorities with an updated list of all Board members, Company representatives and personnel, and external consultants subject to the rules in a general or specific manner. All additions to or deletions from said list will be notified in writing to the affected parties by the Chairman of the Monitoring Unit.

The Rules apply to matters concerning shares, stock options and similar agreements involving the right to subscribe or acquire Company shares, or underlying reason involving Company shares, convertible or non-convertible bonds, debentures, promissory notes, subordinated debt and, in general, any type of financial instrument issued by the Company or, where appropriate, by companies of the Group.

All persons to whom the Rules of Conduct in the Stock Market are applicable shall abstain from performing or preparing the performance of any acts that could distort the free formation of prices on the Stock Market, and abstain from using any privileged or relevant information regarding the stock exchange obtained in the course of their work in or for the Company for their own benefit or that of third parties.

All members of the Board of Directors and Company representatives or employees disposing of information which could be considered privileged and which refers to negotiable securities and financial instruments issued by the Company or any Group company are obligated to safeguard it, without prejudice to their duty to report to and collaborate with the legal and administrative authorities in the terms set forth by Law.

During the analysis or negotiation phases of any type of legal or financial transaction that could significantly influence the price of the securities to which the Rules refer, the individuals responsible for said transactions shall:

- a) Inform only those people about the transaction, whether inside or outside the organisation, whose involvement is indispensable.
- b) Maintain, for each transaction, a register of the names of the people referred to in paragraph a), stating the date on which each had access to the information.

- c) Clearly inform the persons listed on the register of the nature of the information, their duty to keep it confidential and the prohibition from using it.
- d) Establish security measures for maintaining, filing, accessing, copying and distributing the information.
- e) Monitor the performance of the negotiable securities or financial instruments related to the transaction in process as well as the information made public in any specialised and ordinary media that could affect the process.
- f) In the event of unusual trading volumes or prices, and if there are reasonable grounds to believe that these changes are the result of premature, partial or distorted reporting of the transaction, the individuals responsible for the transaction shall immediately inform the Secretary of the Board of Directors, who shall then report a relevant occurrence, providing clear and precise information on the status of the transaction underway or containing advanced notice of the information to be made public.

The persons subject to the Rules who perform any type of transaction involving negotiable securities or financial instruments issued by the Company shall:

- a) Inform the Company in writing, through the Chairman of the Monitoring Unit, about transactions for the purchase or sale or acquisition of stock options undertaken on behalf of their personal account in relation to securities covered by these Rules. This will also apply to transactions undertaken by spouses, unless they affect only the spouse's personal estate or are excluded from the marital estate. Likewise included are transactions undertaken by minors or disabled individuals who are the responsibility of the affected party or by legal entities controlled directly and indirectly or by third party intermediaries. Excluded from this obligation to inform are those transactions in which the affected party subject to these Rules has not taken part, because the transactions were ordered by institutions to which the affected party has entrusted the management of his investment portfolio in a stable manner. In this case it will suffice to inform the Chairman of the Monitoring Unit about the existence of a portfolio management agreement and the name of the managing institution.
- b) Provide detailed information on personal transactions related to the securities within the scope of the application of these Rules when requested by the Chairman of the Monitoring Unit.
- c) A newly-elected member of the Board of Directors, representative or new Company employee subject to these Rules shall provide the Chairman of the Monitoring Unit with written details on the stock of the Company or companies of the Group that he owns, directly or indirectly, through controlled companies or third parties and investee companies or those acting in agreement, as well as any owned by minors or disabled persons who are economically dependent upon the person subject to the Rules or his/her spouse, except in the latter case when this ownership affects only the latter's estate or is not included in the marital estate. They must likewise provide written notice of the existence of a stable portfolio management agreement and the name of the managing institution.

d) Submit to the Monitoring Unit, via its Chairman, any doubts regarding the application of these Rules, abstaining from any action until a response to the query has been received.

Without prejudice to the foregoing, when transactions with securities or financial instruments issued by the Company are performed by Board members, they must also inform the stock exchanges on which the securities are traded and the Spanish Stock Market Commission (CNMV) in the terms envisaged by Law.

The Secretary of the Monitoring Unit shall keep an orderly list of all communications, notifications and any other aspects related with the Rules, safeguarding the confidentiality of said record, and may at any time ask the persons subject to the Rules to confirm the balances of securities and financial instruments contained in their file.

The Monitoring Unit, through its Chairman, is responsible for formulating and maintaining an updated list of all persons subject to these Rules. This Unit will be comprised of the Secretary of the Board of Directors, who will preside over the Unit, the Corporate General Manager and the Administration Manager, who will act as Secretary.

Failure to comply with these rules, developed in accordance with current standards for order and discipline on the Stock Exchange, could result in the application of the corresponding administrative sanctions and other consequences deriving from applicable legislation. When incurred by Company employees, this will be deemed as professional misconduct.

Auditor independence

The Rules of the Board of Directors expressly state that, in addition to proposing their appointment, the Audit Committee shall be responsible for relations with external auditors for receiving information regarding any matters that could jeopardise their independence, as well as any other matters regarding the account auditing process and all other notifications stipulated in legislation on the auditing process and technical auditing standards.

