ISOLUX CORSÁN

annual**report** 2007

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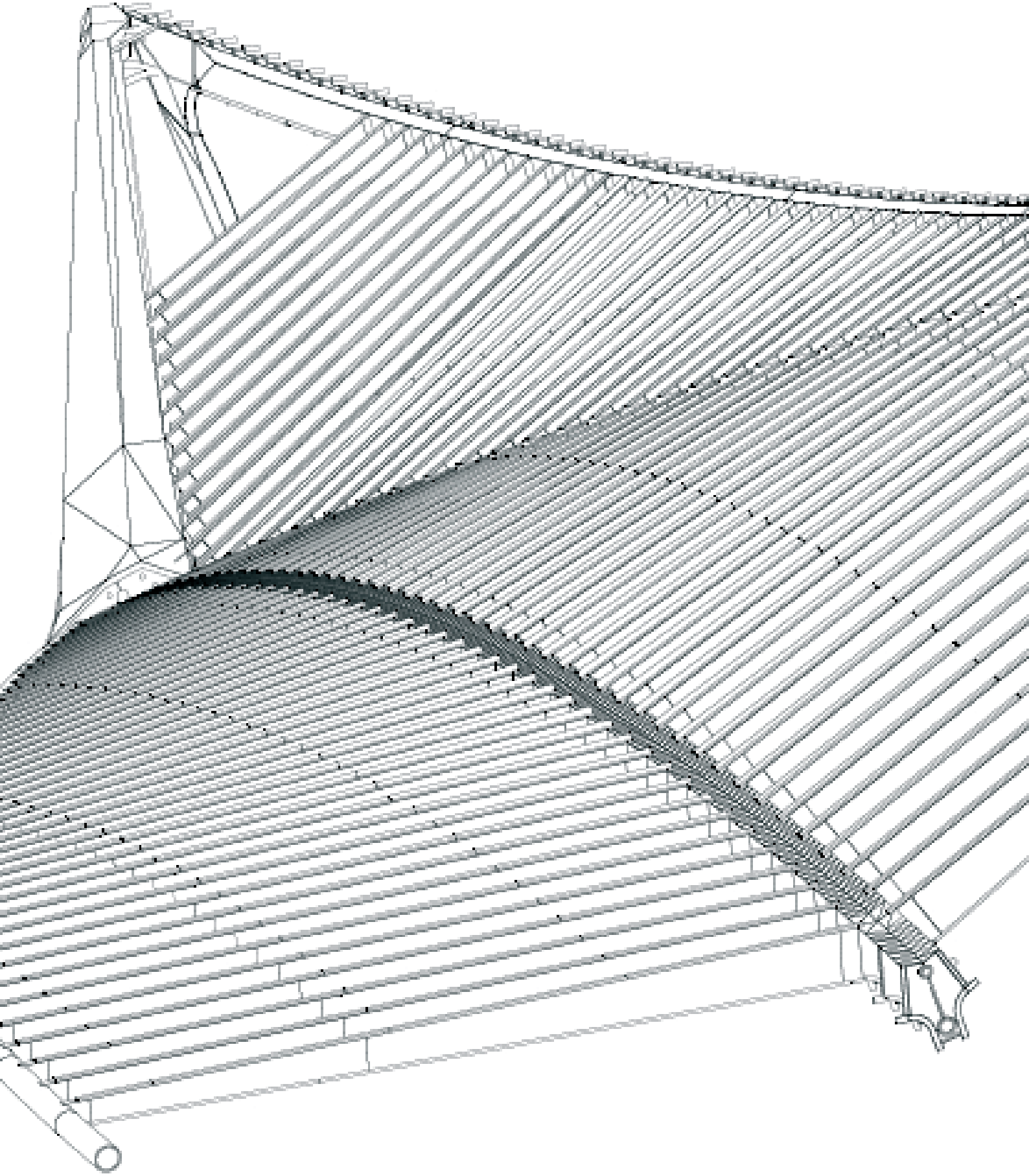

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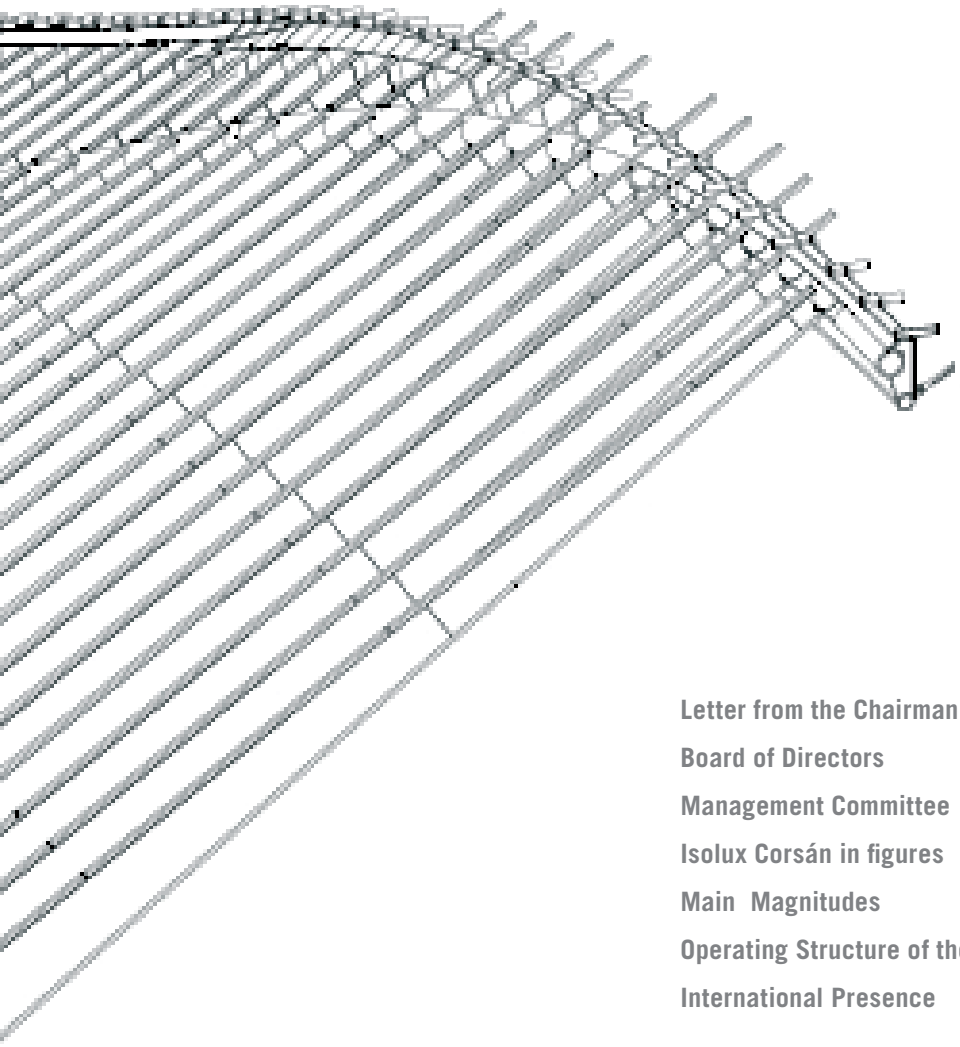

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ISOLUX CORSÁN

Dear Shareholders Accionistas:

Another year I am writing to you to comment on the most important events for our Group during 2007 and to offer our views on the outlook for the years ahead. I am pleased to report that Isolux Corsán performed outstandingly in 2007, significantly exceeding initial forecasts and has established a solid position for the future.

Before analysing the numbers, I would like to describe the business environment in which we are operating. After almost a decade of double-digit growth, by the end of 2007 figures for the Spanish construction sector barely topped 9% and are expected to rebound in 2009 with estimates near 5%. These figures indicate that the coming years will be characterised by a marked slowdown and that we must look for growth beyond our frontiers and in the diversification into complementary sectors such as Energy, in which Isolux Corsán has already established a significant presence. There is no doubt that the residential construction sub-sector – residual for the Group - will be the most affected by the slowdown. On the other hand, civil construction will continue to be favoured by the PEIT (Strategic Infrastructure Plan) extending until 2020. However, internal demand may prove to be insufficient for the large companies in the sector in Spain, and expansion into international markets, where they enjoy prestige and recognition, is the key to future growth. This is evidenced by the fact that as of December 2007, Spanish companies held an international portfolio of contracts, in execution or pending execution, totalling over 60,000 million Euros.

Isolux Corsán began its international expansion years ago – we have been present in Mexico for over twenty five years – and achieved notable results this year. Some of the highlights have been: the construction and 30-year operating concession of the Saltillo – Monterrey motorway in Mexico, the construction of the TAVE (High-speed Train) linking the cities of Buenos Aires and Cordoba in

Argentina, the construction of the Oran tramline in Algeria and the construction and 20-year operating concession for the NH1 motorway in India, stretching 291 kilometres between Panipat and Jalandhar. Other projects of note include the awarding of the tender for the construction of a combined cycle power plant in Loma La Lata in Argentina, the construction of the coal-fired power plant in Río Turbio in Argentina and the adjudication of construction contracts for substations in Qatar. These are just some of our achievements in the international market during 2007, confirming that we are on the right track.

Before commenting on the Main financial figures of the year, which take up the bulk of this report, I wish to point out that this is the first year we present our accounts using IAS (International Accounting Standards), one year ahead of their mandatory application as established by Spanish legislation.

Group turnover in 2007 reached 2,416 million Euros, up 24% from the previous year, with increases across all business areas and gross revenues (EBITDA) reached 190.9 million Euros. Our portfolio of contracts grew by 48.6% in 2007, topping 9,474 million Euros. All of these figures represent record results for Isolux Corsán.

I also wish to point out that for the first time in the Group's history, we are presenting together with the annual report, our Corporate Social Responsibility Report, created according to the directives of Global Reporting Initiative (GRI). This report includes our activities in Spain and abroad, especially in Argentina, Brazil and Mexico. This represents another advance in our dedication to transparency and communication with all the stakeholders of Isolux Corsán.

Isolux Corsán's commitment to ethical business practices and its concept of Corporate Social Responsibility implies a firm decision to comply rigorously with its obligations to third parties, believing that companies must inspire trust and reliability as the foundation of our activities. Corporate Social Responsibility is not a side issue: there are powerful motives to incorporate it into the heart of our activities due to the transformation of the relationship between Companies and Society in a globalised and interdependent world and the role of companies in the 21st century.

This report reflects the measures which have been taken to integrate these objectives into our business activity, with special attention to those concerning those most directly related to our business: shareholders, investors, clients, employees, service providers and suppliers. **Isolux Corsán, which celebrates its 80th anniversary in 2008,** is providing this CSR report as a sign of its dedication, vision and leadership. For the future, the strategy of our Group is to pursue growth in line with our business model and business areas: Engineering and Industrial Services, Construction, Concessions and Renewable Energies. We will continue with our policy of strict cost controls and improved productivity as reflected in our very healthy balance sheet.

We thank you again for your confidence and trust.

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Luis Delso Heras
Chairman

board of directors / (*)

Chairman	Luis Delso Heras
Vice Chairman	José Gomis Cañete
Board Members	Serafín González Morcillo
	Francisco Moure Bourio
	Ángel Serrano Martínez-Estéllez
	Juan José Ávila González
	Juan Odériz San Martín
	Antonio Pulido Gutiérrez
	Antonio Portela Álvarez
	José Luis Hernández Sánchez
	Javier Gómez-Navarro Navarrete
Secretary and Lawyer Non-member Adviser	Juan Francisco Falcón Ravelo

(*) Composition of the Board of Directors as of March 31, 2008.

/ management committee

Chief Executive Officer	Antonio Portela Álvarez
General Economic Financial Manager	Antonio Martínez Borrallo
General Manager for General Resources	Luis Moreno Álvarez
General International Business Manager	Álvaro Rengifo Abbad
General Engineering Business Development Manager	Esteban Pijoán Marín
General Construction Manager	Antonio Gracia Cebollada
General Energy Manager	Javier Riera Táboas
General Installations Manager	Fernando Caballero Fernández
General Environment Manager	Antonio García Zarandieta
General Communications and Maintenance and Services Managers	José Mestre Morales-Albo
General Concessions Manager	Santiago Varela Ullastres
General Real Estate Manager	José María Sendarrubias Redondo
Financial Manager	Manuel García Mateos
CSR and Risk Manager	Antonio Ribelles Calderón

/ Isolux Corsán in figures

Isolux Corsán in continuous expansion

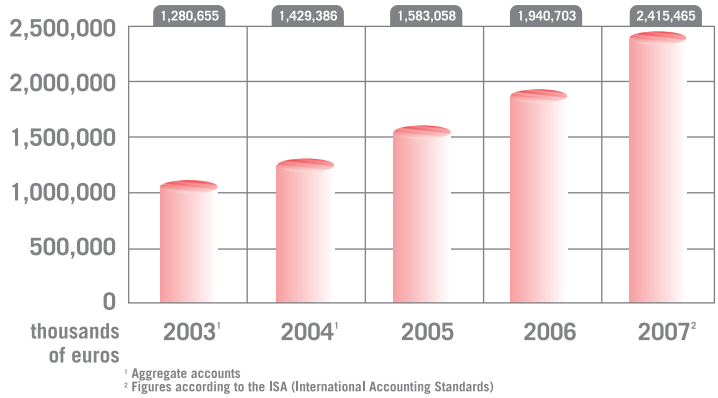
Figures in thousands of Euros	2006	2007
Total turnover	1,940,703	2,415,465
EBITDA	143,740	190,992
Equity	595,934	649,506
Contracting	2,576,654	5,105,942
Project Portfolio	6,375,253	9,473,904
Employees	6,996	7,801

Isolux Corsán, in addition to its traditional Engineering and Construction activities, has also diversified into a range of strategic business areas providing added value to the Group, such as renewable energies – wind and FV solar energy and biofuels – and the concession, maintenance and commercial exploitation of services and infrastructures.

The growth the Group has enjoyed in recent years confirms the solidity of the Organisation, able to undertake projects of any size and complexity, thanks to the trust and confidence of our clients and suppliers.

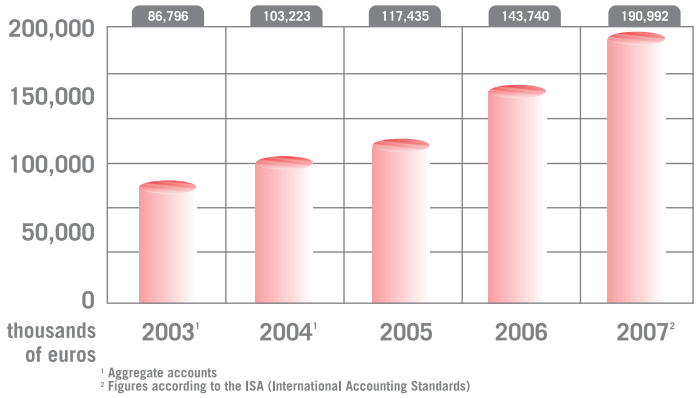
Isolux Corsán is currently the leading unlisted Spanish group in the sector. It has a total staff of 7,801 employees. Total turnover in 2007 topped 2,416 million Euros with a business portfolio over 9,473 million Euros.

Total Revenues



In 2007, the total turnover of the Group saw an increase of 24% over the previous year, reaching a total of 2,416 million Euros.

EBITDA

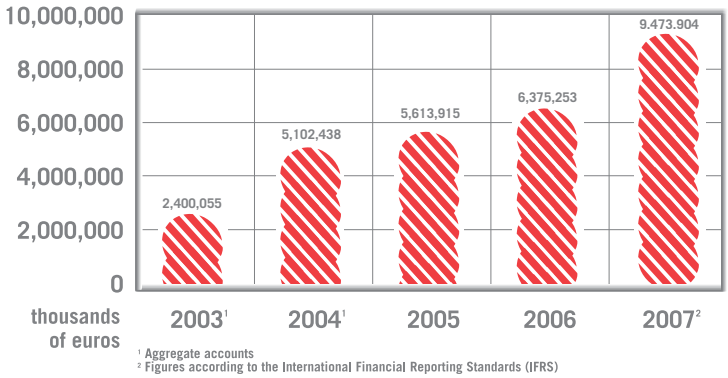


In 2007, EBITDA reached 191 million Euros, up from 144 million the previous year.

Contracting

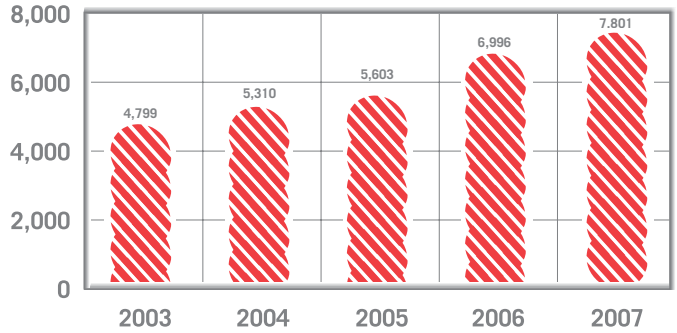
Isolux Corsán has doubled its volume of contracting in the last two year, reaching 5,106 million Euros in 2007.

Portfolio



In 2007, the portfolio of the Group saw a 49% increase over the previous year.

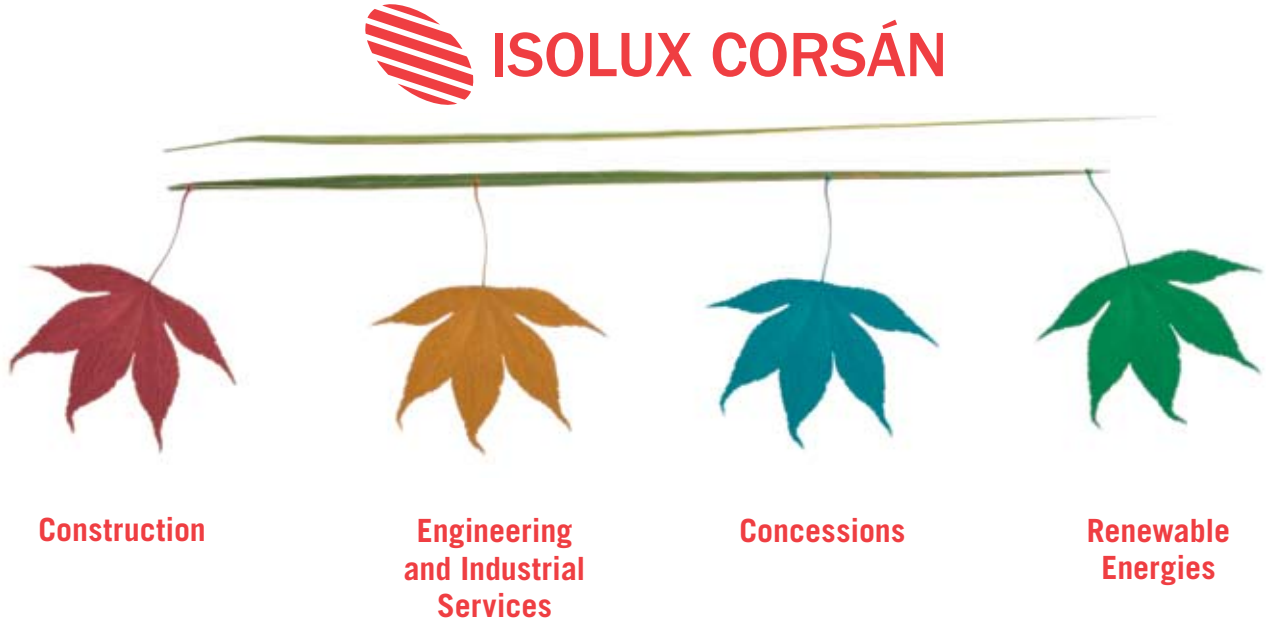
Average Workforce



The number of personnel totalled 7,801 employees in 2007.

Structure of the Group

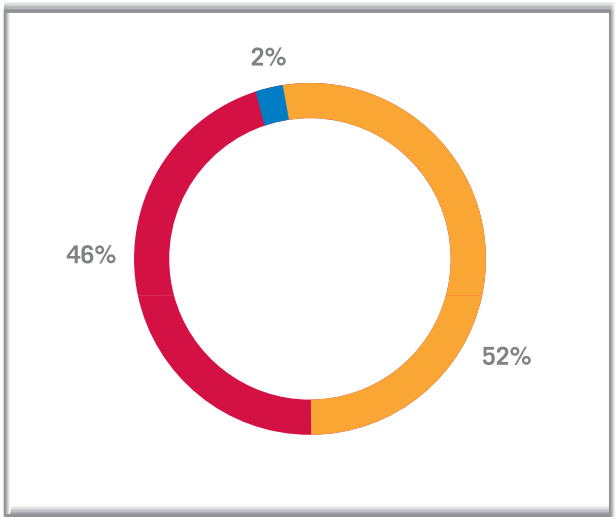
After the recent corporate operations, the Group is structured into four main business areas.



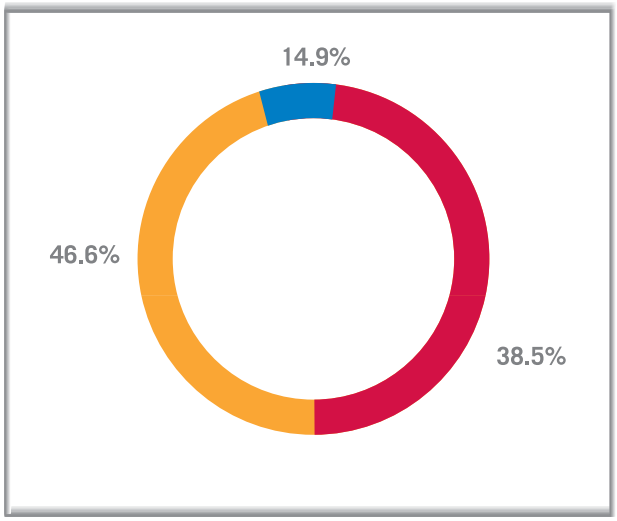
Contribution to Revenues and EBITDA

This structure enables the increased diversification of the Company, consisting of complementary business areas with a great deal of potential for growth and providing significant added-value and revenues. The contribution of the various business areas in 2007 was as follows:

Turnover



EBITDA



Construction Engineering and Industrial Services Concessions

Turnover (thousands of Euros)	2007
Construction	1,060,887
Engineering and Industrial Services	1,196,750
Concessions	46,482
Renewable Energies*	

(*) The production and generation of Renewable Energies will begin in 2008.

EBITDA (thousands of Euros)	2007
Construction	81,586
Engineering and Industrial Services	98,729
Concessions	31,604
Renewable Energies*	

Projects in four continents

International expansion has been one of the strategic priorities of Isolux Corsán and received a decisive impulse during 2007. The business opportunities offered by foreign markets and the diversification of risk are key considerations in the international expansion of the Group.

Europe

Germany

Belgium

Spain

France

Poland

Portugal

United Kingdom

Sweden

Romania

América

Argentina

United States

Brazil

Mexico

Chile

Venezuela

Ecuador

/ international presence

Asia

India

Qatar

Jordan

Syria

África

Angola

Equatorial Guinea

Algeria

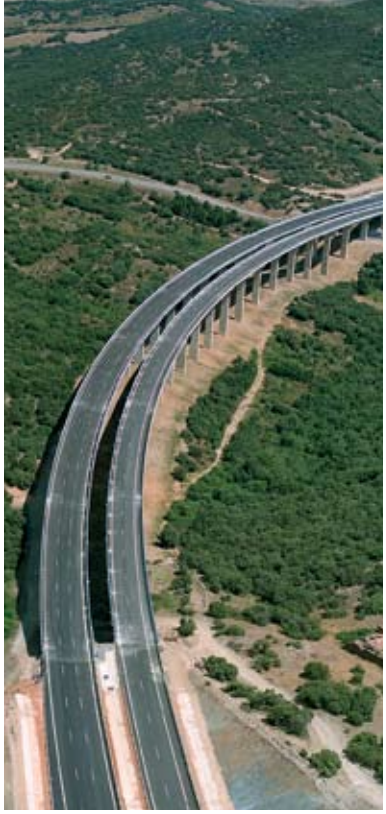
Morocco

Egypt

Mozambique

ISOLUX CORSÁN

report on activities



construction

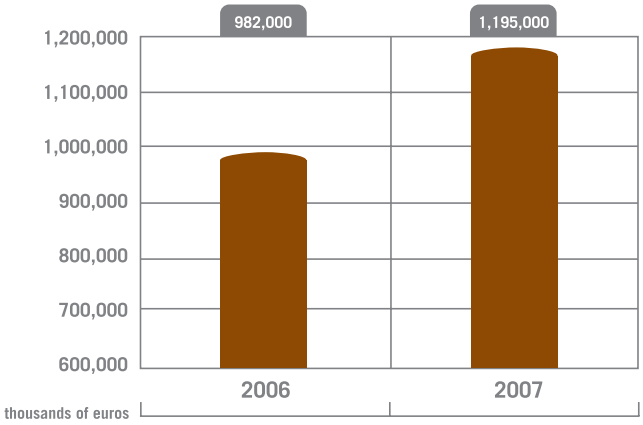
NEW MARKETS, NEW CHALLENGES

Motorways, railway infrastructure, airports, civil construction projects… Isolux Corsán completed significant infrastructure projects during 2007 contracted by the principal actors in the sector, both the Public Administration, ADIF, AENA, the Ministries of Public Works and the Environment, as well as private clients. The capacity of Isolux Corsán to undertake large scale and highly complex projects throughout the world are the key strengths of the Group.

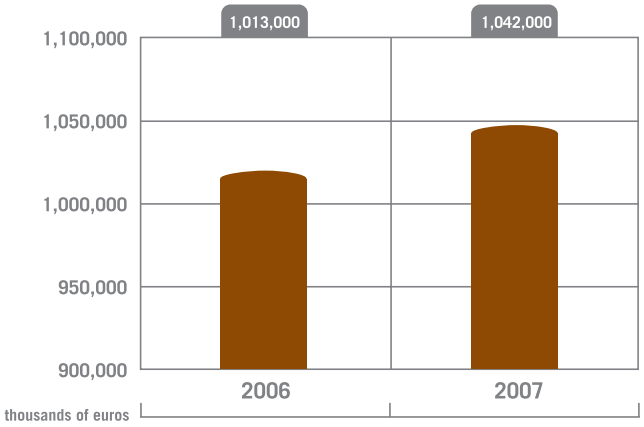
Construction projects in the international market represent 17% of the Group's total volume of contracting, reaching 207 million Euros.

In financial terms, total contracting in 2007 reached 1,195 million Euros, a 22% increase over 2006.

EVOLUTION OF CONTRACTING

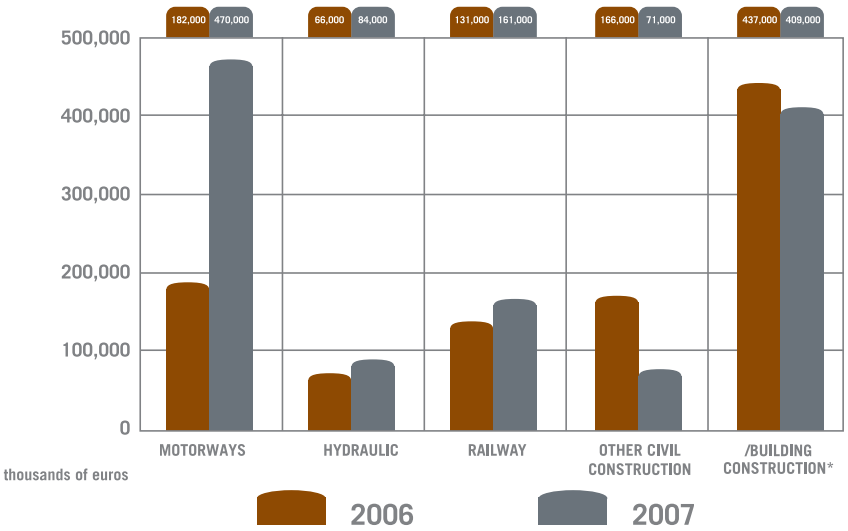


EVOLUTION OF TOTAL TURNOVER



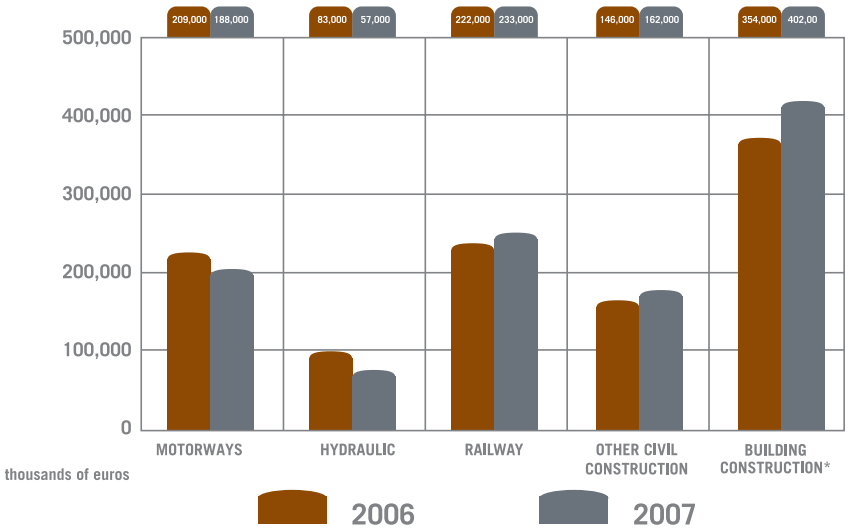
As for contracting according to project type, the most significant growth was seen in Motorway Construction, increasing from 182 million Euros in 2006 to 470 million in 2007. The contracting of railway infrastructure reached 161 million Euros, up from 131 million the previous year. Hydraulic projects topped 84 million Euros while Civil Construction projects totalled 71 million.

EVOLUTION OF CONTRACTING BY PROJECT TYPE



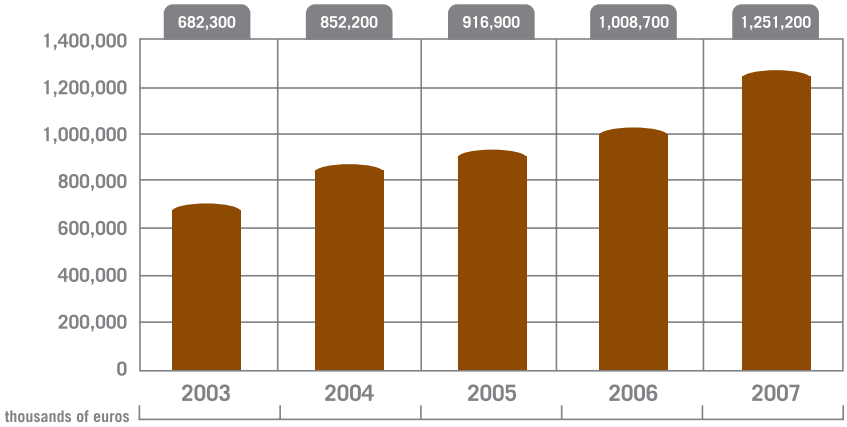
* Edification: industrial, Rehabilitation and Public housing.

EVOLUTION OF TURNOVER BY PROJECT TYPE



* Edification: industrial, Rehabilitation and Public housing.

EVOLUTION OF CONTRACT AWARDS

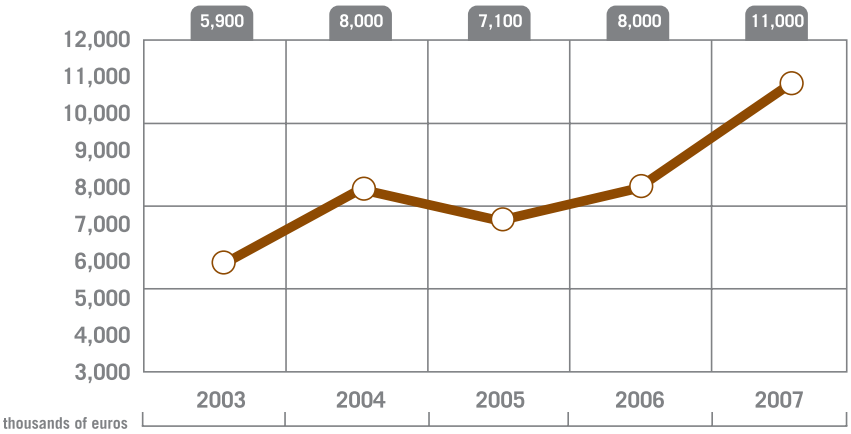


In 2007, Isolux Corsán was awarded contracts valued at over 1,251 million Euros, representing a 24% increase over the previous year.

MAIN PROJECTS IN EXECUTION IN 2007

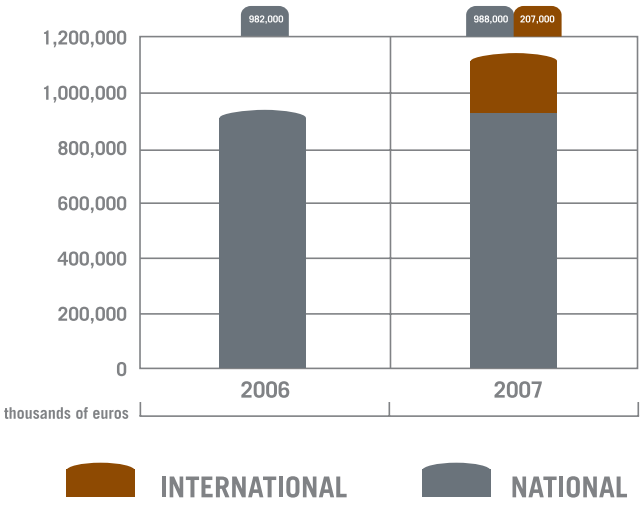
Project	Activity
AVE San Boi – El Prat de Llobregat. Barcelona	Railway Infrastructure
AVE Ourense - Amoeiro. Ourense	Railway Infrastructure Ferroviarias
Benamejí – Antequera Motorway. Málaga	Motorways
Romareda Car park. Zaragoza	Car Park
Connection to the M-40 in Ventisquero de la Condesa. Madrid	Motorways
Bio-fuel plant in Castellón. Castellón	Port facilities
Section of the N-1 in Pasaia. San Sebastián	Motorways
Trujillo – Cáceres Motorway. Trujillo Section. Cáceres	Motorways
Seville – Cádiz railway line. El Portal section. Cádiz	Railway Infrastructure

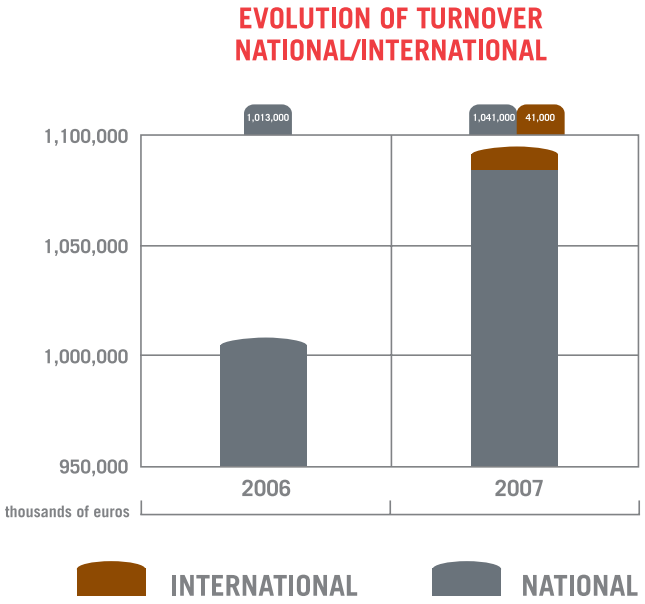
EVOLUTION OF THE AVERAGE PROJECT AMOUNT



Isolux Corsán is constructing the first high-speed line in Latin America.

EVOLUTION OF CONTRACTING NATIONAL/INTERNATIONAL





Mexico is one of the key markets for Isolux Corsán, and the Group has established a construction company, Isolux Cor¬sán Construcción S.A. de C.V., to focus activities in this country. The first large contract of the company was the concession of the Monterrey-Saltillo motorway.

Further expansion plans also extend to Argentina, taking advantage of the Group's participation in the construction of the TAVE (Argentina high-speed Railway). Another market for expansion is India where the company has also won an important concession project.

Isolux Corsán Construcción is also studying the possibility of expansion into Eastern Europe, in countries where the Group has a strategic interest and in which large-scale projects can be undertaken.

RAILWAY INFRASTRUCTURE

THE CHALLENGE OF HIGH SPEED RAIL

Isolux Corsán participated in the latest milestone in Spanish railways: the Madrid – Barcelona AVE, inaugurated on February 20, 2008. This project involved years of highly complex work and represented a significant engineering challenge. Isolux completed the San Boi – El Prat de Llobregat section in December 2007.

Another notable project adjudicated to Isolux Corsán is the Trinidad – Moncada rail link, part of the project to establish high speed rail service between the Spanish capital and France by 2012.

The objective of the Group in the area of railways is to gain market share with a strategy based on three basic pillars: excellence in project execution, client satisfaction and a pro-active commercial policy.

This strategy was implemented in the construction of the high-speed AVE rail links Madrid-Galicia and Madrid-País Vasco.

On the international stage, Isolux Corsán is also participating in the construction of the TAVE, the Argentina high-speed rail line. This is a pioneer project and offers significant opportunities for growth, opening broad new horizons for the Company as the TAVE will be the first high-speed rail line in operation in Latin America.

The project consists of civil construction works, railway infrastructure, signalling and communication systems and the supply of the rolling stock. In addition to security and safety measures, the tender includes a ten-year maintenance contract for rolling stock and a five-year contract for infrastructure maintenance. The new TAVE (High-speed Railway) was designed within the concept of sustainable transport.

The TAVE is divided into two sections. The first, 310 kilometres in length, runs between Buenos Aires and Rosario, covered in less than an hour and a half while road travel currently takes approximately five hours. The second section, Rosario-Córdoba, is 400 kilometres in length.

The Buenos Aires-Rosario-Córdoba route will serve the largest urban and industrial corridor in Argentina, with over 17 million inhabitants, almost half the country's total population.

MAIN PROJECTS DURING 2007

Project
AVE San Boi-El Prat de Llobregat (Barcelona)
AVE Ourense-Amoeiro (Ourense)
Seville-Cádiz railway, El Portal section (Cádiz)
AVE Nudo de la Trinidad -Moncada (Barcelona)
AVE Río Duero-Túnel del Pinar de Antequera (Málaga)


Sortida/Salida

MOTORWAYS



MAKING THE LEAP

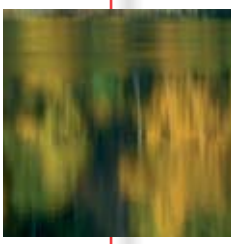
In 2007, Isolux Corsán met its expectations for the increased volume of its portfolio, a significant achievement given the high level of competition in the sector.

After some years of stable growth, Isolux Corsán has the know how and the means to undertake ever larger projects, as demonstrated by the growing number of our projects abroad. These projects include:

- The awarding of the contract for the Saltillo-Monterrey Motorway in 2007, for a total value of 192 million Euros.

- The winning of the tender, in partnership with a local company, for the NH-1 motorway in India. This motorway will have a length of 291 kilometres with an initial investment estimated at 750 million Euros.

- The Aritxeta - Urumea link, with total value of 42 million Euros, or the Motorway of Cuarto Centenario between Ciudad Real and Granátula de Calatrava, with a budget of 40 million, are other examples of the gains achieved in the area of Motorways in 2007.



Isolux Corsán is the first Spanish company to participate in the motorway development project in India.

MAIN CONTRACTS DURING 2007

Project
Highway Saltillo-Monterrey (Mexico)
Motorway 2º Cinturón San Sebastián Conexión A-8 Aritzeta-Enlace Urumea (Guipúzcoa)
Motorway IV Centenario Ciudad Real-Granátula de Calatrava (Ciudad Real)
Redevelopment link M-40/M-511 (Madrid)
Motorway A-4 1st Generation Section Madrid-Ocaña (Toledo)
Highway CG-1 Puerto Rico-Mogan (Gran Canaria)
Access to Reus Airport (Tarragona)
Road León-Cembranos (León)

HYDRAULIC PROJECTS

Isolux Corsán undertakes are types of projects related the integral water cycle: storage, purification, treatment, distribution and the environmental recovery of water courses.

The responsible use of an essential and limited resources such as water is a priority for the Group. The technologies applied in water management systems are not only environmentally friendly but are designed to maximise productivity and efficiency while minimising the use of natural resources.

The Group's main activities in this field are the development and construction of:

- Dams.
- Canals.
- Reservoirs.
- Locks.
- Water purification and supply systems.
- Sewer and water treatment systems.
- Irrigation systems.
- Water course recovery.

AIRPORTS

Isolux Corsán will construct the new airport terminal in Santiago de Compostela.

GREAT EXPECTATIONS

Isolux Corsán was the successful bidder of the Surface Area in the South Terminal of El Prat Airport in Barcelona totaling 19 million Euros.

In 2008 Isolux Corsán was awarded the enlargement works of Santiago de Compostela Airport, the second largest project in this sector after the enlargement of El Prat.

BUILDING

The key target markets of Isolux Corsán in the building construction sub-sector are industrial (factories, production plants) and services (shopping centres, hotels, etc) buildings as well as the restoration of architectural heritage and historic buildings.

MAIN CONTRACTS IN 2007

Projects
Civil and Mercantile Courts (Campus de la Justicia, Madrid)
Rehabilitation of the Central Market in Valencia
Biofuel plant at the Port of Castellón
Construction of the solar panel manufacturing plant in Ourense

MARITIME

Isolux Corsán has intensified its efforts to grow in a highly competitive sector both nationally and internationally.

The Group's activities are principally focussed on the redesign and construction of piers at the Port of Barcelona, Ferrol and Castellón.




engineering and industrial Services

ENERGY

RECORD CONTRACTS

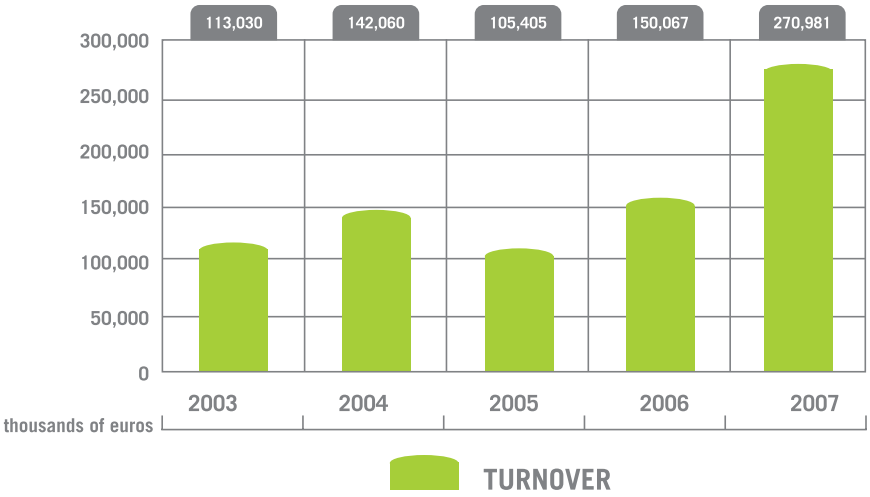
In 2007 saw significant growth in the energy business of the Group, with revenues reaching 270 million Euros, up from 150 million the previous year. This exceptional advance builds on the strong surge in contracting experienced in 2006. Projects for electrical power plants are a key part of the Group's portfolio, which closed the year at 568 million Euros.

We are well aware of the formidable growth witnessed in the energy sector world-wide and in response Isolux Corsán has substantially strengthened its international teams responsible for the tenders and development of these projects. The result of this effort has been fundamental for the performance of the Group. Recent contracts in this sector include the combined cycle power plant in Loma de la Lata (Argentina), the gas-fired plant in Cabinda (Angola) or the coal-fired thermal plant in Río Turbio (Argentina), in addition to notable projects for very high tension lines and substations contracted in Latin America, Africa and the Middle East.

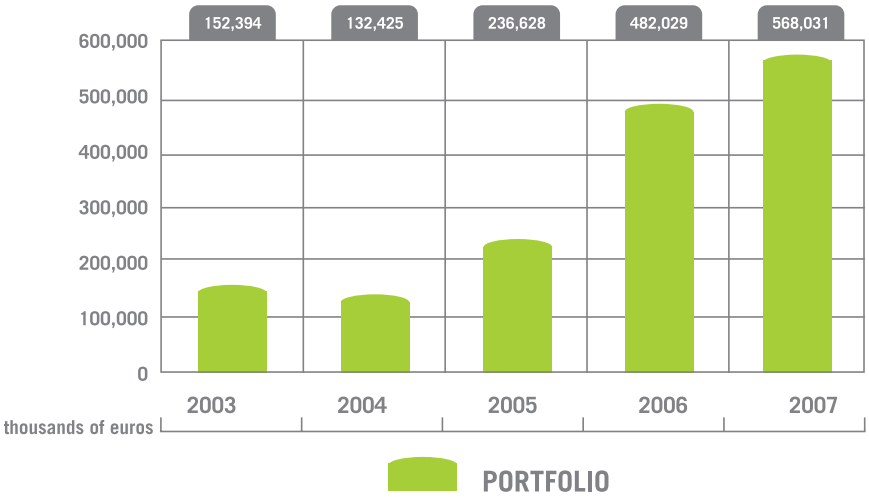
Nationally, this sector grew by 9% and the Group extended its services to distribution and transportation companies. Additionally, a presence has been maintained in all national operators with outstanding participation in a range of construction projects in the area of Renewable Energies.

TURNOVER INCREASED BY 80% IN 2007.

EVOLUTION OF TURNOVER



EVOLUTION OF PORTFOLIO



Internationally, the Group saw extraordinary growth of over 80%, winning contracts for important hydroelectric and thermal projects. There was notable increase in the number of power generation projects in the portfolio and new contracts related to generation and distribution are expected.

Within the area of power generation, growth in the development of gas-fired plants has been accompanied by the rebirth of coal-based initiatives. This is due to the development of more effective and sophisticated technologies to control emissions with the advantage of offering competitive pricing compared to gas.

The upgrading and renovation of existing power plants in developed nations is an important niche market in this business area, in addition to the development of new capacity. Furthermore, it is widely accepted that the development of power generation technology using renewable energies is the future of the sector, promising significant investment in the years ahead.

Investment in power transmission infrastructure is necessary in both developing countries and in industrialised nations, where this type of infrastructure has an average age of over 30 years.

Nationally, estimates in the short term predict the extension and reinforcement of the existing transmission, transformation and distribution network. This is already taking place through investment plans of large distribution companies throughout Spain as well as the implantation of renewable energies (FV solar and wind power above all) through private initiative.

Within this context, the strategic objectives of the business area of engineering and services associated with energy infrastructure of the Group are based on the strengthening of its current presence and capabilities.

MAIN PROJECTS IN 2007

- Substations in Aleppo and Hasakeh of 400/230/20 KV: “turn-key” projects for the construction of two conventional substations in these Syrian cities for the national electrical utility PEEGT.

- GIS Substation in Tishreen of 230/60 KV: “turn-key” project for the construction of a GIS substation in Damascus, Syria, for the national electrical utility PEEGT.

- Substation in Benslimane, Morocco: “turn-key” project for a 60/22 KV substation in this city for the national electrical utility ONE.

- Electrification of the province of Cabinda, Angola: “turn-key” project for the construction of power transmission infrastructure and public lighting systems for the national electrical company ENE.

- ERAP II: “turn-key” project for the electrification of 40,000 homes in Maputo, Mozambique, for the national electrical company EDM.

- Capanda-Lucala-Viana Project (Angola): “turn-key” project to provide a 500 KV connection 300 Km between the hydroelectric power station in Capanda and Luanda with 3 substations. Contracted by the Angolan Ministry of Energy and Water, MINEA.

- LAT Serra da Mesa-Emborcaçao (Brazil): project to provide a 700 Km 500 KV connection between the substations located in these locations in the states of Goias, Brasilia and Minas Gerais for the transmission concession SMTE.

- Guatemala-Mexico Connection: “turn-key” project for the creation of a 400KV connection between the substation of Los Brillantes (Guatemala) and the Mexican border contracted by INDE (Guatemala).

- Transmission line in Yaciretá Norte (Argentina): a 50KV connection between the hydroelectric plant in Yaciretá and Colonia Elía (600 Km) for the expansion of transmission capacity to Greater Buenos Aires.

- Power generation plant in Sucumbíos (Ecuador) of 12 MW with fuel generators for the electric company of the province of Emelsucumbíos..

- Hydroelectric power plant in Salto Andersen (Río Negro, Argentina): "turn-key" project for the construction and start-up of a 7.5 MW hydroelectric power plant in the Pampa of Argentina.

- Combined cycle power plant in Rosarito: "turn-key" project for the construction of a 273 MW gas-fired power plant in Rosarito (Baja California, Mexico) contracted by the CNE (Comisión Nacional de la Electricidad), Mexico.

- Conversion of a combined cycle thermal plant to gas-fired in Loma de La Lata (Patagonia, Argentina), with a final capacity of 540 MW, contracted with Pampa Holding.

MAIN CONTRACTS IN 2007

Project	Type of project
Thermal to gas fired plant in Cabinda (Angola)	"Turn-key" project of a 80 MW open cycle gas-fired power plant in Cabinda (Angola), contracted by ENE
Wind farm infrastructure in Pehimo, for Ecotecnia	Complete road access and electrical transmission of the 65MW capacity wind farm.
Wind farm infrastructure in Graiade for Vestas	Complete road access and power transmission for a 25 MW wind farm
Additionally, significant projects have been awarded and are being formalised at the end of the year, such as:	
Coal-fired plant in Río Turbio (Argentina)	"Turn-key" project licensed by the Ministry of Planning of Argentina for the construction of a 240 MW plant in Río Turbio, Santa Cruz, (Argentina)
Phase VIII of the power grid in Qatar, parts S2.2 and S4.1	"Turn-key" project licensed by the national utility of Qatar (Kahramaa) for the construction of 12 conventional S/E and 60 KV GIS

ENVIRONMENT

NEW GEOGRAPHICAL LANDSCAPE

Within the hydraulic sector both nationally and internationally, Isolux Corsán executes infrastructure and projects for the integral water cycle: Water pumping, Water treatment facilities (EDAR), water filtration and purification facilities (ETAP), Desalination and transportation networks.

Nationally, Isolux Corsán has consolidated its presence throughout the entire water cycle this year, establishing relationships with the central and regional authorities as the key to growth.

Internationally, Isolux Corsán has concentrated its activities in three countries: Portugal, Romania and Argentina; but with a decisive move into other markets such as Mexico, Brazil Panama, China, Peru and Turkey as well as other countries in the Mediterranean region, the Middle East and Eastern Europe.