5.3

Risk Management Systems

The diversity and complexity of the fields in which the Group is active involve a series of risks that can be categorised as follows:

- Client Risks, deriving from their credit quality, default payments, concentration of risks and executed works pending certification.
- Operational Risks, corresponding to the businesses carried out by the Group and which vary according to the area of activity. These can be deemed as risks arising from differences in agreed completion dates and costs, risks due to deficiencies in quality, labour risks, environmental risks and risks regarding third parties.
- Financial Risks, as a result of levels of debt, tendencies in working capital, exposure to different currencies and interest rates, guarantees and bonds. Risks intrinsic to new investments are likewise the subject of analysis and risk control, as well as risks deriving from the deterioration of the assets of the Group.
- Market Risks, whether regulatory or structural, inherent in the various markets in which the Group is present, as well as the concentration of risk levels in a given country.

The Group's risk control systems are based on a series of strategic and operational actions aimed at complying with risk policies by each area of activity of the Group. The actions are organised according to a decentralised model that allows each business unit to carry out its risk control and evaluation policies in accordance with certain basic principles. These principles include:

- Definition of maximum risk limits acceptable for each business area, according to the characteristics and expected profitability thereof.
- Establishment of procedures to identify, approve, analyse, control and report the different risks for each business area. Coordination and communication to ensure that the risk policies of each business area are consistent with the Group's overall risk strategy.

The systems provide the necessary information to supervise and evaluate the risk exposure of each business area and develop the corresponding management information required for decisions. The control systems developed in each business area may be classified into the following categories:

5.3.1. Quality management systems

These are the processes used to ensure that work and services comply with the requirements specified in the agreement, as well as legal and standard requirements, to ensure client satisfaction.

The systems, which comply with the requirements of ISO 9001 standards, are based on the prior identification of the relevant processes into which the activities undertaken by the various areas are organised from a quality management standpoint, in order to appropriately plan and monitor them.

Regular system reviews by Management and the establishment of objectives allow continuous improvement of the systems.

5.3.2. Environmental management systems

The implementation of these systems in the different business areas of the Group allows them to undertake their activities while guaranteeing maximum respect for the environment.

The systems, regulated by international standard ISO 14001, are based on the identification and evaluation of environmental aspects on which the business can have an impact, planning the necessary steps in order to eliminate or minimise risks by establishing adequate control measures in accordance with current legal requirements and the environmental code of conduct corresponding to each business unit. The basic criteria are as follows:

- To incorporate the most advanced technical innovations on environmental matters, such as:
 - Energy and raw materials savings.
 - Using recyclable and biodegradable materials.
 - Minimising waste production and the treatment thereof so as to respect the environment.
 - Promoting the reforestation and landscaping of construction sites.
- To develop the specific actions required by the Group's business activities, on the basis of their environmental impact.
- To provide clients with continuous information regarding environmental risks and possible preventive measures.

5.3.3. Technical-economic management systems

The Group has several economic and production control systems designed to give reliable knowledge of the economic forecasts and deadlines for projects, from the initial proposal through execution of the projects, and information on the actual status at all times.

These systems are part of a comprehensive economic and budgetary control system for each business area, and are adapted to the characteristics of their activities in order to provide the necessary information to the persons responsible for each area so that they may control the risks deriving from any possible deviation and make the appropriate decisions to optimise the management process.

All information is kept in a single Economic Information System which allows the consolidated parameters to be easily monitored and controlled in a dynamic and strict manner. By giving Group Management detailed knowledge of the economic situation and potential and assumed risks, the system has become an essential element in the decision-making process.

5.3.4. Management systems for the prevention of labour risks

The ACS Group has developed a labour risk prevention policy in accordance with current legislation on which the specific control systems for each line of business are based. This policy complies with the basic principles of training, participation, individual responsibility and control of safety conditions.

The systems are adapted to the specific characteristics of each business area. Labour risk prevention plans based on the identification of risks are designed and implemented in order to eliminate them, evaluating existing risks to minimise these and take the necessary protective measures.

As with all Group management systems, an initial specific plan is designed for each business, which is monitored and updated throughout the project for continuous improvement to its efficiency.

5.3.5. Financial risk control systems

These are essentially aimed at identifying, evaluating and covering risks deriving from:

- The non-payment or payment delays among given types of clients, the procedures for which are based on:
 - Analysis of the client's financial solvency and the conditions of the agreement proposed by the risk committee of each business activity at their regular meetings.

- Decisions on whether or not to enter into contract or, where appropriate, include specific conditions in the agreement to guarantee payment.
- Individualised client negotiation with legal support.
- Centralised agreement execution.
- The variations in exchange rates, covered with financing policies in local currency and hedging mechanisms for capital-intensive infrastructure projects in which financing is arranged in a currency other than the local one. The variations in exchange rates, whose monitoring and evaluation will determine the financial leverage structure for each business area and for the consolidated Group. The depreciation of assets, whether financial or allocated toward the production activities of the Group.
- The new investments, requiring a strict analysis and evaluation of the risks inherent therein.

The Group has a strategy for covering accidental risks which could affect assets and activities that involves the underwriting of insurance policies for any coverable risks. These policies are revised periodically to adapt them to the current and specific status of the risk covered.

5.3.6. Risk control strategies

To manage the risks of the Group, specific procedures have been established at the various organisational levels and for each business area to monitor the adoption of the risk profiles adapted to the operational criteria established by the Board of Directors for each activity. These procedures are based on the overall risk policy, structured as follows:

- The Management Committee establishes the overall risk policy for the Group and, where appropriate, the management mechanisms to ensure that risks are maintained within approved levels.
- The Board of Directors entrusts the Audit Committee with the task of monitoring compliance with the established procedures and effective supervision of compliance with the established risk levels for each business activity.
- Risk control mechanisms in accordance with established strategies are developed in the corresponding management systems.
- Activities with risk levels in excess of levels established in the overall risk policy must first be approved by the Management Committee.

5.4

General Shareholders' Meeting

The General Shareholders' Meeting is comprised of all shareholders holding at least 100 shares, whether physically present or represented. Owners or holders of less than 100 shares may pool their shares to meet such minimum number of shares and may be represented by one of their group or by another shareholder who, on his own, holds sufficient shares for attendance to the General Shareholders' Meeting.

Aside from the legal restrictions, there are no statutory restrictions to voting rights or the acquisition or transfer of shares. Each shareholder has a number of votes equal to the number of shares he holds or represents. Votes may be cast remotely by post or telegram or any other means of communication that fully guarantees voter identity. Shareholders with attendance rights may be represented at the General Meeting by any other person. The representation of shareholders who must pool their shares to attain voting rights may be vested in any member of the group.

The Ordinary or Extraordinary General Meeting will be considered validly constituted, in its first call, when the shareholders present or represented hold at least 25% of the subscribed capital with voting rights. In its second call the Meeting will be valid regardless of the capital in attendance.

Resolutions will be reached by majority vote of the shareholders present or represented, except in those cases in which the Law requires a qualified majority.

However, if the Ordinary and Extraordinary General Shareholders' Meeting is to resolve on an issue of debentures, increase or reduction of the Company's share capital, re-registration, merger or spin-off of the Company or, in general, any amendment to the Company By-laws, the shareholders present or represented must hold at least 50% of the subscribed capital with voting rights for the meeting to be considered constituted in its first call. In its second call, 25% of said capital will suffice.

When the shareholders present or represented hold less than 50% of the subscribed capital with voting rights, the resolutions referred to in the above paragraph will be valid only by means of the favourable vote of two thirds of the capital present or represented at the General Shareholders' Meeting.

5.4.7. General Shareholders' Meeting of May 20, 2004

The General Shareholders' Meeting was held in its second call, on May 20, 2004.

Summary of attendance at the Ordinary General Meeting:

Date of the General Meeting	% physical presence	% representation	% remote voting	Total %
05/20/2004	1.427	53.883	0.000	55

All Agenda points were approved, as detailed below:

General Shareholders' Meeting of May 20	Votes in favour	% of shares present or represented by proxy	Abstentions	% of shares present or represented by proxy	Votes against	% of shares present or represented by proxy
Point 1 Approval of the Reports, Balance Sheets, Income Statements and Management Reports for 2003, for the Company and the consolidated Group of Companies in which ACS, Actividades de Construcción y Servicios, S.A. is the controlling Company. Annual Corporate Governance Report	64,596,659	98.534%	955,828	1,458%	5,478	0,008%
Point 2 Approval of the management of the Board of Directors in 2003	65,002,886	99.153%	553,143	0.844%	1,956	0.003%
Point 3 Ratification, dismissal and appointment, where appropriate, of Board Members	46,258,367	70.561%	18,946,832	28.901%	352,766	0.538%
Point 4 Authorisation for the derivative acquisition of treasury stock	65,041,156	99.212%	516,341	0.788%	468	0.001%
Point 5 Appointment of auditors for the Company and for the Group	64,746,954	98.763%	750,070	1.144%	60,941	0.093%
Point 6 Reduction of share capital by redeeming 902,453 shares of treasury stock, with the subsequent amendment to Article 6 of the Company By-laws	64,984,993	99.126%	572,972	0.874%	0	0.000%
Point 7 Reduction of the face value of the shares from €1.50 to €0.50 with the subsequent increase in the number of share in circulation to triple the current number, with the corresponding amendment to Article 6 of the Company By-laws and delegation of powers for the execution thereof	65,005,829	99.158%	552,033	0.842%	103	0.000%
Point 8 Amendments to Articles 13, 15, 20a), 22, 26 and 28 of the Company Bylaws	63,041,075	96.161%	2,495,379	3.806%	21,511	0.033%
Point 9 Authorisation for the Board of Directors to set up a Share Option Plan	64,171,499	97.885%	572,773	0.874%	813,693	1.241%
Point 10 Approval of the Regulations of the General Shareholders Meeting and Report on the Rules for the Board of Directors	65,005,932	99.158%	552,033	0.842%	0	0.000%
Point 11 Delegation of powers to execute and formalise resolutions	65,005,932	99.158%	552,033	0.842%	0	0.000%
Point 12 Reading and approval, where appropriate, of the Minutes	65,006,627	99.159%	551,338	0.841%	0	0.000%