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The following are the top priority objectives:

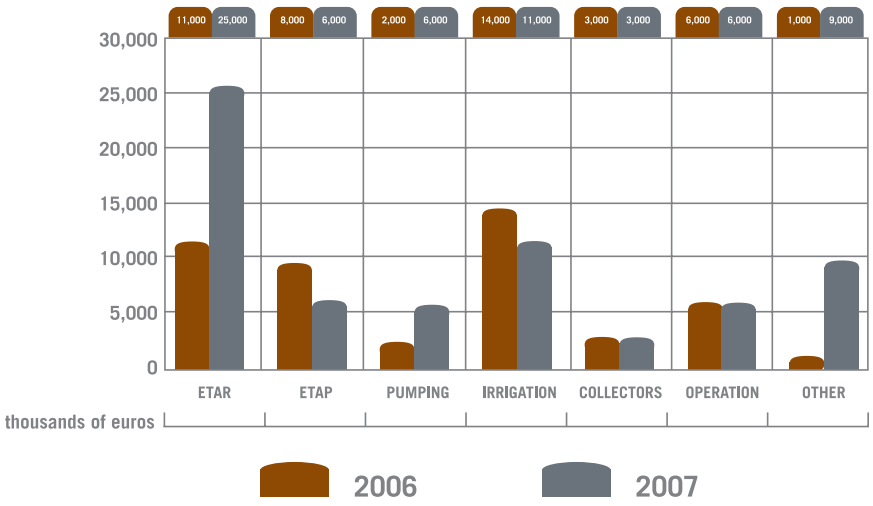
- The execution of desalination projects both Nationally and Internationally.
- To maintain and export leadership capabilities in all areas of the Water Cycle.
- To consolidate and increase activities in the maintenance and operation of Hydraulic infrastructure.

While there are significant perspectives for development in Spain, the greatest opportunities for growth are found in the emerging countries where the other business areas of the Group have established their presence. In countries such as Argentina, Brazil and Mexico there is growing demand for water purification and water treatment facilities and infrastructure.

MAIN CONTRACTS IN 2007

Project	Activity
Project and construction of a tertiary treatment facility for water recycling, EDAR of Estepona and Marbella	EDAR
ETAP and upgrade of the joint water supply system of Campana de Oropesa, Navalcán, Parrillas and las Ventas de San Julián (Toledo)	EDAR
Project and construction of collectors, EDAR of Camarena-Arcicóllar-Camarenilla. Municipality of Camarenilla (Toledo)	EDAR
EDAR of Añover de Tajo, Borox and Seseña (Toledo)	EDAR
Project and construction of collectors, EDAR of Tomelloso and Argamasilla de Alba (Ciudad Real)	Irrigation
Transformation of Sector I of the irrigation zone of the Duratón river in Peñafel (Valladolid)	Irrigation
Modernización de la zona regable del Genil margen izquierda balsa de la Verduga. Municipality of Palma del Río (Córdoba)	Irrigation
Upgrade of the joint water supply system of Campana de Oropesa, Navalcán, Parrillas and las Ventas de San Julián (Toledo)	ETAP
Improvement and expansion of the recycled water system of the EDAR in Estepona and the EDAR in Marbella (Málaga)	EDAR
Expansion of the EDAR in Torre Pacheco (Murcia)	EDAR

EVOLUTION OF TURNOVER BY PROJECT TYPE

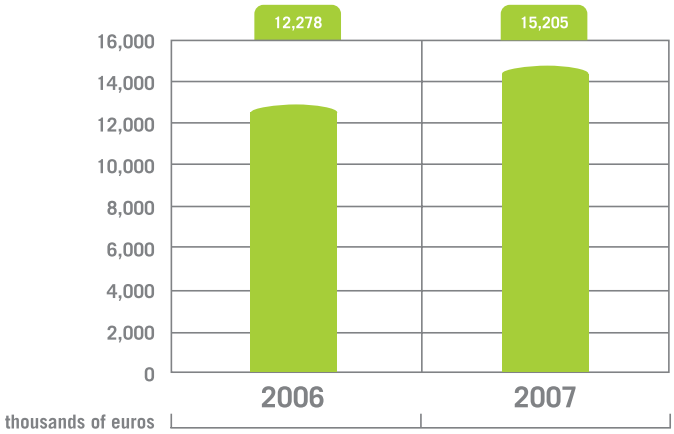


INSTALLATIONS AND INFRASTRUCTURE

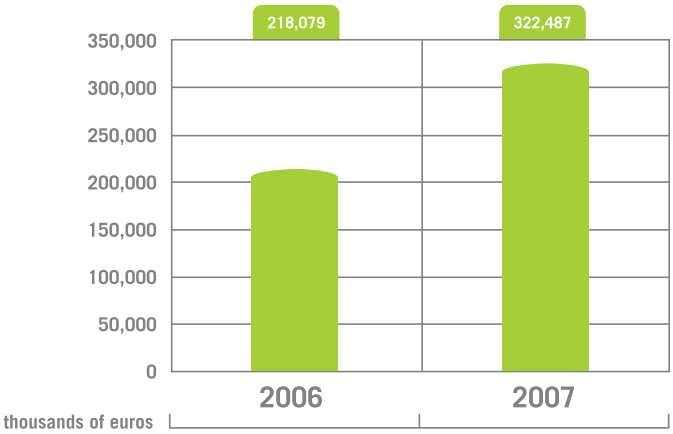
A GROWING BUSINESS

During 2007, the business area of Installations and Infrastructure of Isolux Corsán continued growth trends seen in recent years, making a significant improvement in its contribution to the Group's turnover and profit margin with revenues (EBITDA) over 15 million Euros and total turnover of 322 million Euros. Estimates for 2008 predict turnover will reach 440 million Euros.

EVOLUTION OF EBITDA



EVOLUTION OF TURNOVER



The announcement of the reinforcement of public investment in infrastructure and the positive prospects of development of the High Speed line in Spain for the coming years open excellent business opportunities in a sector in which Isolux Corsán has proven experience.

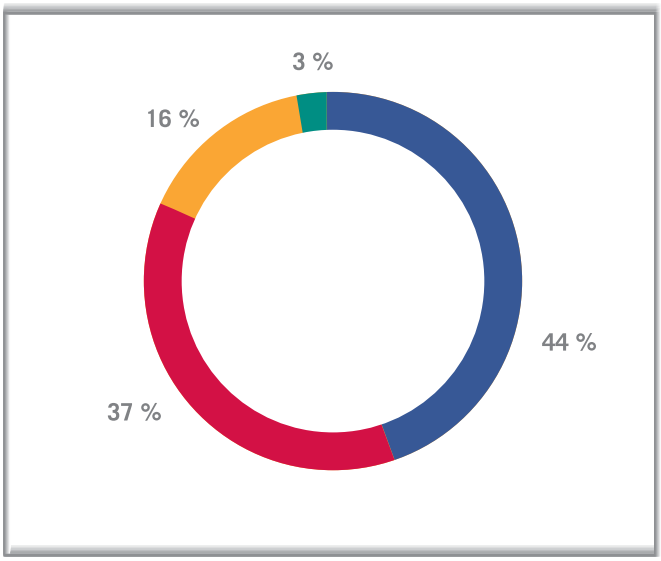
In Argentina, the Group was the successful bidder of the High Speed Railway (TAVE), a contract in which Isolux Corsán will play a leading role together with local companies and that, due to its pioneering nature in Latin America, promises to be the presentation card to penetrate into the nearby countries.

In the air transport sector, examples of the capacity of the Group within this activity are the next entry into operation of the Ciudad Real Airport, project in which the Group has carried out one hundred per cent of the installations, and the contract of Santiago de Compostela Airport.

Isolux Corsán took a leading role in the Ciudad Real Airport project.

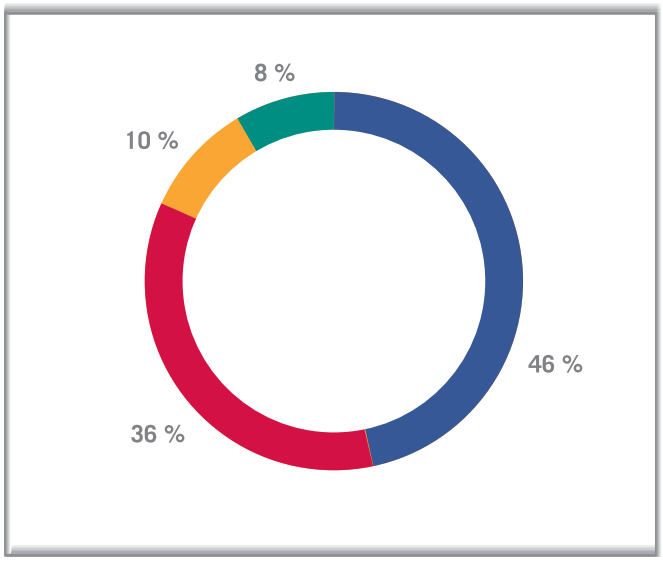
PORTFOLIO BREAKDOWN BY BUSINESS AREAS IN 2007

- Infrastructure 37%
- Control and Systems 16%
- Security 3%
- Installations 44%



TURNOVER BREAKDOWN BY BUSINESS AREAS IN 2007

- Infrastructure 36%
- Control and Systems 10%
- Security 46%
- Installations 36%



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Installations

This area is focussed on meeting any and all needs for electro-mechanical infrastructure in the tertiary sector, transport, industry, energy transmission and wind and solar energy sectors.

Isolux Corsán also develops “turn-key” projects for the tertiary sector, hospitals and penitentiaries, etc, within the national market and especially internationally.

Products and activities are grouped as follows:

- Electrical installations.
- Mechanical Installations.
- Rehabilitation of spaces.
- Infrastructure.

MAIN PROJECTS CONTRACTED IN 2007

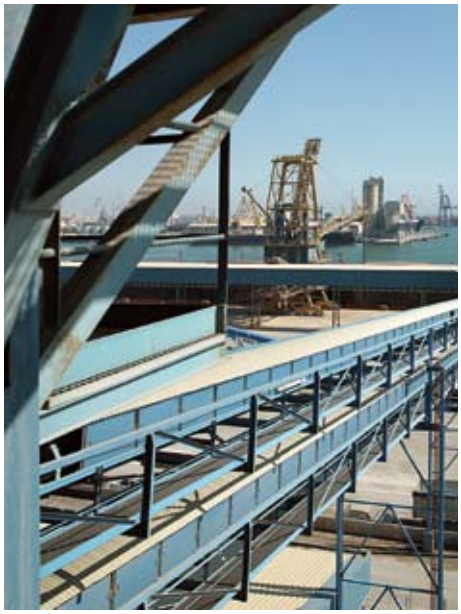
- Integral renovation of the facilities of the Hotel los Lebreros, part of the Sol Meliá chain.
- Works for the renovation and expansion of the national hospital for paraplegics in Toledo, part of the Health Services of Castilla la Mancha.
- Supply and installation of AT/MT electrical systems for the common infrastructure of the agro-alimentary city of the SPIIN (Sociedad de Promoción de Inversiones e Infraestructuras de Navarra).

Transport Infrastructure

Designed to satisfy the infrastructure requirements of the distinct transport sectors: air, rail and naval. Isolux Corsán provides integrated management of "turn-key" projects for the transport sector. The Group executed all of the airport facilities of Ciudad Real, the first private airport in Spain scheduled for operation in 2008.

MAIN CONTRACTS IN 2007

- Construction of a support services area for the new South Terminal of the Airport of Barcelona for AENA.
- Execution of renovations and installations of the Roquetes station of the L3 of the FMB for GISA.
- Electro-mechanical installations for chemical tankers for Factorías Vulcano.
- Execution of the project for the electrical expansion of Line 3 of the TMB. Renovation of the substations of the Zona Universitaria, Plaza del centro, España, Sant Genis and Canyelles for GISA.
- Installation of medium and low tension electrical system CT T Fuencarral for the high speed Madrid–Valladolid AVE.
- Maintenance of substations and remote control of power system for the high speed Madrid – Barcelona AVE.
- Maintenance of the suspended power lines for the high speed Madrid – Segovia AVE.

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WATSEGUR

The subsidiary Watsegur, S.A. (Security and Defence) is specialises in consulting, planning, installation and maintenance of security equipment and devices as well as fire protection systems.

With a total turnover of approximately 25 million Euros, Watsegur is a wholly owned subsidiary of the Group oriented towards engineering, installations and “turn-key” projects.

Production is focused, principally, on the rail and air transport sectors, penitentiaries, hospitals and other special facilities, both public and private, such as geriatric residences. The company also provides services to the industrial, transport, energy and navel sectors.

MAIN CONTRACTS IN 2007

- Security access systems for the Ciudad Real Airport.
- Supply and installation of CCTV security systems with recording and transmission of images in train stations operated by RENFE.
- Active security installations and facilities for the new penitentiary Puerto III for the Sociedad Estatal de Infraestructuras y Equipamientos Penitenciarios.
- Active security installations for the new penitentiary Brians II for UTE BRIANS II.

Control and Systems

Isolux Corsán executes all types of projects related to control and instrumentation:

- Railway signalling and controls.
- Communication systems.
- Airport services and systems.
- Traffic and parking control systems.
- Industrial automation and control.
- Technical management of buildings.

MAIN PROJECTS IN EXECUTION IN 2007

- Construction of a manufacturing facility for solar panels for T- Solar in Orense.
- Project and execution of communications infrastructure for the Zaragoza Expo 2008.
- Execution of work for the updated communications and telephony project of the Canyelles¬Trinitat Nova section of Line 3 of the FMB for Gisa.
- Control systems for biofuel production plants in Andujar, Calahorra, Castellón and Ferrol.
- Parking control systems, place guiding and license recognition for a 2,000 car capacity park facility.

TELECOMMUNICATIONS

The activities of Isolux Corsán in the area of telecommunications are focused on the development of integral projects, the start-up of communication infrastructure and the updating and modernisation of existing systems. Isolux Corsán works with the main national and international operators.

SOLID CLIENTS

During 2007, Isolux Corsán centred its activities on the installation and start-up of infrastructures, providing new functionalities to existing networks and the execution of "turn-key" projects. Activities range from the conceptual design to the set-up of fixed and mobile networks including maintenance and upgrading operations.

Isolux Corsán performs the following activities and services, either individually or jointly, throughout the year: network design and engineering, design and assembly of facilities, civil construction projects, cable installations, maintenance and improvements, etc.

PENETRATION OF NEW MARKETS

In the Spanish market, the company has pursued a strategy of maintaining stable relations with partners in the technological field, expanding the services available to special clients such as banks, oil and gas companies, as well as providing services to the central and regional governments.

In the international market, the challenge is to expand the field of action from the four countries where currently operating (Brazil, Mexico, Chile and Morocco) to those where the other business areas of the Group have established a presence. Countries such as Argentina or India offer great potential to gain market share in the field of telecommunications.

MAIN CONTRACTS IN 2007

- Telefónica de España, Spain: global contract in various provinces.
- Vodafone Spain: network consolidation project.
- Vivo (Brazil): integral supply of towers, equipment, and civil construction projects for the expansion of networks in various states.
- RGE (Brazil): global services contract.
- R-Cable (Spain): contract for the development of a cable network in Galicia.
- Nokia (Mexico): execution of projects associated with the integration plan of Telefónica Móviles in Mexico.
- Meditelecom (Morocco): instructions of new sites.
- Entel (Chile): expansion of existing network.

PROJECTS COMPLETED OR IN EXECUTION IN 2007

Name	Client
Construction project phases I and II	Entel (Chile)
Global contract in various provinces	Telefónica Spain (Spain)
Installation and maintenance of ADSL and Imagenio	Telefónica Spain (Spain)
Engineering and construction projects, fibre optic installation Operation and maintenance of network infrastructures	Telefónica Spain (Spain)
Integral supply of towers, equipment and civil construction in eastern and southern states.	Vivo (Brazil)
Construction contract in various provinces	Vivo (Brazil)
Maintenance services for remote infrastructure	Vodafone (Spain)
Maintenance of fibre optic networks	Vodafone (Spain)
Warehouse management	Vodafone (Spain)
Gestión de almacenes	Vodafone (Spain)

INDUSTRIAL PROCESSES

One of the main projects in 2007 was the renovation of the Thermoelectric power plant in the Mexican state of Guerrero Negro, with a total value of 21 million US dollars.

Another important project during the year was the Detergents Plant in Barbastro. This project had a value of 6.1 million Euros.

The year 2007 also saw the execution of the Plant for the Classification and Composting of Urban Waste in Aranda de Duero (Burgos), with a budget of 7.74 million Euros.

MAINTENANCE AND SERVICES

NEW MARKET NICHES

During the year 2007, Isolux Corsán focussed on two main objectives in the area of Maintenance and Services Concessions:

- Expanding the client portfolio to those providing traditional services to the Company from integral building maintenance to street cleaning services, waste collection and the maintenance of parks and green spaces.

- Diversifying services, including medical transportation, interior cleaning, road works or maintenance or integral water management.

In 2008, this strategy will lead to the consolidation of Isolux Corsán as one of the leading companies in the sector by turnover. This growth must go hand in hand with strict maintenance of high quality standards and levels of client satisfaction. The present year will also see international expansion and a strategy focused on industrial maintenance, more technological, offering our services to large companies with large-scale facilities in the electricity and gas sectors. Isolux Corsán will also focus on its maintenance services in the area of Renewable Energies, offering maintenance services for solar energy plants.

Waste management in markets offering a great deal of added value, from demolitions to industrial waste, is a key priority of the Group with the goal of incorporating two plants a year into its client portfolio.

MAIN CONTRACTS AWARDED IN 2007

General Department of Penal Institutions (Ministry of the Interior): integral maintenance of penal institutions in Andalucía Oriental and Melilla
Joint Community of Cabeza de Horno (Salamanca): integral water management
Municipality of Ayamonte (Huelva)
Expansion of the road cleaning and waste collection contract Municipality of Padrón (A Coruña)
Selective collection of urban waste and management Council of the Presidency of the Xunta de Galicia (Santiago de Compostela)
Maintenance of administrative buildings Pablo de Olavide University (Sevilla)
Campus maintenance and conservation Telefónica Móviles
Integral maintenance and management of various buildings Ministry of the Environment
Integral maintenance of various buildings Ministry of Defence: renovation of the Capitán Mayoral military barracks (Zaragoza)
Iberdrola: maintenance of gardens on grounds in Zamora and Salamanca



MAIN MAINTENANCE AND SERVICES PROJECTS IN 2007

AENA: aircraft maintenance and servicing at the Malaga Airport.

City of Aranda de Duero (Burgos): maintenance and conservation of green areas.

City of Ayamonte (Huelva): street and beach cleaning and maintenance, waste collection.

City of La Línea (Cádiz): street and beach cleaning and maintenance, waste collection.

City of San Roque (Cádiz): beach cleaning and maintenance, waste collection.

City of Zamora: street cleaning.

Department of Justicia (Community of Madrid): integral maintenance of various court buildings.

Alcorcón Hospital (Madrid): integral maintenance of facilities.

Severo Ochoa Hospital (Madrid): integral maintenance of facilities

Indra: integral maintenance of facilities.

Community of Morrazo (Pontevedra): urban waste collection.

SUMMA 112 (Community of Madrid): emergency medical transportation services.

OIL & GAS

TECNA

INTEGRAL ENERGY PROJECTS

Tecna is a global Engineering and Construction company developing integral energy projects. Its activities include project design and construction, start-up, operations and maintenance.

Founded in 1974, Tecna has been part of the Group since 2006 and has presence in Latin America, the United States and Europe.

Its principal markets are the oil and gas sectors, pipelines, electrical power generation, refineries and alternative energies. The petrochemical, mining and nuclear energy sectors are also within its range of key markets.

The company is specialised in “turn-key” projects and providing services to energy and power plant installations. Tecna is structured in four business units:

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- Engineering and Consulting: Integral development of primary production and treatment of hydrocarbons from initial stages.

- "Turn-key" Power Plants, EPC and Project Management: integral management of energy projects.

- Automation and Control: Supply of integral solutions for the implementation of plant control and security systems, telemetry systems, integration of data into corporate applications, connection solutions and integral visualisation of data via the Internet.

- Operation and maintenance: O&M services for industrial plants, especially in upstream oil and gas area and in electrical generation and distribution.

Among its other activities, Tecna also designs, constructs, operates and maintains a range of industrial facilities, including: butane and methane recovery plants, spray point adjustment plants, natural gas hydration plants, gas compressor stations and liquid pumping stations, petroleum distillation units for the production of diesel fuels, facilities for mercury speciation from gases and liquids and water treatment and injection plants for secondary recovery.

The company has a total workforce of over 700 people with offices in:

- Argentina.
- Brazil.
- United States.
- Bolivia.
- Ecuador.
- Peru.
- Venezuela.
- Spain.

Main clients include:

- Repsol -YPF.
- Petrobras.
- PAE (BP-Amoco).
- Shell.
- Total.
- Chevron.
- Tecpetrol Pioneer.
- Pluspetrol.
- Encana (Alberta Energy).
- Capex.
- TGS.
- Petro -Tech (Peruana S.A.).
- Profertil.
- TGN.

MANUFACTURE

EMESA

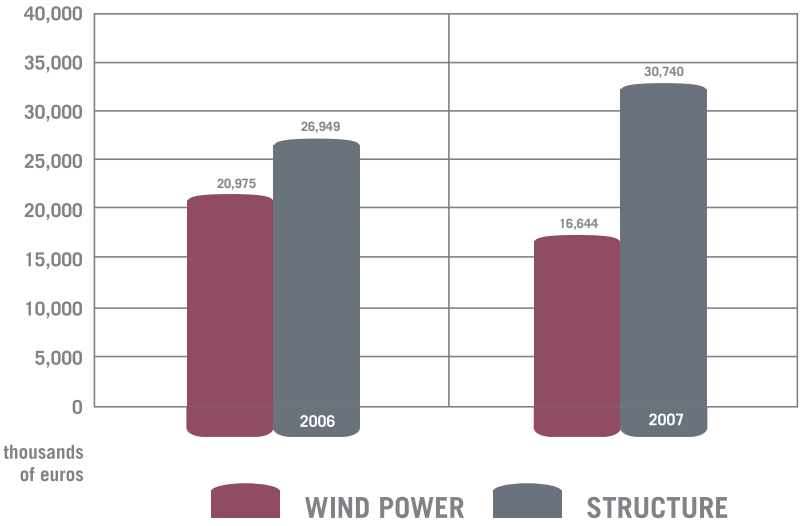
GIANT LEAP IN PORTFOLIO

Emesa, founded in 1958, is dedicated to the manufacture and assembly of special metal structures and products for the Renewable Energies sector, primarily wind and FV solar power. With an annual production capacity of 45,000 tons, Emesa is a key company in the sector and has 109,000 m^2 of installations in the Coirós Industrial Park (A Coruña).

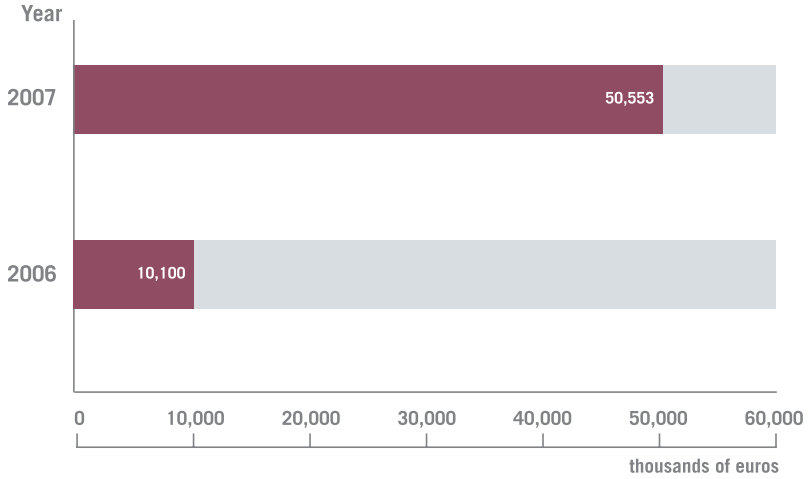
During 2007 company turnover reached some 47 million Euros, with significant improvement in the structures area.

Emesa, a subsidiary of the Group and world leader in metal structures, in the heart of New York.

TURNOVER BREAKDOWN BY BUSINESS AREA



EVOLUTION OF PORTFOLIO



MAIN CONTRACTS IN 2007

Project	Type of Project
120 shafts SUZLON S88	Wind power
East-West Connector Steel NY	Structure
Los Santos Bridge	Structure
Ágora Building	Structure
49 shafts 17x1500	Wind power
M-40 viaducts linking with the M-511	Structure

PROJECTS COMPLETED OR IN EXECUTION IN 2007

- Lieja Station (Belgium).
- The A Coruña History Museum.
- Roof of the Illescas bull ring (Toledo).
- Los Santos bridge (Lugo).
- Beams for the Estación de Sants (Barcelona).
- Ciudad Real airport passenger terminal.
- Acería Balboa (Badajoz).
- 56 shafts SUZLON 80 m.
- 38 shafts SOFESA.

TYPSA

NEW HORIZONS

Founded in 1962 for the development of the prefabricated concrete industry, Typsa currently has four production facilities in Lurceni (Zaragoza), Dos Hermanas (Seville), Yeles (Toledo) and Jerez de la Frontera (Cadiz). The company is the second largest manufacturer of concrete sleepers.

This year saw significant growth in production, with turnover topping 20 million Euros, and increased international expansion representing 24% of total turnover.

MAIN EVENTS IN 2007

- Fabrication of sleeved concrete pipes for the Portuguese market.
- Penetration into new markets: Barcelona, Guipúzcoa and Teruel.
- Start-up of production in the mobile plant in Sils (Girona).
- Consolidation of contracting in Andalucía.
- Initiation of continuous production of double t beams in the Dos Hermanas factory (Seville).
- Incorporation of concrete using carrousel techniques in the Dos Hermanas factory (Seville).

CORVISA

CONSOLIDATE IN SPAIN, EXPAND ABROAD

Corvisa Productos Asfálticos y Aplicaciones, with over thirty years of experience in the fabrication and commercialisation of products for motorways, urban road surfaces and airports, has focused its business on the manufacture and execution of projects using bituminous emulsions.

The year 2007 saw increased net earnings, which reached 5 million Euros, up from 3 million the previous year, evidence of improved profitability of a business developed exclusively in Spain.

The goals for 2008 are based on maintaining a leading position in the bituminous product market and promoting these techniques in Spain and abroad through partnership agreements of technical development and the execution of projects with domestic companies. International expansion is also considered an attractive option in the area of bituminous emulsions considering the maturity of the Spanish market. Technical partnership agreements and the creation of production facilities in developing countries are considered viable alternatives for future growth.



concessions

CONCESSIONS

The year 2007 was characterised by growing penetration into international markets and the search for new niche markets for the area of Concessions.

The infrastructure division was awarded two new contracts for motorways in Spain and Mexico and in February 2008 the company obtained the tender for new motorway construction in India.

The Engineering department saw significant growth in its business in Brazil, a bridgehead for further expansion into other countries in Latin America, a key market for expansion along with India and the United States.

The company saw a 44% increase in the number of carparks under management and aims to add another 5,000 new places during 2008.

INFRASTRUCTURE

SECTORIAL AND GEOGRAPHICAL DIVERSIFICATION

Diversification, sectorial and geographical, were the two key goals of Isolux Corsán's Infrastructure Concessions during 2007. Two new contracts were awarded in 2007: the A-4 motorway, Madrid-Ocaña section and the Perote-Banderilla and Libramiento de Xalapa motorway, a concession of the Mexican Federal Government in the states of Puebla and Veracruz, as well as the new motorway contract in India awarded at the beginning of 2008. These developments indicate the progress being made by the Company in the area of Concessions and the increase in its activities during a year which saw operations in four countries: Spain, Brazil, India and Mexico.

The concession of the A-4 motorway, Madrid-Ocaña section, is part of a rehabilitation and upgrade program by the Ministry of Public Works for the generation of motorways constructed during the 1980's and 90's. The project, which includes ten sections of motorway includes a total investment of approximately 1,200 million Euros, 84 million of which correspond to the 64 kilometres of motorway awarded to Isolux Corsán. It is estimated that this project will generate revenues of some 250 million Euros.

Internationally, the Perote-Banderilla and Libramiento de Xala¬pa motorway, adjudicated to a consortium led by the Group, has a total length of 60 kilometres and will require an initial investment of 465 million Euros. Revenues from this project are estimated at 2,878 million Euros.

These two new concessions double the number of large projects under management by the Group: two in Spain and two in Mexico, totalling some 300 kilometres. The investment for these projects, some 650 million Euros, has enabled the company to triple its activity in the motorway concessions sector. Isolux Corsán has also been pre-qualified for the largest concession in the US, the Pennsylvania Turnpike.

Isolux Corsán is participating in the motorway upgrade projects, awarded the contract for the Madrid-Ocaña section of the A4.

The Madrid – Toledo motorway celebrates its first year in operation.

In February 2008, the NHAI (National Highway Authority of India), a body for the development of highways in India, awarded Isolux Corsán the section between Panipat and Jalandhar, with 291 km long.

The concession belongs to a highway project with an investment of 1,839 million euros that, through 882 km, will communicate the cities of Calcuta, Delhi, Chennai and Bombay.

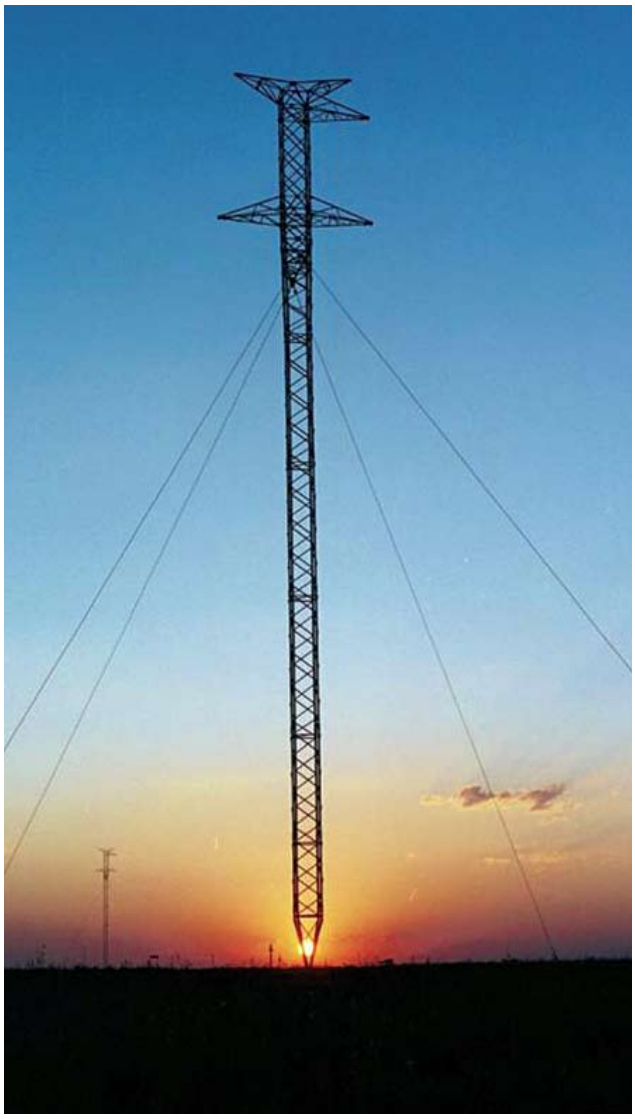
The year 2007 has been the first complete year of the Madrid-Toledo Highway and has allowed to finance the Monterrey-Saltillo Highway in Mexico. These works have already begun and the highway is intended to come into operation by the end of 2009.

Besides, the construction works of the Burgos Hospital have continued in 2007 and the financing of the concession of the Canal de Navarra irrigated lands was closed. Two of the sectors, totaling almost 2,500 hectares, have already been put into service and the other ten continue with the works.

The challenge for the future is the internationalization, which has already had benefits during 2007.




ENERGY CONCESSIONS



GROWING PRESENCE IN BRAZIL

The area Energy Concessions is centred on two key activities: Power Transmission Concessions (Transmission Lines and Associated Substations) and Power Generation Concessions (Wind, Solar, Hydraulic and Alternative energies). The sector has a promising future and presents optimum perspectives for growth over the next decade. The growing demand for energy in the world makes this an area with enormous possibilities for expansion both in power generation and transmission.

Among the principal concessions of Isolux Corsán for Power Transmission are its presence in Brazil, where the Company is one of the leading power transmission concessionaires for 500 kv and 220 kv power, controlling 10 % of the market.

In Operation:

- 3,300 kilometres in transmission lines and 23 associated substations.

Under Construction:

- 3,300 kilometres of transmission lines and 23 associated substations.

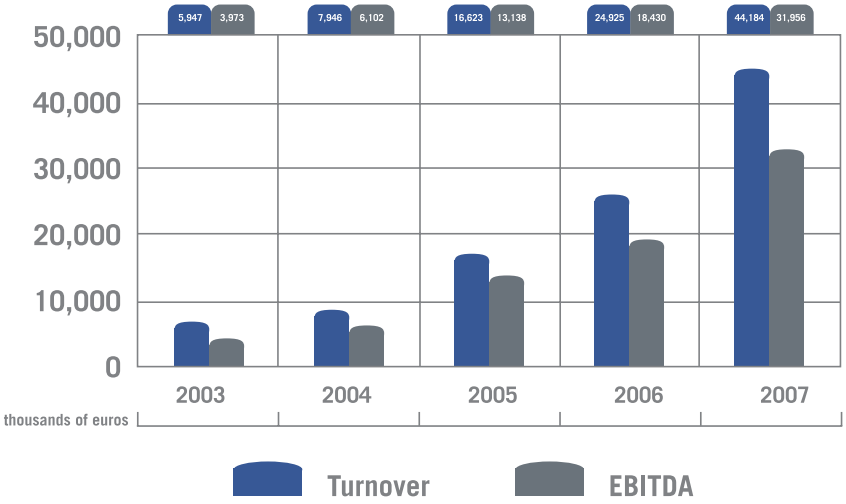
Brazil is one of the leading markets in Latin America and expansion there is the result of the direct investment by Isolux Corsán Concesiones of 700 million Euros, while total investment in Concessions in the country stands at 2,300 million Euros. The Company is currently acting as an integral operator executing all phases of the project, from construction to operation and maintenance.

For its part, the activity of Energy Generation Concessions is concentrated on the promotion and exploitation of wind farms, conventional generation facilities and other alternative energy production. The company offers services across the entire process of a concession, from the execution of the construction project to start-up and operation, including construction financing according to the needs of the client. The Company is investing in the 50 MW Cova da Serpe Wind Farm, currently under development, located in the municipalities of Guitiriz and Friol (Lugo).

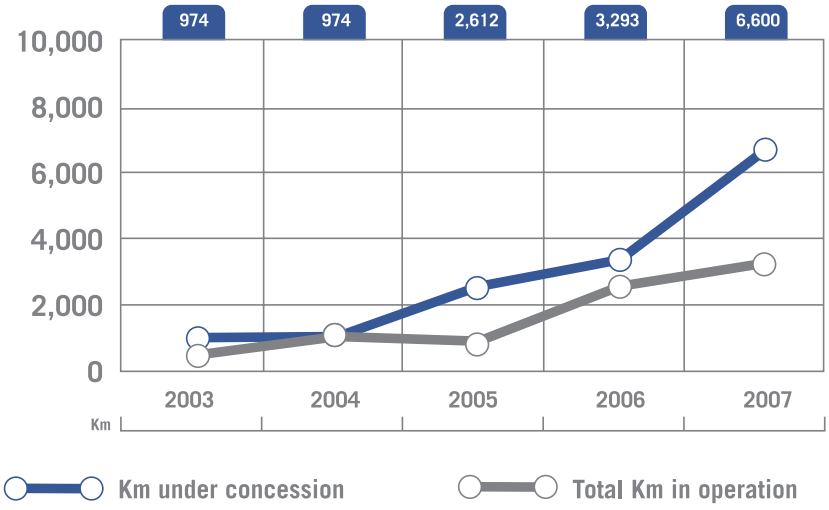
The perspectives for growth and the experience gained by Isolux Corsán in this field are reflected in the Group's Strategic Plan for 2008. This plan aims to expand activities in other Concession areas such as the thermal and hydraulic power generation and alternative energies, as well as expansion into other markets such as India, Chile, Central America, Mexico, Peru and the United States. The company is currently analysing the market perspectives in these countries and presenting bids for concession tenders.

Over 6,000 kilometres of transmission lines in Brazil.

ENERGY CONCESSIONS IN BRAZIL



ENERGY CONCESSIONS IN BRAZIL IN KM.

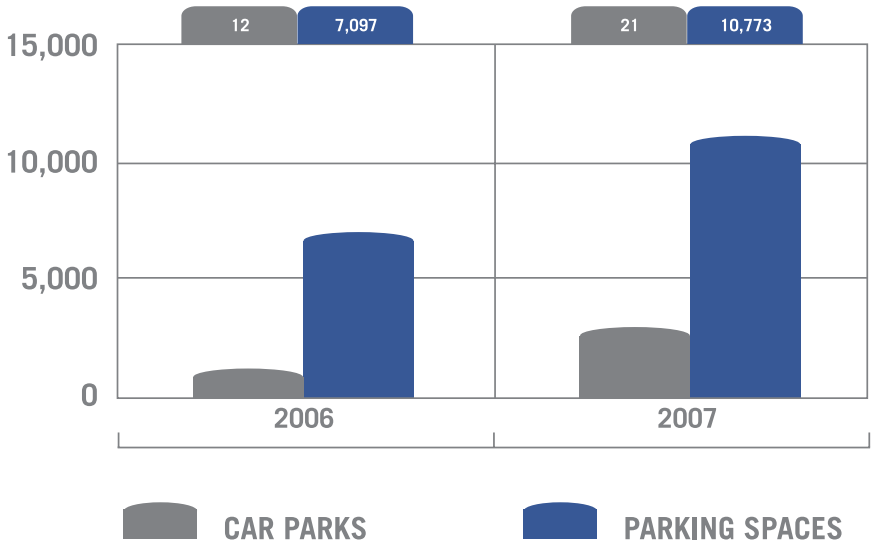


CAR PARKS

FROM LATIN AMERICA TO EASTERN EUROPE

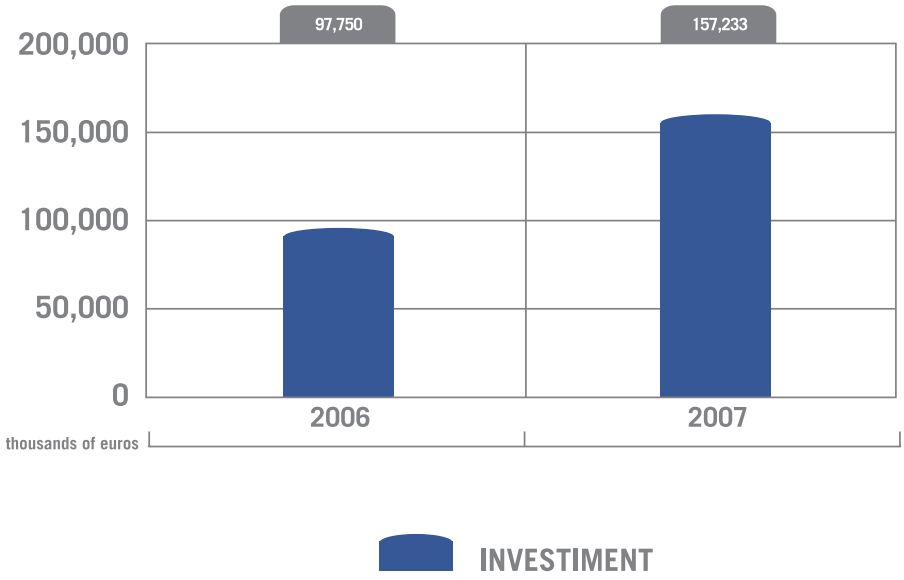
Isolux Corsán Aparcamientos is one of the leading Spanish firms in the promotion of public and private car parks and the regulation of parking on public thoroughfares (ORA). At the close of 2007, the company had twenty one car parks under management in twelve cities in Spain – including ORA zones. This is nine more than the previous year, representing a total of 10.772 parking spaces, an increase of 3,458 or 44% over 2006. Pre-tax operating revenues totalled 755,020 Euros.

NUMBER OF PARKING SPACES AND CAR PARKS 2006/2007

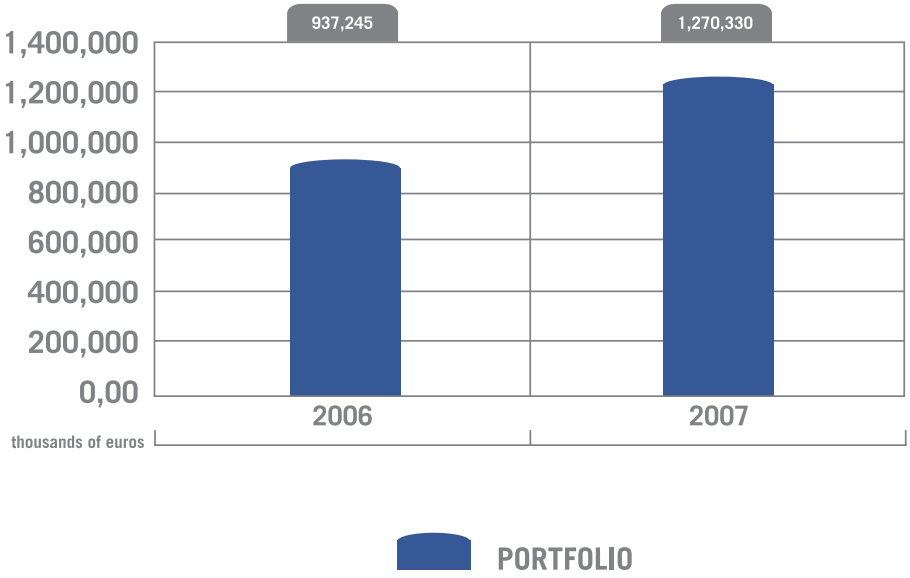


With investments of over 157 million Euros, turnover of 2.3 million Euros and a project portfolio of over 1,270 million Euros, Isolux Corsán operates car parks in: Ceuta, La Línea (Cádiz), Valladolid, Madrid, Palencia, Las Palmas, Segovia, Zaragoza, Toledo, Talavera de la Reina (Toledo), Cádiz and Córdoba.

COMMITTED INVESTMENT



EVOLUTION OF PORTFOLIO



The strategic objectives for 2008 include positioning he company among the top five operators in the Spanish market and to make the leap into the international market, with expansion into Central and South America and Eastern Europe. In figures, Isolux Corsán Aparcamientos will undertake the construction of 2,470 new parking spaces in 2008, putting 5,000 new spaces onto the market by the end of the year. This will raise the total number of spaces under management to 15,000 with a portfolio of over 1,500 million Euros.

Isolux Corsán Aparcamientos is structured along three business lines:

- The promotion and operation of public carparks, in rotation, meeting the demand for short and medium term parking in high traffic areas such as hospitals or shopping centres.

- The management of outdoor carparks (ORA) and offering complementary services such as towing and removal services or the processing of infractions and fines.

- The promotion and sale of residential parking spaces encompassing the entire operation, from the initial project to construction and management.

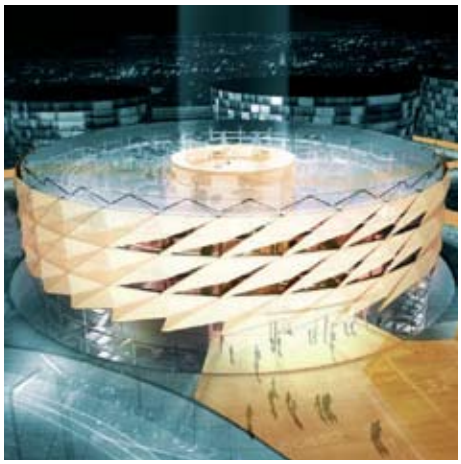
MAIN CONTRACTS IN 2007

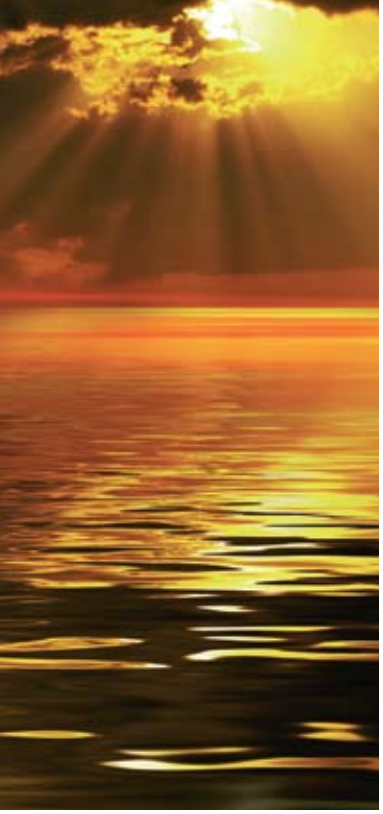
Car park	Type
Campus Justicia (Madrid)	Rotation
Carcel Torrero (Zaragoza)	Residentes
Santa Bárbara (Cádiz)	Mixed
Ponzano (Madrid)	Rotation

In 2008, the Group had over 15,000 parking spaces under management.

MAIN PROJECTS UNDER WAY

- Secretario Padilla (Las Palmas): with 115 spaces for residents and 215 spaces under rotation.
- Avenida del Padre Claret (Segovia): with a total of 542 spaces, 77 dedicated to residents.
- Jardines del Prado Carpark (Talavera de la Reina): with a total of 672 spaces.
- Ciudad de Nara Carpark (Toledo): with 471 spaces under rotation.
- La Romareda Carpark (Zaragoza): with a total of 1,403 places, 150 dedicated to residents.






renewable energies

FUTURE APPROACH

The fact that the European Union promised to increase the renewable energies by 20% in 2020 and to reduce the emissions of polluting gases by 20% at that time, which was ratified by the European States in the summit held in the spring 2008, predicts a promising future for the sector. The need to reduce the use of oil and to fight against the climate change guarantee the development of these new sources of energy.

Isolux Corsán is present in the field of renewable energies, both in the photovoltaic solar area, through the T-Solar, which was the leader of the solar energy development by means of thin film silicon panels, and the operation of photovoltaic facilities.

On the other hand, Infinita Renovables carries out its activity in the field of biofuels, with two production plants in Castellón and Ferrol. The Group is also strong in the wind power area, both as developer and generator.

In all areas of renewable energies: Wind, FV solar, and biofuels.

SOLAR / PHOTOVOLTAICS

Isolux Corsán is dedicated to the construction and operation of solar photovoltaic installations, considered a key strategic activity for the Group.

The Group has established objectives to construct and put into operation installations with a generating capacity of no less than 120 MW before July 15, 2008.

PROJECTS IN EXECUTION IN 2007

- Construction and start-up of the FV Solar Park with a total capacity of 1,865 kWp in Donadío, Úbeda (Jaén). 19 fixed-structure photovoltaic installations of 98.175 kWp.

- Construction and start-up of the FV Solar Park connected to the grid of 95 kWp in Villanueva de la Reina (Jaén). Client: Municipality of Villanueva de la Reina.

- Construction and start-up of the FV Solar Park connected to the grid of 94 kWp in Bedmar (Jaén). Client: Municipality of Bedmar.

- Project and execution of an orientable solar park connected to the grid of Rincón de Soto (La Rioja). Client: Municipality of Rincón de Soto.

- Project and execution of an orientable solar park connected to the grid of San Asensio (La Rioja). Client: Municipality of San Asensio.

- Construction of an orientable solar park connected to the grid of Cuarte, Huesca. Client: Energías Solares de Cuarte S.L.

T-SOLAR

THIN FILM SILICON PANELS

T-Solar Global is dedicated to the production and commercialisation of FV solar panels and the operation of large scale installations and FV solar parks, generating solar energy using thin film silicon panels. These panels, a pioneer initiative in Europe, are more environmentally friendly and offer greater pay back, as they provide a more efficient use of silicon, reduced energy consumption during manufacture – up to 30% less than crystal silicon – and offer 10% to 15% higher energy production per unit than traditional panels.

During 2007, the Group executed the construction of a plant located in the technology park of Galicia (Ourense), which will begin production in 2008.

The advantages of this product are reduced cost, increased power, reliability and improved aesthetics with the added value of being the most powerful thin film solar panel on the market (350 Wp- 5,7 m^2).

The shareholders of the company are Isolux Corsán (50,01 %), La Xunta de Galicia (29 %), Grupo Promotor (15,99 %) and Caixanova, with 5 %.

The commercialisation of solar panels has a very promising future, with growth perspectives that are reflected in the principal figures of T-Solar, with strong growth ensured until 2017. Company turnover is predicted to grow from 29 million Euros in 2008 to 167 million Euros at the end of this period. This growth will go hand in hand with an increase in production, from 19 megawatts in 2008 to an estimated 85 megawatts in 2017, thanks to improved productivity and efficiency.

BIOFUELS

FUELS WITH A PROMISING FUTURE

During 2007, the business area of biofuels has focused its activities on the development of two production plants of Infinita Renovables located in Ferrol and Castellón. To these two contracts can be added the construction of a biofuel plant for Iniciativas Bioenergéticas S.L in the city of Calahorra (La Rioja).

In February 2007, the Group was awarded the contract for the development of the plant in Calahorra, which will annually produce 250,000 tons of biofuel using raw vegetable oils from soy, colza and palm oil, through a process of transesterifcation using technology from GEA-Westfalia. The execution period of this "turn-key" project is 20 months with a budget of 39 million Euros. The Company will execute the entire project, from engineering to construction, including purchasing management and start-up.

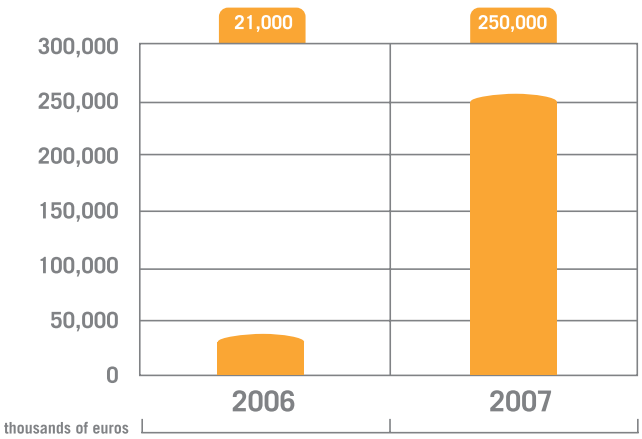
The biofuel plant in Castellón for Infinita Renovables, located in the south dock of the Port of Castellón, has an execution period of 18 months and a budget of 131 million Euros. This "turn-key" project will have an annual production capacity of 600,000 tons of biofuel from raw vegetable oils from soy, palm and colza using technology from Demet Ballestra.