5.4.8. General Shareholders' Meeting of May 19, 2005

By resolution of the Board of Directors of this Company, held on March 31, 2005, we call an Ordinary General Shareholders' Meeting, to be held in Madrid, at the Palacio Municipal de Congresos, Avenida de la Capital de España, Madrid s/n, Campo de las Naciones, at 12:30 on May 18, 2005, first call, and the following day, May 19, 2005, second call, with the following:

Agenda

1. Approval of the Annual Reports, Balance Sheets, Income Statements and Management Reports for 2004, of ACS and the consolidated accounts of the group of companies of which ACS, Actividades de Construcción y Servicios, S.A. is the Parent Company. Application of results. Annual Corporate Governance Report.
2. Approval of the management of the Board of Directors in 2004.
3. Ratification, dismissal and appointment, where applicable, of Directors.
4. Authorisation for derivative acquisition of treasury stock.
5. Appointment of Company and Group Auditors.
6. Authorisation for the Board of Directors to modify a Stock Option Plan authorised by the Shareholders Meeting of the Company in their decision of May 20, 2004.
7. Delegation of powers to execute and formalize resolutions.
8. Reading and approval, if applicable, of the minutes of the General Meeting.

5.4.9. Shareholders' General Meeting By-laws

The Company Board of Directors, in its meeting of March 25, 2004, approved the proposed General Shareholders' Meeting By-laws, which were approved by the General Shareholders' Meeting dated May 20, 2004. The resolution was converted into a public deed before the Notary Public of Madrid Mr. Cruz-Gonzalo López-Muller Gómez on July 19, 2004, under his protocol number 2047, and entered into the Madrid Companies Register on July 27, 2004, in Volume 10064, Folio 184, Section 8, Page M-30221, Entry 807. This occurrence was in turn notified to the CNMV on September 14, 2004.

The General Shareholders' Meeting By-laws are based on the following principles contained in the Good Governance Code:

- To implement measures aimed at building a more transparent system for the delegation of votes and heightening communication between the Company and its shareholders.
- To provide a detailed explanation of the voting motions contained in the request form, with regards to the passing of resolutions of given delegation significance, and to reveal the existence of any possible conflicts of interests that may arise.
- To establish flexible communication channels and instruments. In addition to the standard information supplied by the Company in the form of annual, half-yearly and quarterly reports, to promote meetings with financial analysts so that this information may be made available to investors. The objective of these measures is to establish permanent channels for communication with shareholders, complementary to those provided by the legally-established right to raise questions during the General Shareholders' Meetings, so that shareholders may obtain the information they require at any given moment.

5.5

Information and Transparency

The shareholders' right to information is covered in the General Shareholders' Meeting By-laws. Accordingly, so that the General Shareholders' Meeting may perform its duties properly, before each General Meeting is held, the Board of Directors makes all information available to the shareholders that is legally required or which should be reasonably provided in the interest of the Company or its shareholders and from which they may form an opinion. Accordingly, the Board of Directors shall process any requests made by shareholders either before or during the General Meeting with maximum diligence, providing that the information is not detrimental to Company interests.

In accordance with this firm commitment of the ACS Group to furnish the necessary information in a transparent, fair and unbiased way so that the progress of the Company can be readily evaluated, efficient and flexible means have been utilised to make this information immediately available to shareholders, potential investors and the general public alike.

5.5.1. Financial information

The ACS Group has taken the necessary measures to ensure that the information provided in the quarterly, half-yearly and annual reports is made available to shareholders in a clear, rigorous and timely manner. To this end, the Audit Committee reviews this information before it is made public, to verify that it has been drawn up in accordance with the same professional principles, criteria and practices as the accounts, and that it is just as reliable.

The individual and consolidated annual accounts are presented to the Board of Directors by the Chairman and CEO, after being drawn up by the Corporate General Manager entrusted with the financial management of the Company.

The section on "Listed Company Obligations" of the Rules of the Board of Directors establishes that the Board of Directors shall adopt or promote any measures deemed necessary or advisable to ensure the transparency of Company's operations on the financial markets and the exercise of any duties inherent in its status as a listed company.

To this regard, the Relevant Facts reported to the CNMV shall be disclosed to the fewest people possible, who will be duly identified, until they are made public.



Tunnel under the Ría de Villaviciosa (Asturias)

5.5.2. Information on ACS Stock

Pages 170-172 of this Annual Report contains detailed information on the performance of ACS shares in 2004.

5.5.3. Information reported to the Markets

The main channel used by the ACS Group to report its performance and main activities to the markets is through the Spanish CNMV.

During 2004, 19 reports were made, 14 of which were Relevant Facts and 5 were Other Communications. Of these reports, 8 corresponded to company results and presentations.

The main Relevant Facts and Other Communications made in 2004 were:

- **April 30 (Registry No. 49216):** The Board of Directors of ACS, Actividades de Construcción y Servicios, S.A. in its meeting of March 25, 2004, called a General Shareholders' Meeting to take place on May 19, 2004, in its first call, and on the following day, May 20, 2004, in its second call.
- **April 30 (Registry No. 49217):** The Company sent its Audit Committee Report.
- **April 30 (Registry No. 49218):** The Company sent the Annual Corporate Governance Report for 2003.
- **May 21 (Registry No. 49897):** The Company sent the resolutions passed in the General Meeting.
- **June 8 (Registry No. 50455):** The Company reported that, in execution of the resolution passed by the General Shareholders Meeting of ACS, Actividades de Construcción y Servicios S.A. on May 20, 2004, on the reduction of the face value of its shares to €0.50 with the corresponding increase in the number of shares in circulation, the Chairman of the Board of Directors provided that the stock exchange consequences of said resolution would take place as of June 10, 2004 inclusive, and this was recorded in the public deed formalising said corporate resolution, executed on the same day.
- **July 2 (Registry No. 50994):** The Company reported the changes agreed unanimously at the meeting of the Board of Directors of ACS Actividades de Construcción y Servicios S.A. on July 1, 2004: Appointment of Board member Mr. Javier Echenique Landiribar to the Executive Committee and Remuneration Committee; Appointment of Board member Mr. Manuel Delgado Solís to the Audit Committee.
- **July 2 (Registry No. 50998):** ACS reported the terms of the Stock Options Plan agreed upon by the Board of Directors in its meeting of July 1, 2004.

- **September 21 (Registry No. 52858):** On this day, ACS, Actividades de Construcción y Servicios, S.A. (ACS) and "la Caixa" acquired on the market, in equal parts, the stake of Autostrade in Abertis Infraestructuras, S.A. (Abertis), i.e., a total of 27,472,168 shares, representing 4.98% of the share capital. Consequently, ACS acquired 13,736,084 shares, or 2.49% of the share capital of Abertis for €200.50 million. After this operation, ACS now holds 16.59% of the share capital of Abertis.
- **December 17 (Registry No. 17556):** The Company reported that the Board of Directors, in its meeting of December 16, 2004, unanimously resolved to distribute an interim dividend of €0.14 per share against the results for 2004, to be made effective on January 24, 2005.

Additionally, seven corporate presentations took place throughout the year at specialised events held in Europe and the USA, featuring the presentation of the company results for 2003, on February 25, 2004, at the Madrid Stock Exchange, and the Industrial Services Investor's Day, held on September 29, 2004, during which the management team of this activity of the ACS Group provided a detailed explanation of the business and its prospects. These presentations triggered much interest and were very well attended. Numerous meetings were also held with institutional investors, and requests for information from our shareholders were processed.

5.5.4. Website

The Group progressively updates the contents of the corporate website (<http://www.grupoacs.com>), with special emphasis on the Investor Relations information pages, offering timely information on the performance of stock, the economic and financial progress of the Company in general, the corporate activity in the Group and the Investor's Agenda, making all reports and documents of their interest available to ACS shareholders in order to facilitate accessibility.

In addition to this Annual Report, other information that can be consulted on our website includes:

- The Company By-laws
- The General Shareholders' Meeting By-laws
- The Rules of the Board of Directors
- The Annual Corporate Governance Report
- The Audit Committee Report
- The Rules of Conduct in the Stock Market
- The notice of the General Shareholders' Meeting of May 18 or 19, along with the documents and information for this Meeting.

5.5.5. Degree of observance of the recommendations for Good Corporate Governance

The following is a list of the most important aspects regarding compliance with the guidelines for Corporate Governance following the recommendations of the Good Governance Code (Olivencia Code), which have been updated and, in some cases, modified by the Special Commission for the Promotion of Transparency and Security on the Markets and in Listed Companies ("Aldama Report").

Recommendation 1 – Duties of the Board of Directors:

"The Board of Directors should expressly undertake, as a core aspect of its role, the general duty of supervision, exercising the responsibilities that this involves without delegation and establishing a formal catalogue of matters reserved thereto."

This recommendation is extensively included in the Rules of the Board of Directors, article 4, which reads: "Pursuant to Article 18 of the current Company By-laws, the Board of Directors is responsible for representing the Company and managing its business as well as for performing those operations that are a part of or related to the Corporate purpose."

The Board of Directors will act in accordance with the interests of the Company and its shareholders.

In particular, the Board of Directors is responsible for the following:

- Acceptance of Board member resignations.
- Appointment, revocation and acceptance of resignations for the Chairman, Vice Chairman and Secretary of the Board.
- Appointment, revocation and acceptance of resignations of Board members on Board Commissions and Committees.
- Delegation of all or part of the powers corresponding to the Board or any of its members, with the exception of non-transferable powers.
- Formulation of individual and consolidated annual accounts and management reports and submittal thereof to the General Shareholders' Meeting for approval.

- Preparation of reports, including the Annual Corporate Governance Report and any proposals that, pursuant to current legislation and the Company By-laws, are the responsibility of the Board of Directors.
- Approval of the annual budgets.
- Approval of any merger, spin-off or concentration transactions concerning the main subsidiaries of the Group in which the Company is the controlling company.
- Approval of the issue of series of bonds, promissory notes, debentures or similar titles by the main companies of the Group in which the Company is the controlling company.
- Approval of the assignment of rights on the commercial name, trademarks and industrial or intellectual property rights that belong to the Company or companies of the Group, providing these are of financial relevance.
- Approval of the Rules of the Board of Directors.
- In general, the exercise of all duties that correspond to the Board by Law, the By-laws and the Rules of the Board of Directors, as well as the exercise of any other duties delegated to it by the General Shareholders' Meeting, in turn assigning only those that are expressly permitted in the resolution on delegation passed during the General Shareholders' Meeting."