The biofuel plant for Infinita Renovables in the Outer Port of Ferrol (A Coruña), is a "turn-key" project with an execution period of 18 months and a budget of 78 million Euros. This plant will have an annual production capacity of 300,000 tons of biofuel from raw vegetable oils from soy, palm and colza using technology from Demet Ballestra.

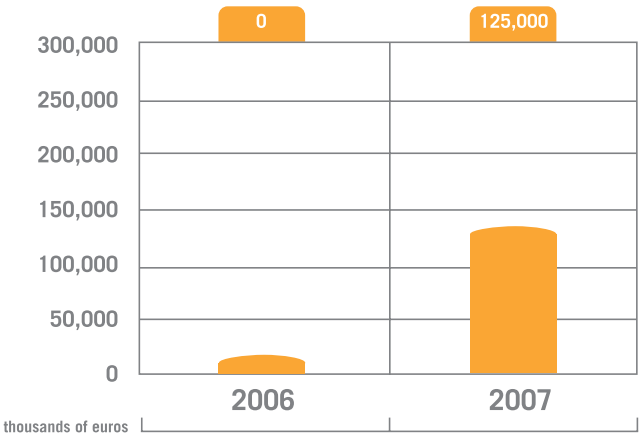
MAIN CONTRACTS IN 2007

Biofuel plant in the Port of Castellón
Biofuel plant in Port of Ferrol (A Coruña)
Biofuel plant in Calahorra (La Rioja)
Biofuel plant in Andújar (Jaén)

EVOLUTION OF CONTRACTING



EVOLUTION OF TURNOVER



INFINITA RENOVABLES

EXPONENTIAL GROWTH

Infinita Renovables, founded in early 2006, is dedicated to the production and commercialisation of biofuels and aims to become the leader in the buoyant biofuels market in Europe. The company meets the highest quality standards using state of the art technology developed by De Smet Ballestra.

With an annual production capacity of 900,000 metric tons, some 300 million Euros was initially invested in the development of two plants in Castellón and Ferrol (A Coruña).

The shareholders of the company include Isolux Corsán (70%), Equipo Pro¬motor (25%) and Grupo Santander (5%). Infinita Renovables predicts an annual turnover of over 700 million Euros from 2009, becoming the leader in the Spanish market.

The company is committed to the international market and its business plans are the dedicate 50% of biofuel production to external markets with key clients being oil companies and wholesale operators.

financial report

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PRICEWATERHOUSECOOPERS

Paseo de la Castellana, 43
28046 Madrid
Tel. +34 902 021 111
Fax +34 913 083 566

Free translation of the auditor´s report originally issued in Spanish on the consolidated annual accounts for the first financial year prepared in accordance with International Financial Reporting Standards as adopted by the European Union. In the event of a discrepancy, the Spanish language version prevails.

AUDIT REPORT ON THE CONSOLIDATED ANNUAL ACCOUNTS

To the shareholders of Grupo Isolux Corsán, S.A.

1. We have audited the consolidated annual accounts of Grupo Isolux Corsán, S.A. and subsidiaries (consolidated Group), consisting of the consolidated balance sheet as at 31 December 2007, the consolidated income statement, the consolidated statement of changes in equity, the consolidated cash flow statement and the related notes to the consolidated annual accounts for the year then ended, the preparation of which is the responsibility of the Directors of the Parent Company. Our responsibility is to express an opinion on the consolidated annual accounts taken as a whole, based on the work carried out in accordance with auditing standards generally accepted in Spain, which require the examination, on a test basis, of evidence supporting the consolidated annual accounts and an evaluation of their overall presentation, the accounting principles applied and the estimates made. Our work did not include an audit of the financial statements at 31 December 2007 of subsidiaries detailed in Appendix III of the consolidated annual accounts attached, are audited by other auditors and whose assets and results for the year represent, respectively, 8.61% and 12.29% of the relevant consolidated figures. These financial statements were audited by other auditors (see Appendix III) and our opinion as expressed in this report on the consolidated annual accounts of Grupo Isolux Corsán, S.A. is based, with respect to the holding in said subsidiaries, solely on the other auditors' report.

2. The accompanying consolidated annual accounts for 2007 correspond to the first consolidated annual accounts prepared by the Group in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS - EU), which generally require that the financial statements include comparative information. In this respect, for comparative purposes and in compliance with Spanish Corporate Law, the Parent Company's Directors have presented the amounts for the previous year, that have been restated to comply with IFRS-EU effective at 31 December 2007, together with the amounts for 2007, for each of the items in the consolidated balance sheet, the consolidated income statement, the consolidated cash flow statement, the consolidated statement of changes in equity and the related notes to the consolidated annual accounts. Therefore, the figures for the previous year differ from those contained in the consolidated annual accounts for 2006 which were prepared in accordance with the accounting standards effective in that year. The differences resulting from the application of IFRS-EU to consolidated equity at 1 January and 31 December 2006 and to the consolidated results for 2006 of the Group are set out in note 5 to the accompanying consolidated annual accounts. Our opinion refers solely to the 2007 consolidated annual accounts. On 2 April 2007 we issued our audit report on the consolidated annual accounts for 2006, prepared under accounting standards effective in that year, in which we expressed an unqualified opinion.

PricewaterhouseCoopers Auditores, S. L. - R. M. Madrid, hoja 87.250-1, folio 75, tomo 9.267, libro 8.054, sección 3ª
Inscrita en el R.O.A.C. con el número S0242 - CIF: B-79031290

PRICEWATERHOUSECOOPERS

3. In our opinion, based on our audit and the other auditors' report (see Appendix III), the attached consolidated annual accounts for 2007 present fairly, in all material respects, the consolidated financial position of Grupo Isolux Corsán, S.A. and its subsidiaries (consolidated Group) at 31 December 2007 and the consolidated results of its operations, changes in consolidated net equity and consolidated cash flows for the year then ended and contain all the information necessary for their interpretation and comprehension in accordance with International Financial Reporting Standards adopted by the European Union which, are consistent with those applied in the preparation of the consolidated financial statements for the previous year, which are included in the accompanying consolidated annual accounts for 2007 for comparative purposes.

4. The accompanying consolidated Directors' Report for 2007 contains the information that the Parent Company's Directors consider relevant to the Consolidated Group's position, the development of its business and other matters and does not form an integral part of the annual accounts. We have verified that the financial information contained in the aforementioned Directors' Report coincides with that of the consolidated annual accounts for 2007. Our work as auditors is limited to checking the Directors' Report within the scope already mentioned in this paragraph and it does not include a review of information other than that obtained from the Group companies' accounting records.

PricewaterhouseCoopers Auditores, S.L.

Original in Spanish signed by Lorenzo López
Partner

2 April 2008

CONSOLIDATED BALANCE SHEET
(Thousand euro)

		At 31 December	
	Note	2007	2006
ASSETS			
Non-current assets			
Property, plant and equipment	6	180,337	206,107
Goodwill	7.1	522,864	515,226
Intangible assets	7.2	39,138	9,819
Intangible assets assigned to projects	8.1	425,693	273,261
Other non-current assets assigned to projects	8.2	118,212	4,395
Investments in associates	9	51,532	67,374
Deferred tax assets	20	15,623	21,142
Available-for-sale financial assets	10	10,356	10,956
Other receivables	12	29,594	8,401
Derivative financial instruments	11	17,437	7,692
		1,410,786	1,124,373
Current assets			
Inventories	13	227,312	150,896
Trade and other receivables	12	1,360,362	1,119,408
Financial assets at fair value through profit or loss		3,564	2,913
Derivative financial instruments	11	3,436	2,717
Cash and cash equivalents	14	288,891	190,994
		1,883,565	1,466,928
Total assets		3,294,351	2,591,301

Notes 1 to 41 and Appendices I to IV form an integral part of these consolidated annual accounts.

CONSOLIDATED BALANCE SHEET
(Thousand euro) (continuation)

		At 31 December	
	Note	2007	2006
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	15	17,463	17,463
Share premium account	15	470,634	470,634
Legal reserve -	15	3,493	–
Hedging reserve	11	5,993	4,154
Cumulative translation differences	16	8,184	4,143
Retained earnings	17	159,914	120,604
Interim dividend)	17	(49,770)	(10,478)
Minority interest	17	33,595	5,001
Total equity		**649,506**	**611,521**
LIABILITIES			
Non-current liabilities			
Long-term non-recourse financing	8.3	358,969	161,698
Borrowings	19	249,340	269,931
Deferred tax liabilities	20	27,698	13,890
Employee benefit obligations	21	–	816
Provisions for other liabilities and charge	22.1	21,782	35,231
Derivative financial instruments	11	378	–
Other payables	18	35,573	3,393
		693,740	484,959
Current liabilities			
Trade and other payables	18	1,688,544	1,343,038
Current tax liabilities		5,357	41,822
Short-term non-recourse financing	8.3	37,606	10,362
Borrowings	19	166,139	50,623
Derivative financial instruments	11	309	–
Provisions for other liabilities and charges	22.2	53,150	48,976
		1,951,105	1,494,821
Total liabilities		**2,644,845**	**1,979,780**
Total equity and liabilities		3,294,351	2,591,301

Notes 1 to 41 and Appendices I to IV form an integral part of these consolidated annual accounts.

CONSOLIDATED INCOME STATEMENT
(Thousand euro)

	Note	Year ended 31 December 2007	2006
Total operating revenue		**2,415,465**	**1,870,989**
Sales	23	2,173,104	1,869,718
Other operating revenue	25	35,459	11,916
Difference between opening and closing inventories		55,021	(30,722)
Own work capitalised		151,881	20,077
Total operating expenditure		**(2,253,765)**	**(1,826,390)**
Materials consumed and other external costs	24	(1,582,303)	(1,200,789)
Employee benefit expenses	26	(319,353)	(272,606)
Depreciation, amortisation and impairment losses	6, 7 y 8	(24,167)	(53,490)
Change in trade provisions		(5,125)	(9,210)
Other operating charges	25	(322,817)	(290,295)
Operating results		**161,700**	**44,599**
Financial expense	28	(71,516)	(40,866)
Financial income	28	40,593	14,600
Net financial results	**28**	**(30,923)**	**(26,266)**
Share of results of associates	9	(4,670)	1,176
Other income and expense	25	–	117,948
Profit before income tax		**126,107**	**137,457**
Income tax	29	(38,467)	(35,844)
Profit for the year		**87,640**	**101,613**
Attributable to:			
Company's equity holders		87,177	103,690
Minority interest	17	463	(2,077)
		87,640	101,613
Earnings per share attributable to the Company's equity holders during the year – Basic and diluted (euro per share)	30	1.00	1.19

Notes 1 to 41 and Appendices I to IV form an integral part of these consolidated annual accounts.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(Thousand euro)

	Attributable to the Company's equity holders								
	Share capital (Note 15)	Share premium account (Note 15)	Legal reserve (Note 15)	Hedging reserve (Note 11)	Cumulative translation difference (Note 16)	Retained earnings (Note 17)	Interim dividend (Note 17)	Minority interest (Note 17)	Total equity
Balance at 1 January 2006	**17,463**	**470,634**	**–**	**1,588**	**9,149**	**10,869**	**–**	**–**	**509,703**
Gross cash flow hedges	–	–	–	3,711	–	–	–	–	3,711
Foreign currency translation differences	–	–	–	–	(5,006)	–	–	–	(5,006)
Other movements (Note 36)	–	–	–	–	–	9,300	–	–	9,300
Gross income/(expense) recognised directly in equity	**–**	**–**	**–**	**3,711**	**(5,006)**	**9,300**	**–**	**–**	**8,005**
Tax effect	–	–	–	(1,145)	–	(3,255)	–	–	(4,400)
Net income/(expense) recognised directly in equity	**–**	**–**	**–**	**2,566**	**(5,006)**	**6,045**	**–**	**–**	**3,605**
Other movements	–	–	–	–	–	–	–	7,078	7,078
Profit for the year	–	–	–	–	–	103,690	–	(2,077)	101,613
2006 interim dividend paid	–	–	–	–	–	–	(10,478)	–	(10,478)
Balance at 31 December 2006	**17,463**	**470,634**	**–**	**4,154**	**4,143**	**120,604**	**(10,478)**	**5,001**	**611,521**

	Attributable to the Company's equity holders								
	Share capital (Note 15)	Share premium account (Note 15)	Legal reserve (Note 15)	Hedging reserve (Note 11)	Cumulative translation difference (Note 16)	Retained earnings (Note 17)	Interim dividend (Note 17)	Minority interest (Note 17)	Total equity
Balance at 31 December 2006	**17,463**	**470,634**	**–**	**4,154**	**4,143**	**120,604**	**(10,478)**	**5,001**	**611,521**
Gross cash flow hedges	–	–	–	3,078	–	–	–	–	3,078
Foreign currency translation differences	–	–	–	–	4,041	–	–	–	4,041
Other movements (Note 36)	–	–	–	–	–	9,300	–	–	9,300
Gross income/(expense) recognised directly in equity	**–**	**–**	**–**	**3,078**	**4,041**	**9,300**	**–**	**–**	**16,419**
Tax effect	–	–	–	(1,239)	–	(3,031)	–	–	(4,270)
Net income/(expense) recognised directly in equity	**–**	**–**	**–**	**1,839**	**4,041**	**6,269**	**–**	**–**	**12,149**
Other movements	–	–	–	–	–	–	–	28,131	28,131
Profit for the year	–	–	–	–	–	87,177	–	463	87,640
Application of 2006 profit	–	–	3,493	–	–	(54,136)	10,478	–	(40,165)
2007 interim dividend paid	–	–	–	–	–	–	(49,770)	–	(49,770)
Balance at 31 December 2007	**17,463**	**470,634**	**3,493**	**5,993**	**8,184**	**159,914**	**(49,770)**	**33,595**	**649,506**

Notes 1 to 41 and Appendices I to IV form an integral part of these consolidated annual accounts.

CONSOLIDATED CASH FLOW STATEMENT
(Thousand euro)

		Year ended 31 December	
	Notes	2007	2006
Cash flows from operating activities			
Profit for the year before taxes		126,107	137,457
Adjustments for:			
Depreciation, amortisation and impairment losses	6, 7 y 8	24,167	53,490
Change in trade provisions		5,125	9,210
Proceeds from sale of property, plant and equipment	25	(8,710)	–
Share of results of associates	9	4,670	(1,176)
Net financial results	28	30,923	26,266
Other income and expense	25	–	(117,948)
Share-based payments	36	9,300	9,300
Subtotal		**191,582**	**116,599**
Changes in working capital:			
Inventories		(76,416)	25,036
Trade and other receivables		(232,968)	(145,071)
Financial assets at fair value through profit or loss		(651)	(737)
Trade and other payables		297,243	226,810
Provisions for other liabilities and charges		13,629	21,021
Other changes		3,353	(4,551)
Cash generated from operations		195,772	239,107
Taxes paid		(59,876)	(32,139)
Net cash generated from operating activities		135,897	206,968
Cash flows from investing activities			
Acquisition of subsidiary, net of cash acquired	34	(41,516)	(9,275)
Acquisition of property, plant and equipment and intangible assets		(31,969)	(44,967)
Proceeds from sale of property, plant and equipment and intangible assets		77,095	42,819
Acquisition of non-current assets assigned to projects		(273,842)	(140,975)
Acquisition of investments in associates and available-for-sale financial assets		(1,530)	(16,827)
Proceeds from sale of investments in associates and available-for-sale financial assets		17,256	–
Net change in other receivables		(21,193)	12,433
Other income and expense	25	–	117,948
Interest received and other financial income		29,469	14,128
Net cash used in investing activities		(246,230)	(24,716)
Cash flows from financing activities			
Net income from/(net reimbursement of) borrowings		94,925	(217,252)
Net income from non-recourse financing		224,515	76,889
Interest paid		(71,516)	(40,866)
Dividends paid		(40,165)	(10,478)
Net cash generated from/(used in) financing activities		207,759	(191,707)
Net change in cash and cash equivalents		**97,426**	**(9,455)**
Cash and cash equivalents at start of the year		190,994	201,302
Exchange differences included in net change for the year		471	(853)
Cash and cash equivalents at end of the year		288,891	190,994

Notes 1 to 41 and Appendices I to IV form an integral part of these consolidated annual accounts.

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS (Thousand euro)

1. General information

At the 2007 year end GRUPO ISOLUX CORSÁN, S.A. (the Company) forms a group (the Group) comprising the parent company Grupo Isolux Corsán, S.A. and its subsidiaries and associates. Additionally, the Group participates with other entities or members in joint ventures and temporary joint ventures (UTEs). Appendices I, II, III and IV to these notes contain additional information on the entities included in the consolidation scope. The Group companies hold interests of less than 20% in other entities over which they have no significant influence. The Group's main activities and sales are carried on and made in Spain and Latin America.

For the purposes of preparing the consolidated annual accounts, a group is understood to exist when the parent company has one or more subsidiaries, which are companies that the parent company controls directly or indirectly. The principles applied during the preparation of the Group's consolidated annual accounts, together with the consolidation scope, are described in Note 2.2.

Appendix I to these notes set outs the identification details of the subsidiaries included in the consolidation under the full consolidation method.

Appendix II provides the identification details of the associates included in the consolidation under the equity consolidation method.

Appendix III contains the identification details of the joint ventures included in the consolidation under the proportionate consolidation method.

The parent company and certain subsidiaries are members of UTEs, whose assets liabilities, income, expense are recognised using the proportionate method. Appendix IV contains an analysis of the UTEs of which Group companies are members.

Changes in the consolidation scope during 2007 are as follows:

- The following companies were formed: Isolux Corsán Aparcamientos Madrid, S.L., Interisolux Alcorcón Vivienda Joven, S.L., Isolux Corsán Argentina, S.A., Isolux Corsán Construcción, S.A de C.V., Powertec Proyectos e Obras, Ltda., Serra Paracatu Transmisora de Energía, S.A., Jauru Transmisora de Energía, S.A., Pocos de Caldas Transmisora de Energía, S.A., Riberao Preto Transmisora de Energía,

S.A., Parque Eólico Serra da Cova, S.L., Infinita Renovables Patagonía, S.A., Aparcamientos I.C. Zaragoza Torrero, S.L. (Unipersonal), Aparcamientos I.C. Villaverde, S.L. (Unipersonal) and Sociedad Concesionaria Autovía A-4 Madrid S.A.

- The following companies were acquired: T-Solar Global S.A., LT Triángulo S.A. and Infinita Renovables S.A.

- A part of the shareholding in Pinares del Sur S.L. was sold, reducing the interest from 40% to 18%.

Changes in the consolidation scope during 2006 are as follows:

- The following companies were formed: Isolux Corsán Polonia SP ZOO, Isolux Corsán Aparcamientos, S.L., Aparcamientos IC Córdoba, S.L., Hixam Gestión de Aparcamientos, S.L., Aparcamientos IC Talavera, S.L., Aparcamientos IC Zaragoza, S.L., Aparcamientos Islas Canarias, S.L., Aparcamientos IC Toledanos, S.L, Serra de Mesa Transmisora de Energia, S.A., Interisolux Torrejón Vivienda Joven, S.L., Líneas Mesopotámicas, S.A., Infinitas Renovables Castellón, S.A. and Concesionaria de Autopistas Monterrey – Saltillo S.A. de C.V.

- The following companies were acquired: Tecna Estudios y Proyectos de Ingeniería, S.A. and Tecninter, S.A. (and their subsidiaries Tecna Proyectos y Operaciones, S.A., Tecna Bolivia, S.A., Tecna Brasil Ltda., Tecna del Ecuador, S.A., Medanito del Ecuador, S.A., Latintecna, S.A., Tecna Engineering LLC, Ven Tecna, S.A.) and Proyectos Inmobiliarios Residenciales S.L.

- A part of the investment in Las Cabezadas de Aranjuez, S.L. was sold, reducing the interest from 90% to 40%. The consolidation method therefore changed from full consolidation to proportionate consolidation.

- The company Aparcamientos Segovia S.L. was formed and the initial interest of 50% was subsequently increased to 100%.

On 17 December 2004, a company was incorporated which, following several name changes, is now named Grupo Isolux Corsán, S.A. The Company is the parent of a group that is continuing the activities of the Isolux Wat Group. The latter group gained broad experience in the Spanish market and was engaged mainly in engineering. At the beginning of 2005 it merged with the Corsán Corviam Group, which was also reputable and engaged mainly in construction. The Isolux Corsán Group is the result of the 2005 merger.

Grupo Isolux Corsán, S.A.'s registered office is at calle Caballero Andante 8, 28021 Madrid. The Company is registered in the Madrid Mercantile Register, volume 20,745, book 0, section 8, sheet 194, page M-367466, entry 11. The latest adaptation and rewording of the Articles of Association is entered in volume 20,745, book 0, section 8, sheet 189, page M-367466, entry 7.

Grupo Isolux Corsán, S.A. does business in Spain and abroad, mainly consisting of the following activities (carried on by the Company itself or its subsidiaries):

- Engineering studies, industrial assembly and manufacture of the necessary components, integrated facilities and construction.

- Manufacture, sale and representation of electrical, electronic, electromechanical, computer and industrial products, machinery and equipment.

- Provision of all types of consultancy, audit, inspection, metering, analysis, report, research and development services; project design, planning, supply, execution and assembly; project and site management and supervision; tests, trials, commissioning, control and evaluation; repair and maintenance services in integrated facilities; electrical and electronic facilities, air conditioning and aeration systems; sanitary fluid and gas systems; elevators and freight elevators; fire protection and detection systems; hydraulic systems, information systems, mechanical and industrial systems; communications, energy, environment; and energy lines, substations and power plants.

- Integrated construction, repair, conservation and maintenance of all kinds of construction and all kinds of installation and fitting work.

- Purchase, sale, lease and operation by any means of real property or real property rights.

- Holding, management and administration of securities and equity interests in any entity.

The Group has the following business lines:

- Construction: All kinds of civil engineering and construction projects, both residential and non-residential.

- Engineering and industrial services: Engineering, energy, telecommunications, installations and environment.

- Concessions: The Group holds land infrastructure concessions including motorways and car parks, and electricity infrastructure concessions such as high-voltage power cables and power plants.

- Property development: The Group's real estate business is focused on the acquisition and development of land for sale, as well as the promotion of private and government-subsidised housing.

These consolidated annual accounts were prepared by the Board of Directors on 31 March 2008. The Directors will submit these consolidated annual accounts to the Annual General Meeting for approval. The accounts are expected to be approved without changes.

2. Summary of the main accounting policies applied

The main accounting policies applied when preparing these consolidated annual accounts are described below. These policies have been applied consistently to all the financial years presented in these consolidated annual accounts.

2.1. Basis of presentation

The Group's consolidated annual accounts at 31 December 2007 have been prepared in accordance with International Financial Reporting Standards (IFRS) adopted for use in the European Union, approved by the European Commission Regulations (IFRS-EU) and effective at 31 December 2007. These are the first consolidated annual accounts prepared under IFRS-EU (see Note 5).

Until and including the financial year ended 31 December 2006, the Group's consolidated annual accounts were prepared in accordance with Spanish commercial legislation, the General Accounting Plan and Royal Decree 1815/1991, whereby the rules for the preparation of consolidated annual accounts were approved (generally accepted accounting principles, GAAP). Since these standards differ in some areas from IFRS-EU, Group management has restated the figures for 2006 in order to present comparative information in accordance with IFRS-EU, except for cases specifically mentioned in Note 5.

The figures are expressed in thousands of euros in this document, except where otherwise stated.

The consolidated annual accounts have been prepared on a historical cost basis, except for certain cases stipulated by IFRS-EU in which assets and liabilities are carried at fair value. The Company has made the following choices in cases in which IFRS-EU allow for alternatives:

- Measurement of property, plant, equipment and intangible assets at historical cost, capitalising financial expenses over the construction period.

- Joint ventures and UTEs are proportionately consolidated.

The preparation of consolidated annual accounts under IFRS-EU requires the use of certain critical accounting estimates. The application of IFRS-EU also requires that management exercise judgement in the process of applying the Company's accounting policies. Note 4 discloses the areas that require a higher level of judgement or entail greater complexity, and the areas where assumptions and estimates are significant for the consolidated annual accounts.

Standards, amendments and interpretations that came into effect in 2007

- IFRS 7, "Financial instruments: Disclosures" and supplementary amendment to IAS 1, "Presentation of Financial Statements – Equity-related Disclosures". IFRS 7 brings in new breakdowns to improve disclosures on financial instruments, although it has no impact on the classification and measurement of the Group's financial instruments or on the breakdowns of taxes and trade and other payables. The amendment to IAS 1 requires the presentation of information on the objectives, policies and management procedures relating to equity needs, quantitative information on equity, whether or not any external equity requirements have been fulfilled and the consequences of the failure to fulfil such external requirements.

Standards, amendments and interpretations that came into effect in 2007 but have no effect on the Group's accounts:

The following standards, amendments and interpretations are mandatory for financial years commencing as from 1 January 2007 but have no impact on the group's operations:

- IFRS 4, "Insurance contracts";
- IFRIC 7, "Applying the restatement approach under IAS 29 – Financial reporting in hyperinflationary economies";
- IFRIC 8, "Scope of IFRS 2";
- IFRIC 9, "Reassessment of embedded derivatives"; and
- IFRIC 10, "Interim financial reporting and impairment".

Standards and amendments, and interpretations of existing standards, that are not yet in effect and have not been adopted early by the Group

At the preparation date of these accounts, the IASB had published the interpretations described below: These interpretations are mandatory for all financial years commencing as from 1 January 2008 and subsequent years, although the Group has not adopted them early:

- IFRIC 11, "IFRS 2 – Group and treasury share transactions". This interpretation provides the principles for determining whether a share-based transaction involving treasury shares or Group companies (e.g. options on the parent company's shares) must be recognised as a share-based payment transaction settled using equity instruments or settled in cash in the individual accounts of the parent company and the Group companies. The Group considers that this interpretation will not have significant effects in relation to the accounting policies currently applied.
- IFRS 8 "Operating segments", mandatory for financial years commencing as from 1 January 2008. The Group considers that the impact of IFRS 8 is not relevant to its operations.

Standards and amendments, and interpretations of existing standards, pending adoption by the European Union

At the preparation date of these accounts, the IASB had published the standards, amendments and interpretations described below, which are applicable for all financial years commencing as from 1 January 2008 but have yet to be adopted by the European Union:

- IAS 23 (revised in March 2007), "Borrowing costs", which is mandatory for all financial years commencing as from 1 January 2009. This standard states that entities must capitalise borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets (assets that necessarily require a substantial period of time before they are ready for use or sale) as part of the cost of the asset. The option of immediately recognising these borrowing costs as expenditure for the period is eliminated. The Group is analysing the possible impact of this standard, should it be adopted by the European Union.

- IFRIC 12, “Service concession arrangements”, mandatory for financial years commencing as from 1 January 2008. IFRIC 12 applies to contracts under which a private operator participates in the development, financing, operation and maintenance of a public sector services infrastructure. The Group is analysing the possible impact of this standard, should it be adopted by the European Union.

- IAS 1 (revised in September 2007), “Presentation of financial statements”, the purpose being to improve user skills in the analysis and comparison of the information reported in the financial statements. The Group is analysing the possible impact of this standard, should it be adopted by the European Union.

- IFRS 2, “Share-based payment vesting conditions and cancellations”, mandatory for financial years commencing as from 1 January 2009;

- IFRS 3 (revised in January 2008), “Business combinations”, mandatory for financial years commencing as from 1 July 2009;

- IAS 27 (revised in January 2008), “Consolidated and separate financial statements”, mandatory for financial years commencing as from 1 July 2009;

- IFRIC 13, “Customer loyalty programmes”, mandatory for financial years commencing as from 1 July 2008; and

- IFRIC 14, “IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction”, which comes into effect for all financial years commencing as from 1 January 2008.

2.2. Consolidation principles

Subsidiaries

Subsidiaries are all entities (including special-purpose companies) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interests. The excess of the cost of acquisition over the fair value of the Group’s share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Appendix I to these notes set outs the identification details of the subsidiaries included in the consolidation under the full consolidation method.

Transactions and minority interests

The Group treats transactions with minority shareholders as transactions with non-Group third parties. The sale of minority interests generates gains and/or losses for the Group that are recognised in the income statement. The acquisition of minority interests results in goodwill in the amount of the difference between the price paid and the relevant proportion of the carrying amount of the subsidiary's net assets.

Joint ventures

The Group treats incorporated or unincorporated entities in which two or more members have joint control under contractual agreements as joint ventures. Joint control is understood to be the situation established in an agreement between the parties in which financial and operating decisions require the consensus of all members.

Interests in joint ventures are consolidated using the proportionate consolidation method. The Group combines its share of the assets, liabilities, income, expenses and cash flows of the jointly controlled entity, line by line, with similar items in its own accounts. The Group recognises, in its consolidated annual accounts, the portion pertaining to the other members of the jointly controlled entity of any profits or losses obtained from the sale of the Group's assets to the entity. The Group does not recognise its own share of the profits or losses of the jointly-controlled entity derived from the purchase by the Group of the entity's assets, until those assets are sold to an independent third party. A loss is immediately recognised on the transaction if it causes a reduction in the net realisable value of current assets or an impairment loss.

Appendix III to these notes set outs the identification details of the joint ventures included in the consolidation scope under the proportionate consolidation method.

Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for by the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When

the Group's shares of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains or losses in associates are recognised in the income statement.

Appendix II to these notes set outs the identification details of the associates included in the consolidation scope under the equity consolidation method.

Temporary joint ventures (UTEs)

A temporary joint venture (UTE), as defined by Spanish legislation, is a system in which entrepreneurs collaborate for a specified, fixed or undetermined period to carry out or execute a work of construction, service or supply.

The UTE's balance sheet and income statement items are included in the shareholder's balance sheet and income statement on a proportionate basis. Transactions between the UTE and other Group subsidiaries are eliminated.

Appendix IV contains details of each UTE consolidated using the proportionate method.

2.3. Foreign currency transactions

Functional and presentation currency

The items included in the annual accounts of each of the Group companies are measured using the currency of the principal economic environment in which the company operates ("functional currency"). The consolidated annual accounts are presented in euros, the Company's functional and presentation currency, although figures are expressed in thousands of euros for presentation purposes.

Transactions and balances

Transactions in foreign currency are translated to the functional currency using the exchange rates in force at the transaction dates. Foreign currency gains and losses resulting from the settlement of transactions and translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currency are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

Changes in the fair value of monetary instruments denominated in foreign currency and classified as available for sale are separated into translation differences resulting from changes in the instrument's amortised cost and other changes in the instrument's carrying amount. The translation differences are recognised in results for the year and other changes in the carrying amount are recognised in equity.

Translation differences in respect of non-monetary items such as equity instruments at fair value through profit or loss are presented as part of the fair value gain or loss. Translation differences in respect of non-monetary items such as equity instruments classed as available-for-sale financial assets are included in equity in the revaluation reserve.

Group companies

Results and the financial situation of all Group companies (none of which has the currency of a hyper-inflationary economy) whose functional currency differs from the presentation currency are translated to the presentation currency as follows:

- The assets and liabilities on each balance sheet presented are translated at the closing exchange rate at the balance sheet date;
- The income and expenses in each income statement are translated at the average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates existing at the transaction dates, in which case income and expenses are translated at the rates on the transaction dates); and
- All resulting exchange differences are recognised as a separate component of equity.

On consolidation, any exchange differences resulting from the translation of a net investment in foreign companies and loans and other instruments in foreign currency designated as hedges of those investments are taken to equity. When sold, such exchange differences are recognised in the income statement as part of the profit or loss on the sale.

Adjustments to goodwill and fair value arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the year-end exchange rate, except goodwill arising prior to 1 January 2006.

2.4. Property, plant and equipment

Land and buildings mainly comprise plants, offices, technical installations, machinery and tooling. Property, plant and equipment is recognised at cost less depreciation and cumulative impairment losses, except for land, which is presented net of impairment losses. Historical cost includes expenses directly attributable to purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset only when it is probable that the future economic benefits associated with the asset will flow to the Group and the cost of the asset may be reliably determined. The carrying amount of a replaced component is written off the accounts. All other repair and maintenance expenses are charged to the income statement in the year in which they are incurred.

Land is not depreciated. Depreciation of other assets is calculated on a straight-line basis in order to allocate costs to residual values based on the estimated useful lives of the assets in question, using the following rates:

	Rate
Buildings	1 % - 3 %
Plant	6 % - 14 %
Machinery	10 % - 17 %
Tooling	12.5 % - 33 %
Furnishings	5 % - 16 %
Data-processing equipment	12.5 % - 25 %
Vehicles	8 % - 14 %

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.8).

Gains and losses on the sale of property, plant and equipment are calculated by comparing the proceeds with the carrying amount and are included in the income statement on the line "Other operating revenue". Own work capitalised is carried at production cost and reflected as income in the income statement.

2.5. Intangible assets

Goodwill

Goodwill is the excess of acquisition cost over the fair value of the Group's share of the identifiable net assets of the subsidiary or associate acquired at the acquisition date. Goodwill relating to acquisitions of subsidiaries is included in intangible assets. Goodwill arising from acquisitions of associates is included in investments in associates and tested for impairment together with the total balance relating to the associate. Goodwill recognised separately is tested for impairment at least annually or when there are signs of impairment. It is carried at cost less cumulative impairment losses. Gains and losses on the sale of a company include the carrying amount of goodwill related to the company sold.

Goodwill is assigned to cash generating units (CGUs) in order to test for impairment losses. This relates to CGUs that are expected to benefit from the business combination that gave rise to the goodwill.

Administrative concessions

Administrative concessions are recognised in the amount paid by the Company in respect of assignment or operating royalties. In certain cases, concessions relate to the administrative authorisation granted by municipal authorities or other public bodies for the construction and subsequent operation of car parks and other assets during the periods specified in the relevant contracts. The accounting treatment of such assets is similar to the treatment stated in IFRIC 12 (as regards the recognition of the concession assets in intangible assets), even though IFRIC 12 is not yet mandatory in the European Union. Once the exploitation of the concession assets begins, related collections are recognised as ordinary rev-

enue and operating expenditure is included in expenses for the year. In all cases, the intangible assets are amortised on a straight-line basis over the concession term. At each account close, the return on each project is reviewed to determine whether there is any sign of impairment since the assets are not recoverable on the basis of the operating revenue generated.

Computer software

Software licences acquired from third parties are capitalised on the basis of the costs incurred to acquire and prepare the licences for the use of a specific program. These costs are amortised over the useful life of the software for a maximum of five years.

Costs associated with developing or maintaining computer software programs are recognised as an expense when incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include the software development employee costs and an appropriate portion of relevant overheads.

Computer program development costs recognised as assets are amortised over the program's estimated useful lives (not more than 5 years) on a straight-line basis.

Research and development expenses

Research expenditure is recognised as an expense as incurred. Costs incurred in development projects (related to the design and testing of new or improved products) are recognised as intangible assets when the following requirements are met:

- Completion of production of the intangible asset so that it becomes available for use or sale is technically possible;
- Management intends to complete the intangible asset in question, for use or sale;
- There is capacity to use or sell the intangible asset;
- The manner in which the intangible asset will generate probable future economic benefits is demonstrable;
- Adequate technical, financial or other resources are available to complete development in order to use or sell the intangible asset; and
- The outlay attributable to the intangible asset during development may be reliably estimated.

Other development expenditure is recognised as an expense as incurred. Development expenses previously recognised as an expense are not recognised as an asset in a subsequent period. No development costs are capitalised at 31 December 2007.

2.6. Non-current assets assigned to projects

This caption includes the amount of investments made mainly in transport, energy and environmental infrastructures that are operated by the Group's subsidiaries and are financed by means of project finance arrangements (non-recourse financing applied to projects).

These financing structures are applied to projects that are themselves capable of providing sufficient guarantees to the participating financial institutions with respect to the repayment of the debts incurred to undertake the project. Each project is carried out through specific companies in which project assets are financed partly by a contribution of funds from the promoters, limited to a certain sum, and partly (generally a larger sum) by long-term external borrowings. Debt servicing is secured basically by the cash flows that will be generated by the project itself in the future and by mortgaging the project assets.

The assets are measured based on the costs directly attributable to their construction and incurred to the date the assets become operational, such as studies and projects, expropriations, replacement services, construction work executed, site management and administration, installations and structures, and other similar costs, plus a portion of other directly attributable costs incurred during the construction period. Financial expenses accrued during the construction period are capitalised.

This generally relates to a concession contract. The main characteristics to be considered in relation to non-current assets associated with concession projects are as follows:

- The concession assets are owned by the granting authority in the majority of cases.
- The granting authority controls or regulates the concession holder's services and the conditions under which they must be rendered.
- The assets are exploited by the concession holder in accordance with the criteria set out in the concession documents during the stipulated concession term. At the end of that period, the assets revert to the granting authority and the concession holder no longer holds any rights in this respect.

Repairs and maintenance that do not extend the useful life or production capacity of the relevant assets are expensed in the year the costs are incurred. Payback of the entire investment in a concession is obtained by the end of the project period. The concession holder receives revenues for the services rendered, either directly from users or from the granting authority.

Non-current assets assigned to projects consist mainly of intangible assets (see Note 2.5) and property, plant and equipment (see Note 2.4).

2.7. Borrowing costs

Borrowing costs incurred in the construction of any qualifying assets are capitalised over the period needed to complete and prepare the asset for the intended use. Other borrowing costs are expensed.

2.8. Non-financial asset impairment losses

Assets with an indefinite useful life and goodwill are not amortised/depreciated and are tested annually for impairment. Assets subject to amortisation/depreciation are tested for impairment provided that an event or change in circumstances indicates that their carrying amount might not be recoverable. An impairment loss is recognised in the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped together at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill for which impairment losses have been recognised are tested at each balance sheet date in case the loss has reversed.

2.9. Financial assets

The Group classifies its investments in the following categories: at fair value through profit or loss, loans and receivables, held to maturity and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management establishes the classification of financial assets when they are initially recognised and reviews the classification at each reporting date.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired mainly for short-term sale. Derivatives are also categorised as held for trading unless they are designated as hedges. The assets in this category are included in current assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date, which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the balance sheet (Note 2.12).

Receivables include the present value of future cash flows from certain concessions. In such cases, there is a contractual right to receive future cash flows or other financial assets directly from the granting authority or the granting authority guarantees a level of payments.

Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that Group management has the positive intention and ability to hold to maturity. Should the Group sell a not insignificant amount of its held-to-maturity financial assets, the entire category will be reclassified as available for sale. Such available-for-sale financial assets are included in non-current assets, except those that mature within 12 months as from the balance sheet date, which are classified as current assets.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Recognition of financial assets

Acquisitions and disposals of investments are recognised at the trading date, i.e. the date the Group undertakes to acquire or sell the asset. Investments are recognised initially at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss Financial assets at fair value through profit or loss are initially carried at fair value and transaction costs are taken to the income statement. Investments are written off when the rights to receive cash flows from them have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

Gains and losses resulting from changes in the fair value of financial assets at fair value through profit or loss are included in the income statement in the year in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement when the Group's right to receive payment is established.

Changes in the fair value of monetary instruments denominated in foreign currency and classified as available for sale are separated into differences in the instrument's amortised cost and other changes in the instrument's carrying amount. Translation differences on monetary instruments are recognised in the income statement, while translation differences on non-monetary instruments are recognised in equity. Changes in the fair value of monetary and non-monetary instruments classified as available for sale are recognised in equity.

When available-for-sale instruments are sold or impaired, the cumulative fair value adjustments recognised in equity are taken to the income statement.

Interest on available-for-sale instruments calculated using the effective interest method is recognised in the income statement item "Net financial results". Dividends from available-for-sale equity instruments is recognised in the income statement in "Net financial results" when the Group's right to receive payment is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value using measurement techniques which include recent uncontrolled transactions between willing and knowledgeable parties relating to other instruments that are substantially identical and the analysis of discounted cash flows and option pricing models, maximising market input and relying as little as possible on the entity's specific inputs.

At the balance sheet date, the Group assesses whether there is objective evidence of impairment losses with respect to a financial asset or group of financial assets. For equity instruments classified

as available for sale, in order to determine whether there are impairment losses it will be necessary to examine whether there is a significant or protracted decline in the fair value of the securities to below cost. If there is any evidence of this type for available-for-sale financial assets, the cumulative loss determined as the difference between the acquisition cost and current fair value, less any impairment loss in that financial asset previously recognised in results, is eliminated from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

Impairment testing of receivables is described in Note 2.12.

2.10. Derivative financial instruments and hedging

Derivatives are initially recognised at fair value at the contract date and are subsequent remeasured at fair value. The method for recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and, if so, on the nature of the item being hedged. The Group may designate certain derivatives as:

- fair value hedges of recognised liabilities (fair value hedge);
- hedges of a specific risk associated with a recognised liability or a highly probable forecast transaction (cash flow hedge); or
- hedges of a net investment in a foreign operation (net investment hedge).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking hedge transactions. The Group also documents its assessment, at inception and on an ongoing basis, of whether or not the derivatives used in hedge transactions are highly effective in offsetting changes in the fair value or cash flows of the hedged items.

The fair value of derivative instruments used for hedging purposes is shown in Note 11. Movements in the hedging reserve are shown in the consolidated statement of changes in equity. The total fair value of hedging derivatives is classified as a non-current asset or liability if the period to maturity of the hedged item is more than 12 months and as a current asset or liability if the period to maturity of the hedged item is less than 12 months. Negotiable derivatives are carried as current assets or liabilities.

Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in the income statement together with any change in the fair value of the hedged asset or liability attributable to the risk hedged.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity. The gain or loss relating to the ineffective portion is immediately taken to the income statement item “Net financial results”.

Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item affects results (for instance, when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps that hedge variable-rate borrowings is recognised in the income statement item “Net financial results”. The gain or loss relating to the effective portion of forward currency contracts that hedge sales is recognised in the income statement item “Sales”.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement item “Net financial results”.

Net investment hedge

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement. Gains and losses accumulated in equity are included in the income statement when the foreign operation is disposed of.

Derivative financial instruments at fair value through profit or loss

Certain derivatives do not qualify for hedge accounting and are recognised at fair value through profit or loss. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in the income statement item “Net financial results”.

2.11. Inventories

Raw materials and finished products are carried at the lower of acquisition or production cost, using the weighted average cost method, and net realisable value.

Buildings under construction and other structures are measured based on direct execution costs, also including financing costs incurred during the development phase and structural costs attributable to the projects. Items are classified as short- or long-term depending on whether the period to completion is less or more than twelve months.

Assets received in payment of receivables are carried at the lower of the amount of the relevant receivable and the market price.

Obsolete, defective or slow-moving products are written down to their net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable costs of sale.

2.12. Trade and other receivables

Trade receivables are recognised initially at fair value and are subsequently measured at amortised cost using the effective interest method, less a provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The existence of significant financial difficulties on the part of the debtor, the probability that the debtor will become bankrupt or undertake a financial restructuring, and late payment or default are considered to be indicators of the impairment of a receivable. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The asset's carrying amount is written down as the provision is applied and the loss is recognised in the income statement. When a receivable is uncollectible, the provision for receivables is adjusted accordingly. Subsequent recoveries of receivables written off are recognised in the income statement for the year in which the recovery takes place.

2.13. Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

2.14. Share capital

Share capital consists entirely of ordinary shares classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any Group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the Company's equity holders until the shares are redeemed, reissued or sold. When these shares are sold or subsequently reissued, any amount received, net of any incremental cost on the transaction which is directly attributable and the corresponding income tax effects, is included in equity attributable to the Company's equity holders.

2.15. Government grants

Grants from the government are recognised at their fair value when there is reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the income statement on a straight-line basis over the expected lives of the related assets.

2.16. Trade payables

Trade payables are initially recognised at fair value and are subsequently measured at amortised cost using the effective interest method.

2.17. Borrowings

Borrowings are initially carried at fair value net of transaction costs. Borrowings are subsequently measured at amortised cost. Any differences between the funds obtained (net of necessary costs) and their repayment value are recognised in the income statement over the life of the debt applying the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months as from the balance sheet date.

Interest and other costs incurred to obtain borrowings are taken to the income statement for the year on an accrual basis.

2.18. Current and deferred taxes

Deferred income tax is calculated, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated annual accounts. However, if the deferred taxes arise from the initial recognition of a liability or an asset on a transaction other than a business combination that at the time of the transaction has no effect on the tax gain or loss, they are not accounted for. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary differences is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

2.19. Employee benefits

Pension and retirement obligations

For the purposes of their accounting treatment, defined contribution plans under which the company's obligation consists solely of contributing an annual amount must be differentiated from defined benefit plans under which employees are entitled to a specific benefit on the accrual of their pensions.

Defined contribution plans

A defined contribution plan is a pension plan under which the Group pays fixed contributions to a fund and has no legal or constructive obligation to make additional contributions if the fund has insufficient assets to pay to all the employees the benefits related to the services rendered in the current year and in prior years. Contributions accrued in respect of defined contribution plans are expensed annually.

Defined benefit plans

A defined benefit plan is a pension plan that is not a defined contribution plan. A defined benefit plan usually defines the amount of the benefit that will be received by an employee at the time of retirement, normally on the basis of one or more factors such as age, years of service and remuneration.

The liability recognised in the balance sheet with respect to defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of the plan assets and any unrecognised past service costs. The defined benefit obligation is calculated annually by independent actuaries in accordance with the projected unit credit method. The present value of the obligation is determined by discounting the estimated future cash flows at interest rates on government bonds denominated in the currency in which the benefits will be paid and maturities similar to those of the relevant obligations.

Although the Group had defined benefit plans in previous years, at 31 December 2007 the Group's liability under those plans had been entirely transferred.

Share-based remuneration

The Group has a share-based remuneration plan that may be settled in shares or in cash. The fair value of the employees' services received in exchange for the shares granted is expensed. The total amount that will be expensed during the vesting period is calculated using the fair value of the shares granted at the grant date, excluding the impact of vesting conditions that are not market conditions (such as profitability targets). This remuneration will be paid directly by the Group's shareholders. At each balance sheet date, the Group recognises in the income statement the estimated expenditure for the year and records a balancing item directly in the statement of changes in equity.

Termination benefits

Termination benefits are payable as a result of the Group's decision to terminate employment before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises these benefits when it has demonstrably undertaken to terminate current employees' employment in accordance with a formal detailed plan that cannot be withdrawn, or to provide severance indemnities as a result of an offer made to encourage voluntary redundancy. Benefits that will not be paid within 12 months of the balance sheet date are discounted to their present value.

Profit-sharing and bonus plans

The Group recognises a liability and an expense for bonuses and profit-sharing based on a formula that takes into consideration the profit attributable to the Company's equity holders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

2.20. Provisions

The Group recognises a provision when: it has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are carried at the present value of forecast payments that are expected to be required to settle the obligation, using a rate before taxes that reflects the current market assessment of the time value of money and the specific risks of the obligation. Any increase in the provision over time is recognised as interest expense.

2.21. Revenue recognition

Sales include the fair value of payments received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Sales are presented net of value added tax, returns, rebates and discounts, and after eliminating sales within the Group.

The Group recognises revenue when the amount may be reliably estimated, it is likely that the future economic benefits will flow to the entity and the specific conditions are fulfilled for each of the Group's activities, as described below. A reliable calculation of the amount of revenue is not deemed possible until all sale-related contingencies have been resolved. The Group's estimates are based on historical results, taking into account customer type, transaction type and specific terms.

The methods used to recognise revenue in each of the Group's business activities are described below:

Construction business

When the results of a construction contract may be reliably estimated, ordinary revenue and associated costs of the contract are recognised as such in the income statement, based on the percentage of completion of the activity performed under the contract at the balance sheet date. When a project is expected to generate a loss, the necessary provisions are recorded to cover the entire loss during preparation of the updated budget.

Percentage of completion is generally determined by examining work executed. This method may be used since all contracts generally include:

- a definition of each project unit that must be executed to complete the whole project;
- a measurement of each of these project units; and
- the price at which each unit is certified.

In order to put this method into practice, at the end of each month a measurement of completed units is obtained for each project. The resulting total is the amount of construction work executed at the contractual price, which is recognised as project revenue from inception. The difference with respect to the corresponding figure a month earlier is production for the month, which is the figure recognised as revenue.

Construction work costs are recognised for accounting purposes on an accrual basis; costs actually incurred to execute project units completed, plus costs that may be incurred in the future and must be allocated to the project units completed, are recognised as expenses.

The application of this revenue recognition method is combined with the preparation of a budget made for each construction contract by project unit. This budget is used as a key management tool in order to maintain detailed monitoring, project unit by project unit, of fluctuations between actual and budgeted figures.

In exceptional cases, where it is not possible to estimate the margin for the entire contract, the total costs incurred are recognised and sales that are reasonably assured with respect to the completed work are recognised as contract revenue, subject to the limit of the total contract costs.

During the execution of construction work, unforeseen events not envisaged in the primary contract may occur that increase the volume of work to be executed. These changes to the initial contract require the customer's technical approval and subsequent financial approval. This approval permits, from that moment, the issue and collection of certificates for this additional work. Revenue from the additional work is not recognised until the customer's approval is reasonably assured; costs incurred in this work are, however, recognised when incurred, irrespective of the degree of approval obtained from the customer.

In the event that amount of work actually executed in a project exceeds the amount certified to the account close, the difference between the two amounts is reflected in the consolidated balance sheet item "Trade and other receivables". Where the amount of work actually executed in a project is lower than the amount of the certificates issued, the difference is recognised in the consolidated balance sheet item "Trade and other payables".

Estimated project close-out costs are provisioned and apportioned over the execution period. These costs are recognised proportionally on the basis of estimated costs as a proportion of executed work. Costs incurred from projection completion to definitive settlement are charged to the provision recorded and the remaining balance is recognised in the item "Provisions for other liabilities and charges" in current liabilities in the consolidated balance sheet.

Late-payment interest arising from delays in the collection of certificates from public administrations is recognised when it is likely that the interest will actually be collected and the amount may be reliably measured.

Costs relating to the tendering of bids for construction contracts are taken to the income statement when incurred, where the success of the bid is not probable or is not known at the date the costs are incurred. Bid tendering costs are included in the cost of the contract when the success of the bid is probable or is known, or when it is certain that the costs will be reimbursed or included in contract revenue.

Engineering business

Engineering project revenue is recognised on a percentage-of-completion basis, based on direct costs incurred in relation to total estimated costs.

The methods described for the construction business, as regards the recognition of revenue for additional work, recognition of estimated future losses by recording provisions, accounting treatment of any timing differences between the recognition of revenue for accounting purposes and the certificates issued to customers, and the recognition of late-payment interest, are also applied to the engineering business.