Recommendation 2 – Independent Board members:

"The Board of Directors should include a reasonable number of Independent Non-Executive Directors, who are professionally-renowned people not associated with Senior management and the major shareholders."

Special relevance is given by ACS Actividades de Construcción y Servicios, S.A. to the figure of the Independent Non-Executive Board member, a person of renowned professional status who can bring experience and knowledge to corporate governance and who, being neither an executive nor proprietary member, is elected as such and offers the characteristics that ensure impartial and objective criteria.

On December 31, 2004, the Board of Directors had the following Independent members: Mr. José María Aguirre González, Mr. Miguel Blesa Parra, Mr. Álvaro Cuervo García, Mr. Joan David Grimá Terré, Mr. José María Loizaga Viguri and Mr. Miguel Roca Junyent, a total of 6, of a Board consisting of 18 members (33.3% of the total number of Board members).

Recommendation 3 – Composition of the Board of Directors:

"The composition of the Board of Directors should be such that the Non-Executive members (Proprietary and Independent members) comprise a clear majority over the Executive members, and the proportion between Proprietary members and Independent members shall be set in consideration of the relationship between majority shareholders and the others."

This recommendation has been modified by the Aldama Report, which reads, *"When establishing rules, criteria or recommendations for Corporate Governance, the structure of the share capital will be taken into account in order to protect the interests of minority shareholders. The Commission recommends that the members of the Board of Directors should represent the highest possible percentage of the share capital. The Commission has also reflected upon the difficulty of establishing a general rule to define the number and proportion of Independent Non-Executive Board members: one applicable criterion, to update the Olivencia Code, would be to have a broad majority of Non-Executive Board members and that these include a very significant number of Independent members, bearing in mind the share structure of the Company and the share capital represented on the Board"*.

The Board of Directors is comprised of 18 members, 4 of which are Executive members, 8 are Proprietary and External members and 6 are Independent Non-Executive members.

Recommendation 4 – Number of Board members:

"The Board of Directors should be the appropriate size to achieve more efficient and participatory operations. In theory, the appropriate size could range between five and fifteen members."

The current number of members of the Board of Directors is 18, within the 11 - 21 range established in the Company By-laws. This number is considered appropriate for the volume of the share structure and the Company's main financial magnitudes.

Recommendation 5 – Chairman of the Board of Directors:

"If the Board chooses to combine the position of Chairman and CEO, it should take the necessary precautions to reduce the risk of the concentration of power in one single person. One of the matters to which the Commission has paid special attention is the advisability of whether or not to recommend the separation of the Chairman of the Board and CEO positions of the Company. The Commission is very open to the argument of separating duties or functions, but must also weigh the disadvantages of the dualist alternative, in other words, depriving the Company of clear and decisive leadership. This could make it difficult to convey information between Company management and the Board of Directors, and could generate coordination expenses. Accordingly, the Commission has ultimately decided against the separation of positions and that, in short, it should support the criteria of the Olivencia Commission, including its warnings. Lastly, this criteria is justified by the conviction that choosing one leadership formula over another –dual or unitary– cannot be regulated across the board, and should instead depend upon the circumstances of each company".

The Chairman and CEO of ACS, Actividades de Construcción y Servicios S.A. is vested with all the transferable powers of the Board of Directors, which were listed in the analysis of the degree of observance in Recommendation 1. His duties are defined not only by the scope of those non-transferable powers, but by his duties as Chairman of other Board Committees as well, most notably the Executive Committee, as well as the Audit and Remuneration Committees.

Recommendation 6 – Secretary of the Board of Directors:

"Major importance should be given to the Secretary of the Board, reinforcing his independence and stability and stressing his duty to safeguard the formal and material legality of Board actions."

This recommendation is broadly observed by the Company through the figure of the Secretary-Board member, who has acted as Secretary since 1991. The figure is regulated in Article 20 of the Rules of the Board of Directors: "The Board of Directors will appoint a Secretary, who may or may not be a Board member but who should be a practising attorney. In addition to the duties attributed by current legislation, the Company By-laws and the Rules of the Board of Directors, the Secretary of the Board shall monitor the legality of the actions of the corporate boards to which he belongs, making any warnings for this purpose which will be included in the Minutes."

Recommendation 7 – Composition of the Executive Committee:

“The composition of the Executive Committee, when there is one, should reflect the same balance among the different types of Board members, and the relations between the two bodies should be based on the principle of transparency, so the Board is fully aware of the matters addressed and the resolutions passed by the Committee.”

In addition to the Secretary-Board member without voting rights, the Executive Committee is comprised of 7 Board members, 2 of which are Executive Board members, 1 Independent Non-Executive Board member and the remaining 4, Proprietary and External Board members. The Executive Committee will exercise all duties that are delegated to it by the Board of Directors. However, the Board of Directors may address and decide on any matter that falls to its competence, while the Executive Committee, on the other hand, may submit any matter requiring a decision to the Board of Directors, even if it is the responsibility of the Executive Committee, should the Committee deem that the Board of Directors should decide on the issue.

Recommendation 8 – Delegated Control Committees:

“The Board of Directors should set up delegated control Committees, comprised exclusively of Non-Executive Board members, covering information and accounting control (audit); appointment of Board members and senior managers (nomination); determining and reviewing the remuneration policy (remuneration); and assessing the governance system (compliance).”

The Board of Directors of the Company has set up two Committees: the Audit Committee and the Remuneration Committee. In addition to the Secretary-Board member without voting rights, the Audit Committee is comprised of 3 Proprietary and External Board members and an Independent Board member; the Remuneration Committee is comprised, in addition to the Secretary-Board member without voting rights, of 2 Proprietary and External members and 2 Independent Non-Executive Board members. Each Committee has the responsibilities established in the Rules of the Board of Directors.

Recommendation 9 - Information to Board members:

“The necessary measures should be taken to ensure that the Board members receive sufficient information, adequately in advance, specifically drawn up for the preparation of Board meetings, without the significance or reserved nature of such information serving as grounds for its omission, with the exception of special circumstances.”

Article 15 of the Rules of the Board of Directors includes the right of Board members to request, through the Chairman or Secretary of the Board, any documentation they deem necessary in order to perform their duties.

Recommendation 10 – Functioning of the Board of Directors:

“In order to ensure the suitable operation of the Board, its meetings should be held as often as necessary for the performance of its tasks; the Chairman should encourage all Board members to contribute and freely take positions; particular care should be taken with the formulation of the minutes and the quality and efficiency of their work should be evaluated at least once a year”.

Article 16 of the Company By-laws and Article 8 of the Rules of the Board of Directors establish that the Board of Directors shall meet when Company interests so require, following the call by its Chairman or Vice Chairman, whether at their own initiative or at the request of at least 2 members of the Board. The Board will in all cases meet at least 4 times a year to monitor the Group's performance in terms of its budgets and the previous financial year. The meeting announcement may be sent by letter, telex, telegram, fax or any other written means which confirms its receipt by Board members. The meeting announcement shall include the Agenda and, except in cases of urgency, will be sent at least 3 days in advance.

In any case, there is an established annual schedule of meetings, to make it easier for the Board members to plan their attendance. During or after the meeting, Board members will be given all necessary information or any clarifications they may require regarding the points on the Agenda.

In 2004, the Board of Directors of the Company met on 7 occasions.

Recommendation 11 – Appointment and reappointment of Board members:

“The Board's involvement in the appointment and reappointment of its members should follow a formal, transparent procedure, based on a reasoned proposal by the Nomination Committee.”

The Board of Directors has no Nomination Committee. With regard to nominations, the Rules of the Board of Directors establish that, within the limits specified in Article 13 of the current Company By-laws and without prejudice to the power of proposal that is the legal right of shareholders, the Board of Directors will propose both the number of Board members and the individuals or corporations that should be appointed to the General Shareholders' Meeting. The appointment proposal will state whether the proposed Board members are Executive, Proprietary and External or Independent Non-Executive.

Moreover, the Board of Directors may cover vacancies temporarily with persons chosen from among the shareholders, until the next General Shareholders Meeting at which time the vacancies will be definitively filled.

Recommendation 12 – Resignation of Board members:

“Company regulations should include the obligation of Board members to resign in those cases in which they could have a negative effect on the operation of the Board or the Company’s credit and reputation.”

This is not expressly contemplated.

Recommendation 13 – Age of Board members:

“There should be an age limit on the position of Director, which could be 65 for Executive Directors and the Chairman and somewhat more flexible for the rest of the members.”

The Aldama Report has revised this point of the Olivencia Code and establishes no age limit, merely requiring that the Company adopt a policy on this matter, which should be clearly stated in its internal rules. The Rules of the Board of Directors establish no age limit with regard to the appointment to or holding of the Board member position.

Recommendation 14 – Information facilities for Board members:

“The right of all Board members to collect and obtain the necessary information and counsel to perform their supervisory tasks should be formally recognised, and suitable channels should be provided to exercise that right, with recourse to external experts in special circumstances.”

Article 15 of the Rules of the Board of Directors expressly contemplates the right of Board members to obtain information and seek counsel in order to better perform their duties, whereby they may request any information they deem necessary from the Chairman or the Secretary-Board member.

Recommendation 15 – Remuneration of Board members:

“The Policy for the remuneration of Board members, which must be proposed, assessed and reviewed by the Remuneration Committee, should follow the criteria of moderation, and should correspond to Company profits and detailed and individualised information.”

In 2004, the total remuneration paid to the Board of Directors as compensation pursuant to the By-laws was €1,789,986.76, the distribution of which was approved by the Board of Directors at the proposal of the Remuneration Committee.

Recommendation 16 – General duties of the Board members and conflicts of interest:

"The Company's internal regulations should establish the obligations resulting from the general obligations of diligence and loyalty of the members of the Board. In particular, they should include conflicts of interest, the duty of confidentiality, exploitation of business opportunities and the use of Company assets."