Concessions and services business

The Group has concessions to operate electricity infrastructure, car parks, toll roads, etc. The services business consists mainly of environmental services, such as wastewater treatment, and maintenance services for industrial infrastructure and related areas.

Under concession and management contracts for services, revenue and expenditure is recognised on an accrual basis, irrespective of when the related monetary or financial flows take place. The accounting treatment of the main activities is described below.

Multiple element contracts

Concessions for public services are contracts between a private operator and the Government or a different public body, in which the latter party grants to the private operator the right to provide public services such as the supply of water or electricity, or the operation of roads, airports or prisons. Control over the asset is retained by the public sector, but the private operator assumes responsibility for building the asset and for operating and maintaining the infrastructure. Depending on the contract terms, concessions are treated as intangible assets (where the predominant element is that the concession holder has the right to receive fees directly from users) or as financial assets (where the granting authority guarantees a level of future cash flows).

The Group offers certain agreements under which it builds an infrastructure in exchange for a concession to operate the infrastructure for a specified period. Where such contracts contain multiple elements, the amount of revenue recognised is defined as the fair value for each phase of the contract. Revenue from infrastructure construction and engineering is recognised as described in the preceding paragraphs. Operating revenue from an intangible asset is recognised on an accrual basis as operating revenue. When a financial asset has previously been recognised, revenue is treated as a principal repayment with an interest income component. The characteristics of the Group's main activities are described below:

Toll roads/electricity transmission lines

In most cases, the principle of risk and business venture on the part of the concession holder coexists with the principle of assurance of the concession's economic and financial equilibrium on the part of the Government. Revenue is recognised at fair value during the construction phase. Where the granting authority directly provides or guarantees a level of revenue for the concession holder, the asset is included in receivables. Where the concession holder has the right to receive fees from users, an intangible asset is recognised. In such cases, the Group recognises revenue on an accrual basis and amortises the intangible asset over the concession term using the straight-line method.

Car parks

The car park business may be divided into:

- Car parks for local residents:

  This business involves the construction of car parks whose spaces are sold directly to the end customer. The sale and related costs are not recognised until the parking space has been handed over, which usually coincides with the execution of the public deed of sale. Additionally, in order to recognise the sale and costs, construction of the car park must have been completed and the licence for the use of the car park must have been handed over. Commitments formalised in car park sale contracts pending handover of the product are recorded as customer prepayments in the amounts received on account of the parking space. Capitalised costs are included in inventories and measured as described in the relevant section.

- On-street car parks:

  This is a public service rendered to local authorities, which mainly concerns the management of public parking and the collection of the fees charged by municipalities for these services. The revenues are usually the hourly parking fees paid or the price paid for the public service by the municipal government and are recognised when the relevant amounts fall due for payment. In the case of concessions, the amount paid to obtain the concession is recognised in income over the concession period. Capitalised costs are included in intangible assets or financial assets, depending on the characteristics of the contract. Depreciation is charged on a straight-line basis during the concession term and begins when the asset is available for use.

- Off-street car parks:

  In this case, revenues arise from the use of parking spaces owned by the company or held under an administrative concession. Off-street car park revenues are recorded when the hourly parking rate is paid and, in the case of season ticket holders, on an accrual basis.

Revenues from mixed car parks (off-street and for local residents) are recognised as described in the preceding paragraph, in the case of the off-street spaces. As regards spaces for local residents, the amounts received for spaces handed over are recorded in liabilities and taken to the income statement on a straight-line basis over the relevant concession periods, provided the distributable costs may not be reasonably segregated. During the accounting period in which the revenues are recognised, the

necessary provisions are posted to cover costs to be incurred following handover. These provisions are calculated using best estimates of costs to be incurred and may only be reduced as a result of a payment made in relation to the costs provisioned or a reduction in the risk. Once the risk has disappeared or the payments have been made, the surplus provision is reversed. Capitalised costs are included in property, plant and equipment.

Real estate business

The Group companies recognise sales and results of property development projects when the property is handed over to the buyer, which usually coincides with the execution of the public deed of sale. Amounts received on account are included in "Trade and other payables" on the liabilities side of the consolidated balance sheet.

2.22. Leases

Where a Group company is the lessee – Finance lease

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classed as finance leases. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset or the lease term.

Where a Group company is the lessee – Operating lease

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

2.23. Non-current assets (or disposal groups) held for sale

Non-current assets (or disposal groups) are classified as assets held for sale and are recognised at the lower of carrying value and fair value less selling costs, if the carrying value is mainly recovered through a sale instead of continuing use. There are no non-current assets (or disposal groups) held for sale at the balance sheet dates.

2.24. Dividend distribution

Dividend distribution to the Company's equity holders is recognised as a liability in the Group's consolidated annual accounts in the year in which the dividends are approved by the Company's equity holders.

2.25. Environment

The consolidated Group has no environmental liabilities, costs, assets, provisions or contingencies that could be significant in relation to its equity, financial situation and results. No specific breakdowns are therefore included in these notes to the consolidated annual accounts relating to environmental issues.

2.26. Operating results

The income statement caption Operating results includes the results of the Group companies' ordinary activities, excluding financial results (see Note 28), shares of profits of associates and other income and expenses relating to the transaction described in Note 25.

3. Financial risk management

3.1.Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, fair value interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risks.

Risk management is performed by the Group's Central Treasury Department in accordance with policies approved by the Board of Directors. This department identifies, evaluates and hedges financial risks in close association with the Group's operating units. The Board provides written policies for overall risk management and for specific areas such as foreign exchange risk, interest rate risk, liquidity risk, use of derivatives and non-derivatives, and investment of cash surpluses.

a) Market risk

a.1) Foreign exchange risk

The Group has international operations and is therefore exposed to foreign exchange risk during currency transactions, relating particularly to the US dollar (USD), Brazilian real and Mexican peso, as well as other currencies. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

Management has implemented a policy that requires the Group companies to manage foreign exchange risk with respect to their functional currency. The Group companies are obligated to hedge all foreign exchange risk through the Central Treasury Department. Foreign exchange risks arising from future

commercial transactions and recognised assets and liabilities are hedged by means of forward contracts traded through the Group's Treasury Department. Foreign exchange risk arises when future commercial transactions or recognised assets and liabilities are denominated in a currency that is not the company's functional currency.

The Group's Treasury Department has a policy of hedging net forecast flows deriving from forecast transactions (mainly sales) in currencies other than the functional currency of the Group company that effects the transaction. At 31 December 2007, foreign current put transactions related only to companies located in Spain and Mexico, although none of them fulfilled IFRS hedge accounting criteria.

The Group's transactions are generally completed in each country's functional currency, although transactions are often effected in a different currency (mainly in Spain and Mexico), particularly in US dollars. At 31 December 2007, had the functional currency of each country with transactions in US dollars depreciated/appreciated by 10% against the US dollar, without any change in the remaining variables, the consolidated result after tax for 2007 would have been 3,008 thousand euro lower/higher (2006: 252 thousand lower/higher), due mainly to the effects of the increase/decrease in USD liability/asset positions. Net worth would have changed by the same amounts (effects calculated excluding the impact of fair value changes in the derivative financial instruments contracted).

The Group has a number of investments in foreign operations whose net assets are exposed to foreign exchange risk. These investments are located basically in Latin America (Brazil, Mexico and other countries). In general, the Group ensures that operations in each country are financed by borrowings in the functional currency of that country so that foreign exchange risk only affects the capital investment. Where the investment is partially or wholly financed by borrowings, the Group ensures that the loans are obtained in the relevant functional currency. Where no financing is used, the Group does not contract hedges, except in certain cases in which short-term forecast flows in the form of dividends from the subsidiary are hedged. Set out below is a breakdown of the main foreign currency exposures affecting capital investments:

	2007	2006
Brazilian real (*)	144,489	104,188
Mexican peso (*)	30,639	22,864
Other currencies (*)	3,548	5,283
Total	**178,676**	**132,335**

(*) Excluding the value of goodwill at each date, as mentioned in Note 7.1.

a.2) Price risk

The Group is not exposed to equity instrument price risk since it has no significant investments. The Group is partially exposed to market price risk in respect of raw materials, relating basically to metals and oil, which affect the price of supplies of equipment and materials manufactured in the projects executed by the Group. Generally, these effects are efficiently passed on in selling prices by all similar contractors operating in the same sector. The Group reduces and mitigates price risk by means of policies implemented by management, consisting basically of a reduction or increase in the rate of placements and the selection of currencies and countries of origin.

a.3) Cash flow and fair value interest rate risk

Interest rate risk must be analysed in relation to the two types of financing obtained by the Group:

Non-recourse financing assigned to projects

As explained in Note 8, the Group participates in a number of investment projects (project finance arrangements) in which, among other aspects, repayments are secured only by cash flows from the respective projects. In such cases, financing mainly comprises long-term, variable-rate instruments. The interest rates applicable depend on the country in which the project is located and on the currency in which the financing is issued. Financing issued at variable rates exposes the Group to cash flow interest rate risk. The Group uses interest rate swaps to convert long-term financing totally or partially to fixed interest rates. Additionally, under certain project finance contracts the company that obtains the financing undertakes vis-à-vis the granting banks to contract the above-mentioned derivative financial instruments.

Exposure to variable interest rate risk at each year end is analysed below:

2007	Euribor rates	Brazilian rate (*)	Other rates	Total
Financing	182,343	175,513	38,719	396,575
Interest-bearing cash and cash equivalents	(10.143)	–	(7,747)	(17,890)
Net position	**172,200**	**175,513**	**30,972**	**378,685**
Portion hedged by derivative financial instruments	91%	0%	0%	42%

2006	Euribor rates	Brazilian rate (*)	Other rates	Total
Financing	25,163	118,190	28,707	172,060
Interest-bearing cash and cash equivalents	(2,794)	–	(252)	(3,046)
Net position	**22,369**	**118,190**	**28,455**	**169,014**
Portion hedged by derivative financial instruments	0%	0%	0%	0 %

(*) Brazilian long-term reference interest rate

The Group analyses exposure to interest rate risk in a dynamic manner. A simulation is performed in which the Group calculates the effect on results of a specific change in the interest rate. In each simulation, the same interest rate fluctuation is used for all currencies and reference rates. Scenarios are only simulated for liabilities that represent the most relevant interest-bearing positions. On the basis of the simulations performed, the impact on results after tax of an increase/decrease of 100 basis points in the interest rate would have been a reduction/increase of 1,357 thousand euro (2006: 976 thousand euro), due mainly to a rise/reduction in interest expense on variable-rate loans; equity would have changed by the same amounts (effects calculated without considering the impact of fair value changes in the derivative financial instruments contracted).

Borrowings

The Group's interest-rate risk arises mainly from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Fixed-interest borrowings expose the Group to fair value interest rate risk. A large part of the Group's borrowings are obtained at variable rates, the main reference rate being the Euribor. The Group uses interest rate swaps to convert long-term financing to fixed interest rates.

Exposure to variable interest rate risk at each year end is analysed below:

	2007			2006		
	Euribor rates	Other rates	Total	Euribor rates	Other rates	Total
Borrowings	406,085	9,394	415,479	314,133	6,421	320,554
Interest-bearing cash and cash equivalents	(158,340)	(32,856)	(191,196)	(56,101)	(13,258)	(69,359)
Net position	**247,745**	**(23,462)**	**224,283**	**258,032**	**(6,837)**	**251,195**
Portion hedged by derivative financial instruments	83%	0%	92%	119%	0%	122%

The Group analyses exposure to interest rate risk in a dynamic manner. A number of scenarios are simulated taking into account refinancing, renewal of current positions, alternative financing, existence of variable-rate investments (very short-term interest-bearing placements are treated as being exposed to variable interest rates) and existing hedges. Through these scenarios, the Group calculates the effect on results of a specific change in the interest rate. In each simulation, the same interest rate fluctuation is used for all currencies. Scenarios are only simulated for liabilities that represent the most relevant interest-bearing positions. As may be observed in the preceding table, the Group's exposure to interest rate risk in this part of the business is not significant.

b) Credit risk

The Group manages credit risk in relation to the following groups of financial assets:

- Derivative financial instruments (see Note 11) and various items included in cash and cash equivalents (see Note 14).

- Balances related to trade and other receivables (see Note 12).

Derivative financial instruments and bank borrowings included in cash and cash equivalents are contacted with reputable financial institutions that obtain high credit ratings. Investments in government bonds and treasury bonds also relate to governments with high credit ratings.

A high proportion of trade and other receivables (38% and 41% at 31 December 2007 and 2006, respectively) relate to transactions with public institutions and the Group therefore considers that credit risk is under tight control. A significant part of the receivables from private companies relate to companies with high credit ratings and no history of default with respect to the Group. A periodic follow-up is performed of the overall position in trade and other receivables and also an individual analysis of the most significant exposures.

c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, Group Treasury aims to maintain flexibility in funding by keeping committed credit lines available.

Having regard to the Group's project financing arrangements, as explained in Note 8, repayments are secured only by cash flows from the respective projects. In such cases, the Group hedges liquidity risk by ensuring that financing is long term and structured on the basis of the forecast cash flows for each project. Accordingly, 91% of financing recognised at 31 December 2007 (2006: 94%) falls due after more than one year and 55% of the financing recognised at 31 December 2007 (2006: 70%) falls due after more than four years.

As regards the Group's liquidity position, management monitors the Group's forecast liquidity based on expected cash flows.

The following table contains a breakdown of the Group's financial liabilities that will be settled in the net amount, grouped together by maturity date based on the period from the balance sheet date to the maturity date stipulated in each contract. The amounts shown in the table relate to undiscounted cash flows stipulated in the contract. Balances payable in less than 12 months reflect the relevant carrying amounts as the effect of discounting is not significant.

	Less than 1 year	Betwen 1 and 2 years	Betwen 2 and 5 years	More than 5 years
At 31 December 2007				
Borrowings	166,139	3,439	216,934	28,967
Derivative financial instruments	309	378	–	–
Trade and other payables (excluding deferred revenue) -	1,688,544	13,584	6,728	–
Accrued unmatured interest	16,620	13,431	31,554	6,727
Total	1,871,612	30,802	255,216	35,694
At 31 December 2006				
Borrowings	50,623	45,603	121,962	102,366
Derivative financial instruments	–	–	–	–
Trade and other payables (excluding deferred revenue)	1,343,038	–	3,393	–
Accrued unmatured interest	14,762	12,667	24,949	5,936
Total	1,408,423	58,270	150,304	108,302

Liquidity risk is managed on an overall, centralised basis by Group Treasury. This includes both managing cash from the Group's recurring transactions (analysis and follow-up of debt maturities, collections, renewal and contracting of loans, management of available credit lines, temporary placement of cash surpluses) and managing the funds necessary to undertake planned investments. Although the Group's working capital was negative at 31 December 2007, liquidity risk is under control, as explained below: cash and cash equivalents provide adequate cover for current borrowings; all utilised credit facilities are to be renewed, as in previous years; undrawn credit lines are significant (see Note 19); leverage is adequate (see Note 3.2); the volume of operating cash flows generated is expected to rise, as in previous years (in this regard, operating cash flow net of taxes for 2008 is estimated at over 200 million euro).

3.2. Capital risk management

The Group's capital management objectives consist of protecting its capacity to do business as a going concern in order to obtain a return for shareholders and profits for other holders of equity instruments, as well as to maintain an optimal capital structure and reduce cost of capital.

In order to maintain or adjust the capital structure, the Group could adjust the amount of dividends payable to shareholders, reimburse capital to shareholders, issue new shares or sell shares to reduce debt.

The Group monitors capital based on the leverage ratio, in line with industry practices. This ratio is calculated as net debt divided by total capital (excluding the position assigned to projects). Net debt is calculated as total borrowings (including borrowings and trade and other payables, as reflected in the consolidated accounts) less cash and cash equivalents. Capital is calculated as equity, as reflected in the consolidated accounts, plus net debt.

In 2007, the Group's strategy, which has not changed since 2006, consisted of keeping the leverage ratio below 80%, which is deemed reasonable considering that the Group's main businesses (construction and engineering) are characterised by high levels of working capital (both financial assets and financial liabilities). Leverage ratios at 31 December 2007 and 2006 are shown below:

	2007	2006
Borrowings (see Note 19) and Trade and other payables (see Note 18)	2,104,023	1,663,592
Less: Cash and cash equivalents (see Note 16)	(288,891)	(190,994)
Net debt	1,815,132	1,472,598
Equity (including minority interests)	649,506	611,521
Total capital	2,464,638	2,084,119
Leverage ratio (net debt/total capital)	**73,6%**	**70,7%**

The slight increase in the leverage ratio during 2007 is due mainly to the growth in trade and other payables in line with the rise in the Group's business volume.

3.3. Fair value estimation

The fair value of financial instruments traded in active markets (such as publicly traded derivatives and held-for-trading and available-for-sale investments) is based on quoted market prices at the balance sheet date. The market price used for financial assets is the current bid price.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Market prices or brokers' prices are used for long-term payables. Other techniques, such as the estimated discounted cash flow method, are used to determine fair value for the remaining financial instruments. The fair value of interest-rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using forward exchange market rates at the balance sheet date.

The carrying amount less the provision for the impairment of receivables and payables is assumed to approximate their fair value. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

4. Accounting estimates and judgements

The preparation of consolidated annual accounts under IFRS-EU requires that management make estimates and assumptions that could affect the accounting policies adopted and the amounts of assets, liabilities, revenue, expenses and related breakdowns. The estimates and assumptions made are based on past experience or other facts that are deemed to be reasonable under the circumstances, at the balance sheet date, the result of which is the basis from which to judge the carrying amount of the assets and liabilities that cannot be immediately determined in any other manner. Actual results could differ from estimated results.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Certain accounting estimates are considered to be significant if the amount of the estimates and assumptions is material and if the impact of the estimates and assumptions on the financial position or operating results is material. Group management's main estimates are explained below.

4.1. Critical accounting estimates and judgements

The Group makes estimates and judgements concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Estimated impairment of goodwill

The Group verifies annually whether there is an impairment loss in respect of goodwill, in accordance with the accounting policy in Note 2.8. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates and sensitivity analyses are performed on the most relevant variables included in the estimates, paying particular attention to situations in which potential impairment indicators may be identified (see Note 7.1).

Income tax

The Group is subject to income taxes in numerous jurisdictions. A significant level of judgement is required to determine the worldwide provision for income tax. There are many transactions and calculations with respect to which the ultimate calculation of the tax is uncertain in the ordinary course of business. The Group recognises liabilities for anticipated tax problems based on estimates as to whether additional taxes will be necessary. When the final tax result differs from the amounts which were initially recognised, such differences will have an effect on income tax and the provisions for deferred taxes in the year in which they are deemed to arise. In this regard, there are no significant aspects subject to estimates that could have a material impact on the Group's position.

Fair value of derivatives or other financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group exercises judgement to select a variety of methods and to make assumptions based mainly on market conditions at the balance sheet date. The Group has used discount cash flow analyses for a number of available-for-sale financial assets not traded in active markets.

Revenue recognition

The Group recognises revenue from construction and engineering activities on a percentage-of-completion basis. Percentage of completion is calculated as costs incurred under the contract as a percentage of estimated total contract costs. This revenue recognition method is only used when the result of the contract may be reliably estimated and the contract is likely to generate profits. If the result of the contract cannot be reliably estimated, revenue is recognised as costs are recovered. When a contract's costs are likely to exceed the contract's revenue, the loss is immediately expensed. When applying the percentage-of-completion method, the Group makes significant estimates in relation to total costs necessary to perform the contract. These estimates are reviewed and evaluated periodically to verify whether a loss has been generated and whether the percentage-of-completion method may continue to be applied, or to reestimate the forecast project profit. During the project, the Group also estimates probable contingencies relating to the increase in the total estimated cost and adjusts revenue recognised accordingly. The Group's historical data indicates that its estimates are adequate and reasonable in relation to the above-mentioned aspects.

Useful lives of property, plant and equipment and intangible assets

Group management determines estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and its intangible assets. This estimate is based on the period during which the non-current assets will generate economic benefits. At each account

close, the Group reviews the useful lives of non-current assets. If the estimates differ from previous estimates, the effect of the change is recognised prospectively as from the year in which the change takes place.

Employee benefits

The present value of employee benefit obligations depends on a number of factors that are determined by means of actuarial calculations using a series of assumptions. The assumptions used to determine cost and employee benefit obligations include the discount rate and the rate of growth of salaries and other benefits. Any change in these assumptions will affect the carrying amount of the employee benefit obligations.

The Group calculates the appropriate discount rate at each year end. This is the interest rate that must be used to determine the present value of future cash outflows that are expected to be required to settle employee benefit obligations. In order to determine the appropriate discount rate, the Group uses interest rates on government bonds denominated in the currency in which the benefits will be paid and with maturities that approximate the maturities of the relevant liability. Other key assumptions relating to pension obligations are based partly on current market conditions.

Additional information is disclosed in Note 21, which also explains the absence of defined benefit plans in force at 31 December 2007.

Warranty claims

The Group generally offers 24- or 36-month warranties on its projects and services. Management estimates the related provision for future warranty claims based on historical warranty claim information, as well as recent trends that might suggest that past cost information may differ from future claims. As in the case of revenue recognition, the Group's historical data indicates that its estimates are adequate in this respect.

Receivables and financial assets

The Group makes estimates relating to the collectability of balances owned by customers in projects in which disputes have arisen or litigation is in progress due to disagreement with the work executed or the failure to fulfil contractual clauses linked to the return on the assets handed over to customers. The Group also makes estimates to assess the recoverability of available-for-sale financial assets, based mainly on the financial health and near-term business prospects of the investee company.

Provisions

Provisions are recognised when it is probable that a present obligation arising from past events will result in an outflow of funds and the amount of the obligation may be reliably estimated. Significant estimates are required in order to comply with IFRS. Group management makes estimates of the likelihood of the contingencies and the amount of the liability to be settled in the future, evaluating all relevant information and facts.

5. IFRS-EU transition

5.1. IFRS-EU transition basis

5.1.1. Application of IFRS 1

The consolidated annual accounts at 31 December 2007 are the first consolidated annual accounts prepared under IFRS-EU and therefore the Group has applied IFRS 1.

The IFRS transition date in Grupo Isolux Corsán, S.A. is 1 January 2006. The Group prepared its opening balance sheet in accordance with IFRS-EU at that date.

In the preparation of these first consolidated annual accounts under IFRS-EU and, specifically, under IFRS 1, the Group has applied all mandatory exceptions and some of the optional exemptions to the retrospective application of IFRS-EU.

5.1.2. Exemptions to retrospective application selected by the Group

Grupo Isolux Corsán, S.A. has opted to apply the exemptions to the total retrospective application of IFRS-EU which are set out below.

Business combinations

Grupo Isolux Corsán, S.A. has applied the exemption contained in IFRS 1 for business combinations. Consequently, the business combinations that took place prior to the transition date of 1 January 2006 have not been restated (taking into account the requirements stipulated by Appendix B of IFRS 1). Additionally, goodwill arising from business combinations completed prior to 1 January 2006 and related to foreign companies are deemed to be expressed in euros (the Groups' functional currency).

Employee benefits

Grupo Isolux Corsán, S.A. has opted to recognise all cumulative actuarial gains and losses at 1 January 2006.

Cumulative translation differences

The Group has opted to maintain translation differences accumulated prior to 1 January 2006.

Designation of financial assets and financial liabilities

The Group has reclassified a number of financial instruments as available-for-sale investments and financial assets at fair value through profit or loss.

5.1.3. Exceptions to retrospective application applied by the Group

Grupo Isolux Corsán, S.A. has applied the following mandatory exemptions to the retrospective application of IFRS-EU:

Write-off of financial assets and liabilities

Financial assets and liabilities written off before 1 January 2006 have not been recognised again under IFRS-EU.

Hedge accounting

Management stipulates that hedge accounting will be applied in accordance with the exception provided by IFRS 1.

Estimates

Estimates under IFRS-EU at 1 January 2006 should be consistent with the estimates made at the same date under the previous accounting principles, unless there is evidence that such estimates were incorrect.

Assets held for sale and discontinued operations

Management applies IFRS 5 retrospectively from 1 January 2006. The Group had no assets that fulfilled the criteria to be classified as held for sale during the reporting period. There has been no need to include any adjustment.

5.2. Reconciliation of IFRS-EU and generally accepted accounting principles (Spanish GAAP)

The following reconciliations quantify the impact of the transition to IFRS-EU: The first reconciliation (Note 5.2.1) provides an overview of the impact on equity of the transition at 1 January 2006 and 31 December 2006. The following reconciliations include details of the effect of the transition with respect to:

- Equity at 1 January 2006 (Note 5.2.2.)
- Equity at 31 December 2006 (Note 5.2.3.)
- Results for the year ended 31 December 2006 (Note 5.2.4.)

5.2.1. Summary of adjustments to equity (adjustments net of tax effects)

	1 January 2006	31 december 2006	Note 5.2.1.
Equity as per Spanish GAAP	**509,269**	**595,934**	
Elimination of R&D and formation expenses	(3,103)	(2,352)	a)
Adjustments to Concessions	2,357	(388)	b)
Goodwill impairment losses as per IAS 36	–	(24,565)	c)
Elimination of goodwill amortisation and adjustment due to application of IFRS 3)	–	34,077	c)
Recognition of derivative financial instruments	2,809	5,996	d)
Measurement adjustments to Associates as per IFRS-EU	(1,198)	665	e)
Reclassification of minority interests	–	5,001	f)
Cumulative effect of other immaterial items	(431)	(2,847)	
Total equity under IFRS-EU	**509,703**	**611,521**	

a) R&D and formation expenses

The adjustment relates to the elimination of expenditure on research and development projects and other expenditure capitalised under Spanish GAAP that may not be capitalised under IFRS-EU.

b) Concessions

The adjustment relates to the net effect of the application of policies similar to the ones contained in IFRIC 12, entailing the treatment of concession assets as intangible assets or as financial instruments, depending on the characteristics of the relevant contracts.

c) Goodwill

Goodwill may not be amortised under IFRS-EU and the effect of goodwill amortisation has therefore been reversed. Additionally, goodwill impairment losses detected during impairment testing have been recognised (in compliance with IAS 36). The adjustment resulting from the application of IFRS 3 – Business Combinations has also been made to the amortisation of the intangible assets recognised in business combinations completed during the year.

d) Derivative financial instruments

This adjustment relates to the recognition in the balance sheet of the derivative financial instruments contracted by the Group. The adjustment includes both derivative instruments designated as hedges and derivative instruments that do not meet hedging criteria due to being ineffective or because they have not been designated as hedging instruments.

e) Measurement of associates

This relates to the effect of the IFRS-EU adjustments on the Group's interests in associates.

f) Minority interests

Under IAS 27, the amount relating to minority interests is included in equity.

5.2.2. Reconciliation of equity at 1 January 2006

	Note 5.2.2.	Spanish GAAP	Efect of transition to IFRS-EU	IFRS–UE
ASSETS				
Non-current assets				
Formation expenses	(a)	3,099	(3,099)	–
Property, plant and equipment	(b)	214,307	1,754	216,061
Goodwill	(c)	246,298	278,715	525,013
Intangible assets	(d)	300,141	(290,484)	9,657
Non-current assets assigned to projects		139,951	–	139,951
Financial assets	(e)	63,242	(2,655)	60,587
Other receivables	(f)	72	20,762	20,834
Deferred tax assets	(g)	–	10,605	10,605
Derivative financial instruments	(h)	–	3,054	3,054
Deferred expenses		4,971	(4,971)	–
		972,081	13,681	985,762
Current assets				
Inventories	(i)	206,798	(30,866)	175,932
Trade and other receivables	(j)	961,991	(3,638)	958,353
Available-for-sale financial assets	(k)	133,588	(131,412)	2,176
Derivative financial instruments	(h)	–	2,059	2,059
Accrual accounts		5,579	(5,579)	–
Cash and cash equivalents	(l)	71,713	129,589	201,302
		1,379,669	(39,847)	1,339,822
Total assets		**2,351,750**	**(26,166)**	**2,325,584**
EQUITY				
Capital and reserves attributable to equity holders				
Share capital		17,463	–	17,463
Share premium account		470,634	–	470,634
Legal reserve		–	–	–
Hedging reserve	(h)	–	1,588	1,588
Cumulative translation differences		9,149	–	9,149
Retained earnings		12,023	(1,154)	10,869
Minority interests		**–**	**–**	**–**
Total equity		**509,269**	**434**	**509,703**
LIABILITIES				
Non-current liabilities				
Deferred revenue		833	(833)	–
Long-term non-recourse financing assigned to projects		91,094	–	91,094
Borrowings	(m)	506,376	(14,672)	491,704
Deferred tax liabilities	(g)	–	28,318	28,318
Other payables	(n)	13,829	(12,039)	1,790
Provisions		10,146	999	11,145
		622,278	1,773	624,051
Current liabilities				
Trade and other payables	(o)	1,130,513	(30,225)	1,100,288
Current tax liabilities	(o)	–	8,752	8,752
Short-term non-recourse financing assigned to projects		4,077	–	4,077
Borrowings		46,158	(56)	46,102
Trade provisions		32,649	(38)	32,611
Accrual accounts		6,806	(6,806)	–
		1,220,203	(28,373)	1,191,830
Total liabilities		**1,842,481**	**(26,600)**	**1,815,881**
Total liabilities and equity		**2,351,750**	**(26,166)**	**2,325,584**

Set out below are details of the main differences between balance sheet items under Spanish GAAP and IFRS-EU:

a) Formation expenses:

The adjustment relates to the elimination of expenses capitalised under Spanish GAAP that may not be capitalised under IFRS-EU.

b) Property, plant and equipment:

The adjustment relates to the reclassification of intangible assets pertaining to finance leases.

c) Goodwill:

The adjustment relates to the reclassification of intangible assets from the merger funds recorded at that date.

d) Intangible assets:

The net movement is analysed below:

Reclassification of goodwill (net of amortisation)	(278,715)
Reclassification to property, plant and equipment – Finance lease	(1,753)
Reclassification and adjustment due to measurement of concessions	(7,912)
Adjustment to eliminate R&D expenses and other intangible assets	(2,101)
Other adjustments and reclassifications (net)	(3)
Net change	**(290,484)**

e) Financial assets:

The net movement is analysed below:

Reclassification due to different consolidation methods	17,601
Reclassification to Other receivables	(7,136)
Decrease due to contributions pending inclusion	(11,922)
Measurement adjustment to investments in associates under IFRS-EU	(1,198)
Net change	**(2,655)**

f) Other receivables:

The net movement is analysed below:

Reclassification and adjustment due to measurement of concessions	13,626
Reclassification of financial assets	7,136
Net change	**20,762**

g) Deferred income tax:

The adjustment relates to the reclassification of the balance recognised under Spanish GAAP and to the tax effect of the IFRS-EU adjustments.

h) Derivative financial instruments:

This adjustment relates to the recognition in the balance sheet of the derivative financial instruments contracted by the Group. The adjustment includes both derivative instruments designated as hedges and derivative instruments that do not meet hedging criteria due to being ineffective or because they have not been designated as hedging instruments.

i) Inventories:

The adjustment relates to reclassifications due to differences in the consolidation method applicable to investments and the accounting treatment of certain car park concessions.

j) Trade and other receivables:

The net movement is analysed below:

Reclassification of deferred expenses and accrual accounts	5,579
Reclassification to deferred tax assets	(8,194)
Other adjustments and reclassifications (net)	(1,023)
Net change	**(3,638)**

k) Available-for-sale financial assets:

The net movement is analysed below:

Reclassification to cash and cash equivalents	(130,403)
Other reclassifications (net)	(1,009)
Net change	**(131,412)**

l) Cash and cash equivalents:

The adjustment relates to reclassifications of available-for-sale financial assets and other reclassifications.

m) Borrowings – Non-current:

The net movement is analysed below:

Reclassification due to different consolidation methods	(9,818)
Reclassification of deferred expenses	(4,854)
Net change	**(14,672)**

n) Other payables – Non-current:

The adjustment relates to the reduction due to reclassification of contributions pending inclusion and to other reclassifications.

o) Trade and other payables:

The net movement is analysed below:

Reclassification to current tax liabilities	(8,752)
Reclassification to deferred tax liabilities	(25,029)
Other reclassifications (net)	3,556
Net change	**(30,225)**

5.2.3. Reconciliation of equity at 31 December 2006

	Note 5.2.3.	Spanish GAAP	Effect of transition to IFRS-EU	IFRS-EU
ASSETS				
Non-current assets				
Formation expenses	(a)	3,303	(3,303)	–
Property, plant and equipment	(b)	201,516	4,591	206,107
Goodwill	(c)	241,346	273,880	515,226
Intangible assets	(d)	276,946	(267,127)	9,819
Non-current assets assigned to projects		277,656	–	277,656
Financial assets	(e)	73,540	4,790	78,330
Other receivables	(e)	–	8,401	8,401
Deferred tax assets	(f)	–	21,142	21,142
Derivative financial instruments	(g)	–	7,692	7,692
Deferred expenses		1,884	(1,884)	–
		1,076,191	48,182	1,124,373
Current assets				
Inventories	(h)	177,647	(26,751)	150,896
Trade and other receivables	(i)	1,120,952	(1,544)	1,119,408
Available-for-sale financial assets	(j)	108,923	(106,010)	2,913
Derivative financial instruments	(g)	–	2,717	2,717
Cash and cash equivalents	(k)	87,440	103,554	190,994
		1,494,962	(28,034)	1,466,928
Total assets		**2,571,153**	**20,148**	**2,591,301**
EQUITY				
Capital and reserves attributable to equity holders				
Share capital		17,463	–	17,463
Share premium account		470,634	–	470,634
Legal reserve		–	–	–
Hedging reserve	(g)	–	4,154	4,154
Cumulative translation differences		4,143	–	4,143
Retained earnings		114,172	6,432	120,604
Interim dividend		(10,478)	–	(10,478)
Minority interests		**–**	**5,001**	**5,001**
Total equity		**595,934**	**15,587**	**611,521**
Minority interests		**5,001**	**(5,001)**	**–**
LIABILITIES				
Non-current liabilities				
Deferred revenue		1,433	(1,433)	–
Long-term non-recourse financing assigned to projects		162,649	(951)	161,698
Borrowings		270,189	(258)	269,931
Deferred tax liabilities	(f)	–	13,890	13,890
Other payables	(l)	19,153	(15,760)	3,393
Provisions for other liabilities and charges		32,793	3,254	36,047
		491,218	(6,259)	484,959
Current liabilities				
Trade and other payables	(m)	1,368,081	(25,043)	1,343,038
Current tax liabilities	(m)	–	41,822	41,822
Short-term non-recourse financing assigned to projects		10,362	–	10,362
Borrowings		50,670	(47)	50,623
Trade provisions		49,031	(55)	48,976
Accrual accounts		5,857	(5,857)	–
		1,484,001	10,820	1,494,821
Total liabilities		**1,975,219**	**4,561**	**1,979,780**
Total liabilities and equity		**2,571,153**	**20,148**	**2,591,301**

Set out below are details of the main differences between balance sheet items under Spanish GAAP and IFRS-EU:

a) Formation expenses:

The adjustment relates to the elimination of expenses capitalised under Spanish GAAP that may not be capitalised under IFRS-EU.

b) Property, plant and equipment:

The adjustment relates to the reclassification of intangible assets pertaining to finance leases.

c) Goodwill:

The net movement is analysed below:

Reclassification of intangible assets	263,335
Business combinations	(2,662)
Elimination of amortisation and impairment losses (net)	13,207
Net change	**273,880**

d) Intangible assets:

The net movement is analysed below:

Reclassification of goodwill (net of amortisation for the year)	(263,335)
Reclassification to property, plant and equipment – Finance lease	(4,590)
Other adjustments and reclassifications (net)	798
Net change	**(267,127)**

e) Financial assets:

The net movement is analysed below:

Reclassification due to different consolidation methods	16,757
Reclassification to Other receivables	(8,401)
Decrease due to contributions pending inclusion	(4,914)
Measurement adjustment to investments in associates under IFRS-EU	665
Other adjustments and reclassifications (net)	683
Net change	**4,790**

f) Deferred income tax:

The adjustment relates to the reclassification of the balance recognised under Spanish GAAP and to the tax effect of the IFRS-EU adjustments.

g) Derivative financial instruments:

This adjustment relates to the recognition in the balance sheet of the derivative financial instruments contracted by the Group. The adjustment includes both derivative instruments designated as hedges and derivative instruments that do not meet hedging criteria due to being ineffective or because they have not been designated as hedging instruments.

h) Inventories:

The adjustment relates to reclassifications due to differences in the consolidation method applicable to investments and the accounting treatment of certain car park concessions.

i) Trade and other receivables:

The net movement is analysed below:

Reclassification of deferred expenses and accrual accounts	11,116
Reclassification to deferred tax assets	(8,270)
Reclassification due to different consolidation methods	(3,803)
Other adjustments and reclassifications (net)	(587)
Net change	**(1,544)**

j) Available-for-sale financial assets:

The net movement is analysed below:

Reclassification to cash and cash equivalents	(104,203)
Other reclassifications (net)	(1,807)
Net change	**(106,010)**

k) Cash and cash equivalents:

The adjustment relates to reclassifications of available-for-sale financial assets and other reclassifications.

l) Other payables – Non-current:

Reclassification of contributions pending inclusion	(4,914)
Reclassification of other payables	(10,846)
Net change	**(15,760)**

m) Trade and other payables:

The net movement is analysed below:

Reclassification to current tax liabilities	(41,822)
Reclassification to deferred tax liabilities	(9,647)
Other reclassifications of tax liabilities	11,364
Reclassification of deferred expenses and accrual accounts	16,973
Other reclassifications (net)	(1,911)
Net change	**(25,043)**

5.2.4. Reconciliation of the income statement for the year ended 31 December 2006

	Note 5.2.4.	Spanish GAAP	Efect of transition to IFRS-EU	IFRS–UE
Sales	(a)	1,776,327	93,391	1,869,718
Other operating revenue	(b)	162,532	(130,539)	31,993
Difference between opening and closing inventories	(c)	(43,825)	13,103	(30,722)
Materials consumed and other external costs		(1,203,445)	2,656	(1,200,789)
Employee benefit expenses	(d)	(267,766)	(4,840)	(272,606)
Depreciation, amortisation and impairment losses	(e)	(43,674)	(9,816)	(53,490)
Other operating charges		(296,667)	(2,838)	(299,505)
Operating results		**83,482**	**(38,883)**	**44,599**
Net financial results	(f)	(29,310)	4,220	(25,090)
Amortisation of goodwill on consolidation	(g)	(23,346)	23,346	–
Other income and expense	(h)	110,678	7,270	117,948
Profit before income tax		**141,504**	**(4,047)**	**137,457**
Income tax	(i)	(38,770)	2,926	(35,844)
Profit for the year		**102,734**	**(1,121)**	**101,613**
Attributable to:				
Company's equity holders		102,149	1,541	103,690
Minority interest	(j)	585	(2,662)	(2,077)

Set out below are details of the main differences between income statement items under Spanish GAAP and IFRS-EU:

a) Sales:

The net movement is analysed below:

Reclassification of Other operating revenue – Own work capitalised by the Group	116,330
Elimination of Sales due to change in consolidation method	(8,688)
Reclassifications and adjustments due to measurement of concessions	(14,251)
Net change	**93,391**

b) Other operating revenue:

The net movement is analysed below:

Reclassification to Sales	(116,330)
Shareholder compensation recognised in the consolidated statement of changes in equity under IFRS-UE	(9,300)
Other adjustments and reclassifications (net)	(4,909)
Net change	**(130,539)**

c) Difference between opening and closing inventories:

The net change mainly comprises reclassifications due to changes in the consolidation method and the measurement of concessions.

d) Employee benefit expenses:

The change is due to the reclassification of Other income and expense items.

e) Depreciation, amortisation and impairment losses:

The net movement is analysed below:

Elimination of amortisation charges for merger provisions net of goodwill impairment losses	(10,139)
Other adjustments and reclassifications (net)	323
Net change	**(9,816)**

f) Net financial results:

The net movement is analysed below:

Measurement adjustment to investments in associations under IFRS-EU	1,863
Net result of transactions with derivative financial instruments	851
Adjustment to measurement of concessions	1,281
Other adjustments and reclassifications (net)	225
Net change	**4,220**

g) Amortisation of goodwill on consolidation:

This relates to the elimination of amortisation under IFRS-EU.

h) Other income and expense:

This relates to the reclassification of results to various Operating results items.

i) Income tax:

The adjustment relates to the tax effect of the IFRS-EU adjustments.

j) Profit for the year attributable to minority interest:

The adjustment relates to the effect of the IFRS-EU adjustments on business combinations.

6. Property, plant and equipment

Set out below is a breakdown of property, plant and equipment showing movements:

2007	Land and buildings	Plant, machinery and tooling	Furnishings	Vehicles	Data-processing equipment	PPE in progress	Other PPE	Total
Cost								
1 January	142,337	122,562	7,256	9,847	10,832	–	3,410	296,244
Additions	16,581	14,383	844	2,205	1,916	28,556	371	64,856
Disposals	(63,692)	(25,806)	(864)	(419)	(470)	–	(213)	(91,464)
Transfers	1,048	(7,166)	332	(483)	1,532	(31)	77	(4,691)
31 December	**96,274**	**103,973**	**7,568**	**11,150**	**13,810**	**28,525**	**3,645**	**264,945**
Accumulated depreciation								
1 January	(5,622)	(69,808)	(3,663)	(2,321)	(7,358)	–	(1,365)	(90,137)
Charges	(828)	(10,556)	(402)	(1,049)	(1,231)	–	(904)	(14,970)
Disposals	2,284	14,606	791	357	415	–	180	18,633
Transfers	46	3,154	(75)	(1,187)	(466)	–	394	1,866
31 December	**(4,120)**	**(62,604)**	**(3,349)**	**(4,200)**	**(8,640)**	**–**	**(1,695)**	**(84,608)**
Carrying amount	**92,154**	**41,369**	**4,219**	**6,950**	**5,170**	**28,525**	**1,950**	**180,337**

2006	Land and buildings	Plant, machinery and tooling	Furnishings	Vehicles	Data-processing equipment	PPE in progress	Other PPE	Total
Cost								
1 January	151,779	93,958	7,257	6,468	9,431	18,564	1,570	289,027
Additions	2,352	24,538	1,714	3,580	1,458	12,699	949	47,290
Disposals	(34,944)	(4,052)	(1,627)	(123)	(81)	–	(194)	(41,021)
Transfers	23,150	8,118	(88)	(78)	24	(31,263)	1,085	948
31 December	**142,337**	**122,562**	**7,256**	**9,847**	**10,832**	**–**	**3,410**	**296,244**
Accumulated depreciation								
1 January	(4,635)	(55,166)	(4,232)	(1,770)	(6,104)	–	(1,059)	(72,966)
Charges	(870)	(10,633)	(478)	(654)	(1,322)	–	(728)	(14,685)
Disposals	206	2,975	1,064	106	47	–	182	4,580
Transfers	(323)	(6,984)	(17)	(3)	21	–	240	(7,066)
31 December	**(5,622)**	**(69,808)**	**(3,663)**	**(2,321)**	**(7,358)**	**–**	**(1,365)**	**(90,137)**
Carrying amount	**136,715**	**52,754**	**3,593**	**7,526**	**3,474**	**–**	**2,045**	**206,107**

Property, plant and equipment in progress at the start of 2006 related to the costs of building the Group's headquarters, completed in 2006. In 2007 the Group sold the building and then leased it back from its new owner (see description of the operation in Note 27).

Property, plant and equipment include vehicles, machinery and other assets totalling 3,608 thousand euro being acquired under finance leases (4,590 thousand euro at 31 December 2006), as analysed below:

	2007	2006
Capitalised finance lease cost	5,666	5,953
Accumulated depreciation	(2,058)	(1,363)
Carrying amount	**3,608**	**4,590**

Bank borrowings are secured by land and buildings valued at 26,974 thousand euro (2006: 30,246 thousand euro). The balance secured amounts to 9,236 thousand euro (2006: 9,944 thousand euro).

At 31 December 2007, the Group has property, plant and equipment located abroad for a total cost of 26,674 thousand euro (2006: 26,590 thousand euro) and accumulated depreciation of 16,106 thousand euro (2006: 16,561 thousand euro).

At 31 December 2007, property, plant and equipment with an original cost of 3,990 thousand euro (2006: 14,112 thousand euro) and accumulated depreciation of 432 thousand euro (2006: 1,431 thousand euro) were not being used in operations.

The income statement includes rental costs of 104,388 thousand euro (2006: 91,023 thousand euro) relating to rented property, plant and equipment.

The consolidated Group has taken out a number of insurance policies to cover risks relating to property, plant and equipment. The coverage provided by these policies is considered to be sufficient.

7. Goodwill and other intangible assets

7.1. Goodwill

Set out below is an analysis of goodwill, the only intangible asset with an indefinite useful life, showing movements:

	2007	2006
At start of the year	**515,226**	**525,013**
Business combinations (Note 32)	9,841	15,732
Exchange differences	(2,203)	–
Impairment	–	(25,519)
At end of the year	**522,864**	**515,226**

As may be observed in the above table, most goodwill derives from business combinations completed by the Group prior to 1 January 2006. As mentioned in Note 5.1.2, the Group has applied the exemption provided by IFRS 1 and has not therefore restated these business combinations that took place before 1 January 2006.

Goodwill and intangible assets with indefinite useful lives have been assigned to the Group's cash-generating units (CGUs) based on the country concerned and the business segment.

Set out below is a summary by CGU (or CGU group) of goodwill assigned:

CGU	2007	2006
Construction	154,578	154,578
Engineering - Mexico	24,510	24,510
Engineering - Brazil	54,735	54,735
Engineering - Argentina and other	13,529	15,732
Engineering - Spain and other	231,166	231,166
Concessions and services	10,900	10,900
Property development	23,605	23,605
Renewable energies	9,841	–
Total	**522,864**	**515,226**

Except in the case of property developments, which are restated on the basis of independent valuation reports, the recoverable amount of CGUs is determined using value-in-use calculations based on the projected cash flows before taxes stated in financial budgets approved by management for a five-year period. Cash flows for the period following the five-year period are extrapolated using the estimated residual growth rates explained below. The growth rate does not exceed the average long-term growth rate for the CGU's businesses. Flows are discounted using a rate based on the weighted average cost of capital for each CGU.

The most relevant key assumptions employed to calculate value-in-use are set out below:

	Operating results		Residual growth rate		Discount rate	
CGU	2007	2006	2007	2006	2007	2006
Construction	81,350	71,477	0%	0%	7,5%	7,6%
Engineering - Mexico	6,109	14,829	2%	2%	10,5%	10,2%
Engineering - Brazil	18,331	8,811	0%	0%	12,6%	12,6%
Engineering - Argentina and other	5,020	–	2%	–	10,0%	–
Engineering - Spain and other	103,335	60,562	2%	2%	8,0%	8,2%
Concessions and services	2,930	(3,182)	2,7%	2,7%	7,8%	7,7%

These assumptions have been used to analyse each CGU in the business segment. Group management considers that changes to assumptions that could cause a CGU's carrying amount to exceed its recoverable amount are not reasonably possible.

Management calculated the budgeted gross margin based on past performance and market expectations. Weighted average growth rates are in line with the forecasts contained in industry reports. Discount rates are before taxes and reflect specific risks related to the relevant business segments.

In 2006, impairment losses totalling 25,519 thousand euro were identified and are recognised in "Depreciation, amortisation and impairment losses" in the income statement. These losses relate to:

- CGU Engineering – Spain and other, in the amount of 10,619 thousand euro, in respect of specific impairment identified in certain activities. No additional impairment was identified in 2007 in these activities.

- CGU Engineering – Brazil, in the amount of 14,900 thousand euro, due to a fall in forecast business for 2007 and subsequent years. In 2007, the Group obtained evidence of new business that allowed an increase in business volume forecast for 2008 and subsequent years, so no additional impairment was recognised.

In both cases, the discount rates are the rates stated in the table above.

No additional impairment losses were identified during 2007.

7.2. Other intangible assets

2007	Contract portfolio	Administrative concessions	Computer software	Total
Cost				
1 January	–	8,547	6,349	14,896
Additions	11,116	9,102	3,434	23,652
Disposals	–	(24)	(490)	(514)
Transfers	–	6,932	964	7,896
31 December	**11,116**	**24,557**	**10,257**	**45,930**
Accumulated depreciation				
1 January	–	(1,080)	(3,997)	(5,077)
Charges	–	(393)	(1,211)	(1,604)
Disposals	–	18	442	460
Transfers	–	17	(588)	(571)
31 December	**–**	**(1,438)**	**(5,354)**	**(6,792)**
Carrying amount	**11,116**	**23,119**	**4,903**	**39,138**

2006	Contract portfolio	Administrative concessions	Computer software	Total
1 January	–	8,207	5,057	13,264
Additions	8,192	511	1,735	10,438
Disposals	(8,192)	(171)	(147)	(8,510)
Transfers	–	–	(296)	(296)
31 December	**–**	**8,547**	**6,349**	**14,896**
Accumulated depreciation				
1 January	–	(1,131)	(2,476)	(3,607)
Charges	(8,192)	(394)	(1,430)	(10,016)
Disposals	8,192	387	46	8,625
Transfers	–	58	(137)	(79)
31 December	**–**	**(1,080)**	**(3,997)**	**(5,077)**
Valor contable neto	**–**	**7,467**	**2,352**	**9,819**

Movements during the year in the contract portfolio relate entirely to the value assigned in the price allocation processes for the business combination completed in 2007 and 2006, as mentioned in the previous section on goodwill. As regards the 2006 contract portfolio, in view of the weighted average term of the contracts held by the company acquired, the intangibles acquired were entirely amortised during the year.

Administrative concessions include costs related to the construction and/or operation of various assets (car parks, water treatment and waste management plants, and other concessions) for which the Group has obtained the concession to operate the assets for a certain period. At the end of the concession period, the asset will entirely revert to the granting authority. The Group will write of the asset capitalised over the term of the concession.

The item Computer software reflects the ownership and right of use of computer software acquired from third parties. The balance of computer software does not include amounts related to software developed in-house.

Bank borrowings are secured by Other intangible assets valued at 2,494 thousand euro (2006: 2,396 thousand euro). The balance secured amounts to 1,470 thousand euro (2006: 1,502 thousand euro).

None of the items included in Other intangible assets have indefinite useful lives.

8. Non-current assets assigned to projects

The consolidation scope includes shareholdings in companies incorporated to engage in a single project. The project companies are usually financed by means of project finance (non-recourse financing applied to projects).

The basis of the agreement between the company and the bank is the assignment of cash flows generated by the project to service the debt and interest (including an exclusion or quantified allowance for all other assets), such that investment payback for the bank will take place solely through the project cash flows. Any other borrowings are subordinated to the non-recourse financing applied to projects until it is fully repaid.