Articles 13 and 14 of the Rules of the Board of Directors specifically regulates conflicts of interest, whereupon by virtue of their loyalty as Company representatives, Board members shall avoid any conflict of interest between themselves and their closest relatives on the one hand, and the Company on the other, and will inform the Board of Directors of any possible conflicts of interest whenever such conflict cannot be avoided, and this conflict of interest shall be recorded in the Minutes of the next Board Meeting. Furthermore, Board members shall inform the Company as soon as possible, and in any case within the next 5 days, of any shares, stock options or derivatives based on share value that are held directly or indirectly by the members themselves or by members of their immediate families.

Board members shall notify the Company of any significant changes in their own professional status, particularly any change that affects the status or condition considered for their appointment to the Board. In addition, they shall inform the Company of any legal or administrative procedure that may have a serious negative effect on the reputation of the Company.

Board members shall abstain from intervening in deliberations and voting on issues in which they have a special interest. This will be duly noted in the Minutes.

Board members may not, directly or indirectly, hold any position in or provide representation for any company or firm that competes with the Company or with any company within the Group.

Board members may in no way use any non-public information to which they shall have had access in the exercise of their role as Board member for private purposes. In particular, Board members may not use any knowledge of any commercial transaction about which they shall have become aware in the exercise of their role as Board member for their own personal benefit.

With the exception of a duly-authorized payment in kind, Board members may not make use of Company assets or use their position to increase their net worth without providing the corresponding compensation.

Recommendation 17 – Transactions with significant shareholders:

“The Board of Directors should promote appropriate measures to extend the obligation of loyalty to significant shareholders, in particular establishing precautions on the transactions performed between them and the Company”.

Section C.5.2) of the Annual Corporate Governance Report addresses Rules of Conduct in the Stock Market, containing a series of rules aimed at detecting and eliminating possible conflicts of interest between the Company and/or the Group, its Board members, executives and significant shareholders.

Recommendation 18 – Communication with shareholders:

“Measures should be undertaken to make the mechanism for delegating votes by proxy more transparent and improve Company communication with its shareholders, particularly with institutional investors.”

Both the Company By-laws and the Shareholders' General Meeting By-laws envisage the right to information, representation and voting by electronic or other telematics means, thus favouring the participation of shareholders in Company operations.

Notwithstanding the foregoing, Article 5 of the Rules of the Board of Directors establishes that: “In order for the General Shareholders' Meeting to function properly, the Board of Directors shall make all legally-required information available to the shareholders before the General Meeting as well as any information that should be reasonably furnished on the basis of corporate interest and on the basis of which shareholders may form an opinion.

Accordingly, for maximum transparency and disclosure of all relevant information and in order to provide immediate shareholder access thereto, the Board of Directors shall make all information deemed to be of general interest available on the Group's website, in particular the Company By-laws, the Rules of the Board of Directors, any reports that must be furnished to the stock exchanges, notices of General Shareholders' Meetings and proposals submitted for the deliberation and approval of the General Shareholders' Meeting.”

Recommendation 19 – Transparency on the Markets:

"The Board of Directors, beyond the requirements imposed by current legislation, should take responsibility for providing markets with rapid, accurate and reliable information, especially with regard to the structure of the shareholder body and substantial changes to governance regulations, in particular associated transactions of particular significance or those regarding treasury stock."

Article 7 of the Rules of the Board of Directors, entitled "Listed Company Obligations", provides that the Board of Directors shall adopt or promote any necessary or advisable measures to ensure the transparency of the Company's operations on the financial markets and the performance of those duties inherent in its condition as a listed company.

Recommendation 20 – Financial information:

"All periodic financial information, in addition to the annual information provided to the markets, should be formulated in accordance with the same professional practices and principles as the annual accounts, and should be verified by the Audit Committee before being published."

The economic information reported to the markets in accordance with current legislation is first verified by the Company's Audit Committee.

Recommendation 21 – External auditors:

"The Board of Directors and the Audit Committee should monitor situations that could jeopardise the independence of the Company's external auditors. In particular, they should verify the fees paid for all items in proportion to the auditing firm's total income, and all fees for non-auditing professional services should be published".

Article 20a of the Company By-laws entrusts the Audit Committee with "The review and approval of any significant changes to the accounting policies of the Company and the subsidiaries in the Corporate Group, as well as in the Corporate Group itself. Also, in general, relative to external auditors, to receive information on any matters that could jeopardise their independence and any other matters regarding the auditing of accounts, and all other notifications specified in legislation on accounts auditing and technical auditing standards."

Recommendation 22 – Reservations in the Audit Report:

“The Board of Directors should prevent the accounts from being submitted to the General Shareholders Meeting with reservations and provisos in the Auditors' report. When this is not possible, the Board and the auditors should clearly explain the contents and scope of the discrepancies to the shareholders and the markets.”

Observance of this recommendation is summarised in routine meetings between the accounts auditor and the Audit Committee, to analyse any differences between the accounting criteria of the Company and its Group and the auditor's interpretation of the accounts. These meetings are stipulated in Article 20a of the Company Bylaws. It is believed that the audit reports for 2004 for ACS Actividades de Construcción y Servicios, S.A. and the ACS Group will be favourable, as they were in 2002 and 2003.



ACS head offices building