These are non-recourse financing arrangements which are applied to specific business projects. Companies engaged in energy installation projects have other shareholders in addition to the company included in the consolidation scope (Isolux Energía y Participaciones, Ltda). In the case of toll road and car park concessions, the Group is the only concession holder. The Group also owns the company that operates a biodiesel processing plant.

8.1. Intangible assets assigned to projects

In view of the characteristics of the projects a large part of the non-current assets assigned to projects are recognised in Intangible assets – Concessions (see accounting treatment in Notes 2.6 and 2.21). This item includes 113,317 thousand euro (2006: 141,373 thousand euro) relating to non-current assets in progress.

	2007	2006
Cost		
1 January	280,817	139,876
Additions	167,315	141,131
Disposals	–	(190)
Transfers	(7,666)	–
31 December	**440,466**	**280,817**
Accumulated amortisation		
1 January	(7,556)	(4,298)
Charges	(7,363)	(3,250)
Disposals	–	–
Transfers	146	(8)
31 December	**(14,773)**	**(7,556)**
Carrying amount	**425,693**	**273,261**

At 31 December 2007, the Group has intangible assets assigned to projects with a total carrying amount of 372,852 thousand euro (2006: 242,363 thousand euro).

During 2007, interest capitalised amounted to 5,642 thousand euro (2006: 12,780 thousand euro), relating to interest accrued during the construction of non-current assets on direct financing received to build the assets.

The projects included in this caption relate basically to the following concessions:

- Concessions for electricity transmission lines in Brazil for periods of approximately 30 years, through joint ventures included in Appendix III. At 31 December 2007, a part of the concessions are operational and others are in the construction phase.

- Car park concessions in Spain for periods of up to 50 years, through subsidiaries included in Appendix I. At 31 December 2007, the majority of the concessions are in the construction phase.

- Toll road concession in Mexico for a 30-year period, through the subsidiary Concesionaria Autopista Monterrey-Saltillo, S.A.C.V. At 31 December 2007, this concession is in the construction phase.

8.2. Other non-current assets assigned to projects

Other non-current assets assigned to projects are analysed below, including 93,830 thousand euro (2006: no balance) relating to non-current assets in progress.

	2007	2006
Cost		
1 January	4,419	4,373
Additions	114,047	46
Disposals	–	–
Transfers	–	–
31 December	**118,466**	**4,419**
Accumulated depreciation/amortisation		
1 January	**(24)**	**–**
Charges	(230)	(20)
Disposals	–	–
Transfers	–	(4)
31 December	**(254)**	**(24)**
Valor contable neto	**118,212**	**4,395**

No interest relating to non-current assets under construction was capitalised during the construction phase in 2007 or 2006.

8.3. Non-recourse financing assigned to projects

The repayment schedule for non-recourse financing assigned to projects is set out below, based on project cash flow forecasts and as stipulated in the relevant contracts:

2007							
	Current	No current					Total
		2009	2010	2011	Subsequent	Subtotal	
Maturities per year	37,606	44,983	46,691	47,880	219,415	358,969	396,575

2006							
	Current	No current					Total
		2008	2009	2010	Subsequent	Subtotal	
Maturities per year	10,362	12,809	14,503	14,302	120,084	161,698	172,060

The total figure includes the amount of 214,231 thousand euro (2006: 146,896 thousand euro) denominated in foreign currencies (mainly Brazilian real).

It should be noted that financing recognised at 31 December 2007 includes 111,151 thousand euro in financing obtained to build and operate a biodiesel processing plant. This amount could only be repaid using the syndicated borrowings subsequently obtained and was therefore classified as non-current. During January and February 2008, this financing was replaced by the syndicated loan, which finally matures in December 2012.

The non-recourse financing applied to projects is often guaranteed by a pledge on the project company's shares granted by its shareholders, the assignment of debt claims or restrictions on the disposal of project assets.

All financing is referenced to market rates and contracted rates are reviewed after periods which do not generally exceed six months. The fair values of current and non-current financing therefore approximate their carrying amounts.

9. Investments in associates

Set out below is an analysis of investments in associates showing movements:

	2007	2006
Opening balance	**67,374**	**52,024**
Additions	1,530	14,174
Disposals	(12,702)	–
Profit/(loss) of equity-consolidated companies	(4,670)	1,176
Closing balance	**51,532**	**67,374**

At 31 December 2007, investments in associates included goodwill of 5,679 thousand euro (2006: 13,288 thousand euro), relating mainly to the investment in Pinares del Sur, S.L. The decrease is mainly due to the sale of 22% of the shareholding in that company. During the year, no facts or circumstances have arisen that could indicate the possible impairment of goodwill and no losses have been recognised in this respect.

Investments in associates also include a restatement relating to the company Autopista Madrid-Toledo, S.A., the concession holder of the Madrid-Toledo toll road, which is the result of a business combination completed prior to 1 January 2006. The restatement will be taken to the income statement on a straight-line basis over the concession term, which commenced on 1 January 2007. The restatement amounts to 20,470 thousand euro (2006: 21,006 thousand euro).

Additions for 2006 relate mainly to investments in Autopista Madrid-Toledo, S.A. and Proyectos Inmobiliarios Residenciales, S.L. Disposals during 2007 relate mainly to the sale of all the shares held in Aciloe, S.A. and to the partial sale of Pinares del Sur, S.L.

The Group's interests in its principal associates, all of which are unlisted, are analysed below:

2006						
	Country of incorporation	Assets	Liabilities	Revenue	Results	% interest
Partícipes de Biorreciclaje, S.L.	Spain	15,939	15,996	–	(5)	33,33%
Gestión de Partícipes de Biorreciclaje, S.L.	Spain	689	697	263	6	33,33%
Pinares del Sur, S.L.	Spain	43,268	33,421	21,756	3,514	40%
Autopista Madrid–Toledo, S.A.	Spain	424,353	336,143	6,395	–	25,50%
Aciloe, S.A.	Spain	21,098	15,694	3,271	150	30%
Alqluinia5, S.L.	Spain	23,103	20,013	103	59	25%
Julitex, S.L.	Spain	8,954	8,951	–	–	30%
Proyectos Inmobiliarios Residenciales, S.L.	Spain	63,068	59,671	1,014	341	23,75%

2007						
	Country of incorporation	Assets	Liabilities	Revenue	Results	% interest
Partícipes de Biorreciclaje, S.L.	Spain	15,938	15,996	–	–	33,33%
Gestión de Partícipes de Biorreciclaje, S.L.	Spain	723	738	40	(8)	33,33%
Pinares del Sur, S.L.	Spain	48,050	35,495	13,108	2,708	18%
Autopista Madrid–Toledo, S.A.	Spain	420,707	326,916	8,067	(7,039)	25,50%
Alqluinia5, S.L.	Spain	23,244	21,059	13	(906)	25%
Julitex, S.L.	Spain	9,434	9,430	–	–	30%
Proyectos Inmobiliarios Residenciales, S.L.	Spain	46,547	43,222	2,889	(71)	23,75%

In order to measure its shareholdings, the Group has adjusted the above-mentioned figures in accordance with accounting policies described in Note 2.

In the case of the investment in the compañy Pinares del Sur, S.L., in which the Group had a 18% interest at 31 December 2007, significant influence is deemed to exist on the dasis of shareholder agreements and transactions effected between the parties.

10. Available-for-sale financial assets

Set out below is an analysis of available-for-sale financial assets showing movements:

	2007	2006
Opening balance	**10,956**	**8,563**
Additions	–	2,653
Disposals	(510)	–
Impairment losses	(90)	(260)
Closing balance	**10,356**	**10,956**
Less non-current portion	(10,356)	(10,956)
Current portion	–	–

Available-for-sale financial assets relate entirely to minority interest investments in unlisted companies in which the Group does not have significant influence. As these are residual investments in companies the size of which is immaterial within the Group, and given the impossibility of applying measurement methods to the investments, they are presented at acquisition cost, net of impairment disclosed in the financial information of the respective companies. This caption does not include investments in debt instruments.

Available-for-sale financial assets are all denominated in euros.

The maximum credit risk exposure at the reporting date is the carrying amount of the assets classified as available for sale.

None of the financial assets has matured or impaired, except for the assets that have been written down.

11. Derivative financial instruments

Derivative financial instruments are analysed below at 31 December 2007 and 2006:

	2007		2006	
	Assets	Liabilities	Assets	Liabilities
Interest rate swaps – cash flow hedges	8,376	–	6,154	–
Interest rate swaps – held for trading	9,061	(65)	1,746	–
Currency forward contracts – held for trading	3,436	(622)	2,509	–
Total	**20,873**	**(687)**	**10,409**	**–**
Less non-current portion:				
Interest rate swaps – cash flow hedges	8,376	–	6,154	–
Interest rate swaps – held for trading	9,061	(65)	1,538	–
Currency forward contracts – held for trading	–	(313)	–	–
	17,437	**(378)**	**7,692**	**–**
Current portion	**3,436**	**(309)**	**2,717**	**–**

Derivatives held for trading are carried as current assets or liabilities. The total fair value of a hedging derivative is classified as a non-current asset or liability if the period to maturity of the hedged item is more than 12 months and as a current asset or liability if the period to maturity of the hedged item is less than 12 months.

The ineffective portion of cash flow hedges recognised as income in the income statement totals 7,606 thousand euro (2006: income of 1,692 thousand euro).

The maximum credit risk exposure at the reporting date is the fair value of the derivative financial instruments carried in the balance sheet.

Currency forward contracts

The notional principal of currency forward sale contracts, relating mainly to the sale of US dollars and purchase of euros and Mexican pesos (net of US dollars purchased against euros and Mexican pesos sold) outstanding at 31 December 2007, was 84,362 thousand USD (2006: 18,138 thousand USD).

Although all the contracts in force at 31 December 2007 and 2006 were obtained for hedging purposes, due to the Group's contracting and designation criteria applicable at the contract dates none of the contracts qualified for hedge accounting under IFRS-EU.

Interest rate swaps

The notional principal of interest rate swaps outstanding at 31 December 2007 amounted to 411,278 thousand euro (2006: 307,935 thousand euro).

At 31 December 2007, fixed interest rates ranged between 2.89% and 4.79% (2006: 2.642% and 3.45%). The variable interest rate is the EURIBOR. In the case of the derivative linked to the TIIE rate (variable rate used for a project in Mexico), the contracted fixed interest rate is 8.20%. At 31 December 2007, gains and losses recognised in the hedging reserve in equity (net of tax effects) in respect of interest rates swaps totalled 5,993 thousand euro (2006: 4,154 thousand euro) and will be taken to the income statement as the bank borrowings are repaid. At 31 December 2006, one contract qualified as a hedge of the debt described in Note 19. As that debt was repaid in 2007, as indicated in that note, the contract no longer met hedge accounting criteria and therefore the amount of 4,154 thousand euro (net of tax effects) was transferred from the hedging reserve in equity to 2007 results.

Set out below is an analysis of the main interest rate swaps in force at 31 December 2007:

Name	Contract date	Final maturity	Notional value (*)	Fixed interest rate
Syndicated loan	19.07.2007	28.02.2010	200,000 thousand euro	2.89%
HIXAM loan	07.02.2007	29.12.2022	56,623 thousand euro	4.36%
UTE Zona 8 loan	26.07.2007	25.02.2024	6,605 thousand euro	4.79%
Infinita rollover loan	30.04.2007	31.12.2012	102,600 thousand euro	4.115%
Concesionaria Saltillo Monterrey loan	30.05.2007	30.05.2025	726,426 thousand Mexican pesos	8.20%

(*) In force at 31 December 2007

12. Trade and other receivables

Set out below is an analysis of trade and other receivables:

	2007	2006
Non-current		
Loans to associates	7,509	7,728
Trade receivables for sales and services	9,649	–
Other receivables	12,436	673
	29,594	8,401
Current		
Trade receivables for sales and services	678,691	665,372
Trade receivables – Work completed pending certification	480,410	337,130
Less: Provision for impairment of receivables	(9,169)	(9,041)
Trade receivables – Net	1,149,932	993,461
Sundry debtors	48,837	52,897
Taxes refundable	104,176	44,905
Prepayments to suppliers	35,721	13,583
Other receivables	21,696	14,562
	1,360,362	1,119,408

There is no significant effect on the fair values of trade and other receivables. Nominal values are deemed to approximate fair values.

At 31 December 2007, the sum of 68,093 thousand euro (no transactions in 2006) was deducted, relating to German method contract loans and other invoices assigned to third parties prior to maturity. These assets have been written off the balance sheet since it is considered that they meet the conditions stipulated in IAS 39 regarding the derecognition of financial assets.

Receivables totalling 27,179 thousand euro at 31 December 2007 relate to bills discounted at banks that remain in the balance sheet.

The Group recognised a loss of 594 thousand euro due to the impairment of trade receivables during the financial year ended 31 December 2007 (2006: 4,314 thousand euro). Movements in the provision for impairment of trade receivables are as follows:

	2007	2006
Opening balance	**9,041**	**5,307**
Appropriations	594	4,314
Applications	–	–
Reversals	(466)	(580)
Closing balance	**9,169**	**9,041**

The remaining accounts included in receivables contain no assets that are impaired.

The maximum exposure to credit risk at the reporting date is the fair value of each category of receivable referred to above. The Group records no guarantees furnished.

The balance of trade receivables for sales and services includes the following amounts denominated in currencies other than the euro:

	2007	2006
US dollar	27,710	25,763
Qatar riyal	3,358	1,301
Brazilian real	13,665	17,585
Moroccan dirham	6,054	4,809
Argentinian peso	27,625	7,250
Mexican peso	2,141	4,443
Syrian pound	1,169	–
Other currencies	1,356	1,210
	83,078	62,361

Costs incurred and gains recognised (less losses recognised) on all contracts in force at the balance sheet date totalled 5,159,296 thousand euro (2006: 5,835,836 thousand euro) and 588,859 thousand euro (2006: 620,231 thousand euro), respectively.

13. Inventories

A breakdown of inventories is set out in the following table:

	2007	2006
Property developments in progress	150,395	95,374
Raw materials and finished products	36,422	32,378
Capitalised project costs	40,495	23,144
	227,312	150,896

Set out below is a breakdown of property developments in progress by cycle:

	2007	2006
Property developments in progress, short cycle	26,041	11,336
Property developments in progress, long cycle	124,354	84,038
	150,395	95,374

Commitments to sell property developments in progress total 5,365 thousand euro (2006: 9,222 thousand euro). In this respect, the Group has received advance payments amounting to 2,310 thousand euro (2006: 3,306 thousand euro) which are reflected on the liabilities side of the consolidated balance sheet in the item “Customer prepayments”.

During 2007, interest capitalised amounted to 2,317 thousand euro (2006: 966 thousand euro), relating to interest accrued during the construction of properties on direct financing received to build the properties.

During 2007 and 2006, no adjustments to inventories were recognised in the income statement for the year (depreciation charges or impairment losses).

14. Cash and cash equivalents

Set out below is a breakdown of cash and cash equivalents:

	2007	2006
Cash at bank and in hand	91.454	87.440
Short-term bank deposits and other	197.437	103.554
	288.891	190.994

This caption includes cash (cash in hand and deposits held at call with banks) and cash equivalents (short-term, highly liquid investments easily convertible into specific amounts of cash within a maximum of three months and whose value is not subject to significant risks).

The effective interest rate on short-term deposits, consisting mainly of bank deposits in 2007, was between 3% and 4.5%. In 2006, the effective interest rate on short-term deposits, consisting mainly of government bonds and treasury bonds, was between 2.5% and 3.5%.

Of the total figure for cash and cash equivalents, temporary joint ventures (UTEs) contributed 79,532 thousand euro (2006: 104,218 thousand euro) and joint ventures contributed 17,148 thousand euro (2006: 14,022 thousand euro). Cash and cash equivalents also include 24,031 thousand euro (2006: 5,617 thousand euro) derived from the inclusion of balances of Group companies that have assigned non-current assets and borrowings to projects, as described in Note 8.

Cash and cash equivalents include balances in currencies other than the euro totalling 74,990 thousand euro (2006: 28,342 thousand euro).

For the purposes of the cash flow statement, the treasury balance includes the balance in the caption cash and cash equivalents.

15. Share capital, share premium and legal reserve

a) Share capital

The parent company's share capital consists of 87,316,199 ordinary bearer shares (2006: 87,316,199 shares) with a par value of 0.20 euros each (2006: 0.20 euros). The shares are fully paid up in a total amount of 17,463 thousand euro (2006: 17,463 thousand euro). There are no restrictions on the transfer of the shares.

The following companies hold interests in the parent company's share capital:

	2007		2006	
	No. of shares	% interest	No. of shares	% interest
Construction Investment Sarl	46,864,562	53.67%	46,864,562	53.67%
Caja Castilla La Mancha Corporación, S.A.	10,573,339	12.11%	10,573,339	12.11%
Grupo Corporativo Empresarial de la Caja de Ahorros y Monte de Piedad de Navarra, S.A.U.	10,573,339	12.11%	10,573,339	12.11%
Grupo Empresarial El Monte, S.A.U.	10,573,339	12.11%	10,573,339	12.11%
Cartera Perseidas, S.L.	8,731,620	10.00%	8,731,620	10.00%
Total	**87,316,199**	**100.00%**	**87,316,199**	**100.00%**

b) Share premium account

This reserve is unrestricted and stands at 470,634 thousand euro (2006: 470,634 thousand euro).

c) Legal reserve

Appropriations to the legal reserve are made in compliance with Article 214 of the Spanish Companies Act, which stipulates that 10% of the profits for each year must be transferred to this reserve until it represents at least 20% of share capital.

The legal reserve is not available for distribution. Should it be used to offset losses in the event of no other reserves being available, it must be replenished out of future profits.

16. Cumulative translation differences

A breakdown by company/subgroup of cumulative translation differences is set out below:

Company or subgroup	2007	2006
Isolux de México S.A. de CV	(715)	1,119
Isolux Energía y Participaciones Ltda.	10,444	2,949
Isowat Mozambique, S.A.	468	387
Isolux Brasil Sociedade Anonima	(157)	(117)
Concesionaria Autopista Saltillo-Monterrey, S.A. de C.V.	(1,122)	–
Grupo Tecna	(598)	(54)
Líneas Mesopotámicas Argentinas, S.A. -	(303)	–
Other	167	(141)
Total	**8,184**	**4,143**

17. Retained earnings and minority interest

Set out below is a breakdown by company at 31 December 2007 and 2006 of retained earnings and consolidated results attributable to the parent company:

	Retained earnings		Consolidated results attributable to parent company	
Company / subgroup	**2007**	**2006**	**2007**	**2006**
Grupo Isolux Corsán and rest of subsidiaries	73,920	45,009	(12,456)	39,584
Corsán Corviam Construcción, S.A. subgroup	26,859	31,353	34,887	29,492
Isolux Ingeniería, S.A. subgroup	43,715	(1,329)	47,020	(6,256)
Isolux Corsán Inmobiliaria, S.A. subgroup	3,716	9,220	3,370	7,906
Isolux Corsán Concesiones, S.A. subgroup	11,704	36,351	14,356	32,964
	159,914	120,604	87,177	103,690

The proposal for the distribution of the parent company's 2007 results that will be submitted to the Annual General Meeting and the approved 2006 distribution are set out below:

	2007	2006
Available for distribution		
Profit for the year	54,831	93,866
	54,831	93,866
Distribution		
Retained earnings	5,061	39,730
Legal reserve	–	3,493
Dividends	49,770	50,643
	54,831	93,866

Dividends are analysed below:

- 2006: Dividends totalled 50,643 thousand euro, comprising:

– 10,478 thousand euro approved as an interim dividend by the Board of Directors on 2 October 2006.

– 40,165 thousand euro approved as an additional interim dividend by the Board of directors on 5 February 2007. This and the above-mentioned interim dividend, totalling 50,643 thousand euro, were approved by the Annual General Meeting on 26 June 2007.

- 2007: Dividends totalling 49,770 thousand euro were approved as an interim dividend by the Board of Directors on 20 December 2007.

The provisional account statements prepared in accordance with legal requirements to reflect the existence of sufficient liquidity to pay out the above-mentioned dividends are set out below:

a) Interim dividend approved by the Board of Directors on 2 October 2006 – Provisional account statement at 2 October 2006:

ASSETS	
Fixed assets	**1,094,798**
Deferred expenses	**4,439**
Realisable, long term	**146,341**
Current assets	**155,856**
Cash and banks and Current asset investments	65,177
Other	90.,79
Total liabilities	**1,401,434**

LIABILITIES	
Shareholders' equity	503,189
Capital and reserves	461,440
Profit for the year	41,749
Provisions for liabilities and charges	**988**
Cash and banks and Current asset Creditors due after one year	**817,012**
Current liabilities	**80,245**
Total assets	**1,401,434**

b) Interim dividend approved by the Board of Directors on 5 February 2007 – Provisional account statement at 29 December 2006:

ASSETS	
Fixed assets	1,094,561
Deferred expenses	250
Current assets	278,934
Cash and banks and Current asset investments	221,613
Other	57,321
Total liabilities	**1,373,745**

LIABILITIES	
Shareholders' equity	**544,592**
Capital and reserves	450,962
Profit for the year	93,630
Cash and banks and Current asset Provisions for liabilities and charges	**9,636**
Creditors due after one year	**236,785**
Current liabilities	**582,732**
Total liabilities	**1,373,745**

c) Interim dividend approved by the Board of Directors on 20 December 2007 – Provisional account statement at 30 November 2007:

ASSETS	
Fixed assets	**1,088,223**
Deferred expenses	**974**
Current assets	**207,699**
Cash and banks and Current asset investments	60,370
Other	147,329
Total assets	**1,296,896**

LIABILITIES	
Shareholders' equity	**575,462**
Capital and reserves	**504,663**
Profit for the year	70,799
Provisions for liabilities and charges	**4,385**
Creditors due after one year	**252,645**
Current liabilities	**464,404**
Total assets	**1,296,896**

Movements in minority interests during 2007 and 2006 are set out below:

2007

	Opening balance	Share of profits/losses	Dividends	Change in shareholding and other	Closing balance
Grupo Tecna	4,678	1,086	(265)	(723)	4,776
Interisolux Torrejón Viv Joven, S.L.	350	–	–	–	350
Concesionaria Autop. Saltillo Monterrey, S.A. de C.V.	(27)	27	–	–	–
Interisolux Alcorcón Viv Joven, S.L.	–	–	–	300	300
T–Solar Global, S.A.	–	(351)	–	8,460	8,109
Grupo Infinita Renovables	–	(299)	–	15,816	15,517
Sociedad Concesionaria Autop. A4, S.A.	–	–	–	4,543	4,543
Total	**5,001**	**463**	**(265)**	**28,396**	**33,595**

2006

	Opening balance	Share of profits/losses	Dividends	Change in shareholding and other	Closing balance
Grupo Tecna	–	(2,049)	–	6,727	4,678
Interisolux Torrejón Viv Joven, S.L.	–	–	–	350	350
Concesionaria Autop. Saltillo Monterrey, S.A. de C.V.	–	(28)	–	1	(27)
Total	**–**	**(2,077)**	**–**	**7,078**	**5,001**

18. Trade and other payables

Set out below is a breakdown of trade and other payables at 31 December 2007 and 2006:

	2007	2006
Non-current		
Deferred income – Government grants -	15,261	–
Other payables	20,312	3,393
Total	**35,573**	**3,393**
Current		
Trade payables	605,171	488,854
Bills payable	659,881	507,722
Interim billings	208,540	197,849
Advances received on contracted work	61,192	68,640
Social Security and other taxes	84,386	63,102
Interim dividend payable -	49,770	–
Other payables	19,604	16,871
Total	**1,688,544**	**1,343,038**

As regards the non-current position in 2007, deferred income relates mainly to grants received to build the plant of T-Solar Global, S.A. in Galicia, while other payables relate mainly to land purchased.

Nominal values are deemed to approximate fair values.

19. Borrowings

	2007	2006
Non-current		
Property development	18,555	12,065
Other mortgage loans	9,924	10,846
Syndicated loan	199,167	232,429
Credit lines	13,280	1,564
Other borrowings	6,291	9,209
Finance lease liabilities	2,123	3,818
	249,340	**269,931**
Current		
Credit lines	164,956	50,440
Finance lease liabilities	1,023	–
Other borrowings	160	183
	166,139	50,623
Total borrowings	**415,479**	**320,554**

Borrowings relating to property developments and finance lease liabilities are secured by the assets financed. Other mortgage loans are secured by the non-current assets stated in Note 6.

Virtually all borrowings bear interest at Euribor rates and contracted rates are reviewed after periods which do not generally exceed six months. The fair values of current and non-current borrowings therefore approximate their carrying amounts.

At 31 December 2007 and 2006, non-current borrowings mature as indicated below:

Item	2007			2006		
	Between 1 and 5 years	More than 5 years	Total	Between 1 and 5 years	More than 5 years	Total
Property development	1,854	16,701	18,555	40	12,025	12,065
Other mortgage loans	3,503	6,421	9,924	3,854	6,992	10,846
Syndicated loan	199,167	–	199,167	151,080	81,349	232,429
Credit lines	11,857	1,423	13,280	1,564	–	1,564
Other borrowings	1,882	4,409	6,291	7,209	2,000	9,209
Finance lease liabilities	2,110	13	2,123	3,818	–	3,818
Total	**220,373**	**28,967**	**249,340**	**167,565**	**102,366**	**269,931**

Finance lease liabilities are discounted to their present value. Future financial charges on finance leases total 391 thousand euro (2006: 309 thousand euro).

In 2005, the Group agreed to contract a long-term loan with a syndicate of banks. The amount of 380,000 thousand euro was received, 147,571 thousand euro having been repaid in advance at 31 December 2006. According to the loan agreement, mandatory repayments consisted of four annual payments of 16.25% of the outstanding principal as from 11 April 2008, and a final payment of 35% on 11 April 2012. The interest rate agreed is the Euribor plus a spread. The Group contracted a derivative financial instrument to hedge future fluctuations in the Euribor, as mentioned in Note 11. On 14 February 2007, the Group concluded an agreement to obtain a credit line of 200,000 thousand euro, which has been used mainly to repay the above-mentioned syndicated loan. At the date of the agreement, the balance outstanding was 192,929 thousand euro. The utilisation of the credit line and repayment of the syndicated loan took place on 28 February 2007. The credit line bears interest at the Euribor plus a spread of 0.60% per annum, in periods of 1.3 or 6 months. The credit line will be repaid in a single payment on 14 February 2012, although the members of the syndicate that granted the credit line may require early repayment on 14 February 2010 or 14 February 2011. During 2007, the Group renegotiated the terms of the derivative financial instrument to bring it into line with the new loan terms.

The carrying amount of the Group's borrowings is denominated in the following currencies:

	2007	2006
Non-current		
Euro	248,854	268,720
Other currencies	486	1,211
	249,340	269,931
Current		
Euro	157,047	44,718
Other currencies	9,092	5,905
	166,139	50,623
Total borrowings	**415,479**	**320,554**

The Group has the following unused credit lines:

	2007	2006
Variable rate:		
maturing in less than one year	253,010	196,026
maturing in more than one year	44,864	24,000
	297,874	220,026

20. Deferred income tax

The gross movement in deferred income tax is shown below:

	Deferred tax assets		Deferred tax liabilities	
	2007	2006	2007	2006
1 January	**21,142**	**10,605**	**13,890**	**28,318**
Business combinations	–	–	4,206	1,033
Charged to income statement (Note 29)	(5,519)	10,537	8,363	(16,606)
Tax charged to equity	–	–	1,239	1,145
31 December	**15,623**	**21,142**	**27,698**	**13,890**

Deferred tax assets at each year end are analysed below:

	2007	2006
Tax losses	3,128	–
Tax credits pending application	10,001	14,389
Temporary differences	2,494	6,753
	15,623	21,142

Movements during the year in deferred tax assets and liabilities are as follows:

Deferred tax liabilities	Reversals	Appropriations	Other movements	Total
At January 2006				**28,318**
Charged to income statement	(16,103)	352	(855)	(16,606)
Charged to equity	–	1,206	(61)	1,145
Business combinations	–	1,033	–	1,033
At 31 December 2006				**13,890**
Charged to income statement	844	7,612	(93)	8,363
Charged to equity	–	1,393	(154)	1,239
Business combinations	–	4,206	–	4,206
At 31 December 2007				**27,698**

Deferred tax assets	Reversals	Appropriations	Other movements	Total
At 1 January 2006				**10,605**
Charged to income statement	(20,513)	31,119	(69)	10,537
Charged to equity	–	–	–	–
Business combinations	–	–	–	–
At 31 December 2006				**21,142**
Charged to income statement:	(15,490)	10,082	(111)	(5,519)
Charged to equity	–	–	–	–
Business combinations	–	–	–	–
At 31 December 2007				**15,623**

Deferred taxes charged to equity during the year are as follows:

	2007	2006
Fair value reserves in equity:		
Reserve for hedging transactions	1,239	1,145
	1,239	1,145

Deferred tax assets and liabilities arising from temporary differences are analysed below:

	2007	2006
Deferred tax assets		
Arising from provisions	1,516	5,244
Arising from non-current assets	978	1,509
Total	**2,494**	**6,753**
Deferred tax liabilities		
Arising from measurement of inventories	(9,467)	(9,467)
Arising from measurement of derivative financial instru-ments	(6,006)	(2,887)
Arising from non-current assets	(6,194)	(954)
Arising from other items	(6,031)	(582)
Total	**(27,698)**	**(13,890)**

Tax losses capitalised at 31 December 2007 were posted in 2006 and 2007 by Spanish companies not included in the consolidation scope and may be offset to 2021 and 2022.

Deferred tax assets in respect of tax credits pending application and tax losses are recognised insofar as the realisation of the relevant tax benefit through future taxable profits is probable. The Group has recognised all its tax credits and tax losses on the basis of estimated future taxable profits.

21. Employee benefits

At 31 December 2006, the Group had obligations with retired employees that were externalised to an insurance company by paying a single premium in June 2007.

Pension and retirement obligations relate to the commitments contained in the collective bargaining agreement of a Group company. These obligations consist of pension commitments with a group of employees that had retired at 1 January 2006.

The amounts recognised in the balance sheet have been calculated as follows:

	2007	2006
Present value of the obligations	–	816
Fair value of plan assets	–	–
Liability in the balance sheet	**–**	**816**

At 31 December 2006 there were no assets covering defined benefit commitments with employees.

Movements in the defined benefit obligation are set out below:

	2007	2006
Opening balance	**816**	**925**
Cost of current services	–	–
Interest expense	15	31
Benefits paid	(31)	(90)
Actuarial (gains)/losses	15	(50)
Externalisation of the plan	(815)	–
Closing balance	**–**	**816**

The following amounts are recognised in the income statement:

	2007	2006
Cost of current services	–	–
Interest expense	15	31
Actuarial (gains)/losses	15	(50)
Total included in staff expenses (Note 26)	**30**	**(19)**

The principal actuarial assumptions used are as follows:

	2007	2006
Annual discount rate	4.90%	4.35%
Mortality	PERM/F 2000 Production	PERM/F 2000 Production

22. Provisions for other liabilities and charges

22.1. Provisions for other liabilities and charges – Non-current

	Provisions for project completion	Provisions for litigation and other	Total
Balance at 1.1.2006	**8,547**	**1,673**	**10,220**
Appropriations	16,344	15,819	32,163
Reversals	(5,661)	(256)	(5,917)
Applications	(1,235)	–	(1,235)
Balance at 31.12.2006	**17,995**	**17,236**	**35,231**
Appropriations	3,569	7,918	11,487
Reversals	(9,780)	(14,473)	(24,253)
Applications	(683)	–	(683)
Balance at 31.12.2007	**11,101**	**10,681**	**21,782**

Provisions for project completion

The balance in this account relates to projects that are completed or substantially completed, consisting of the Group's estimate of probable costs to be incurred prior to final acceptance by the customer.

Provisions for litigation and other

This balance relates to provisions set up to cover other liabilities and charges related or not related to litigation, including tax or other contingencies for which the Group considered a provision should be posted. In the opinion of the directors and legal counsel, the lawsuits in question are not likely to generated significant losses above the amounts provisioned.

22.2. Provisions for other liabilities and charges – Current

The balances included in this item, totalling 53,150 thousand euro (2006: 48,976 thousand euro), relate to the Construction Division and the Engineering Division, consisting of provisions for project completion costs and other items.

23. Sales

Sales are analysed below by business activity:

	2007		2006	
	Amount	% of total	Amount	% of total
Construcción	1,060,887	46.0%	1,031,194	54.8%
Ingeniería y Servicios Industriales	1,196,750	52.0%	825,537	43.8%
Concesiones	46,482	2.0%	26,261	1.4%
Otros (1)	(131,015)		(13,274)	
Total	**2,173,104**		**1,869,718**	

(1) Includes eliminations due to consolidation adjustments for transactions among the Group's activities.

The Group's sales in the domestic and international markets are analysed below:

	2007		2006	
	Amount	% of total	Amount	% of total
Domestic market	1,717,533	79.04 %	1,510,893	80.81 %
International market	455,571	20.96 %	358,825	19.19 %
America	348,189	76.43 %	313,734	87.43 %
Rest of world	107,382	23.57 %	45,091	12.57 %
Total	**2,173,104**		**1,869,718**	

24. Materials consumed and other external costs

The account Materials consumed and other external costs during 2007 and 2006 is analysed below:

	2007	2006
Raw materials and other supplies	729,440	537,048
Difference between opening and closing inventories, excluding real estate	(21,395)	(21,245)
Other external costs	874,258	684,986
Total	**1,582,303**	**1,200,789**

25. Other income and expense

Other operating income and expense are analysed below:

	2007	2006
Other operating revenue		
Operating grants	848	350
Other operating revenue	34,611	11,566
Total	**35,459**	**11,916**
Other operating expense		
Operating leases	104,388	91,023
Independent professional services	96,583	36,136
Other external services	89,190	139,724
Taxes	32,656	23,412
Total	**322,817**	**290,295**

Other operating revenue includes net profits from the sale of non-current assets totalling 8,710 thousand euro (2006: no transactions).

Other income and expense amounting to 117,948 thousand euro in 2006 relates to the following transaction:

On 22 June 2006, the Isolux Corsán Group companies Bendia S.A. and Isolux Wat Ingeniería S.L. submitted to the Spanish National Securities Market Commission (CNMV) a takeover bid for all the shares in the company Europistas Concesionarias Españolas, S.A. (Europistas), having obtained authorisation from the CNMV on 29 July 2006. Subsequently, an agreement was concluded with the companies Cintra and Autopistas Toronto, whereby the latter company irrevocably agreed to transfer 36,469,394 shares in Europistas at a price of 5.13 euros per share. On 2 August 2006, the CNMV approved an addendum that amended the original takeover bid in the following terms: a) increase in the bid price per share from

4.80 euros to 5.13 euros; and b) decrease in the minimum limit to which the effectiveness of the bid was subject, from 50.01% to 27% of Europistas' share capital. Subsequently, companies of the Sacyr Group and the savings banks BBK, Vital and Kutxa submitted to the CNMV a takeover bid for all the shares in Europistas, offering a price of 6.13 euros per share. The CNMV, in accordance with prevailing regulations, stipulated that the two bidders must submit their final bids in a closed envelope on 16 October 2006. On that date, the companies of the Isolux Corsán Group decided not the change their initial bid, while the other bidder increased its bid to 9.15 euros per share. As a result, the Isolux Corsán Group (which decided to withdraw its bid for Europistas), Cintra and Autopistas Toronto agreed to cancel their agreement dated 29 July 2006 in exchange for the payment by Cintra and Autopistas Toronto of an indemnity of 131,607 thousand euro, a transaction that was communicated to and approved by the CNMV. The income of 117,948 thousand euro is the amount of the agreed indemnity net of transaction costs (basically fees for bank guarantees received, professional advisors and other costs).

26. Employee benefit expenses

	2007	2006
Wages and salaries, including severance indemnities of 7,020 thousand euro (2006: 4,027 thousand euro) and management incentive plan (Note 36)	259,177	218,370
Social Security contributions	60,146	54,255
Pension cost – pension and retirement benefit plans (Note 21	30	(19)
	319,353	272,606

The Group's average workforce is analysed below:

Category	2007	2006
Graduates	1,734	1,382
Administrative staff	517	457
Workers	5,550	5,428
	7,801	7,267

Additionally, the average number of persons employed during 2007 by the proportionately-consolidated companies was 1,214 (2006: 348).

Additionally, at 31 December 2007, the Company's personnel are distributed below by gender:

Category	Male	Female	Total
Board Directors	12	–	12
Senior managers	10	–	10
Managers	115	7	122
Graduates	1,389	331	1,720
Administrative staff	251	209	460
Workers	5,271	436	5,707
	7,048	983	8,031

27. Operating leases

Future minimum lease instalments under non-cancellable operating leases are analysed below:

	2007	2006
Less than 1 year	5,412	5,519
Between 1 and 5 years	13,737	2,069
More than 5 years	18,073	–
Total	37,222	7,588

The expense recognised in the income statement during 2007 in relation to operating leases totals 104,388 thousand euro (2006: 91,023 thousand euro).

As mentioned in Note 6, the Group leases the building in which its headquarters are located from a third party. The lease agreement has a 12-year term as from lease inception (15 March 2007), although the Group may exercise a purchase option as from year five, in which case the parties must previously agree on the terms of the transaction. At lease inception and at the preparation date of these consolidated annual accounts, the purchase option is not likely to be exercised and the lease has been classified as an operating lease. All payments due throughout the original 12-year term are included in the above table.

28. Net financial results

	2007	2006
Interest expense	(71,516)	(40,866)
Financial expense	**(71,516)**	**(40,866)**
Interest income and other financial income	25,788	14,074
Net gains/(losses) on foreign currency transactions	7,199	(1,165)
Ganancias / (pérdidas) en valor razonable de instrumentos financieros derivados	7,606	1,691
Financial income	**40,593**	**14,600**
Net financial expense	(30,923)	(26,266)

During the year, interest expense on specific project financing was capitalised in the amount of 7,959 thousand euro (2006: 13,746 thousand euro) and included in additions to intangible assets assigned to projects.

In 2007, interest income and other financial income include net income of 4,044 thousand euro from the partial sale of the investment in the associate Pinares del Sur, S.L.

29. Income tax

In 2005, Grupo Isolux Corsán, S.A. became the parent of Tax Group 102/01, being authorised to file consolidated tax returns including the following companies: Corsán-Corviam Construcción, S.A., GIC Fábricas, S.A., Bendía, S.A., Ceutí de Aparcamientos y Servicios, S.A., Energía de Asturias Grupo Isolux Corsán, S.A., Extremeña de Infraestructuras, S.A., Inmobiliaria Valdelrío, S.L., Olmosa, S.L., Cost Wright, S.L., Desarrollo de Concesiones y Servicios Sercon, S.A., Corvisa Productos Asfálticos y Aplicaciones, S.L., Gestión de Concesiones, S.A., Isolux Corsán Inmobiliaria, S.L., Las Cabezadas de Aranjuez, S.L., Electrónica de Control de Motores, S.A., Sitio de la Herrería, S.L., Isolux Corsán Concesiones, S.L., Isolux Corsán Servicios, S.A., Isolux Eólica, S.A., Isolux Ingeniería S.L., Watsegur, S.A., Unidad de Materiales Avanzados Ibérica, S.A., Powertec Sistemas Energéticos, S.A., Powertec Española, S.A., Powertec Cataluña, S.A., Instalaciones y Montajes de La Grela, S.A. and Aparcamientos Islas Canarias, S.L.

During 2006, the following companies joined the consolidated tax group: Isolux Wat Ingeniería, S.L., Aparcamientos Segovia, S.L., Isolux Corsán Aparcamientos, S.L., Aparcamientos I.C. Talavera, S.L., Aparcamientos I.C. Zaragoza, S.L., Aparcamientos I.C. Toledanos, S.L., Interisolux Torrejón Vivienda Joven, S.L. and Hixam Gestión de Aparcamientos, S.L. The company Las Cabezadas de Aranjuez, S.L. left the consolidated group in 2006.

During 2007, the following companies joined the consolidated tax group: Aparcamientos Isolux Corsán Madrid, S.A., Interisolux Alcorcón Vivienda Joven, S.L., Parque Eólico Cova da Serpe, S.L., Aparcamientos IC Villaverde, S.L. and Aparcamientos IC Zaragoza Torrero, S.L.

	2007	2006
Current income tax	24,585	63,087
Deferred tax (Note 20)	13,882	(27,243)
Total	38,467	35,844

The Group's income tax differs from the theoretical amount that would have been obtained had the tax rate applicable to the consolidated companies' profits been used as follows:

	2007	2006
Profit before taxes	**126,107**	**137,457**
Tax calculated at the rate applicable to the parent company's profits	40,985	48,110
Effect on tax payable of non-tax deductible expenses	2,065	11,195
Effect of different tax rates abroad and other differences in foreign operations	(485)	7,199
Deductions generated during the year	(5,522)	(33,165)
Other	1,424	2,505
Tax expense	38,467	35,844

Set out below is a breakdown of deductions generated each year:

	2007	2006
Deductions for export activities	3,234	24,633
Profits reinvested	2,007	7,899
Other deductions and allowances	281	633
Total	5,522	33,165

The effective tax rate in 2007 was 30.50% (2006: 26.08%). This rate differs from the rate applicable to the parent company (32.5% in 2007 and 35% in 2006) due mainly to the net effect of non-deductible expenses (such as a large part of the goodwill impairment losses in 2006), which increase the effective tax rate, and deductions generated, which reduce the effective tax rate, as well as different tax rates abroad that may be higher or lower than the rate applicable in Spain and therefore increase or reduce the effective tax rate. Additionally, on the basis of the Group's estimates in relation to the period in which the items in question will be taxed, tax expense for the year includes the effect of the changes in the tax rate in Spain (35% to 2006, 32.5% in 2007 and 30% for 2008 and subsequent years).

The following taxes and years are open to inspection:

Income tax	Financial years
Corporate income tax	2005 a 2007
Value added tax	2005 a 2007
Personal income tax	2005 a 2007

As a result, among other things, of the different interpretations to which Spanish tax legislation lends itself, additional tax assessments may be raised in the event of a tax inspection. The directors of the parent company consider, however, that any additional assessments that might be made would not significantly affect these consolidated annual accounts.

30. Earnings per share

Basic and diluted

Basic earnings per share are calculated by dividing the profit attributable to the Company's equity holders by the weighted average number of outstanding ordinary shares for the year.

Diluted earnings per share are calculated by adjusting the weighted average number of outstanding ordinary shares to reflect the conversion of all potentially dilutive ordinary shares. As the Company has no potentially dilutive ordinary shares, diluted earnings per share are the same as basic earnings per share.

	2007	2006
Profit attributable to the Company's equity holders	87,177	103,690
Weighted average number of outstanding ordinary shares	87,316,199	87,316,199
Basic earnings per share (euros per share)	1.00	1.19

31. Dividends per share

Dividends paid out (or proposed) in relation to profits for 2007 and 2006 amount to 49,770 thousand euro and 50,643 thousand euro (see Note 17), respectively, entailing a dividend per share of 0.57 euros and 0.58 euros, respectively.

32. Contingencies and guarantees provided

The Group has contingent liabilities in respect of bank guarantees and other guarantees provided in the ordinary course of business from which no significant liability is expected to arise in addition to the items provisioned as indicated in Note 22. In the ordinary course of business, as is common practice in companies engaged in engineering and construction activities, the Group furnished guarantees to third parties totalling 1,074 million euro (2006: 943 million euro) for the proper performance of contracts. In accordance with its general terms of engagement, the Group is required to provide technical guarantees in connection with the execution of projects. These guarantees may be provided in cash or in the form of bank guarantees and must remain in effect for a specified period.

33. Commitments

Capital commitments

No significant commitments have been made to purchase non-current assets at the balance sheet date.

Operating lease commitments

The Group leases a number of premises, offices and other property, plant and equipment under non-cancellable operating leases. These leases contain variable terms, phase-related clauses and renewal rights.

The lease expenditure charged to the income statement during the year and information on future minimum instalments are set out in Note 27.

34. Business combinations

Set out below are descriptions of the main business combinations completed by the Group in 2007 and 2006.

34.1.Tecna Group

In 2006 the Group, through the subsidiary Isolux Ingeniería, S.A., acquired a 50.00006% shareholding in the company Tecna Estudios y Proyectos de Ingeniería, S.A. and a 50.0083% shareholding in the company Tecninter, S.A. The two companies (forming the Tecna Group) are related through common shareholders, are based in Argentina and are engaged in engineering activities related to the energy business in a number of Latin American countries. The total price agreed totalled 21,629 thousand euro, a part of which was deferred in three annual payments. The acquired business contributed to the Group sales totalling 22,005 thousand euro and a net loss of 2,049 thousand euro during the period 1 August 2006 to 31 December 2006. Had the acquisition taken place on 1 January 2006, sales contributed to the Group would have increased by 15,803 thousand euro and profit for the year contributed would have

risen by 348 thousand euro. The above-mentioned effects include the additional amortisation charges due to the increase in the value of the intangible assets generated during the price allocation process, amounting to 2,662 thousand euro (net of tax effects).

A breakdown of the net assets acquired and goodwill generated is as follows:

	Target's carrying amount	Fair value
Non-current assets	4,569	12,761
Other current assets	15,984	15,984
Cash and cash equivalents	4,343	4,343
Non-current liabilities (including deferred tax liabilities)	(1,760)	(4,628)
Current liabilities	(15,940)	(15,940)
Total net assets	7,196	12,520
Minority interests	(3,961)	(6,623)
Net assets acquired	**3,235**	**5,897**
Purchase consideration:		
– settled in cash		13,618
– agreed future payment		8,011
Total purchase consideration		**21,629**
Goodwill		**15,732**
Cash outflow		**9,275**

Goodwill is attributable to the workforce of the target business (particularly the executive team) and to the major synergies expected to arise following the Group's acquisition of the Tecna Group.

34.2. Infinita Renovables, S.A.

In 2007 the Group contributed capital to the company Infinita Renovables, S.A. in the amount of 46,400 thousand euro in exchange for a 70% shareholding. This company, directly and through its related company Infinita Renovables Castellón, S.A., engages in the construction, commissioning and subsequent operation of two biodiesel production plants, in Ferrol and Castellón. The target business did not contribute sales to the Group (as it was in the construction phase) and contributed a net loss of 336 thousand euro during the period 1 April 2007 to 31 December 2007. Had the acquisition taken place on 1 January 2007, the loss for the year contributed would have increased by 266 thousand euro.

A breakdown of the net assets acquired and goodwill is as follows:

	Target's carrying amount	Fair value
Non-current assets	32,420	43,536
Other current assets	7,986	7,986
Cash and cash equivalents	5,072	5,072
Non-current liabilities (including deferred tax liabilities)	–	(3,335)
Current liabilities	(696)	(696)
Total net assets	44,782	52,563
Minority interests	(13,482)	(15,816)
Net assets acquired	**31,300**	**36,747**
Purchase consideration:		
– settled in cash		46,588
Total purchase consideration		**46,588**
Goodwill		**9,841**
Cash outflow		**41,516**

The goodwill is attributable to the business and the forecast future profits. This price allocation process is provisional and may be modified during a period of one year as from the takeover date.

35. Related-party transactions

Transactions with related parties during 2007 and 2006 form part of the Group's ordinary course of business. These transactions are described below:

a) Transactions with the Company's principal shareholders

a.1) Transactions with the Caja Castilla La Mancha Group

The Group effects transactions with the Caja Castilla La Mancha Group solely in connection with banking activities. Transactions completed at 31 December 2007 and 2006 are presented below by nature:

	2007		2006	
	Granted	Utilised	Granted	Utilised
Credit lines	12,000	38	12,000	–
Long-term syndicated loans	15,000	15,000	55,417	55,417
Guarantees granted	7,200	5,686	6,000	4,512
Other borrowings	13,833	5,926	13,833	5,931

The Group has contracted a derivative financial instrument as an interest rate swap to hedge future Euribor fluctuations, for a notional value of 33,333 thousand euro (2006: 41,323 thousand euro).

The Group also has numerous current accounts necessary to carry on its ordinary business and manages a part of its cash resources by contracting financial assets through the Caja Castilla La Mancha Group.

The income statement for each period includes costs and revenue related to the above-mentioned operations, which reflect market conditions.

a.2) Transactions with the Corporación Caja Navarra Group

The Group effects transactions with the Corporación Caja Navarra Group solely in connection with banking activities. Transactions completed at 31 December 2007 and 2006 are presented below by nature:

	2007		2006	
	Granted	Utilised	Granted	Utilised
Credit lines	15,000	–	15,000	14,988
Long-term syndicated loans	15,000	15,000	55,417	55,417
Guarantees granted	10,000	971	10,000	902
Other borrowings	2,000	2,000	2,000	2,000

The Group has contracted a derivative financial instrument as an interest rate swap to hedge future Euribor fluctuations, for a notional value of 33,333 thousand euro (2006: 41,323 thousand euro).

The Group also has numerous current accounts necessary to carry on its ordinary business and manages a part of its cash resources by contracting financial assets through the Corporación Caja Navarra Group.

The income statement for each period includes costs and revenue related to the above-mentioned operations, which reflect market conditions.

a.3) Transactions with the Empresarial el Monte Group

The Group effects transactions with the Empresarial el Monte Group solely in connection with banking activities. Transactions completed at 31 December 2007 and 2006 are presented below by nature:

	2007		2006	
	Granted	Utilised	Granted	Utilised
Credit lines	15,000	10,574	–	–
Long-term syndicated loans	–	–	55,417	55,417

The Group has contracted a derivative financial instrument as an interest rate swap to hedge future Euribor fluctuations, for a notional value of 33,333 thousand euro (2006: 41,323 thousand euro).

The Group also has numerous current accounts necessary to carry on its ordinary business and manages a part of its cash resources by contracting financial assets through the Empresarial el Monte Group.

The income statement for each period includes costs and revenue related to the above-mentioned operations, which reflect market conditions.

b) Transactions with the Company's Board directors and management

b.1) Information required by Article 127 ter of the Spanish Companies Act

The parent company's directors have nothing to report pursuant to Article 127.ter.4 of the Spanish Companies Act, except for the following offices and functions held and performed, and shareholdings owned:

- Mr Luis Delso Heras is a Board director of GHESA, INGENIERÍA Y TECNOLOGÍA, S.A., Cable Submarino de Canarias, S.A., Corsán-Corviam Construcción, S.A., Isolux Ingeniería, S.A., Isolux Wat Ingeniería, S.L., Isolux Corsán Concesiones, S.A., Isolux Corsán Inmobiliaria, S.A., Infinita Renovables, S.A., T-Solar Global, S.A., Tuin Zonne, S.A. and Las Cabezadas Aranjuez, S.L.

- Mr José Gomis Cañete is a Board member of Synergy Industry and Technology, S.A., Corsán-Corviam Construcción, S.A., Isolux Ingeniería, S.A., Isolux Wat Ingeniería, S.L. (in his capacity as representative of Construction Investments, S.a.r.l.), Isolux Corsán Inmobiliaria, S.A. (in his capacity as representative of Construction Investments, S.a.r.l.), Isolux Corsán Concesiones, S.A. (in his capacity as representative of Construction Investments, S.a.r.l.), Infinita Renovables, S.A. (Chairman), T-Solar Global, S.A. and Tuin Zonne, S.A. (Chairman).

- Mr Antonio Portela Alvarez is a Board director of Desarrollo de Concesiones y Servicios, Sercón, S.A., Infinita Renovables, S.A., Infinita Renovables Castellón, S.A., T-Solar Global, S.A., Corsán-Corviam Construcción, S.A., Isolux Corsán Inmobiliaria, S.A., Isolux Corsán Concesiones, S.A., Isolux Ingeniería, S.A. and Isolux Corsán Aparcamientos, S.L.

Additionally, Mr Antonio Portela Alvarez holds shares in Infinita Renovables, S.A. (indirect interest of less than 10% through other companies), Infinita Renovables Castellón, S.A. (indirect interest of less than 10% through other companies) and Aral, Gestión y Organización S.L. (33%).

- Grupo Corporativo Empresarial de la Caja de Ahorros y Monte de Piedad de Navarra, S.A.U. holds shares in the following companies: Acciona Solar, S.A. (25%), Certum, Control Técnico de Edificación, S.A. (2.3%), NEC Navarra Empresas de Construcción, S.A. (11%), Tubacex, S.A. (5%) and Uralita, S.A. (5%). This company is also a Board director of Certum, Control Técnico de Edificación, S.A.

- Mr Juan Odériz San Martín (in his capacity as representative of Grupo Empresarial de la Caja de Ahorros y Monte de Piedad de Navarra, S.A.U.) is a Board director of Isolux Corsán Concesiones, S.A. and Isolux Corsán Inmobiliaria, S.A.

- Mr Serafín González Morcillo is a Board director of Isolux Wat Ingeniería, S.L., Isolux Corsán Concesiones, S.A. and Isolux Corsán Inmobiliaria, S.A.

- Mr Francisco Moure Bourio is a Board director of Sociedad de Promoción y Participación Empresarial Caja de Madrid, S.A. and, as representative of IMAN Consultores y Asesores, S.L., is a Board director of Técnicas y Proyectos, S.A., Isolux Wat Ingeniería, S.L., Isolux Corsán Inmobiliaria, S.A. and Isolux Corsán Concesiones, S.A.

- Mr Juan José Avila González is a Board director of Autovía de los Viñedos, S.A., Isolux Wat Ingeniería, S.L., Isolux Corsán Inmobiliaria, S.A. and Isolux Corsán Concesiones, S.A.

- MONTE DE PIEDAD Y CAJA DE AHORROS SAN FERNANDO DE HUELVA, JEREZ Y SEVILLA - CAJA SOL holds shares in Gerens Management Group, S.A. (5%) and Mr Antonio Pulido Gutiérrez (representative of MONTE DE PIEDAD Y CAJA DE AHORROS SAN FERNANDO DE HUELVA, JEREZ Y SEVILLA - CAJA SOL) is himself a Board director of Gerens Management Group, S.A.

  Additionally, MONTE DE PIEDAD Y CAJA DE AHORROS SAN FERNANDO DE HUELVA, JEREZ Y SEVILLA - CAJA SOL is a Board director of Urbanismo Concertado, S.A., San Fernando Inversiones Inmobiliarias, S.A.U. (a wholly-owned subsidiary) and Lico Inmuebles, S.A.

- Mr Angel Serrano Martínez-Estéllez is a Board director of Corsán-Corviam Construcción, S.A., Isolux Wat Ingeniería, S.L., Isolux Corsán Inmobiliaria, S.A. and Isolux Corsán Concesiones, S.A.

- Mr José Luis Hernández Sánchez, as representative of CARTERA PERSEIDAS, S.L., is a Board director of Isolux Corsán Inmobiliaria, S.A. and Isolux Corsán Concesiones, S.A.

- Mr Javier Gómez-Navarro Navarrete is a Board director of Técnicas Reunidas, S.A., Isolux Corsán Inmobiliaria, S.A. and Isolux Corsán Concesiones, S.A.

The inclusion of the above information in the notes to the consolidated annual accounts of Grupo Isolux Corsán, S.A. is the result of a detailed analysis of the information received from all the members of the Board of Directors of Grupo Isolux Corsán, S.A., based on a teleological interpretation of Article 127. ter.4 of the Spanish Companies Act.

b.2) Transactions with companies in which the Board directors of Grupo Isolux Corsán, S.A. are also directors or administrators:

Transactions and balances with companies in which the Board directors of Grupo Isolux Corsán, S.A. are also directors or administrators are analysed below:

2007	Debtor balances	Creditor balances	Costs / Purchases	Revenue / Sales
Synergy Industry and Technology, S.A.	809	–	–	–
Ciudad Real Aeropuerto, S.L.	21,372	–	–	58,086
Tuin Zonne, S.A.	3.045	–	–	47

2006	Debtor balances	Creditor balances	Costs / Purchases	Revenue / Sales
Synergy Industry and Technology, S.A.	809	–	–	–
Ciudad Real Aeropuerto, S.L.	2,003	–	–	21,372

The following should be noted with respect to the transactions with Tuin Zonne, S.A. at 31 December 2007:

- On 25 July 2007, Group companies had concluded a framework agreement with Tuin Zonne, S.A. whereby Grupo Isolux Corsán, S.A., under certain conditions, obtained a contract for the engineering, supply of materials and equipment, execution of work, commissioning, maintenance and operation of all the photovoltaic facilities to be built and operated by Tuin Zonne, S.A.

- With respect to this framework agreement, the following operations were also arranged:

  – Grupo Isolux Corsán, S.A. had granted guarantee lines to Tuin Zonne, S.A. for the acquisition of permits to build and operate photovoltaic facilities. At 31 December 2007, guarantees furnished totalled 71,740 thousand euro.

  – Tuin Zonne, S.A. obtained credit lines totalling 125,000 thousand euro, with Grupo Isolux Corsán, S.A. acting as guarantor. At 31 December 2007, a total of 9,376 thousand euro had been utilised.

– On 29 January 2008, Tuin Zonne, S.A. obtained a credit line from a group of banks in the amount of 700,000 thousand euro. Grupo Isolux Corsán, S.A. is the guarantor of this financing with respect to the fulfilment of certain operational aspects relating to the construction and commissioning of the photovoltaic facilities, as well as the potential negative impact on economic and financial projections of changes in the tariff framework considered during preparation of the projections.

- On 28 September 2007, a commercial loan agreement was concluded between Grupo Isolux Corsán, S.A. and Tuin Zonne, S.A. for the sum of 40,000 thousand euro, of which 2,996 thousand euro had been utilised at 31 December 2007 (included in the above-mentioned debtor balances).

b.3) Remuneration paid to Board directors and management of Grupo Isolux Corsán, S.A.

	2007	2006
Wages and salaries (including indemnities)	6,595	5,432
Per diems for attendance at Board meetings	534	369
	7.129	5.801

Additionally, certain Board directors and managers are beneficiaries of the incentive plan described in Note 36.

b.4) Loans granted to Board directors

	2007	2006
Opening balance	**4,723**	**4,515**
Interest charged	178	208
Closing balance	**4,901**	**4,723**

The loans relate to 2000 and 2002, have no stipulated maturity date and bear interest at the Euribor rate + 0.50%.

c) Transactions with associates included in Appendix II

Transactions and balances with associates at 31 December 2007 and 2006 are analysed below:

2007	Debtor balances	Creditor balances	Costs / Purchases	Revenue / Sales
Participes de Biorreciclaje, S.A. and investees	5,796	–	–	151
Gestión de Partícipes de Biorreciclaje, S.A	–	–	–	12
Autopista Madrid-Toledo Concesionaria, S.A	–	–	–	2,912
Julitex, S.L.	1,161	–	–	–
Proyectos Inmobiliarios Residenciales, S.L.	911	–	–	–
Pinares del Sur, S.L.	180	–	–	3,042
Aciloe, S.A.	–	–	–	28

2006	Debtor balances	Creditor balances	Costs / Purchases	Revenue / Sales
Participes de Biorreciclaje, S.A. and investees	6,113	–	–	310
Gestión de Partícipes de Biorreciclaje, S.A	–	–	–	75
Autopista Madrid-Toledo Concesionaria, S.A	1,626	–	–	67,114
Julitex, S.L.	631	–	–	–
Proyectos Inmobiliarios Residenciales, S.L.	911	–	–	–
Pinares del Sur, S.L.	708	–	–	6,743
Aciloe, S.A.	421	–	–	–

36. Share-based payments

In 2006 a three-year incentive plan was created for the Group's managers and Board directors. The incentives will be paid in the future by the present shareholders of Grupo Isolux Corsán, S.A. provided certain conditions stipulated in the relevant agreement are fulfilled.

The amount payable will be based on the enterprise value of Grupo Isolux Corsán, S.A. at the date of payment. This will be calculated, depending on the Group's circumstances, using either the market value of the shares or an agreed multiple based on an EBITDA value (as defined in the relevant agreement).

At the start of the operation, management considered that the fulfilment of the conditions stipulated in the agreement was highly probable. The enterprise value was estimated by applying the agreed EBITDA multiple applicable at the calculation date, which was deemed to be the best possible estimate at that date. On the basis of these estimates, and as the payment will be made by the shareholders of Grupo Isolux Corsán, S.A., the relevant amount has been recognised directly in the consolidated statement of changes in equity as a contribution from shareholders, as a balancing item for the expense of 9,300 thousand euro (2006: 9,300 thousand euro) recognised in "Employee benefit expenses" for the year (see Note 2.19).

Given the conditions of the incentive plan explained above, it has not been hedged by the Company.

37. Joint ventures

The Group has interests in the joint ventures listed in Appendix III. The amounts set out below represented the Group's share, based on its interest in the joint ventures, of assets, liabilities, revenue and results. These amounts are included in the consolidated balance sheet and income statement:

	2007	2006
Assets:		
Non-current assets	366,264	244,909
Current assets	40,425	39,688
	406,689	284,597
Liabilities:		
Non-current liabilities	179,420	155,757
Current liabilities	70,541	31,903
	249,961	187,660
Net assets	**156,728**	**96,937**
Revenue	212,629	171,746
Expenses	(197,709)	(164,063)
Profit after taxes	**14,920**	**7,683**

There are no contingent liabilities relating to the Group's interests in joint ventures, or contingent liabilities recognised by the joint ventures themselves.

38. Temporary joint ventures (UTEs)

The Group has interests in the UTEs listed in Appendix IV. The amounts set out below represented the Group's share, based on its interests in the UTEs, of assets, liabilities, revenue and results. These amounts are included in the consolidated balance sheet and income statement:

	2007	2006
Assets:		
Non-current assets	15,109	2,854
Current assets	230,359	188,662
	245,468	191,516
Liabilities:		
Non-current liabilities	4,360	1,395
Current liabilities	241,986	186,731
	246,346	188,126
Net assets	**(878)**	**3,390**
Revenue	269,291	340,803
Expenses	(268,231)	(335,066)
Profit after taxes	**1,060**	**5,737**

There are no contingent liabilities relating to the Group's interests in UTEs, or contingent liabilities recognised by the UTEs themselves.

39. Environment

The Group has taken the necessary measures to protect and improve the environment and to minimise environmental impact, if applicable, in compliance with current environmental legislation. Consequently, no provision for environmental liabilities and charges has been deemed necessary and there are no contingencies relating to environmental protection and improvement.

40. Events after the balance sheet date

There have been no relevant events since the year end that could have a significant impact on these consolidated annual accounts.

41. Audit fees

The fees accrued to PricewaterhouseCoopers Auditores, S.L. for audit and other services rendered during 2007 total 1,048 thousand euro (2006: 814 thousand euro).

Fees accrued to other companies operating under the PricewaterhouseCoopers brand for other services rendered during 2007 amount to 508 thousand euro (2006: 305 thousand euro).

The fees accrued to other auditors for audit services rendered during 2007 total 61 thousand euro (2006: 18 thousand euro).

Subsidiaries included in the consolidation scope

CONSOLIDATED ANNUAL ACCOUNTS OF GRUPO ISOLUX CORSÁN, S.A. AND SUBSIDIARIES AT 31 DECEMBER 2007

Appendix I

Subsidiaries included in the consolidation scope

		Shareholding					
Company name	Address	Cost (thousand euro)	% of par value	Shareholder	Consolida-tion	Activity	Auditor
Corsán–Corviam Construcción, S.A.	Madrid	229,293	100.00	Grupo Isolux Corsán, S.A.	FC	Construction	PwC
Constructora Pina do Vale, S.A.	Lisboa	4,825	100.00	Corsán Corviam Const., S.A.	FC	Construction	Other
Extremeña de Infraestructura, S.A.	Madrid	197	100.00	Corsán Corviam Const., S.A.	FC	Construction	Unaudited
Isolux Corsán Construcción S.A de C.V. (*)	México DF	181	100.00	Corsán Corviam Const., S.A.	FC	Construction	PwC
Isolux Ingeniería, S.A.	Madrid	450,012	100.00	Grupo Isolux Corsán, S.A.	FC	Engineering	PwC
GIC Fábricas, S.A.	Madrid	13,218	100.00	Isolux Ingeniería, S.A.	FC	Engineering	PwC
Watsegur, S.A.	Madrid	8,847	100.00	Isolux Ingeniería, S.A.	FC	Engineering	PwC
Isolux de México, S.A. de C.V.	México DF	41,081	100.00	Isolux Ingeniería, S.A.	FC	Engineering	PwC
Isolux Maroc, S.A.	Casablanca	9,403	100.00	Isolux Ingeniería, S.A.	FC	Engineering	PwC
Isolux Sociedade Anonima	Río Janeiro	424	100.00	Isolux Ingeniería, S.A.	FC	Engineering	Unaudited
Isowat Mozambique, Lda.	Maputo	428	100.00	Isolux Ingeniería, S.A.	FC	Engineering	Unaudited
Isolux Proyectos e Instal.	Río Janeiro	23,661	100.00	Isolux Ingeniería, S.A.	FC	Engineering	Unaudited
Isolux Corsán Polonia Sp zoo	Varsovia	1,241	100.00	Isolux Ingeniería, S.A.	FC	Engineering	Unaudited
Isolux Corsán Argentina S.A. (*)	Bs. Aires	920	100.00	Isolux Ingeniería, S.A.	FC	Engineering	PwC
Tecna Estudios y Proyectos S.A.	Bs. Aires	14,478	50.01	Isolux Ingeniería, S.A.	FC	Engineering	PwC
Tecninter, S.A.	Bs. Aires	7,181	50.01	Isolux Ingeniería, S.A.	FC	Engineering	Other
Tecna Proyectos y Operaciones, S.A. (1)	Madrid		100.00	Tecninter, S.A.	FC	Engineering	Unaudited
Tecna Bolivia, S.A. (1)	La Paz		90.00	Tecna Proy. y Operaciones, S.A.	FC	Engineering	PwC
Tecna Brasil Ltda. (1)	Río Janeiro		98.95	Tecna Proy. y Operaciones, S.A.	FC	Engineering	Unaudited
Tecna del Ecuador, S.A. (1)	Quito		76.92	Tecna Proy. y Operaciones, S.A.	FC	Engineering	Other
Medanito del Ecuador, S.A. (1)	Quito		76.90	Tecna Proy. y Operaciones, S.A.	FC	Engineering	Other
Latintecna, S.A. (1)	Lima		99.00	Tecna Proy. y Operaciones, S.A.	FC	Engineering	Other

		Shareholding					
Company name	Address	Cost (thousand euro)	% of par value	Shareholder	Consolida-tion	Activity	Auditor
Tecna Engineering LLC (1)	Houston		100.00	Tecna Proy. y Operaciones, S.A.	FC	Engineering	Unaudited
Ven Tecna, S.A. (1)	Caracas		99.00	Tecna Proy. y Operaciones, S.A.	FC	Engineering	PwC
Isolux Corsán Concesiones, S.A.	Madrid	95,003	100.00	Grupo Isolux Corsán, S.A.	FC	Concessions	PwC
Isolux Corsán Servicios S.A.	Madrid	6,590	100.00	Isolux Corsán Concesiones, S.A.	FC	Concessions	PwC
Isolux Corsán Aparcamientos S.L. (*)	Madrid	15,000	100.00	Isolux Corsán Concesiones, S.A.	FC	Concessions	PwC
Aparcamientos IC Córdoba, S.L.	Madrid	6	100.00	Isolux Corsán Aparcamientos S.L.	FC	Concessions	Unaudited
Hixam Gestión de Aparcamien-tos, S.L.	Madrid	13,721	100.00	Isolux Corsán Aparcamientos S.L.	FC	Concessions	PwC
Ceutí de Aparcamientos y Serv., S.A.	Ceuta	2,040	100.00	Hixam Gestión de Aparcam., S.L.	FC	Concessions	Unaudited
Gestión de Concesiones, S.A.	La Línea	7,061	100.00	Hixam Gestión de Aparcam., S.L.	FC	Concessions	Unaudited
Aparcamientos IC Talavera, S.L.	Madrid	6	100.00	Hixam Gestión de Aparcam., S.L.	FC	Concessions	Unaudited
Aparcamientos Segovia, S.L.	Segovia	895	100.00	Hixam Gestión de Aparcam., S.L.	FC	Concessions	Unaudited
Aparcamientos IC Zaragoza, S.L.	Madrid	6	100.00	Hixam Gestión de Aparcam., S.L.	FC	Concessions	Unaudited
Aparcamientos Islas Canarias, S.L.	Las Palmas	1,500	100.00	Hixam Gestión de Aparcam., S.L.	FC	Concessions	Unaudited
Aparcamientos IC Toledanos, S.L.	Madrid	6	100.00	Hixam Gestión de Aparcam., S.L.	FC	Concessions	Unaudited
Isolux Corsán Aparcamientos Madrid S.L.	Madrid	2,319	100.00	Isolux Corsán Aparcamientos S.L.	FC	Concessions	Unaudited
Aparcamientos IC Zaragoza Torrero S.L.(Unipersonal) (*)	Madrid	6	100.00	Isolux Corsán Aparcamientos S.L.	FC	Concessions	Unaudited
Aparcamientos IC Villaverde S.L. (Unipersonal) (*)	Madrid	6	100.00	Isolux Corsán Aparcamientos S.L.	FC	Concessions	Unaudited

Anexo I/II/III

		Shareholding					
Company name	Address	Cost (thousand euro)	% of par value	Shareholder	Consolida-tion	Activity	Auditor
Parque Eólico Serra da Cova S.L.	Madrid	3	100.00	Isolux Corsán Concesiones, S.A.	FC	Concessions	Unaudited
Servicios y Concesiones, S.A.	Madrid	191	100.00	Isolux Corsán Concesiones, S.A.	FC	Concessions	Unaudited
Energía de Asturias GIC, S.A.	Avilés	250	100.00	Isolux Corsán Concesiones, S.A.	FC	Concessions	Unaudited
Isolux Eólica, S.A	Madrid	60	100.00	Isolux Corsán Concesiones, S.A.	FC	Concessions	Unaudited
Isolux Energía e Particip. Ltda.	Río Janeiro	166,986	100.00	Isolux Corsán Concesiones, S.A.	FC	Engineering	Unaudited
Conc. Aut. Monterrey–Saltillo, S.A.C.V.	México DF	10,192	100.00	Isolux Corsán Concesiones, S.A.	FC	Concessions	PwC
Isolux Corsán Inmobiliaria, S.A.	Madrid	150,003	100.00	Grupo Isolux Corsán, S.A.	FC	Real estate	PwC
Cost Wright, S.L.	Madrid	5	100.00	Isolux Corsán Inmobiliaria, S.A.	FC	Real estate	Unaudited
Valdelrío, S.L.	Madrid	118	100.00	Isolux Corsán Inmobiliaria, S.A.	FC	Real estate	Unaudited
Olmosa, S.L.	Madrid	2	100.00	Isolux Corsán Inmobiliaria, S.A.	FC	Real estate	Unaudited
El Sitio de la Herrería, S.L.	Madrid	1,213	100.00	Isolux Corsán Inmobiliaria, S.A.	FC	Real estate	Unaudited
Electrónica Control de Motores, S.A.	Madrid	706	100.00	Isolux Corsán Inmobiliaria, S.A.	FC	Real estate	Unaudited
Interisolux Torrejón Viv. Joven, S.L. (*)	Madrid	3,150	90.00	Isolux Corsán Inmobiliaria, S.A.	FC	Real estate	PwC
Interisolux Alcorcón Viv. Joven, S.L.	Madrid	1,200	80.00	Isolux Corsán Inmobiliaria, S.A.	FC	Real estate	Unaudited
Infinita Renovables, S.A. (*)	Vigo	46,588	70.00	Grupo Isolux Corsán, S.A.	FC	Renewable energies	PwC
Infinita Renovables Castellón, S.A. (*) (2)	Vigo		100.00	Infinita Renovables, S.A.	FC	Renewable energies	PwC
Infinita Renovables Patagonía S.A. (*) (2)	Bs. Aires		100.00	Infinita Renovables, S.A.	FC	Renewable energies	PwC
T–Solar Global S.A. (*)	Vigo	8,623	50.10	Grupo Isolux Corsán, S.A.	FC	Renewable energies	PwC
Bendía, S.A.	Madrid	1,067	100.00	Grupo Isolux Corsán, S.A.	FC	Engineering	Unaudited
Isolux Wat Ingeniería, S.L.	Madrid	3	100.00	Grupo Isolux Corsán, S.A.	FC	Engineering	Unaudited
Corvisa, S.L.	Madrid	4,451	100.00	Grupo Isolux Corsán, S.A.	FC	Engineering	PwC

		Shareholding					
Company name	Address	Cost (thousand euro)	% of par value	Shareholder	Consolida-tion	Activity	Auditor
EDIFISA, S.A.	Madrid	549	96.04	Grupo Isolux Corsán, S.A.	FC	Real estate	Unaudited
Powertec Española, S.A.	Madrid	663	100.00	Isolux Corsán Concesiones, S.A.	FC	Engineering	Unaudited
Powertec Sistemas, S.A. (Unipersonal)	Madrid	3,013	100.00	Grupo Isolux Corsán, S.A.	FC	Engineering	Unaudited
Powertec Cataluña, S.A. (Unipersonal)	Madrid	47	100.00	Grupo Isolux Corsán, S.A.	FC	Engineering	Unaudited
Powertec Proyectos e Obras Ltda. (*)	Río Janeiro	388	100.00	Powertec Española, S.A.	FC	Engineering	Unaudited
Acta, S.A.	Lisboa	51	100.00	Grupo Isolux Corsán, S.A.	FC	Engineering	Other
Unidad Mater. Avanz. Ibérica, S.A.	Orense	180	100.00	Grupo Isolux Corsán, S.A.	FC	Engineering	Unaudited
Intal. y Montajes La Grela, S.A.	La Coruña	104	100.00	Grupo Isolux Corsán, S.A.	FC	Engineering	Unaudited
Sociedad Concesionaria Auto-vía A–4 Madrid S.A. (*)	Madrid	4,777	51.25	Isolux Corsán Concesiones, S.A.	FC	Concessions	Unaudited

(*) Companies acquired or incorporated during the year and/or additional investment in companies already included in the consolidation scope in the previous year. The inclusion of these companies in the consolidation scope did not generate additional sales during the year.
(1) Cost included in Tecninter, S.A.
(2) Cost included in Infinita Renovables, S.A.
FC: Full consolidation

Appendix II

Associates included in the consolidation scope

		Shareholding					
Company name	Address	Cost (thousand euro)	% of par value	Shareholder	Consoli-dation	Activity	Auditor
Partícipes de Biorreciclaje, S.L.	Madrid	20	33.33	Isolux Corsán Concesiones, S.A.	EC	Concessions	Other
Gestión de Partícipes, S.L.	Cádiz	20	33.33	Isolux Corsán Concesiones, S.A.	EC	Concessions	Other
Autopista Madrid Toledo, S.A.	Madrid	46,718	25.50	Isolux Corsán Concesiones, S.A.	EC	Concessions	Other
Julitex, S.L.	Las Palmas	1	30.00	Isolux Corsán Inmobiliaria, S.A.	EC	Real estate	Unaudited
Proy. Inmobiliarios Residenciales, S.L.	Madrid	1,278	23.75	Isolux Corsán Inmobiliaria, S.A.	EC	Real estate	Unaudited
Alqlunia5 S.L.	Toledo	750	25.00	Isolux Corsán Inmobiliaria, S.A.	EC	Real estate	Other
Pinares del Sur, S.L.	Cádiz	7,654	18.00	Isolux Corsán Inmobiliaria, S.A.	EC	Real estate	E&Y

No associates were included in the consolidation scope during the year.
EC: Equity consolidation

Appendix III

Joint ventures included in the consolidation scope

		Shareholding					
Company name	Address	Cost (thousand euro)	% of par value	Shareholder	Consolida-tion	Activity	Auditor
Expansión Transmissao Itumbiara S.A	Río Janeiro	5,607	33.33	Isolux Energía e Particip. Ltda.	PC	Concessions	E&Y
Itumbiara Transmisora de Energía S.A.	Río Janeiro	49,579	33.33	Isolux Energía e Particip. Ltda.	PC	Concessions	E&Y
Porto Primavera Transmisora Energía S.A.	Río Janeiro	25,395	33.33	Isolux Energía e Particip. Ltda.	PC	Concessions	E&Y
Vila do Conde Transmisora Energía S.A.	Río Janeiro	13,266	33.33	Isolux Energía e Particip. Ltda..	PC	Concessions	E&Y
Cachoeira Paulista T. Energía S.A.	Río Janeiro	8,254	33.33	Isolux Energía e Particip. Ltda.	PC	Concessions	E&Y
Expansion Trans. Energía Eléctrica S.A.	Río Janeiro	7,910	25.00	Isolux Energía e Particip. Ltda.	PC	Concessions	E&Y
Serra de Mesa Transmisora Energía S.A	Río Janeiro	30,183	33.33	Isolux Energía e Particip. Ltda.	PC	Concessions	Unaudited
Serra Paracatu Transmisora de Energía S.A. (*)	Río Janeiro	–	33.33	Isolux Energía e Particip. Ltda.	PC	Concessions	Unaudited
Jauru Transmisora de Energía S.A. (*)	Río Janeiro	–	33.33	Isolux Energía e Particip. Ltda.	PC	Concessions	Unaudited
Pocos de Caldas Transmisora de Energía S.A. (*)	Río Janeiro	–	33.33	Isolux Energía e Particip. Ltda.	PC	Concessions	Unaudited
Riberao Preto Transmisora de Energía S.A. (*)	Río Janeiro	–	33.33	Isolux Energía e Particip. Ltda.	PC	Concessions	Unaudited
L.T. Trinagulo S.A. (*)	Río Janeiro	–	33.33	Isolux Energía e Particip. Ltda.	PC	Concessions	Unaudited
Lineas Mesopotanicas S.A.	Bs. Aires	5	33.33	Grupo Isolux Corsán, S.A.	PC	Engineering	PwC
Parking Pio XII, S.L.	Palencia	502	50.00	Isolux Corsán Aparcamientos S.L.	PC	Concessions	Unaudited
Landscape Corsán, S.L.	Madrid	6	50.00	Isolux Corsán Inmobiliaria, S.A.	PC	Real estate	PwC
Las Cabezadas de Aranjuez S.L.	Madrid	32,791	40.00	Isolux Corsán Inmobiliaria, S.A.	PC	Real estate	Unaudited

(*) Companies acquired or incorporated during the year and/or additional investment in companies already included in the consolidation scope in the previous year. The inclusion of these companies in the consolidation scope did not generate additional sales during the year.
PC: Proportionate consolidation

Appendix IV

Temporary joint ventures (UTEs) in which the consolidated companies have interests

Name of UTE	% interest
CAMPAMENTO MADRID	25.00%
AIE ISINEL – BOSNIA	33.33%
AIE GUASCORLUX	50.00%
EDIFICIO LA MODERNA SANTA CRUZ TENERIFE	30.00%
AIE ACUSTICA AEROPORTUAREA	50.00%
COCHERAS 4–V UTE	65.40%
VERTEDERO MONFORTE	70.00%
TUNELES AVE UTE	50.00%
MUELLE DE LA GALERA	80.00%
EDAR VILLAHERMOSA	70.00%
EXPLOT. VILLAHERMOSA	70.00%
EDAR DE GELIDA	60.00%
EDAR UTRILLAS	60.00%
REFORMA LEON OESTE	60.00%
CONSER INFRAEST LEON	60.00%
AVE SUBTRAMO 1 UTE	100.00%
MUELLES RIANXO UTE	50.00%
MUELLES CANGAS 2 UTE	50.00%
CANAL DE LODOSA UTE	40.00%
PONTEAREAS MONDARIZ	50.00%
SANEAMIENTO CAMAS 1	65.00%
PONTECESO AGRELAS	50.00%
PUERTO PESQUERO BAIONA	50.00%
112 VIVIENDAS LA HIGUERITA	50.00%
PUERTO DEPORTIVO SUANCES	80.00%
CENTRO DOCENTE DERECHO	60.00%
CONSERVACION ALAGON	50.00%
PLANTA DE MIRAMUNDO	33.34%
BARRANCO DEL ALAMIN	100.00%

Name of UTE	% interest
DEPURADORA AYNA	100.00%
COLUNGA CARAVIA UTE	66.67%
DRAGADO MUELLE LEON	51.00%
PAN ACUSTICA MURCIA	20.00%
DOBLE TUNEL ODONNELL	50.00%
EMERG. AZNALCOLLAR	12.50%
UTE BURGOS P.L. N–1	50.00%
ALA PAR HOSPITAL	50.00%
MUELLES O GROVE UTE	50.00%
MUELLES EN CANGAS UTE	50.00%
VARIANTE FRAGA UTE	22.00%
TRAVIESAS GIF DRATYP –I	50.00%
MUELLE PUERTO MOA¬A	50.00%
EMER. PRESA CONTRERAS	35.00%
EDAR HOSTALRIC	60.00%
XULGADO DE RIBEIRA	50.00%
CN POBLA SENTERADA	50.00%
AVE ZARAGOZA TRAMO I	35.00%
EMERGENCIA ESCALONA	35.00%
V.SERV.DIQUE DARSENA	50.00%
M. SANTA CRUZ L PALMA	50.00%
RIEGOS LA SAGRA	80.00%
ABASTECIMIENTO MELILLA	50.00%
VILLA DEL PRADO UTE	65.00%
JAEN – LA GUARDIA	50.00%
ENCAUZ. TALARRUBIA	50.00%
REGAD. CASTREJON UTE	40.00%
TRAVIESAS GIF–DRATYP–II	50.00%
ABASTECIMIENTO GABRIEL GALAN	100.00%
AVE TRAMO IIA LLEIDA	100.00%

Name of UTE	% interest
CORREDOR CR G11 UTE	50.00%
CONSERVACIÓN AC JARAMA UTE	50.00%
URBANIZACIÓN Y APARCAMIENTO ORELLANA	100.00%
CONSER INF LEON UTE	50.00%
URBANIZACIÓN S PAIO DE NAVIA	50.00%
ACCESO PTO. VALENCIA UTE	40.00%
E.T.A.P. NAVAFRIA	50.00%
E.T.A.P. NAVAS DEL MARQUE	100.00%
POLIGONO ARTURO EYRIES	100.00%
ENCAUZAMIENTO RIO BERNESG	80.00%
E.T.A.P. BARCO DE AVILA	55.00%
TEATRO LA BAEZA	50.00%
EDAR COCA	65.00%
ETAP LA ATALAYA	50.00%
DEPURACION PICOS EUROPA	60.00%
UTE.LACIANA – URB.VILLABLINO	50.00%
SLURRY D.G.C. MURCIA–94	33.00%
C.ALBALATE–LECERA	50.00%
CARRETERA A–222– MEDIANA	50.00%
C.SOS – UNCASTILLO	50.00%
C.ALBALATE–MONZON	50.00%
SLURRY D.G.C. CIUDAD REAL	25.00%
ANILLO VERDE VILLAVERDE	78.00%
PROMOCION RIVAS	100.00%
PROMOCION RIVAS–99	97.00%
URBANIZACION EXCUEVAS	55.00%
SLURRY D.G.C. SEVILLA–94	33.00%
SLURRY D.G.C. MALAGA–94	34.00%
ENCAUZAMIENTO VILLAFRANCA	100.00%
VIVIENDAS BADAJOZ	100.00%

Name of UTE	% interest
5731 VIV.BADAJOZ	100.00%
PLAZA ALBATROS	100.00%
C. EX–208 TRUJILLO	100.00%
E.T.A.P. TALAVAN	50.00%
D.T.S. PUEBLA DEL MAESTRE	100.00%
C.PLASENCIA–NAVACONCEJO	100.00%
ENCAUZAMIENTO SANTIAGO DEL CA	100.00%
231–TRAVIESAS GIF DRATYP –III	50.00%
PTLA RESIDUOS SALAMANCA	50.00%
231–TRAVIESAS GIF DRATYP –IV	50.00%
231–TRAVIESAS GIF DRATYP –V	50.00%
DARSENA SUR SANTO¬A	75.00%
PASARELA PTE CASTRO	50.00%
UTE AUTOVIA RONDA–RINCON	50.00%
UTE DEPURADORA GUADARRAMA	60.00%
UTE EDAR CARBONERO	100.00%
SANEAMIENTO ARIJA UTE	65.00%
PLAN DOTACION BDA. CEUTA	50.00%
CONSERVACIÓN INFRA. LEON	50.00%
231–TRAVIESAS GIF DRATYP –VI	50.00%
LEON–BENAVENTE UTE	50.00%
MACHINA SUR UTE	75.00%
PTO. SAN VICENTE UTE	75.00%
UTE EMISARIOS	50.00%
ZAL 2 UTE	34.00%
UTE JUCAR VINALOPO	33.33%
JOHN LENON UTE	50.00%
28 VIVIENDAS PASEO ACACIAS UTE	60.00%
COLECTOR AGUAS RESIDUALES GETAFE UTE	55.00%

Anexo IV

Name of UTE	% interest
URBANIZACIÓN Bº PROSPERIDAD UTE	75.00%
URBANIZACIÓN PZA. VADILLOS UTE	50.00%
GISA ONDARRETA UTE	50.00%
DESDOBLAMIENTO CN–630 MERIDA UTE	75.00%
URBANIZACIÓN ANSOAIN UTE	80.00%
GISA ERTZAINZA SAN SEBASTIAN UTE	50.00%
ALCANTARILLADO EL EJIDO UTE	60.00%
DEFENSA COSTA EN VEGA DE ADRA UTE	20.00%
105 VIVIENDAS LOS ROSALES MOSTOLES UTE	60.00%
PASEO MARITIMO ISLA DE AROSA UTE	60.00%
COLECTOR GETAFE 2ª FASE	60.00%
51 VIV. EN ARGANDA DEL REY UTE	50.00%
UTE CENTRO PENITENCIARIO DUEÑAS	40.00%
TRES PUENTES NIEBLA HUELVA	80.00%
INF.HIDR. CANAL CALANDA–ALCAÑIZ	50.00%
59 VIVIENDAS C / CAPITAN VIGUERAS SEVILLA	50.00%
TRAMO MIRABELL CALAF	50.00%
95 VIVIENDAS MONTIGALAT	50.00%
PLANTA COMPOSTAJE GRANOLLERS	50.00%
HOSPITAL INSTIT. GUTTMAN BADALONA	50.00%
PROLONGACIÓN COLECTOR EL CASAR GETAFE UTE	50.00%
ABASTECIMIENTO AGUA VALDETORRES	80.00%
PROMOCIÓN 57 VIVIENDAS UNIFAMILIARES VALLADOLID	50.00%
AISLAMIENTOS ACUSTICOS UTE	50.00%
I.E.S. EN SAN JAVIER MURCIA	50.00%
ADECUACIÓN PISTA AEROPUERTO ALICANTE	50.00%
PISTA 07–25 AEROPUERTO BARCELONA	25.00%
SEGURIDAD VIAL ENLACE VARIANTE LA GINETA	50.00%
ACONDICIONAMIENTO DELEG.CC–321 Y CC–3210 ORCERA	70.00%
REF. HOSPITAL PERPETUO SOCORRO	50.00%
AMPLIACION 4 UNIDADES C.P. OTERO CARRAL	60.00%
REF.CENTRO HOSPITALARIO	50.00%
OBRAS E INSTALACIÓN GASIFICACION VIGO	50.00%
519 VIVIENDASUNIFAMILIARES EN RIVAS VACIA-MADRID	50.00%
CONDUCCION AGUA POTABLE A JEREZ	50.00%
CTO. ESTANCIAS DIURNAS MURCIA	50.00%

Name of UTE	% interest
REHABILITACIÓN ARCHIVO GENERAL DE INDIAS	100.00%
RONDA OESTE DE CORDOBA	100.00%
231–TRAVIESAS GIF DRATYP –VII	50.00%
CAMINO DE SANTIAGO	50.00%
C.EX303 ALBURQUERQUE	50.00%
PROYECTO DE ACONDICIONAMIENTO DEL ARROYO DEL CAMPO	70.00%
AMPLIAC PUERTO 1 FAS	25.00%
MEJORA ACCESO PUERTO	50.00%
REMODELACIÓN PALACIO DE PERALES MADRID	60.00%
URBANIZACIÓN EL BERCIAL	100.00%
UTE MARIN	50.00%
CORREDOR DEL MORRAZO	50.00%
REFUERZO FIRME VÍAS	50.00%
RONDA LOS OMEYAS UTE	33.34%
FFCC EL PORTAL UTE	70.00%
MACHINA PONIENTE UTE	75.00%
DEPURADORA MAIMONA UTE	100.00%
RSU BARBATE	100.00%
UTE MARTORELL	20.00%
REG. MACÍAS PICAVEA	50.00%
RELLENO PARCELAS 23,ZAM,ZSV PRECARGA PAR	34.00%
AUTOPISTA MADRID TOLEDO (Obra)	36.00%
PRESA ARAUZO UTE	50.00%
AUTOVIA ESPIÑADERO – SAA	50.00%
ESTACION AGUAS RESIDUALES DE LA LINEA	50.00%
A–312 VARIANTE LINARES (JAEN)	50.00%
174 VIVIENDAS TERRAZAS VEGA DEL REY	100.00%
MODER INSTALACIÓN RIEGO EN RIO BEMBEZAR CORDOBA	50.00%
URBANIZACIÓN SECTOR 5 DE ZABALGANA VITORIA GASTEIZ	90.00%
TRABAJOS FONTANERIA EN INSTALACIÓN DE BALTEN	100.00%
CABEZA DE H. BERGANC, MANCERAS	100.00%
RESIDENCIA 3º EDAD VILLANUEVA	100.00%
E.S.CEPSA VALVERDE DE LA VIRGEN	100.00%
ZAMORA LIMPIA	30.00%

Name of UTE	% interest
EDAR AGUILAR	50.00%
PARKING PIO XII	50.00%
CONVENTO SAN FRANCISCO II	50.00%
RESIDENCIA 3ª EDAD ALMEIDA	100.00%
RESIDENCIA TABARA	50.00%
MANCOMUNIDAD TIERRAS DE MORAÑA	100.00%
PLANTA TRATAMIENTO RSU VALLADOLID	30.00%
CABEZA DE H. CAMPO LEDESMA	100.00%
UTE PUNTO LIMPIO BENAVENTE	50.00%
AYUNTAMIENTO MORALEJA	50.00%
AYUNTAMIENTO JARAIZ DE LA VERA	50.00%
UTE ZAMORA VERDE	33.00%
ASISTENCIA DOMICILIO DIP PALENCIA UTE	65.00%
ASISTENCIAL BURGOS	50.00%
CAMPUS DE LA YUTERA EN PALENCIA	25.00%
ESCUELA CASTILLA DE PALENCIA	50.00%
URBANIZACIÓN LOS MOLINOS	100.00%
DUPLICACION CALZADA VARIANTE MARTOS EN A–316	50.00%
URBANIZACIÓN I9PGOU BURGO DE EBRO EL ESPARTAL II	55.00%
MEJORA SANEAMIENTO DEPURADORA GALICIA	50.00%
CONSORCIO ARRIBES ABADENGO VITIGUDINO	50.00%
LINEA FERROVIARIA OSUNA AGUADULCE	50.00%
UTE DESDOBLAMIENTO A–357 VARIANTE CARTAMA	60.00%
PLAT+ACCESOS NUEVO PABELLON EN BARA-JAS	50.00%
EJE ATLANTICO ALTA VELOCIDAD	50.00%
OBRAS CENTRO SALUD EN ARNEDO LA RIOJA	80.00%
OBRAS CENTRO TECNOLOGICO ARNEDO LA RIOJA	80.00%
REMODELACIÓN INTEGRAL ARRASATEKO KIROL ESPARRUA	50.00%
AUTOVIA AG59 RAMALLOSA–A CORUÑA	50.00%
RECOGIDA RESIDUOS SAN ROQUE	100.00%
ADECUACION ENTORNO CASA LES RADIOS	100.00%
MUNICIPIOS COSTEROS UTE	100.00%
REMODEL.DARSENA INTERIOR PORTO VILA-NOVA	50.00%

Name of UTE	% interest
VARIANTE DE MARIN ENLACE A BREA	50.00%
SLURRY UTE ARCONES SEGOVIA	100.00%
SLURRY UTE SOTOSALBOS SEGOVIA	100.00%
REMODELACIÓN GRAN VIA CORTS CATALANES FASE IV	50.00%
TRAVIESAS ADIF DRATYP VIII UTE	50.00%
SANEAMIENTO INTEGRAL LAXE 1 FASE	100.00%
COND.REVENTON A CUERNIGA–QUIEBRAJANO	50.00%
CONCESIÓN EDAR UTE TERUEL ZONA 08A	70.00%
DUPLICACION M–501 PANTANOS TRAMO M–522	50.00%
HOSPITAL DE BURGOS	10.00%
UTE URBANIZACION POLIGONO INDUSTRIAL XENRA BIMENES	100.00%
ACONDICIONAMIENTO CRTA .EX206 UTE ALMOHARIN MIAJADA	50.00%
MEJORA RED SANEAMIENTO CASCO DE LA VILLA	70.00%
LINEA AEREA MADRID–SEGOVIA–VALDEASTILLAS	20.00%
SUSTITUCIÓN HHCC JTMI CÓRDOBA	50.00%
INSTS. SEGURIDAD CENTRO PENITENCIARIO PUERTO III	100.00%
UTE MUELLE BAIONA AMPLIACION DE PEIRAO	65.00%
UTE ACCESO CORUÑA	50.00%
UTE ABASTECIMIENTO LERIDA CANAL PIÑANA	70.00%
MEJORA ABASTECIMIENTO AGUA OVIEDO	100.00%
UTE HOSPITAL MILITAR	100.00%
UTE CATENARIA MALAGA	50.00%
SUPLIDOS UTE SANEAMIENTO MUNICIPIO CORDOBA	50.00%
EL PORTAL CATENARIA LINEA SEVILLA–CÁDIZ	50.00%
LINEA AVE CAMPOMANES	50.00%
UTE GUINOLUX	50.00%
UTE CLIMATIZACION ALCAZAR SAN JUAN	40.00%
SERVICIOS AFECTADOS ABASTECIMIENTO A MELILLA	20.00%
UTE AUTOVIA A7 CONCENTAINA MURO DE ALCOY	50.00%
ACONDICIONAMIENTO TRAVESIA DE MARTOS	50.00%
LINEA 5 TRAMO:HORTA–VALL D'HEBRON	40.00%

Anexo IV

Name of UTE	% interest
VESTIBULOS INTERCAMBIADOR ARCO TRIUNFO	65.00%
UTE ACCESOS AEROPUERTO CIUDAD REAL	70.00%
OBRAS J.M.VILLA VALLECAS	100.00%
MTTO.J.M.MORATALAZ	100.00%
UTE OBRA ZONA 08 A	70.00%
UTE U 11 SAN LAZARO	70.00%
HOSPITAL PARAPLEJICOS TOLEDO	80.00%
UTE COIN CASAPALMA CARRETERA A–355 A–357	50.00%
ADECUACION CAMINO TORTILLA VARIANTE LINARES	50.00%
UTE AVE NUDO DE LA TRINIDAD MONTCADA	33.34%
UTE PLAZA SUR DELICIAS	50.00%
MANTENIMIENTO EDIFICIO ADMINISTRATIVO XUNTA DE GALICIA	70.00%
UTE DEPURADORA FERNAN NUÑEZ	50.00%
UTE MARBELLA	80.00%
UTE EDIFICIO MEDICINA C.JUSTICIA MADRID	50.00%
MANTENIMIENTO EDIFICIOS Mº MEDIO AMBIENTE	100.00%
EMISARIO RIO PISUERGA	50.00%
TRAVESIA MARTOS II	50.00%
VIA DEL PRAT DE LLOBREGAT	25.00%
UTE ARITZETA	50.00%
LOMA LA LATA – OFF	75.00%
MEJORA SISTEMA ABASTECIMIENTO OROPESA	70.00%
AUTOVIA IV CENTENARIO FASE 1 TRAMO 1	70.00%
UTE MACEIRAS REDONDELA	50.00%
UTE PRESA SANTOLEA	50.00%
SANEAMIENTO PUERTO DEL CARMEN	70.00%
ACONDICIONAMIENTO CTRA.VALLEHERMOSO–ARURE	70.00%
UTE CABREIROS	70.00%
UTE REGADIOS BALAZOTE	100.00%
REDES BCN UTE	50.00%
COMUNIDAD PENITENCIARIA DE LARA.SUPLI-DOS	40.00%
ACOMETIDAS ATEWICC–4	33.33%
DRATYP IX UTE	50.00%
T.RENFE 07–CENTRO UTE	50.00%

Name of UTE	% interest
T.RENFE 07–NORTE UTE	50.00%
UTE REGADÍO DURATON	100.00%
LINEA DE TRANSMISION CAPANDA	33.00%
HOTEL CAMP DE MAR	50.00%
UTE UNIVERSIDAD DE SANTIAGO GTOS. GRALS	34.00%
SUPLIDOS U.T.E.POLA LENA	40.00%
SUPLIDOS UTE MIERA	50.00%
UTE JEREZ GTOS GRALES	10.00%
SUPLIDOS UTE HOSPITAL ALCAZAR	40.00%
UTE EMPALME MANACOR SUPLIDOS	30.00%
SUPLIDOS U.T.E. REC TORRES	50.00%
SUPLIDOS U.T.E RIERA CALDES	50.00%
METRO LIGERO SUPLIDOS	20.00%
UTE GIRONA	33.00%
ESTACIÓN METRO LINEA 4 BARNA SUPLIDOS	50.00%
EDAR VIC	50.00%
LINEA 9 METRO BARCELONA	20.00%
RED ACCESO RURAL EN CATALUÑA	50.00%
CONSTRUCCIÓN SUBESTACIÓN LINEAS AT/MT PLAN TRAMONTANA	50.00%
INTERCAMBIADOR SAGRERA MERIDIANA SUPLIDO	25.00%
UTE ALP PLANOLES SUPLIDOS	33.33%
UTE INSTALACIÓN ARGANDA SUBESTACIÓN POVEDA / ARGANDA	18.00%
INSTALACIÓN SEGURIDAD CENTROS PENITENCIARIOS CATALUY	80.00%
U.T.E .AQUAPLAST–ISOLUX	90.00%
SUPLIDOS OBRA UTE RIO LEMPA	100.00%
PROYECTO Y OBRA SISTEMA INFORM. AUTOM. EDAR 1ªFASE	100.00%
UTE ATEWICC –2	33.34%
UTE RADIO RECORD OPTIMIZACION	65.00%
SUPL.UTE NIJAR	75.00%
SUPL. U.T.E.PALOS	99.90%
SUPLIDOS UTE MANANTALI	25.00%
UTE SUBESTACIONES LINEA 10	33.00%
UTE SAVE SUPLIDOS LIQUIDACIÓN	27.78%
UTE INDRA ANTIGUA	15.00%
RED CATV CABLETELCA 2002	50.00%
INTEGRACIÓN SISTEMA CONTROL DEL TSA	33.33%

Name of UTE	% interest
SAVE SUPLICOS	27.78%
LIGNE SIDI MANSOUR MISAKEN II	100.00%
UTE SEÑALIZACIÓN COCHERAS METRO CUATRO VIENTOS	20.00%
UTE TETRA EL HIERRO	50.00%
TELEMANDO DE ENERGIA	50.00%
HOMOGENEIZACION CENTRO PENITENCIARIO TOPAS	100.00%
UTE BENIDORM	49.00%
SUPLIDOS TORREPACHECO	50.00%
IMPERMEABILIZACIÓN VERTEDERO DE PIEDRA NEGRA	55.00%
SISTEMA DETECCION DE CAJAS CALIENTES	50.00%
VODAFONE CDC ALCOBENDAS	50.00%
SAGULPA, S.A. URBANIZACIÓN ERMITA S. ROQUE	80.00%
SSEE. LINEA 1 SUPLIDOS METRO MADRID	50.00%
UTE BALIZAMIENTO 15L–33R SUPLIDOS	33.33%
SUPLIDOS UTE ILCHE	50.00%
PUERTA DE ATOCHA CERRO NEGRO	50.00%
SAVE 3, SUPLIDOS	26.20%
MTTO. INTEGRAL BASE PRINCIPE BRIPAC	100.00%
MTTO. INST. EDIFICIOS A Y B ADUANAS	100.00%
REHABILITACIÓN SS/EE LOS PRADOS	50.00%
AEROPUERTO CIUDAD REAL UTE	65.00%
UTE QUINTANA	100.00%
SS/EE LINEA 3 METRO SUPLIDOS	50.00%
MTTO.INT.DISTRITO SANITARIO GUADALQUIVIR	100.00%
UTE COMAVE, SUPLIDOS	28.33%
VODAFONE CDC LEGANES SUMINIST.Y SUPLI-DOS	50.00%
UTE CATENARIA PITIS–PINAR LAS ROZAS	33.34%
PLANTA DE COMPOSTAJE EN ARANDA	50.00%
UTE MANSUB	37.50%
REHABILITACIÓN CATENARIA SUSTITUCIÓN PENDOLADO MATILLAS	50.00%
UTE ENVASES PICASSENT	70.00%
ALUMBRADO PUBLICO Y URBANIZACIÓN RONDA SUR LUCENA	80.00%
EL MANCHON SUPLIDOS	50.00%
SUPLIDOS PRESA MELONARES	50.00%

Name of UTE	% interest
JARDINES DE GERENA SUPLIDOS	50.00%
URBANIZACION ZUERA SUR	50.00%
SUPLIDOS UTE GUADALOPE	50.00%
SUPLIDOS UTE FLUMEN MODERNIZACIÓN RIEGOS	50.00%
CENTRO PENITENCIARIO ESTADO DE FALCON VENEZUELA	35.74%
HOSPITAL PRINCIPE ASTURIAS ALCALA	37.61%
UTE ATEWICC 3 SUPLIDOS	33.34%
UTE ALMAGRO ISOLUX	100.00%
GESTION PEAJE AP–41 Y CONTROL TRAFICO	50.00%
AVE AMOREBIETA–ETXANO	50.00%
UTE RIO DUERO–TUNEL PINAR ANTEQUERA	45.00%
MONTAJE VIA ALTA VELOCIDAD VIA PRAT. S. JOAN	50.00%
UTE CENTROS PENITENCIARIOS ANDALUCIA ORIENTAL	100.00%
UTE MANSUB 2	25.00%
ADECUACIÓN PRESA BEMBEZAR Y RETORNILLO	50.00%
NUEVO APOYO TERMINAL BARCELONA UTE	75.00%
UTE VERDUGA	100.00%
CENTRO DE INSERCIÓN SOCIAL DE TENERIFE	75.00%
UTE E.D.A.R. TOMELLOSO	90.00%
UTE ENVOLVENTE CRUZ ROJA	60.00%
UTE MURO	60.00%
UTE 3 EDAR SESEÑA	90.00%
UTE NUEVO ACCESO A.V.E. VALENCIA 1	50.00%
INSTALACIÓN DE ESTACIÓN L3 ROQUETAS UTE	100.00%
AUTOVIA A–4 1ª GENERACIÓN TRAMO MADRID R–4	50.00%
UTE CERCANIAS MADRID LINEA C–3 PINTO	40.00%

directors' report 2007

1. Economic environment

Gross domestic product (GDP) in Spain exceeded one billion euros for the first time in 2007, showing 3.8% growth, one tenth of a percentage below the rate obtained in 2006 but much higher than the 2.7% growth recorded in the eurozone. This slight reduction is due to the moderating trend in domestic demand and has been offset by an improvement in the negative contribution of export activities.

Employment grew by 3%, two tenths of a percentage less than the 3.2% recorded in 2006, giving rise to a slight reduction in the unemployment rate from 8.5% in 2006 to 8.3% in 2007. In 2007 inflation was 2.8%, notably less than the 3.5% recorded in 2006 and higher than the 2.1% recorded in the eurozone.

With regard to investment, the gross fixed capital formation grew by 5.9%, with capital and other goods up by 11.6%, and Construction up by 4.0%.

The economic forecasts for 2008 envisage a deceleration of the performance by the Spanish economy, with an expected 2.5% increase in GDP, inflation slightly above 3.8%, 2.4% growth in gross fixed capital formation and a public sector objective of achieving budget equilibrium.

2. Development and performance of the Company in 2007

With respect to Concessions, there was a marked increase in investments in the different areas operated:

- Car parks: Obtaining of new Administrative Concessions and acquisition of car parks already built and in operation (Aparcamiento Ponzano in Madrid).

- Energy infrastructures: New Energy Transmisison Concessions in Brazil and obtaining of wind -farm concessions in Spain (Cova da Serpe)

- Toll roads: Obtaining of the new generation A4 toll road.

In Construction, our presence in traditional sectors in Spain such as land infrastructures (rail and road) was strengthened, promoting our presence in overseas markets where operations were started up in Mexico and contracts were signed in countries such as Algiers and Argentina.

Engineering continued to grow in the domestic market although growth was mainly fuelled by the large-scale international projects, particularly in the Energy Transmission and Generation Sector in countries such as Brazil, Argentina, Syria and Angola.

2007 was a year of transition in Renewable Energies as construction work was completed on the Group's Biodiesel Plants in Castellón and El Ferrol, which will come into operation late 2008.

Noteworthy in this Area is the Group's investment, through its subsidiary, Infinita Renovables, in the production of cereals for the manufacture of biofuels in countries such as Argentina and Mozambique.

Similarly, in the solar panel construction sector, in 2007 building work was carried out on the T-Solar Global plant in Orense, which will come into operation in the first half of 2008.

In Property, our presence was strengthened in housing rentals for young people, with the incorporation of Interisolux Alcorcón Vivienda Joven.

Business performance in 2007

2.1.Financial highlights

It should be noted that the key figures for 2006 result from the restatement under International Financial Reporting Standards (IFRS) of the accounts prepared under the Spanish Chart of Accounts. They therefore do not agree with the accounts entered in the Mercantile Registry.

The development of the Group's main figures in 2006 and 2007 is as follows:

Key financials in thousand euros	2007	2006	Variation
Total ingresos de Explotación	**2,415,465**	**1,870,989**	**29.10%**
Consolidated profit (before minority interests)	87,640	101,613	(13.75%)
Operating profit	161,700	44,599	262.56%
EBITDA (1)	190,992	107,299	78.00%
Net financial results	(30,923)	(26,266)	17.73%
Turnover	2,173,104	1,869,718	16.23%
Debts associated with Projects (2)	396,575	172,060	130.49%
Borrowings – cash and cash equivalents	126,588	129,560	(2.29%)
Total debt net of cash and cash equivalents	523,163	301,620	73.45%
Gross investments for the year	321,633	182,143	76.58%
Portfolio	9,473,904	6,375,253	48.60%

(1) Operating profit not taking into account amortisation/ depreciation, impairment losses and changes in trade provisions.
(2) Includes short and long-term financing without recourse.

There was notable growth in the Group's main figures. Particularly noteworthy was the 78% and 48.60% variation in EBITDA and the Portfolio, respectively.

With respect to the performance of the financial debt, Borrowings net of Cash and Cash Equivalents fell slightly by 2.29%, while the debt associated with Projects rose by 130.49% owing to the sharp increase in investment by the Group ("Project Finance") in the financing of large-scale Concession and Infrastructure Projects.

2.2 Group's results

It should be noted that the figures for 2006 result from the restatement under IFRS of the accounts prepared under the Spanish Chart of Accounts. They therefore do not agree with the 2006 accounts entered in the Mercantile Register.

2.2.1 Performance of the income statement

The performance of the income statement for 2007 and 2006, together with the variation in the most important figures, is as follows:

Figures in thousand euro	2007	2006	Variation (%)
Total Ingresos de Explotación	**2,415,465**	**1,870,989**	**29.10%**
Turnover	2,173,104	1,869,718	
Other operating income	187,340	31,993	
Variación de existenciss	55,021	(30,722)	
External and operating expenses	(1,905,120)	(1,491,084)	
Staff costs	(319,353)	(272,606)	
(EBITDA)	**190,992**	**107,299**	**78.00%**
% of turnover	**8,79%**	**5,74%**	
Deprec./ amort. and impairment losses	(24,167)	(53,490)	
Change in trade provisions	(5,125)	(9,210)	
Operating profits	**161,700**	**44,599**	**262.56%**
% of turnover	**7,44%**	**2,39%**	
Net financial results	**(30,923)**	**(26,266)**	**17.73%**
Share in results of associates	(4,670)	1,176	
Other income and expenses	**0**	**117,948**	
Profit before taxes	**126,107**	**137,457**	**(8.26%)**
Income tax	**(38,467)**	**(35,844)**	
Profit for the year	**87,640**	**101,613**	**(13.75%)**
Profits attributed to minority interests	463	(2,077)	
Profit attributed to the Company's shareholders	**87,177**	**103,690**	**(15.93%)**

2.2.2 Development of Turnover.

The development of turnover in 2006 and 2007 is as follows

Figures in thousand euro	2007	% of Total	2006	% of Total	% 2006-2007
Construction	1,060,887	46.0%	1,031,194	54.8%	2.88%
Engineering and Industrial services	1,196,750	52.0%	825,537	43.8%	44.97%
Concessions	46,482	2.0%	26,261	1.4%	77.00%
Other (1)	(131,015)		(13,274)		
Total	**2,173,104**		**1,869,718**		**16.23%**

(1) Includes other business and consolidation adjustments

With respect to the breakdown into domestic and international markets, the Group's turnover has performed as follows.

Figures in thousand euro	2007	% of Total	2006	% of Total	% 2006-2007
Domestic market	1,717,533	79.04%	1,510,893	80.81%	13.68%
International market	455,571	20.96%	358,825	19.19%	26.96%
America	348,189	76.43%	313,734	87.43%	10.98%
Rest of world	107,382	23.57%	45,091	12.57%	138.15%
Total	**2,173,104**		**1,869,718**		**16.23%**

2.2.3 Development of EBITDA

The development of EBITDA in 2006 and 2007 is as follows:

Figures in thousand euro	2007	% of Total	2006	% of Total	% 2006-2007
Construction	81,586	38.5%	85,957	50.7%	(5.09%)
Engineering and Industrial services	98,729	46.6%	60,309	35.6%	63.71%
Concessions	31,604	14.9%	23,192	13.7%	36.27%
Other (1)	(20,927)		(62,159)		
Total	**190,992**		**107,299**		**78.00%**

(1) Includes other business and consolidation adjustments

2.2.4 Development of Other Income and Expenses

The development of Other Income and Expenses in 2006 and 2007 is as follows:

Figures in thousand euros	2007	2006
Other income		
Net income Europistas take-over bid	–	117,948
Total	**–**	**117,948**
Other expenses	–	–
Total	**–**	**–**
Other income and expenses (net)	–	117,948

The year 2006 records the positive effect of the Europistas take-over bid amounting to 117,948 thousand euro, while in 2007 the amount in respect of this item is zero.

3. Outlook 2008

The volume of business of the Isolux Corsán Group in 2007 exceeded € 5,105.9 million, 48% of which relates to the domestic market and 52% to international markets.

Set out below is a breakdown of business for 2007 by area.

Figures in thousand euros	2007	% of total
Construction	1,251,164	24.5%
Engineering and Industrial Services	1,505,797	29.5%
Concessions	2,332,427	45.7%
Other Sectors	16,554	0.3%
Total	**5,105,942**	

The Group's total portfolio at 31 December 2007 amounts to € 9,473.9 million, the domestic and international markets accounting for 60% and 40%, respectively.

Set out below is a breakdown of the portfolio by business area and performance with respect to 2006.

Figures in thousand euros	2007	% of total	2006	% of total	% 2006-2007
Construction	2,290,765	24.2%	1,761,693	27.6%	30.03%
Engineering and Industrial Services	1,528,607	16.1%	1,202,228	18.9%	27.15%
Concessions	5,415,914	57.2%	3,145,489	49.3%	72.18%
Other sectors	238,618	2.5%	265,843	4.2%	(10.24%)
Total	**9,473,904**		**6,375,253**		**48.60%**

The current macro-economic environment both in Spain and globally, together with the Group's order book, enable us to be reasonably optimistic about our prospects in 2008. Grupo Isolux Corsán expects to increase turnover by maintaining its profitability and cash ratios during 2008

Of the contracts awarded to the Group in the first few months of 2008, the following are particularly noteworthy in view of their significance.

- Panipat-Jaladhar toll road in India (Concession and Construction) amounting to 1,390 million euros

- Toll road Cuota Perote-Banderilla and Libramiento de Xalapa in Mexico (Concession and y Construction) amounting to 1,406 million euros.

4. Treasury stock

There have been no movements in treasury stock during the year.

5. Research and development activities

Research, initial design and testing of new products and services, as well as specific innovation initiatives involving these products, regardless of whether or not they are attributed to projects, are carried out in general by the employees of the Group's different departments within the framework of varying national and regional government aid programmes.

6. Human resources

The average number of Group employees in 2007 stood at 7,801 instead of 7,267 employees of added average group of year 2006. The composition of the average workforce by professional category is as follows in 2007.

Category	2007	2006
University graduates	1,734	1,382
Administrative staff	517	457
Workers	5,550	5,428
Total	**7,801**	**7,267**

7. Use of Financial Instruments

The activities carried out by Group companies are exposed to various financial risks. The policies imposed by Grupo Isolux Corsán for these risks is based on the establishment of hedges for exchange and interest rate risks.

Operations with financial derivatives at 31 December 2007 are as follows:

a) Exchange rate hedging

In order to hedge the exchange risk, the Group has arranged hedging transactions through which it insures the forward sale and purchase a of US dollars (USD) with different dates and at different exchange rates for a total amount of USD 135,761 thousand and USD 102,193 thousand, respectively, and the forward sale of USD against Mexican pesos with different sectors and exchange rates for a total amount of USD 50.794 thousand.

The effect of these transactions has been valued at the year end.

b) Interest rate swap

At 31 December 2007, the Group has entered into interest rate swaps with financial entities. These swaps were arranged on 19 July 2007 and mature on 28 February 2010, and insure a rate of 2.89% for the debt of 200,000 thousand euros for the 200,000 thousand euro, long-term loan provided by a syndicate on 14 February 2007. This loan is repayable in a single payment on 14 February 2012, although the members of the syndicate may ask for early repayment on 14 February 2010 or 14 February 2011.

In addition, in 2007 the following interest rate swaps were arranged:

Loan HIXAM	
Contract date:	7 February 2007
Notional amount:	56,623 thousand euro
Interest rate:	4.36%
Maturity	29 December 2022

Loan UTE Zona 8	
Date:	26 July 2007
Notional amount:	6,605 thousand euro
Interest rate:	4.79%
Maturity:	25 February 2024

Loan Infinita Renovables	
Date:	30 April 2007
Amount hedged:	102,600 thousand euro
Interest rate:	4.115%
Maturity	31 December 2012

Loan Concesionaria Saltillo - Monterrey S.A de C.V.	
Date:	30 May 2007
Amount hedged:	726,426 thousand Mexican pesos
Interest rate:	8.20%
Maturity	30 May 2025

corporate responsability social

1. Isolux Corsán's Commitment to Corporate Responsibility

Focus

In addition to creating wealth and employment through its business activity, Isolux Corsán also assumes commitments of a financial, social and environmental nature aimed at contributing to social and economic progress and sustainable development and which make up our corporate responsibility (CR) policy.

CR represents a means of contributing to the creation of added value and is included in the various policies and activities of our Group, extending to all management processes and systems with a view to seeking continuous improvement and excellence, enabling us to understand and meet the expectations of our interest groups.

In short, the Group is building a business model with the capacity to balance our ambitious objectives for growth and profitability with social and environmental issues and so contribute to more sustainable development. Our organization is committed to providing a high level of information and transparency and to greater employee participation. A better company with a greater capacity to face the new challenges and demands posed by today's society, climate change, migratory movements, talent management and equal opportunities for groups at risk of exclusion, among others.

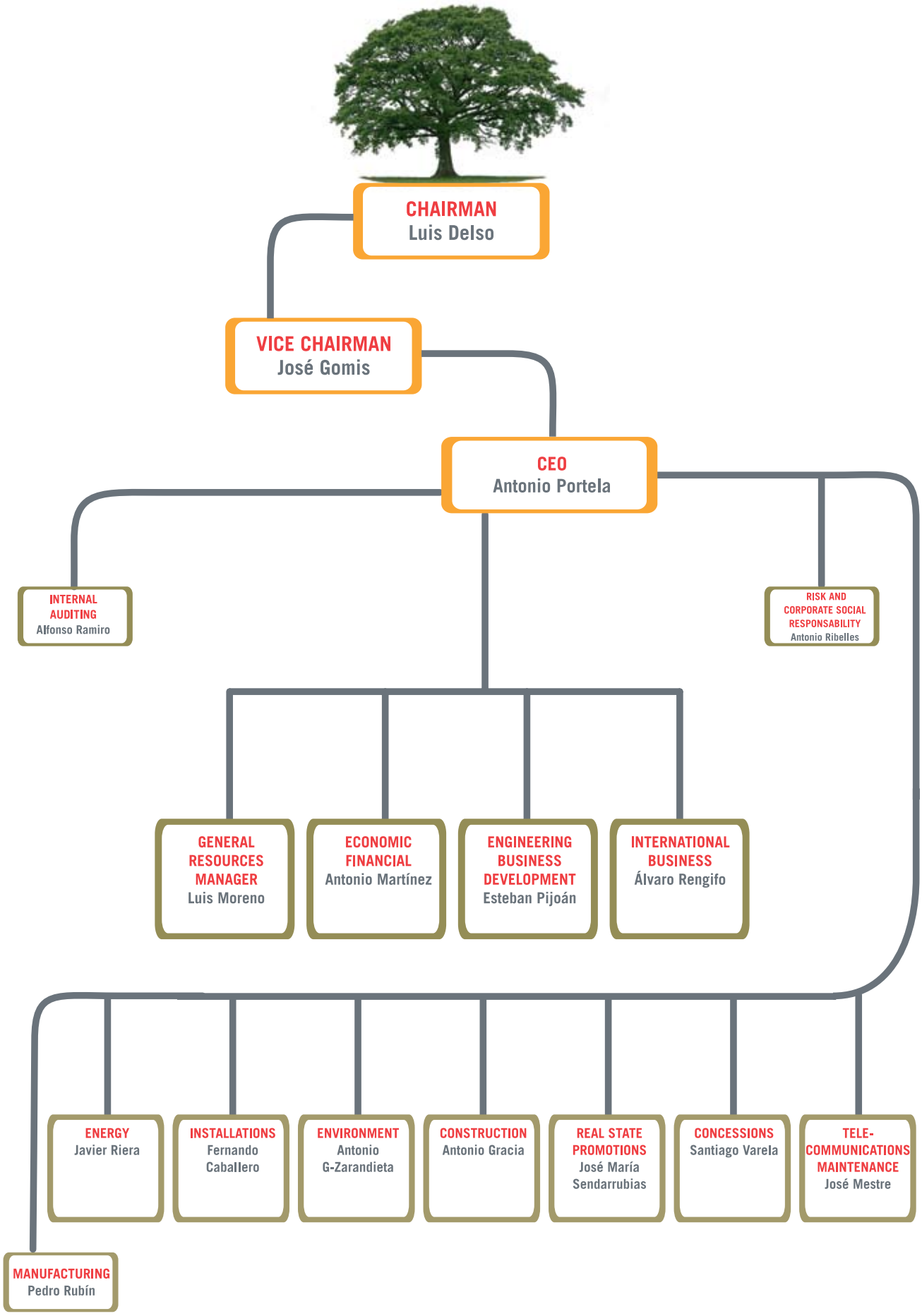
The organizational structure of Corporate Responsibility

The Corporate Responsibility Department incorporates CR within the Group's strategy and throughout the value chain as an essential, key element in the development of our activity.

As CR is considered to be a strategic element, it is implemented in all the Group's various organizational units. This Department's main functions therefore focus on defining the Group's CR strategy and policy, which will ultimately be approved by the Company's governing bodies, advising the departments involved on best practices and following up the actions carried out, among others.

The Company has performed an analysis of its situation with regards to corporate responsibility, enabling us to identify those aspects which should be maintained and enhanced, as well as those which should be reinforced, with a view to continuously improving.

In the short term the Company plans to develop a Master Plan on CR identifying and prioritizing the strategic lines of performance, as well as an Action Plan with defined, programmed actions and programmes aimed at focussing our efforts on the key action lines for addressing the concerns of our interest groups.


CHAIRMAN
Luis Delso
VICE CHAIRMAN
José Gomis
CEO
Antonio Portela
INTERNAL AUDITING
Alfonso Ramiro
RISK AND CORPORATE SOCIAL RESPONSABILITY
Antonio Ribelles
GENERAL RESOURCES MANAGER
Luis Moreno
ECONOMIC FINANCIAL
Antonio Martínez
ENGINEERING BUSINESS DEVELOPMENT
Esteban Pijoán
INTERNATIONAL BUSINESS
Álvaro Rengifo
ENERGY
Javier Riera
INSTALLATIONS
Fernando Caballero
ENVIRONMENT
Antonio G-Zarandieta
CONSTRUCTION
Antonio Gracia
REAL STATE PROMOTIONS
José María Sendarrubias
CONCESSIONS
Santiago Varela
TELE-COMMUNICATIONS MAINTENANCE
José Mestre
MANUFACTURING
Pedro Rubín

The main Interest Groups

One significant element of the CR strategy the Company is carrying out is to identify the main groups involved, which are understood to be "all those groups with a legitimate interest in the Company". In 2007 the Group therefore held a number of work meetings aimed at identifying our main interest groups.

Identification of Interest Groups

The main interest groups identified for the Organization are the following:

- Employees.
- Clients.
- Shareholders.
- Providers.
- Society.
- Regulatory Bodies.
- Business Partners.

All these groups also include a number of sub-groups which are described below:

Employees

Human resources represent one of the Company's greatest assets. We therefore take great care to meet the needs of this group, as well as to create measures to guarantee employee retention and to enhance their professional development.

This group includes:

- Senior Management.
- Heads of Departments or Corporate Services.
- Middle Management.
- Department or Project Technicians.
- Other Employees and Workers.

Clients

Our clients represent an extremely significant group within the development of the Group's activity. Due to the type of activity we carry out, the Company has therefore divided its clients into two groups, private and public, with a view to adapting and adjusting to the specific requirements of each one and offering them personalized management.

This group includes:

National:

- Private Clients.
  - Large, medium and small.
- Public Clients.
  - Central Administration.
  - Autonomous Communities.
  - Regional and Town Councils.

International:

- Private Clients
  - Large, medium and small.
- Public Clients.
  - Central Government.
  - Regional.
  - Local.
- Public Companies.
- Multilateral Organizations.

Shareholders

Our shareholders represent another of the Group's relevant interest groups. The Company is therefore strongly committed to providing shareholders with long term value.

This group includes:

- Individuals with significant holdings.
- Institutions: Caja Castilla La Mancha, El Monte, Caja Navarra, and Cartera Perseidas SL.

Providers

Providers and subcontractors play a key role in the development of our business. The Group aims to further a relationship of trust, transparency and professionalism with all members of this interest group.

This group includes:

- Supply providers.
- Project subcontractors (regular and specialist).
- Finance Providers (Financial Community).
- Large banking institutions which support the Group in large operations.

Society

Society is an extremely important agent in the development of our Group's activities. As the Company is continuously interacting with society, it therefore considers it essential to manage its priorities and expectations with a view to contributing actively to the development of the areas in which we operate.

This group includes:

- Certification Bodies.
- Civil Society groups.
- Business and sector associations.
- Universities and Business Schools.
- The Media.
- Political Parties.
- Central, Regional, Provincial and Local Government.
- Chambers of Commerce.
- Multilateral Organizations.
- International government bodies.
- The general public.

Regulatory Bodies

The Regulatory Bodies represent an essential interest group as our company's activity is carried out in sectors which are affected by the regulations and supervision of these bodies.

This group includes:

- CNE (National Energy Commission).
- CNMT (National Telecommunications Market Commission).
- Environmental regulators.
- Regulators in expanding markets.
- Public Administration Control Bodies.

Business Partners

Our Business Partners play a strategic role within the Group and are essential in achieving our ambitious objectives for growth and also due to their role in establishing alliances for developing the business. We therefore consider it important to establish long term relationships of trust with this interest group.

This group includes:

- Partners in Temporary Consortiums.
- Partners in Consortiums.
- Agents and consultants.

Principles of Communication with the various Interest Groups

Isolux Corsán adopts management principles governing External Communications and Corporate Marketing which are based on five priorities:

- Accessibility. In both Communication and Marketing, one area in which our Group stands out is providing employees, clients and providers with access to all contents, whether informative or commercial.

- Flexibility: All our Communication and Marketing actions are flexible, with interaction between the individuals involved and all contents include positive social values.

- Respect for the Environment.

- Training and cultural. The transfer of communication and commercial contents includes training and cultural messages for recipients at all levels relating to the Group's direct or indirect activity.

- Research and development. Furthering research and social development through the dissemination of the knowledge society with the aim of informing recipients of these messages on the human and technical advances in which the Group participates.

The objective of all these elements is to apply and manage a Communication Policy which aims to promote a positive image and to establish harmonious external relationships between Isolux Corsán and the populations of the various countries in which we operate.

The Group's communication management is therefore carried out within a socially responsible environment based on providing the media, employees, clients and providers with transparent, objective information using clear, non-discriminatory language.

With regards to Marketing, all the Group's advertising must be true and lawful and any promotion of products promoting discrimination or violence or in breach of free competition is prohibited.

Isolux Corsán's Mission, Image and Values with regards to communication are the following:

Mission

To establish the Communication Policy, Corporate Image and Institutional Relationships, with a view to projecting and maintaining a positive, homogenous and recognizable image of the company before administrations, private clients, providers, employees and the rest of society.

Isolux Corsán's image

A leading company in engineering, construction, concessions and services, real estate promotions and renewable energies, offering a worldwide service of the highest quality through efficient, transparent management of its resources.

Isolux Corsán's communication values

- Providing the media and social agents with transparent, objective information
- Non-discriminatory language accessible to all social groups.
- All Isolux Corsán's advertising must be true and lawful. The use of discriminatory or violent messages or those in breach of free competition is prohibited.

Main Channels of Communication with the Interest Groups

Isolux Corsán has established channels of dialogue with its interest groups with the dual goal of meeting their expectations for management in the organization and informing them on the Group's strategy and objectives, taking into consideration the issues most relevant to these groups.

The main channels of dialogue the company has established with these groups are the following:

Clients

- The Web Page: www.isoluxcorsan.com
- Email address: info@isoluxcorsan.com
- Satisfaction surveys.

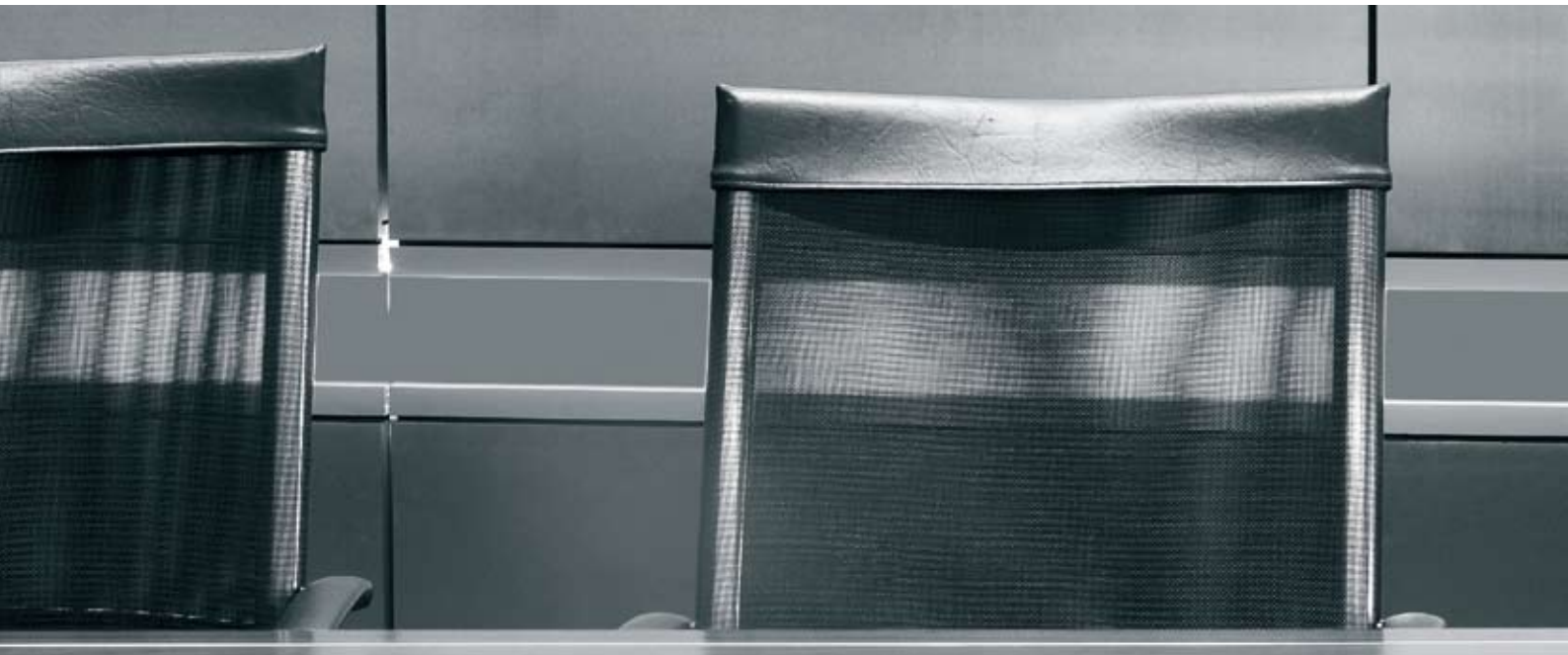
Employees

- The Intranet Page: icenred, which can be freely accessed by employees and contains a wide range of information on the Group's activity. With a design similar to that of the Web Page, but only accessible to employees.
- Corporate documents.
- Communication seminars informing on the most significant areas affecting the Group.
- Annual meetings.
- Workers' committee.
- Health and safety committee.

Providers

- To enhance communications with providers and facilitate procurement management, Isolux Corsán has developed a procurement system which is available on its Intranet and provides on-line access to all information relating to the providers who work with the Group. It provides information with comparative charts with other projects or services carried out by the organization, thus greatly speeding up contact with the appropriate providers in each case. All orders and contracts are issued through this system, thereby ensuring a swift, efficient contracting process.

- As a complementary channel, the Group has also participated as a founding member in the Construction Portal Obralia since it was set up a few years ago. This provides on-line contact and preparation of tenders through a database of over 30,000 providers.



Society

- Direct dialogue with NGOs, associations and foundations.
- Specific participation in associations and foundations.
- The Web Page: www.isoluxcorsan.com provides all members of society with information on the organization and is designed in line with the company's corporate identity. It has been created for all publics, whether clients, employees or providers as well as those not related with the Group.
- Email address: info@isoluxcorsan.com
- Press conferences, direct interviews, etc., based on the company's informative transparency, in the form of dossiers or press releases and the graphic documentary support provided by the Group. In 2007 over one thousand five hundred communicative impacts featuring Isolux Corsán or one of its subsidiary or affiliated companies were recorded.
- Open days: guided tours of projects and installations for schools, students and various social groups with common interests. Recently introduced, the company predicts an increase in demand in coming years for this type of event, in particular with regards to renewable energies.

2. Isolux Corsán's Contribution to Sustainable Development

Continuous Improvement and Preservation of the Environment in which We Operate

Isolux Corsán is firmly committed to continuous improvement of the quality of the products we provide, striving to increase client satisfaction and placing special emphasis on protection of the Environment in all our actions.

Year after year we maintain our commitment to the development and wellbeing of society and to a unique way of working aimed at meeting our clients' needs. All this is reflected in the Quality and Environmental Policies defined by the Group's Management as compulsory policies.

Quality Management Policy

Isolux Corsán is aware that the growth and competitiveness of the companies within our Group are closely dependent on our clients' level of satisfaction with our products and services. This is why we have established a Quality Policy as a model of performance for our activities and a reference for our quality management systems.

Through this policy, our Group undertakes to assume the following commitments:

- To develop and introduce appropriate Quality Management systems for the Organization and in compliance with the principles established by Standard UNE-EN ISO 9001:2000 and by this policy, to adopt measures which enable continuous improvement of the efficiency of the systems introduced.

- To comply with the requirements applicable to the products and services supplied, as required by the legal regulations and the specifications of the clients for whom they are performed. To respect the agreements reached with clients and to take their expectations into consideration.

- To optimize management of processes and working methods, of information, supplies, resources and capacities and of the internal or external relationships, involved in the performance of our activities.

- To establish and control compliance with objectives in line with this policy and in accordance with the capacities of the Organization. To ensure that these objectives contribute to enhancing the quality of the products and services and the efficiency of the quality management system.

- To regularly review this policy in order to ensure that it remains in line with the Management's vision and strategic objectives and with the needs detected at any time within the market, social and natural environment in which our business activities are carried out.

- .The Management undertakes to introduce the necessary measures to ensure that all members of the Organization are aware of and committed to this Quality Policy and that it is available to any interested party.

Environmental Management Policy

Another fundamental principle governing our Group's performance in relation to society is respect for the Environment. To achieve this essential goal, we apply a strategy based on strict control of all our activities and are strongly committed to technological innovation with a view to consolidating our corporate project.

Our Management is aware that respect for the environment and responding to society with regards to environmental issues are decisive elements which guarantee our companies' permanence and progress on the market. We have therefore established a Corporate Environmental Policy as a model for the performance of our activities and a reference for our Environmental Management Systems.

Through this policy, our Group undertakes to assume the following commitments:

- To develop and introduce appropriate Environmental Management systems for the Organization and in compliance with the principles established by Standard UNE-EN ISO 14001:2004 and by this policy, to adopt measures which enable continuous improvement of the efficiency of the systems introduced.

- To establish and control compliance with the environmental objectives and goals which are coherent with this policy and adapted to the capacities of the Organization. To ensure that these objectives contribute to gradually increasing good environmental behaviour and the efficiency of the environmental management system.

- To apply practices aimed at preventing and reducing pollution, seeking to minimize the most significant environmental impacts.

- To comply with the applicable environmental legislation and other environmental requirements to which the Organization is committed with regards to environmental issues. To maintain the corresponding information available and appropriately updated.

- To regularly review this policy in order to ensure that it remains in line with the Management's vision and strategic objectives and with the needs detected at any time within the market, social and natural environment in which our business activities are carried out.

- The Management undertakes to introduce the necessary measures to ensure that all members of the Organization and our external collaborators are aware of and committed to this Environmental Policy and that it is available to any interested party and to the general public.

Quality and Environmental Certifications

As a tool designed to achieve these objectives, Isolux Corsán has introduced and consolidated a number of integral quality and environmental management systems certified in accordance with the UNE-EN ISO 9001:2000 and UNE-EN ISO 14001:2004 Standards.

These management systems are reviewed and submitted to external audits on an annual basis as a guarantee for both our clients and society.

Quality and Environmental certifications	2007
% of Spanish business certified with ISO 9001	95.25%
% of Spanish business certified with ISO 14001	87.50%

Environmental Actions

It should be emphasized that at Isolux Corsán protection of the Environment represents a permanent attitude, an effort to achieve optimum performance based essentially on a range of environmental actions which include the following:

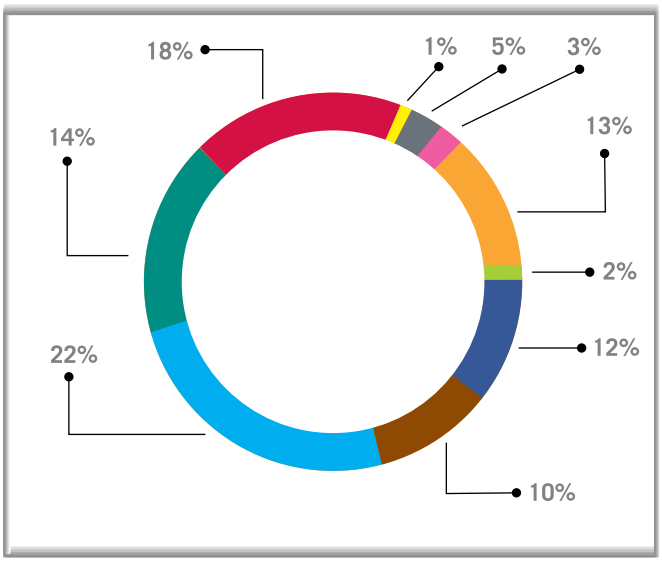
Identification and evaluation of environmental aspects

The following section describes the environmental aspects identified for all the activities performed by our Group. To date we have identified a total number of 2,745 environmental aspects associated with these activities.

Within the real aspects identified, the largest percentage corresponds to the generation of inert waste (22%), following by the generation of urban waste (18%) and hazardous waste (14%), together with consumption of natural resources/products (13%).

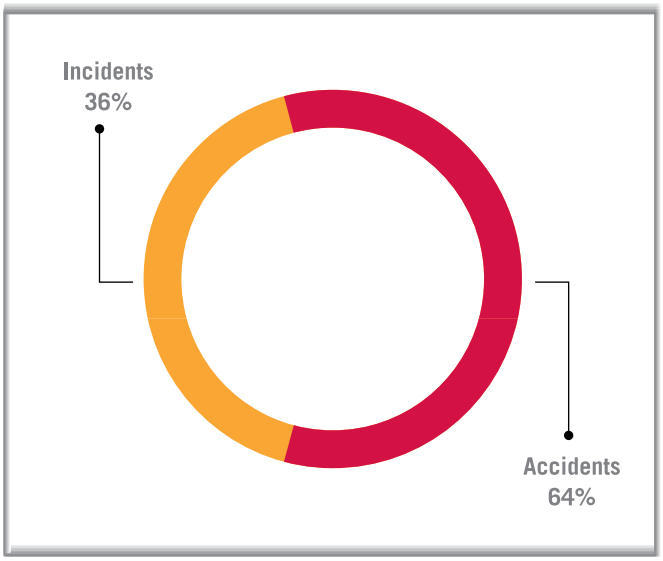
Real environmental aspects identified

- Urban waste 18%
- Use of Raw Materials 1%
- Effect on waters 5%
- Consumption of Naturalresources 3%
- Consumption of Naturalresources/products 13%
- Land damage 2%
- Acoustic Emissions 12%
- Atmospheric Emissions 10%
- Inert Waste 22%
- Hazardous Waste 14%



With regards to potential aspects, a total number of 568 were identified. Of these, 362 correspond to accidents and 206 to possible incidents.

Potential environmental aspects identified

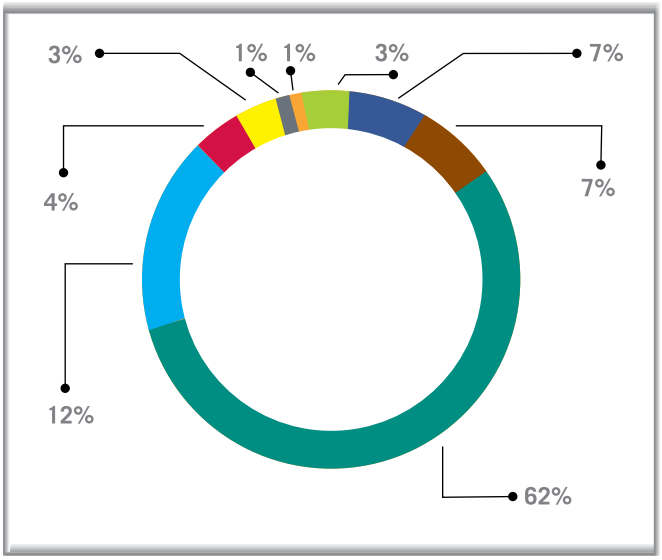


Of the 2,745 aspects identified, 687 proved significant after evaluation following the internal procedures governing these issues, which represents 25% of the total. Of these, 199 arise from potential aspects and 488 from real aspects.

1,890 minimizing measures have been established for the operational control of these significant aspects.

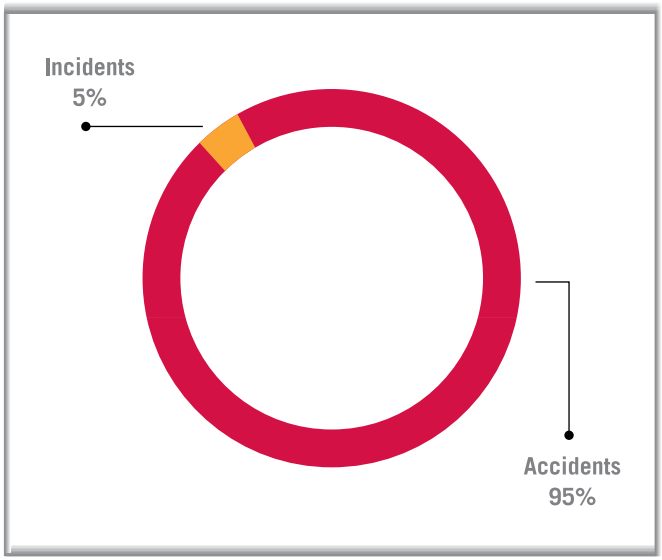
Within this context, the greatest part of the real aspects which proved significant corresponds to the generation of hazardous waste (62%).

Significant real environmental aspects



- Urban waste 4%
- Use of Raw Materials 3%
- Effect on waters 1%
- Consumption of Natural resources/products 1%
- Land damage 3%
- Acoustic Emissions 7%
- Atmospheric Emissions 7%
- Hazardous Waste 62%
- Inert Waste 12%

Significant potential environmental aspects



The significant potential aspects identified mainly correspond to those relating to possible accidents in which contamination associated with fires or accidental breakage of pipes is generated.

Within the Group, the EMESA factory represents an exception with regards to environmental aspects, as the production methods used are very different to those employed in our projects and services. The significant environmental aspects relating to this factory are summarized below.

Significant environmental aspects: direct

Generation of Waste

Aspect	Impact	Generating process or activity
Generation of containers contaminated with hazardous substances	Land and water contamination	Painting process and maintenance of installations and infrastructures
Generation of organic pasty waste		Painting process
Generation of solvents with paints		Painting process
Generation of dry paint		Painting process
Generation of paint grains		Painting process
Generation of absorbents contaminated substances		Painting process and maintenance with hazardous of installations and infrastructures
Generation of contaminated		Manufacturing process (drilling and chippings cutting of sections and machining)
Generation of used mineral oil		Maintenance of installations and infrastructures
Generation of oil filters		Maintenance of installations and infrastructures
Generation of lead batteries		Maintenance of installations and infrastructures
Generation of aerosols		Manufacturing process (inspection) and maintenance of installations and infrastructures
Generation of fluorescent tubes		Maintenance of installations and infrastructures
Generation of used batteries		Administrative activities and maintenance of installations and infrastructures

Consumption of Resources

Aspect	Impact	Generating process or activity
Petrol consumption	Consumption of resources	Receipt of materials, loading of materials, assembly of internal structures, cleaning of installations and infrastructures, personal hygiene, administrative activities and maintenance of installations and infrastructures
Consumption of paints		Painting process
Consumption of solvents		Painting process

Emissions

Aspect	Impact	Generating process or activity
Generation of environmental noise	Atmospheric contamination	In all processes
Emissions of CO^2 in the atmosphere		Process of Receipt of materials, loading of materials, cleaning of installations and infrastructures, personal hygiene, administrative activities and maintenance of installations and infrastructures
Emissions of VOCs		Painting process

Emergency situations

Aspect	Impact	Generating process or activity
Generation of hazardous waste	Land and water contamination	In the processes described above in the section on generation of waste

Waste Management

Waste management is a key element in our Group's work and we therefore make great efforts to contribute to reducing the volume of waste. Isolux Corsán has specific procedures which aim to appropriately manage the waste generated.

We will now describe the main details for each Area of the Group relating to the amounts of waste managed in 2007:

Area	
Engineering	70,665
Construction	7,643,194
Corporate	12,590
TOTAL	7,726,449

The various types of waste generated by the Group in 2007, classified by the CER-Stat rev.3 codes of the National Statistics Institute are:

CER-Stat rev.3 Code	2007
01.1 Used solvents	470
01.3 Used mineral oils	10,545
02.1 Off-specification chemical wastes	540
02.3 Mixed chemical wastes	5,293
03.1 Chemical deposits and wastes	3,688
03.2 Industrial effluent sludges	27,960
06.3 Mixed metal wastes	56
07.2 Paper and cardboard wastes	8,981
07.4 Plastic wastes	1,193
07.5 Wood wastes	2,265
08.2 Discarded electric and electronic appliances	8,127
08.4 Discarded machines and appliance components	3,473
10.1 Domestic waste and similar	1,680
10.2 Mixed and non-differentiated materials	17
10.3 Separation wastes	11,550
12.1 Construction and demolition wastes	7,547,793
12.2 Asbestos waste	22,788
12.3 Natural mineral waste	38,770
12.5 Diverse mineral waste	20,180
12.6 Contaminated drainage soils and sludges	1,080
	7,726,449

In order to prevent the pollution arising from the generation of waste, the Group has identified the origin of all waste matters, associating these with the processes performed, as well as identifying areas where improvements can be introduced aimed at reducing the amounts managed and the resources required for the final management of this waste.

The operational control put into effect is therefore based on a process of continuous improvement aimed at minimizing the amounts of waste matter generated and analyzing the possibility of evaluation these.

In compliance with Law 10/1998, containers are located at the works, services and factories to ensure correct separation of waste.

With regards to management of urban assimilated waste, this is carried out through the municipal collection services and authorized management companies.

The non-hazardous industrial waste generated is separated at origin and placed in clearly marked containers distributed in all areas of the works, services and factories and is then managed in compliance with the applicable legal requirements.

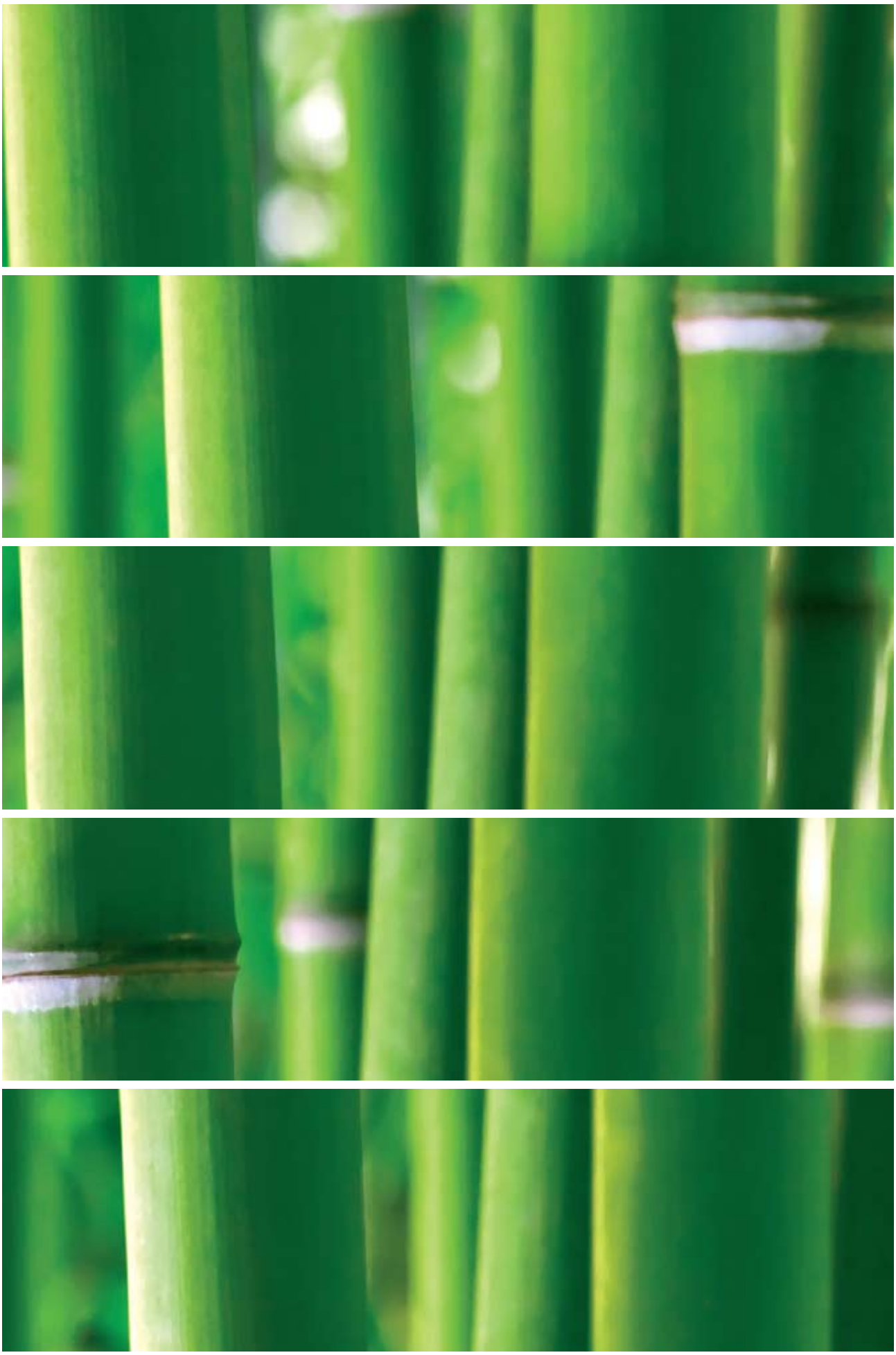
Once again, the EMESA factory represents an exception within the group with regards to generation of waste, as the production methods used are very different to those employed in the projects and services. A summary of the waste generated in this factory in 2007 is shown below:

Non-hazardous industrial waste			
DATE	Iron and steel residues (T/Q produced)	Ferrous metal dust and particles (T/Q produced)	Ferrous metal (T/Q produced)
01/01/07 to 31/03/07	0.085	0.018	0.066
01/04/07 to 30/06/07	0.061	0.018	0.007
01/07707 to 30709/07	0.082	0.018	0.010

Generation of Iron and Steel residues, ferrous metal dust and particles and ferrous metals

Non-hazardous industrial waste					
FECHA	Wood (T/Q produced)	Paper and cardboard (T/Q produced)	Aluminniun residues (T/Q produced aeolic)	Non Ferrous metal T/Q produced aeolic)	Slags (T/Q produced)
01/01/07 to 30/09/07	0.00174	0.00073	0.00045	0.00079	0.00611

Generation of Iron and Steel residues, ferrous metal dust and particles and ferrous metals



Urban assimilated waste					
DATE	Toner and ink cartridges (waste unit/ t manufactured)	Out of use appliances (t waste/ t manufactured)	Plastics tetra packs (No of containers/ t manufactured)	Glass (No of containers/ t manufactured)	Remains of waste (No of containers/ t manufactured)
01/01/07 to 30/09/07	0.000414	0	0.007368	0.000046	0.003592

Generation of urban assimilated waste.

Hazardous industrial waste					
DATE	Empty contaminated containers (t waste/ t painted)	Pasty organic (t waste/ t painted)	Dry paint (t waste/ t painted)	Solvent with paint (t waste/ t painted)	Paint grains (t waste/ t painted)
01/01/07 to 30/09/07	2.42×10^{-14}	1.79×10^{-3}	5.02×10^{-4}	0	0
	Used mineral oil (t waste/ t painted)	Urban oil filters (t waste/ t painted)	Solid waste impregnated with hazardous substances (t waste/ t painted)	Contaminated shavings (t waste/ t painted)	Empty aerosols (t waste/ t painted)
	6.9×10^{-5}	2×10^{-6}	2.3×10^{-5}	0	9×10^{-6}
	Used batteries (t waste/ t painted)	Used fluorescents (t waste/ t painted)	Lead batteries (t waste/ t painted)		
	1×10^{-6}	1×10^{-6}	2×10^{-6}		

Generation of the following waste: empty contaminated containers, pasty organic, dry paint, solvent with paint, paint grains, used mineral oil, used oil filters, solid waste impregnated with hazardous substances, contaminated shavings, empty aerosols, batteries, fluorescents and lead batteries.

Evaluation and Follow-up Tools

The Management Systems introduced provide the Group with the main evaluation and follow-up tools, the most important of which are the internal audits and revisions of the system performed by the various Departments.

The introduction and continuous improvement of these systems is also guaranteed by certifications awarded by Certification Bodies authorized by ENAC (National Accreditation Entity).

In the reports of the audits performed in recent years, the external auditors highlighted a number of these systems' strong points, including:

a) Corporate Area

- The support and involvement of the Management in the compliance and efficiency of the management systems.
- The effort made by the Group's R&D, Quality and Environment Department to maintain and enhance the systems to adapt to the organizational changes carried out during the year.

b) Engineering Area

- The review reports of the system drawn up by the Management regarding data analysis.
- The introduction of mechanisms to detect non-quality costs.
- The involvement of the production area in the enhancement of the Quality and Environmental Management System.
- Training programmes on environmental issues for subcontractors.
- Preparation of good practice manuals for offices and sites.



c) Construction Area

- The review reports of the system drawn up by the Management regarding data analysis.
- The performance quality control which enables total traceability of the structural concrete and steel placed in works.
- All the information provided in the Management's review report of the system, and particularly the environmental performance.
- Organization of clean points on sites.

d) Services Area

- The in-depth process of gathering and processing information which enables the Contracting Department to prepare and present extremely competitive bids.

Research, Development and Technological Innovation

Research, Development and Technological Innovation are the solid foundations on which our Group furthers its growth and develops its activities. This provides the products and services we offer our clients with added value and makes us stand out considerably from the competition.

All this is reflected in the R&D&I Policy which the Group's Management has defined as a compulsory policy.

R&D&I Policy

Our Management is aware of the fact that Isolux Corsán's level of excellence is closely linked to the technological innovation and R&D which each part of the Organization carries out and applies to its Engineering, Construction, Concessions and Services and Renewable Energies activities.

As part of a strategic decision, the Management has defined this R&D&I Policy whereby it undertakes to:

- Develop and introduce an appropriate R&D&I Management System for the Organization and in compliance with the principles established by Standard UNE 166002:2002, adopting measures to ensure that the efficiency of this system is continuously enhanced.

- Provide, through this R&D&I Management System, a reference framework in the Organization for establishing R&D&I objectives, seeking to achieve and regularly reviewing these objectives.

- Guarantee availability of resources to achieve the R&D&I objectives and to discover and analyze the latest technological advances in our sector.

- Promote actions which increase reflection within the business areas to detect new ideas which enable new products and services to be developed.

- Further cooperation within the field of R&D&I with external organizations which provide know-how, methodologies and resources.

The R&D&I policy defined by the Group's Management guarantees the technological development of the whole Organization and enables us to confidently face the challenges identified for the sector in the short, medium and long term.

- Increase competitiveness: creating a more competitive sector in Spain and abroad, increasing technology and productivity.

- Greater respect for the Environment: harmonizing the construction activity with the environment in which we operate, promoting actions aimed at preserving and improving the Environment.

- Increased safety: reaching optimum health and safety levels in all construction processes.

- Enhanced quality of life: creating quality life spaces adapted to the meet the populations' needs.

Within the construction business area, in 2007 we analyzed the possibility of commencing a number of R&D&I projects which can qualify for aid and subsequent certification under standard UNE 166002:2006. These projects include the following:

- Increased Surface Adherence by means of Application of Special Cold-produced Micro-Conglomerates for the Prevention of Traffic Accidents. Period: 2007 and 2008.

- Reuse of Recycled Engine Mineral Oil Waste in Modified Bitumens. Period: 2007 and 2008.

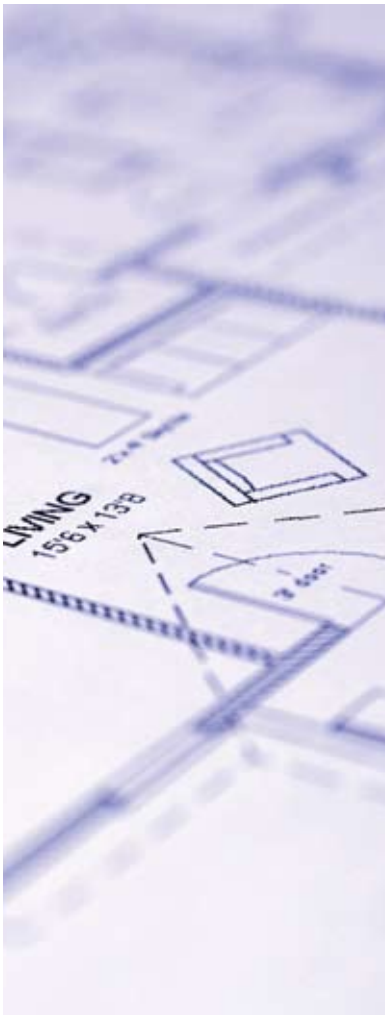
- High Sealant Power Asphalt Emulsions. Period: 2007 and 2008.
- Equipment for loading sleepers (Luceni sleeper factory). Period: 2007.
- Equipment for placing sleeper planks (Luceni sleeper factory). Period: 2007.
- Equipment for the assembly of plastic containers (Luceni sleeper factory). Period: 2007.
- Improvement to the water purification installation (Luceni sleeper factory). Period: 2007.

Since 2005, the Group's construction company has formed part of the Governing Bodies of the Spanish Construction Technology Platform. This Platform is made up of the leading Institutions, Public Research Bodies, Universities and Companies in the Spanish construction sector.

This Platform is responsible for the Strategic Line for the Prevention of Occupational Risks, which focuses on research and development relating to new technologies and solutions which increase safety and reduce the effects on workers of the construction processes with the highest risks. The Group's construction company is in charge of the project "Integral Safety Planning in Construction (ISPC)".

Within the sphere of this Platform, in 2007 Corsán-Corviam Construcción, together with other member companies and bodies of the platform, obtained a grant from the Centre for Industrial Technological Development to carry out the cooperative project "C.L.E.A.M, Clean, Efficient and Environmentally Friendly Construction", within the Strategic Line for Sustainable Construction.

For some years the product manufacturing areas have been involved in projects which have led them to introduce the most advanced production processes in their installations. One of the main results of this work has been the development and marketing of innovative products which are at the cutting edge of their markets. An example of this is EMESA, which transferred its installations to a new factory equipped with the most advanced production resources and which is a reference on the national and international markets in state-of-the-art metallic structural projects.



For some time, the Group's engineering areas have also been applying the results of a number of R&D&I projects as part of their design processes, to provide clients with products tailored to meet their needs, however demanding and innovative these may be. Within this field, they have developed and applied several projects with a strong element of technological research and development, on occasions collaborating with public bodies and other organizations:

- Development and production of the LAC system (Contact Aerial Line Analyzer for Railway Traction Substations).
- Automation of railway traction substations.
- Placing equipment in Wi-Fi networks.
- Telecontrol Network.

Promoting Quality, the Environment and R&D&I: Objectives for Improvement and Goals

Corporate Area

The management improvement objectives have focused mainly on unifying the management IT tools in all the Group's Areas:

- S.E.G.O. (Works Control).
- S.A.P. (Economic-Financial Administration).
- S.I.C.O. (IT Procurement System).
- HERMES (Commercial and Contracting).
- META 4 (Training and Human Resources Management).

All these are being carried out and their planning is controlled by the General Resources Management Unit.

Construction Area

The objectives established by the Machinery and Quality and Environment departments for 2007 and 2008 are the following:

- Machinery Department:
  - Enhancement of infrastructures for environmental management of the Plant's installations: hazardous waste storage area.

- Quality and Environment Department:

  – Adapting the databases of SIQMA (Lotus Notes tool) to the future Royal Decree on Construction and Demolition Waste (CDW).

  – Introducing the ECOSITE service in the projects of the Construction Management Unit: improved efficiency of on-site CDW management.

  – Designing a format in Notes for traceability of structural Steel, based on Art. 31, 32 and 38 of the EHE (Structural Concrete Code).

  – Creating a library of Technical Instructions (TIs) which help to interpret the results of tests (in both Civil Engineering and Construction).

The Construction Management Unit's projects have also voluntarily established a total of 67 quality and environmental objectives for 2007 and 2008. These are managed and followed up by the project responsible for each objective, and compliance is monitored by the Department through Internal Audits. The models of the objectives established for this year and next year are the following (each project has at least one of these or a variation of one):

- Use of flat, circular permanent framework moulds for performance of pillars to replace the framework proposed for the project with a view to avoiding the use of concrete release agents and so minimizing the amount of hazardous waste generated (construction projects).

- In-depth quality control of project overpasses (civil engineering and roads).

- Use of ecological products: use of concrete release agents based on vegetable oils (all types of projects).

- Enhanced traceability through the use of graphic plans and diagrams in the location of the plots and taking samples for External Laboratory testing of some sensitive unit of the project (all types of projects).

- Recycling the excess of the Hot-produced Bituminous Mix spread in road surfaces (civil engineering and roads).

Engineering Area

In 2006 and 2007 the lines of action relating to promoting Quality, the Environment and R&D&I have focused particularly on the following fields:

- Introduction of the LOTUS NOTES tool for controlling the Quality, Environment and R&D&I Systems' documents and records.
- Introduction of the legal compliance evaluation system requirement by requirement.
- Training sessions on Prevention and the Environment for subcontractors in the Delegations.
- Informing subcontractors on environmental requirements (informative leaflets and notes).
- Legal procedures for projects and work centres (licenses and waste documentation).
- Audits and visits to sites.
- Preparation of Integral Quality and Environment Plans and other environmental documentation.

Finally, we should highlight the fact that the Group is actively present in the main professional Associations of the sectors in which it operates, such as the National Association of Construction Companies (SEOPAN) and the Association of Assembly and Industrial Maintenance Companies (ADEMI). We also participate in a number of forums together with the leading organizations within the field of Quality and Environmental Management such as AENOR, the Spanish Quality Association (AEC), etc.

Human Resources and the Working Environment

Our employees represent one of our priority interest groups and we know that they are the basis for our Organization's success. We therefore invest in human resources and create an appropriate working environment which furthers our employees' personal and professional growth, ensuring that they are involved and motivated in the performance of their daily work.

The Group's strategic focus with regards to Human Resources is geared towards ensuring that the whole Organization and all the people within it are committed to the corporate project. We aim to provide a response to the likely expectations of the members of this interest group based on their characteristics.

Workforce

The main aspects which define Isolux Corsán are the following:

Main human resources magnitudes	2006	2007
Number of employees	7,517	7,818
Number of jobs created - recruitments	507	185(*)
Number of accidents with lost work hours	443	64
Number of training hours	25,000	64,224
Total training expenses (in euros)	143,257	435,123
Percentage of part-time workers	1,93%	2.48%
Undesired rotation rate (%)	13.2%	9.40%
Average age of workforce (years)	38.5	35.5
Number of voluntary sabbaticals	12	36
Número de excedencias voluntarias	12	36

(*) *In 2007 the Isowat and Made Torres y Herrajes units were sold, with a total of 385 workers, already subtracted from the figure of 185.*





Human Resources Policy




The central focus of our Group's Human Resources Policy is respect for the rights of workers to be represented and to participate in negotiations on their employment conditions, as well as non-discrimination due to race, colour, sex, religion, political opinion or social status. This is set within the framework of the legal rules and national regulations of each of the States in which the Group is present, as well as compliance with international labour regulations (ILO).

The Human Resources Policy also aims to provide the whole of the organization with a series of management tools which enable us to attain the essential objectives included in the Strategic Plan. The Group therefore considers it crucial that its Human Resources Policy should be in line with the company's Strategic Plan.

Through this policy the Group undertakes to assume the following commitments:

- To contribute to eliminating all types of forced or compulsory work, as well as effective elimination of child labour.

- To adopt, in all situations and places, appropriate means to guarantee occupational health and safety in all our activities.

- To use local workforces in our activities and provide them with training to enhance their level of professional qualifications.

- To establish a policy on transparency with regards to the financial and social information provided to workers.

- To promote the training and professional development of all workers.

This year the Group designed a Welcome Manual extending the basic information on the Company's employment and administrative procedures contained in the Welcome Manual currently used. This information includes the following aspects:

- Organizational information: history, financial data, organization, quality policy, occupational risks, etc.

- Information on our human resources management: selection, training, professional career, etc.

The Group's Differentiating Factors

Plan for Attracting, Developing and Retaining Talent

In 2006 the Group designed the Plan for Attracting, Developing and Retaining Talent which is now in operation. This is considered to be an essential process for the organization as one of our main objectives is to reinforce the Group's image as an employer, adapt our recruitment and staff selection policies to the new demands of the national and international employment markets, staff training and development, identification of potential and planning of professional careers, as well as an appropriate remuneration policy based on capacities and skills. We believe that all these elements help to shape an organizational environment which creates value for professionals and so too for Isolux Corsán.

We should highlight the fact we have been recognized by CFR* as a TOP company for our work on our talent attraction, development, loyalty and retention policy, with a strong presence and close relationship with Universities, our close management style and for promoting mobility, both geographical and horizontal, among divisions and departments.

In 2007 the Group also reinforced its presence at employment Fairs and Forums with a view to:

- Significantly increasing the database of candidates in the final years of their degree course or recent graduates.
- Including candidates with more interesting profiles thanks to early candidate recruitment.
- Reinforcing our image as an employer and raising awareness on the company and its various business lines, as well as the possibilities for professional development.

**CFR is an international organization which identifies the leading models of human resources, strategy and leadership.*

Employment Forums

I Civil Engineering Forum
Forum 2007
XVIII Public Works Employment Seminars
Futurcivil
Induforum 2007
Engineering Companies Forum (FEI)
II Madrid Professional Training Employment Fair
Civilfor
UCLM Employment 2007
Construjove 07
II Joint 3 University Employment Forum
Valencia Polytechnic University, 07

Recruitment was mainly been carried out among grant holders, young graduates and professionals with experience who meet the profiles of the various positions required, as well as defining their professional careers (professional routes).

This year the Group set up an Employment and Grants Website on its Corporate Web Page with a view to:

- Contributing to the company's dynamic and attractive image.
- Informing professionals with and without experience on the profiles and qualities the Group seeks.
- Publishing offers of grants and employment in real time.
- Highlighting the most critical or interesting offers for the Group.

- Reflecting the employment forums attended by the Group and announcing those in which it will be participating in the near future.

- Enabling candidates to attach their curriculum vitae to any offer(s) in which they are particularly interested.

- Enabling the selection technicians to automatically transfer the details and curriculum of interesting candidates to the database.

The Intranet has also been included as a source of recruitment, so facilitating access for the Company's employees to positions of greater responsibility or enabling them to change department or division, work in other countries, etc.

A number of selection processes were carried out in 2007, mainly for the construction area (57%) and the engineering, concessions, services and renewable energies area.

The main details relating to this field are the following:

- Incorporation of over 100 grant holders in the first quarter and around 30 educational collaboration agreements signed

- Incorporation of 170 people with work experience contracts, mainly with technical training, particularly engineering.

- Management of 109 people by temporary employment companies.

Internal Rotation Plans

Isolux Corsán furthers the professional development of its employees through tools which enable them to acquire new know-how, assume new responsibilities and further their career within the organization.

The Group has developed an Internal Rotation management project, at both a national and international level, aimed at promoting the cultural exchange required to face future challenges. Internal rotation increases flexibility, enhances cooperation and team work within the Organizational Units and develops employees' skills.

The Company is also currently working with various types of rotation:

- Temporary training rotation which aims to further the acquisition of know-how and skills which can then be put into practice in the employees' original position.

- Rotation through participation in projects/consulting, which aims to maximize collaboration between work teams on the performance of specific projects, provision of consulting or with a view to sharing training.

- Functional rotation which involves a permanent change of position within the same or a different department or organizational unit.

Each of the Group's various businesses has a development manager whose objective is to promote mobility, internal promotion and talent identification, establishing the bases for defining the various development and training plans. Within this context, the Group works to create efficient teams to ensure that we offer the client the best service while also meeting our employees' professional needs.

Compliance with the Law on Social Integration of the Disabled (LISMI)

Isolux Corsán is aware of the importance of developing its business through active involvement with the social environment. The whole organization therefore supports minority groups and promotes the recruitment of people with disabilities.

The Group complies with the requirements laid down in the current legislation for public and private companies with over 50 employees relating to employment of the disabled. Under this legislation it is compulsory to contract a minimum of 2% of disabled employees. Within the Group, the number of disabled employees represents over 2% of the total workforce.

The Group is also committed to participating actively in policies supporting social and employment integration of the disabled. It therefore facilitates access to employment and creates a suitable environment to ensure that all employees can participate in equal conditions in our common project.

- Agreements with the ONCE (National Association for the Blind) Foundation.

The objective of the agreement between Isolux Corsán and the ONCE Foundation is the social integration of the disabled. This agreement forms part of the Insertion programme framework of the ONCE Foundation.

Safe Working Environment

An essential, priority objective for our Management is to protect those who perform their activity within the Group's companies from occupational risks in order to guarantee their right to efficient protection with regards to occupational health and safety. Through a number of internal dissemination resources, the Management has therefore clearly established that safety must come first through prevention, information and staff training.

Within this context, the Management requires that all workers and all installations should be equipped at all times with the necessary individual or collective protection equipment to safeguard their lives, health and integrity.

Policy on Prevention of Occupaional Risks

We have therefore drawn up a corporate policy as a model of performance for our activities and a reference for our management system, which is maintained and promoted at all times and to which the Group's directors, managers and workers are committed.

Through this policy, the Group undertakes to:

- Analyze procedures, processes, techniques, resources and raw materials in order to eliminate, reduce or control the various types of occupational risks involved.

- Guarantee general information to workers through their representatives, as well as direct information on the specific risks affecting their respective work or tasks and on the application and prevention measures applicable to these risks.

- Guarantee that workers are consulted and enable them to participate within the framework of all issues affecting occupational health and safety.

- Guarantee that workers receive sufficient training on occupational health and safety, adapted to ensure correct performance of their work.

- Guarantee the human and material resources necessary for compliance with the preventive activity.

- Comply with the applicable legislation governing occupational health and safety and other requirements on these matters to which the Organization is committed. Maintain the corresponding information available and appropriately updated.

- Develop, introduce and regularly review the occupational health and safety system adapted to the Organization, as well as adopt measures to ensure continuous improvement of the efficiency of this system.

Prevention of Occupational Risks Certifications

Establishing an integral occupational health and safety management system in compliance with the OHSA 18001 specification at Isolux Corsán represents a high degree of commitment by the Management to eliminating or minimizing risks in the various activities the Group carries out.

All the Group's activities are currently certified under the OHSA 18001 standard, except those corresponding to GIC Factories.

Occupational Risk Prevention and Occupational Health Training

To ensure that all employees apply the safety policy and measures defined in their work, the Group offers its workforce the necessary training on both Prevention of Occupational Risks and Occupational Health.

On the subject of Occupational Health, with a view to preserving and enhancing the level of workers' health, a number of risk prevention programmes, training courses, and prevention and dissemination campaigns have been carried out (annual check-ups, vaccination campaigns, flu vaccinations, etc.), aimed at early detection of illnesses arising from the professional activity.

All departments within the Group have carried out a great many awareness programmes relating to these issues:

Awareness actions - Management Units	2007
Corporate Management Units	2
Construction Management Unit	529
Energy and Installations Management Unit	1,469
Environment Management Unit	341
Telecommunications, Maintenance and Services	1,216
Concessions and Services Management Unit	193

Occupational Accident Rate

Our commitment to guarantee a safe, healthy working environment also involves the Organization's concern to minimize accidents occurring during the performance of its activity.

The data relating to the Group's occupational accident rate in recent years shows a clear improvement in the rates of incidents and degree of seriousness in the various areas of activity. All this is the result of the level of commitment and the performance of the project management teams as well as the significant advisory work of the Group's Joint Prevention Service through the Area technical managers and their team of collaborators.

The Construction business saw a slight improvement with regards to serious and minor injuries in 2006. In the Concessions and Services activity there was a substantial reduction in serious accidents and significant improvements in both minor accidents and days of work lost.

2007 accident rate	Installations and Infraestructures Manag. Unit	Environment Manag. Unit	Telecomunications, Maintenance and Services Manag.Unit	Concessions and Services Manag. Unit
Incident Rate	2.4	41.9	1.7	78.4
Frequency Rate	10.8	15,9	9,1	23.0
Seriousness Rate	0.09	0.42	0.10	0.57

2007 accident rate	Installations and Infraestructures Manag. Unit	Environment Manag. Unit	Telecomunications, Maintenance and Services Manag.Unit	Concessions and Services Manag. Unit
Incident Rate	14.5	226.4	402.4	41.0
Frequency Rate	11.7	24.7	10.9	30.4
Seriousness Rate	0.06	0.40	0.11	0,.1

The company's main management rates for occupational health and safety and prevention of occupational risks.

Awareness actions – Management Units	2006	2007
Safety Plans drawn up or revised	2,020	2,031
No. of business activity coordination meetings	853	654
No. of accident investigation reports	369	381
No. of internal audits	426	689
No. of site visits	3,257	2,997
No. of ergonomic studies and hygiene evaluations	66	21
No. of work centre emergency plans	6	0
No. of Health and Safety Committee meetings	33	11
Awareness actions	956	4,335

Main Human Resources Actions

Continuous Training

The Group promotes continuous training with a view to providing an effective response to the learning needs of all employees and to ensure that the human resource skills are permanently updated to the new market. It considers training essential in order to achieve greater professional development and thereby optimum performance of the tasks entrusted to employees, as well as improving individual professional training and so increasing employment opportunities.

The Group's training policies cover four spheres of action:

- Business related training: based on specific operative needs.
- Continuous training: training plans and training actions.
- Training as a means to increase performance.
- Training with measurement of results

The Group's training actions are carried out through various types of training based on needs (classroom, distance, online or mixed) to guarantee swift training adapted to the course objectives.

A Group Training Committee and Peer Training Committees with employee representation (Workers' Committee) have been set up in certain work centres to analyze training needs. This analysis identified the following needs:

- Organizational or strategic needs.
- Occupational needs related to the position.
- Individual, personal needs.

Identification of training needs:

- To convert problems into training needs.
- To prioritize the needs detected.
- To determine the appropriate training action for each training need.

We should bear in mind that identification of training needs within the Group will result in the contents of the training actions to be carried out as training and as a complement to the professional development. In 2007 the Group drew up an Annual Training Plan which designed seven training plans for five companies:

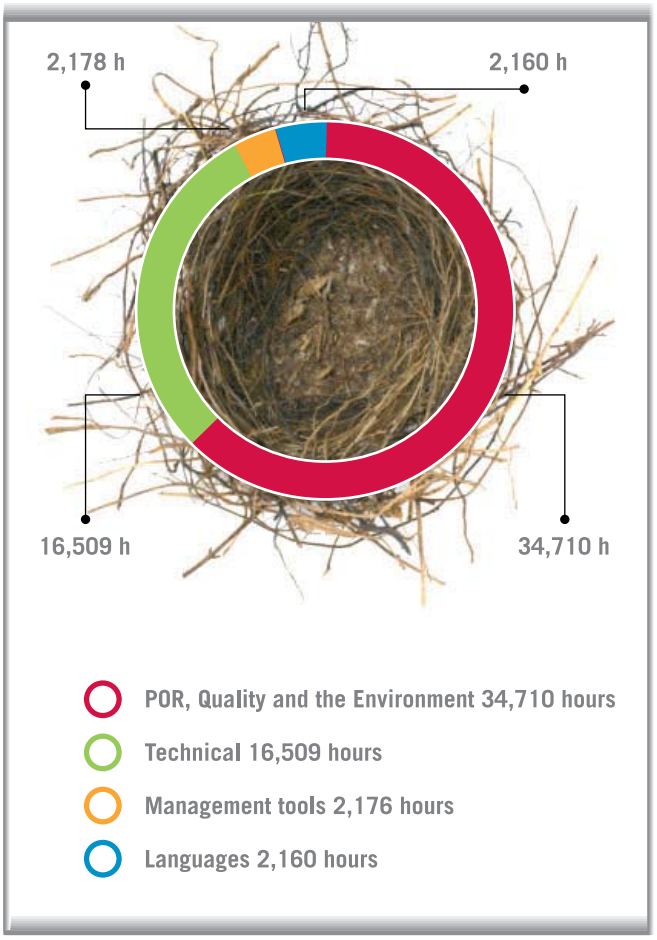
- Grupo Isolux Corsán
- Isolux Ingeniería.
- Corsán-Corviam Construcción.
- Isolux Corsán Concesiones.
- Isolux Corsán Servicios.
- Watsegur.
- Isolux Corsán Aparcamientos.

Training actions	Grupo Isolux Corsán	Corsán-Corviam Construcción	Isolux Ingeniería	Isolux Corsán Concesiones	Isolux Corsán Servicios	Watsegur	Isolux Corsán Aparca-miento
Cursos realizados	29	70	70	10	24	3	2
Alumnos asistentes	200	895	952	75	364	4	12
Alumnos convocados	317	1,124	1,081	112	458	6	15
Horas de formación reali-zada	5,040	15,716	22,852	1,795	10,804	86	236

The training actions carried out in the year focused mainly on Prevention of Occupational Risks, Quality and the Environment and technical training. However, other training actions were relating to management tools and languages were also carried out.

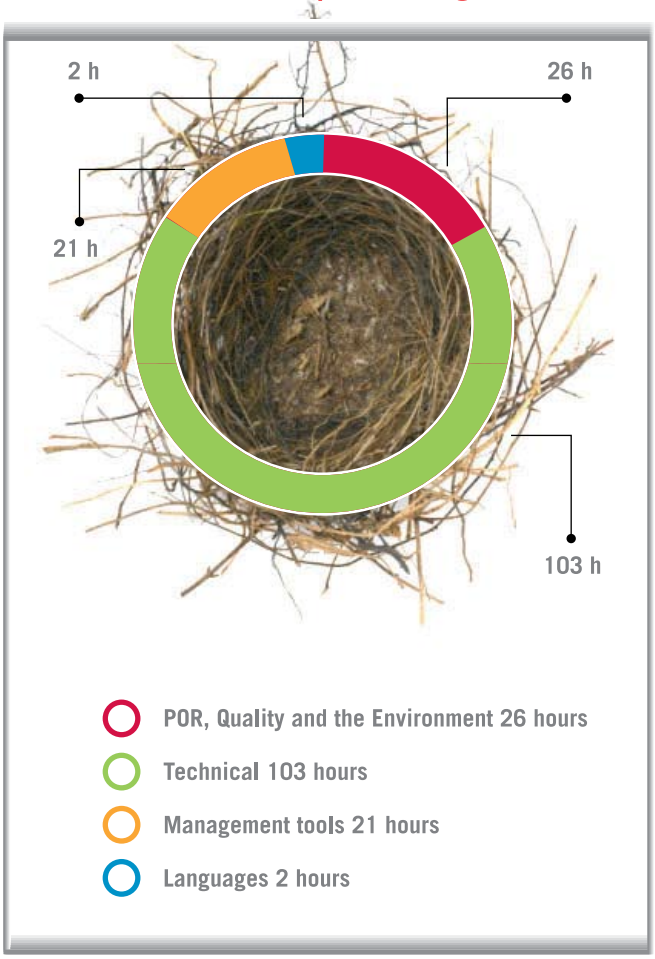
Training actions in the seven companies for which the 2007 Training Plan was designed.

Grupo Isolux Corsán
2007 Training Plan
(hours of training by subject)



Training Actions	Students	Hours of training
Grupo Isolux Corsán	60	1,377
Corsán-Corviam Construcción	114	3,683
Isolux Ingeniería	328	5,837
Isolux Corsán Concesiones	57	707
Isolux Corsán Servicios	38	285
Watsegur	5	238
Isolux Corsán Aparcamientos	3	48
Totals	605	12,175

Grupo Isolux Corsán
Training "on demand"
(hours of unpaid training)



In addition to the training programmed in the plans, the Human Resources Management Department also meets, approves and manages requests for training received from the various areas (training actions on demand or requested when required).

Training actions on demand carried out in 2007 for staff in the various companies.

A Grants Campaign has also been published on the Intranet providing partial financing of postgraduate training for professionals in all areas. As a result of this campaign, five partial grants have been awarded to graduates who have been with the company for more than two years, distributed as follows:

- 2 grants for Corsán-Corviam Construcción.
- 2 grants for Isolux Ingeniería.
- 1 grant for Isolux Corsán Aparcamientos.

In 2007 we also commenced a postgraduate technical training model with the Universidad Alfonso X El Sabio. Professionals in all areas have been offered the possibility of following Master (500h) and Expert (200h) courses at the Universidad Alfonso X El Sabio. These three new courses at this University have been taken by 4 people in the Company:

- Expert in Road Design, Planning, Construction, Exploitation and Conservation (1 Technical Office Manager).
- Expert in Railway Infrastructures (1 Site Manager and 1 Project Manager).
- Master in Advanced Construction Techniques and Energy Efficiency in Buildings (1 Production Manager).

Professional Development

People development, in conjunction with attracting and retaining staff, is the core of the future development of our business and its globalization.

The Group understands personal development to be an improvement in performance as well as development of skills. It therefore believes that this development should focus on the key skills involved in the business as differentiating elements, that is, those which ultimately provide an increase in productivity, control costs, acquisition of the relevant skills, continuous retraining and working with new tools and technologies.

When the Development Programme is designed and planned we take into consideration a series of relevant issues such as involvement of the management levels in the design and planning of the Programme, the role of the human resources department and consultants, identifying training and development needs, identifying individual's strong points and areas for improvement through evaluation methods which provide reliable information, among others.

For young professionals we have carried out a Development Programme for Young People with Talent which commenced in 2006 and continued to run in 2007. This programme includes the following phases:

- Phase 1: Administration and Management skills training: four one-day training actions held in Madrid each quarter.

- Phase 2: Career plan: upon completion of the first phase, quarterly follow-up is carried out over the next two years, evaluating the possibility for promotion and salary reviews

Actions have been carried out for the Group's management which focus on developing skills with a view to enhancing this group's contribution to the organization's results. The Company has carried out a skills identification process (personal features which make the difference between excellent performance and normal performance in a particular position) with a view to creating a management development model which contributes to achieving both personal success and the success of the work teams managed.

The practical applications of this model are upward feedback, a coaching process and downward feedback.

Upward Feedback

- Initial measurement of the work environment, skills and management style by those collaborating with each manager and by the managers themselves.

Coaching Process

- Regular sessions over a number of months.
- Personalized advice from the Group's external consultants.
- Vocational and discretional attitude of the manager.
- Focusing on development goals and action plans aimed at providing value to the Group.

Downward Feedback

- Final measurement of the work environment, skills and management style by those collaborating with each manager and by the managers themselves.

Due to the complexity and the specialist resources required, it was decided that development of management skills through coaching should be outsourced.

Human Potential Management

Management of potential is a key element within the Group's Human Resources Policy. This management is carried out by developing and consolidating potential through guided training. We therefore allow each person to move within the Organization in order to develop their potential through career, training and development plans.

We have an internal potential identification programme which analyzes individual's possibilities for development in order to assess which type of positions they may attain within the organization.

The main objectives of the potential management are the following:

Objectives:

- Identification of skilled individuals, following objective criteria.
- Deciding which positions/roles with an impact for the organization skilled individuals may hold within the short-medium term.

To ensure appropriate talent management, the Group has carried out the following phases:

1. Drawing up an organizational job chart which enables all the company's organizational positions to be unified and ordered by levels and functions. The following applications were used to prepare this chart:

   - Database for the professional classification systems.

   - Database for the analysis and preparation of remuneration plans (equality and competitiveness).

   - Support for organizational decisions.

   - Support for selection decisions.

   - Implementation of OSHA certification (Occupational Risk Prevention), Quality Management.

   - Establishing career, promotion and training plans.

2. Definition of the profile for each organizational post.

   - Identification of the "Hard Skills Profile": requirements necessary but not sufficient for success in the job, which include years of experience, training, languages, know-how and experience in specific fields and responsibilities.

   - Identification of the "Soft Skills Profile": skills specific to the job, that is, the job performance characteristics which lead to excellence.

The following methods were used to define the profile:

- Expert Panel.
- Interviews.
- Critical Incidents Interview with those holding the post.
- Database.

3. Definition of the Profile of those holding organizational posts.

The following methods were used to define the profile:

- Critical incidents interview.
- Skills questionnaire (self-evaluation).
- Assessment Center.
- Focussed Interview.

4. Designing the Professional route of certain individuals in the organizational job chart (Career Plan).

Career Plan

To provide all employees with a professional career and following the Group's strategic lines with regards to Human Resources, we provide a Career Plan, the main objectives of which are the following:

- To promote development of individuals within the Company, integrating their personal objectives with those of the Organization.
- To facilitate identification of each individual's needs for development in accordance with their personal profile and the requirements of the job they perform. To increase the efficiency of the organization.
- To increase staff satisfaction and personal motivation.
- To meet the Company's present and future qualitative needs with regards to human resources.

This enables the Group to manage all the key human resources processes.

To draw up this Career Plan we first identify the candidates and decide on their professional routes. The Group also carries out a follow-up phase to assess the level of progress obtained. The main actions carried out in this phase are the following:

- Tutorials (Hierarchical Superior).
- Appointment of Mentors (Group leaders).
- Job rotation.

- Training support (masters, seminars, conferences, university courses, etc.)

- Performance evaluation: we have begun to apply this model with professionals contracted on a work experience basis with a minimum of 6 months with the company. In the near future different versions of this model will be applied to the rest of the Organization's staff.

We also provide career plans for Isolux Corsán's grant holders and junior graduates. For these groups the number of months they will be with the organization, the financial remuneration, training requirements and possibilities for extension and change of category are also clearly defined.

Remuneration and Compensation

It is important for Isolux Corsán that the remuneration and compensation system should be reflected in the remuneration and promotions policy in a clear, non-discriminatory manner and be applied coherently.

The Group's remuneration policy is based on the following parameters: level of responsibility, performance, attainment of results and skills evaluation.

The Group remunerates its employees in recognition of their effort in the performance of their work. The remuneration policy is based on the concepts of clarity and equality (internally) and competitiveness (with other companies) and is established in accordance with the following criteria:

- Internal equality is achieved by means of job evaluation and continuous performance and professional development.

- And external competitiveness is achieved by comparing jobs with the external market through information such as remuneration studies.

A salary increase policy is established annually, taking into consideration forecast salary increases provided by Remuneration advisers and consultants, real and forecast CPI and the company's results.

A general increase percentage is established, which includes professional development (internal equality) and adaptation to the market (external equality).

Expatriate Management

In order to appropriately handle and manage the Group's growth abroad, in 2006 the Expatriate Management Department was created and we introduced the Staff Expatriation Procedure (RRHH-003), Internal Regulations and also participate as a member of RED EXPAT, through which we participate in a number of specialist forums together with leading Spanish business groups, and also have access to an important specialist expatriate database.

Equal Opportunities

In order to promote equality between men and women in the Company and in compliance with the provisions of Organic Law 3/2007, Isolux Corsán developed a sexual equality Plan in 2007. This plan is applied and is compulsory for all the companies currently within the Group, as well any which may join us in the future.

This Plan has been developed after performing an analysis of the current situation within the Group and has resulted in the introduction of a group of measures aimed at equal treatment and opportunities between men and women, as well as eradicating any sexual discrimination.

The Human Resources Department will be responsible for carrying out the introduction and development of the Equality Plan, as well as establishing the objectives for achieving equality, defining the strategies and practices to be adopted in order to attain the objectives established and establishing a follow-up and evaluation system.

An essential goal of the Equality Plan is the prevention of discriminatory behaviours, as well as planning active policies for putting the equality principle into effect. It also includes the following specific objectives:

- To establish and mediate a specific procedure for reporting sexual harassment and/or sexual discrimination.
- To plan, draw up and disseminate codes of good practice as well as carry out informative campaigns or, if necessary, training actions.
- Annual review of the progress of contracting women.
- To establish comparisons and percentages of women in each of the Group's companies.
- Quarterly review of the percentage of women within the company.
- Review of the percentage of women contracted in the year.
- Balanced presence of men and women in the Management and in the various professional groups and categories.

- To hold regular quarterly meetings of the Consulting Committee which will be formed by three members appointed by the Management and which aims to improve, develop and perform follow-up and control of the Equality Plan, and to monitor the measures introduced by the Plan.

- To add improvements and proposals approved by this Committee to the Plan, reaching agreements on performance of social responsibility actions consisting of financial, commercial, employment, and assistance measures or any other measures aimed at promoting equal conditions between men and women within the company and/or its social environment.

- To establish a comparison of these percentages with those within the sector, provided that this is possible and that the necessary data is available, and in those cases in which there is a difference of over 5%, to concentrate on promoting the recruitment of women in that sector.

- To tackle the previously mentioned percentages that may exist at any time in the company, check the progress of these and decide on the measures and practices aimed at improving and balancing these percentages.

- To favour and promote, whenever possible, the recruitment of women in those business units, divisions, delegations or departments in which the number of women is less than the number of men, gradually reducing the difference.

- To provide the legal representation of male and female workers with access to information on the contents of the Equality Plan and ensure that they participate in the development and achievement of its objectives.

The following issues are taken into consideration for achieving the specific objectives:

- Access to employment.

- Professional classification.

- Promotion and training.

- Remuneration.

- Scheduling of the working hours.

- Prevention of sexual harassment and sexual discrimination.

Recognition of Trades Union Representation in the Work Centres

Isolux Corsán guarantees freedom of association within its Organization. All the companies therefore have trades union representatives who are chosen directly by the employees.

The results of the negotiations with the trades union representatives are drawn up in collective wage agreements which govern the employment relationships of the various workforces. The company collective wage agreements currently in force are the following:

- Isolux Ingeniería, S.A. Coirós work centre (A Coruña) (EMESA).

- Isolux Corsán Concesiones, S.A.:

  – SUW collection agreement in La Línea de la Concepción (Cadiz).
  – Aircraft assistance Service Agreement at Malaga Airport.

- Isolux Corsán Servicios, S.A.:

  – SUW agreement in San Roque (Cadiz) UTE Distrito 5, S.A.
  – Company Agreements with various Workers' Committees.



Building Long Term Relationships with Providers

The relationship with our providers represents an essential element in the development of all the Group's activities. Technological innovation, financial competitiveness, the Quality and Environment Policies and compliance with the regulations governing occupational risks are the bases which support this relationship which is committed to continuity and sustainability.

The Group also wishes to further a stable, profitable and sustainable relationship based on mutual trust with a view to guaranteeing a high quality in the services offered. Our relationship with providers therefore promotes equal opportunities and transparency in the awarding of contracts, as will as stability in our commercial relationships.

In recent years the Group has achieved significant provider loyalty which enables us to achieve greater efficiency and competitiveness.

Main Magnitudes

The total volume of purchases made by the Group from its providers amounted to 1.874 billion euros in 2007, benefiting a total number of 18,844 providers, 79.24% of whom were local providers. These figures clearly reflect our Organization's commitment to the development and progress of the areas in which we operate.

Main magnitudes relating to providers	2006	2007
Total volume of purchases from providers (thousands of euros)	1,460,000	1,874,000
Total number of providers	16,549	18,844

Management and Control of the Procurement Process

Management and control of the procurement process is the responsibility of the Group's Procurement and Services Management Unit. The production units of some of the Group's organization may also share some of these responsibilities.

With regards to the company's Procurement Policy, each Organization within the Group ensures that the products and services purchased meet the procurement and contracting requirements specified in the legal and technical regulation, as well as the principles of the Company's Quality and Environmental Policies.

The type and scope of the control applied to the provider or subcontractor and to the product or service depends on the impact it may have on the subsequent performance of the projects or services in which it is applied. How this control should be carried out is explained in the System Manual of each Organization within the Group.

Provider Evaluation and Authorization Process

Each Organization within the Group evaluates and selects the providers and subcontractors to be used in their projects based on their capacity to supply products and provide services in accordance with specific requirements. The criteria for the selection, evaluation and re-evaluation are documented in the Procurement Quality Procedure and in the System Manual of each Organization within the Group. A documentary record is always kept of the results of these evaluations, and of any action arising from them.

Prior Evaluation of Suppliers: Objective Evaluation

Evaluation by Means of a Prior Evaluation Report

Prior evaluation of suppliers is commenced by the Manager of the Organizational Unit when a procurement process starts for the first time with a supplier of goods or services, or when five years have elapsed from the last supply.

This evaluation is carried out in accordance with the following criteria:

- It is performed using the form in the Prior Evaluation Report included in S.I.C.O., where the results of the evaluation, evaluation date and person responsible for the evaluation are recorded.

- It is advisable, although not compulsory, that the various areas of the Organization should select providers/subcontractors with a Quality Management System introduced and certified under Standard UNE-EN ISO 9001 and with an Environmental Management System certified under Standard UNE-EN ISO 14001.

S.I.C.O. automatically calculates the numerical value of the prior evaluation taking into account all the positive replies obtained in the questionnaires performed as well as those not applied in each case.

From the replies included in this Prior Evaluation Report, the supplier is rated objectively and placed in categories A – D in accordance with the criteria evaluated:

Prior Evaluation by Visiting the Supplier's Installations

If the Manager of the Organizational Unit considers it appropriate, or due to the client's contractual requirements, a visit may be scheduled to the supplier's installations. These visits are in the form of audits whenever justified by the importance of the product and the cost of the audit, and are planned and managed by one of the Organization's Qualified Auditors.

The objective of these visits or audits is to find out:

- The supplier's technical and production capacity.
- The Quality Management system introduced for the products requested and its compliance with the Organization's environmental requirements.
- The actions performed by the supplier to comply with the Organization's environmental requirements.

Based on the results of the evaluation, the auditor issues an Audit Report which includes the following points:

- Results of the evaluation.
- Category assigned to the supplier (Objective Rating).

After this visit, the Manager of the Organizational Unit who requested this action draws up a Prior Evaluation Report justifying the category assigned.

Continuous Evaluation of Suppliers: Final Rating

In order to systematically update the rating of providers/subcontractors either upon termination of a project/service or supply, or on a regular basis (depending on the area of the Organization), the Manager of the Organizational Unit responsible for the purchase/subcontracting issues another report for each supplier evaluating the quality of the service provided.

To do this, they use the Final Evaluation Report included in S.I.C.O., where the final evaluation on each supplier is registered.

This report shows thirteen items for the evaluation, which are either totally or partially completed as indicated:

- Total Completion: suppliers who provide labour. Items 1 to 13.

- Partial Completion: suppliers of a product, material or installation who do not provide labour. Items 1 to 8.

Evaluation of each of these items is the responsibility of the Manager of the Organizational Unit for which the purchase/subcontracting is performed.

The previously mentioned items can be evaluated as follows:

- High (7 to 10).
- Medium (5 and 6).
- Low (3 and 4)
- Null (o to 2).

The Organization also has two exceptional types of suppliers:

- Those authorised by the client, that is, suppliers who are recognized and approved by the client.
- Those proposed by the client when the client indicates this supplier in the bases of the Project or contract (Specifications) or expressly mentions them in the course of a contract.

These suppliers, if they have never worked with the Group and a Prior Evaluation is performed, may reach Category B, or if they have introduced a Quality system certified by an accreditation body, Category A.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Suppliers with whom we have worked in the past, and who are in Categories B, C or D, may be re-evaluated through one of the previously described systems, at their request, at the request of the DIQA, of the Procurement Director or the Manager of the Organizational Unit, if objective evidence is obtained certifying to compliance with the necessary conditions for their re-evaluation.

Database of Qualified Suppliers

The database of qualified suppliers is maintained in S.I.C.O., ordered by type, group and resource, and with the information provided on them by the various Organizational Units who carry out purchases/subcontracting.

This database always contains at least the following information on each supplier:

- Supplier details (files with their tax, contact details, etc.).
- Material, equipment or service for which they are qualified (product).
- Final Historical Rating (or only the Objective Rating if they have not yet received any Final Evaluation).
- Any comments that may be required, in particular if it is necessary to perform a different control from the usual controls.

S.I.C.O. also shows the following documentation generated by the Procurement Department relating to purchases/subcontracting performed with suppliers:

- Comparative charts performed by the various Organizational Units using this application.
- Purchase Orders prepared, revised and performed which were managed directly by the Procurement Department or by other Organizational Units, using S.I.C.O. If the purchase orders include Technical Purchase Specifications, these are also included in S.I.C.O.

It is the responsibility of the Procurement Department and the Organizational Units performing the purchases/subcontracting to maintain this information in accordance with the responsibilities indicated in the specific internal procedures of the Procurement Department.

The contractual and legal documents will remain in the Procurement file for a minimum of five years, and it should be considered whether this should be extended to ten years when they correspond to actions that may involve any type of ten-year liability.




Contributing to theDevelopment of the Areas in which We Operate

Isolux Corsán is a reference company in Engineering, Construction, Concessions, Services and Renewable Energies activities and participates in key sectors for the development of infrastructures, communications and energy in the areas in which it operates.

Our Headquarters

One of the Group's most important commitments with regards to social issues has been transferring its new Headquarters in the area of 'El Saboral' in Villaverde (Madrid), which until a few months ago was home to the largest area of substandard housing in southern Europe. In March 2006 the Madrid City Council and the Regional Government commenced the relocation and demolition of this area, enabling 236 families to access decent housing and recovering 22 hectares for society which in the past were a source of social exclusion.

Isolux Corsán's commitment to the community of the area of Villaverde is established through its investment in the new industrial area which local and regional authorities have planned to develop in the recovered area, so contributing to the economic and social development of this area of Madrid.

We currently maintain our commitment to the area through permanent collaboration with local associations aimed at supporting the more disadvantaged groups in the area.

Developing Infrastructures and Creating Value

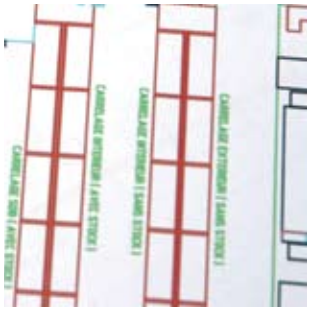
Development of infrastructures, boosting the urban development of areas, actions relating to the integral water cycle, telecommunications and development of alternative or renewable energies are some of the Group's most significant actions which contribute to the development of the areas in which we operate.

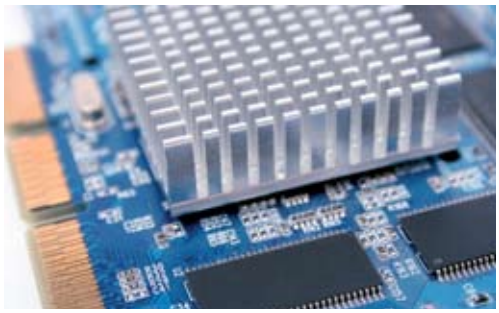
We should highlight the fact that the Organization adapts to the particular features of each market, to the specific problems of the area in which it operates and to the requirements of excellence of service and guaranteeing the quality of respect for the Environment as relevant aspects of the Group's corporate culture which contribute to achieving greater involvement with communities.

The Company's activity is a relevant part of the economy due to the size of this activity and to the direct and indirect wealth it involves. One the one hand, the Company distributes direct income among a number of interest groups and, on the other hand, it generates indirect wealth through its contribution to technological progress, efficiency of the markets and the progress and financial growth of the environments in which it operates.

The Group actively creates employment in the communities in which it operates, providing benefits to the financial development and to the human and intellectual capital of society. The Group's contribution to society is quantified, among other ways, through the direct and indirect taxes provided to the public funds of the countries in which it operates, its contribution to GDP, as well as the multiplier effect of its activity.

As the engineering, construction, concessions and services and renewable energies activities are basic needs for the development and wellbeing of people and communities, the Group considers its commitment to the areas in which it carries out its activities to be a priority.





Commitment to Permanence and Continuous Improvement

The Group is aware of the need to continuously seek new means of improvement in all spheres of its business activity. Progressing, improving and responding to the support, collaboration and trust of its main interest groups is one of the Organization's priorities.

This commitment to continuous improvement can be seen in our progress in various fields such as quality, efficiency and safety in the service offered, efficient management of resources, as well as the introduction of cutting edge technologies in all areas of the Company.

This commitment to continuous improvement contributes to strengthen Corporate Responsibility as a key element in the development of the Group's activities both now and in the future.

Social Action

Involvement in the social environments of the areas in which the Group is present is one of our main features. This takes the form of a commitment to carrying out our activities in the environments in which the Company operates, providing a quality service and contributing to the development of these environments.

We collaborate with Institutions, Associations, NGOs, etc. which develop and promote social protection, cultural and sporting actions. These agreements and collaborations are carried out through various agreements depending on the final goal of the relationship.

The Group's policy in this area focuses mainly on its involvement with the environment in which it carries out its activity. This commitment takes the form of furthering the development and social cohesion of the area in which the company operates.

The main criteria applied by the Group in its support of associations and social and cultural sponsorship are the following:

- Projects relating to the development of its business (for example, electrification of housing in the area in which the Group operates).
- Projects promoting financial, social or cultural progress.
- Local interest social action and cultural projects.
- Academic or environmental projects.
- Local interest social and cultural action.
- Support to disadvantaged groups.

The Group collaborates with a number of Associations and carries out various social and cultural sponsorships both in Spain and abroad.

Cultural Sponsorships
Canary Islands “Amigos de la Opera” Foundation
La Coruña Economical Cooking
Metro Madrid
Barcelona Cultural Forum
Ceuta Holy Week Association
Falla UPV
Outstanding and distinguished personalities Gala of Valencia
Spanish Federation of Towns and Provinces, FEMP (Vitoria City Council)
Friends of the Seville Orchestra (Amigos Orquesta de Sevilla)
Ceuta Holy Week Brotherhood Association (Hermandad Cofradía Ceuta)
Casa de Castilla Ceuta
Sant Just Desvern Extremeño Centre
Tenerife Spet Turismo
General Foundation of the University of Valladolid
Exhibition “Aranjuez a living city”

Social Sponsorships

Civil Protection
Semilla Foundation
Norte Joven
Apai Foundation
Galician Emigration Foundation
Arao Foundation
Fucandi (Castilla la Mancha Diabetes Foundation)
White Cross
Ceuta Cancer Association
Drugs Prevention Programme
Yeles Saint's Day Festival
Ceuta Good Citizenship Award Foundation
Ceuta Downs Syndrome Association
Olof Palme Foundation
Sociocultural Association "Culturas Unidas"
Fesmai Help for Children Foundation

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