

GRUPO ISOLUX CORSÁN, S.A

Audit report, Consolidated Annual Accounts
and Directors' Report at 31 December 2010



This version of our report is a free translation of the original, which was prepared in Spanish. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation

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. (Parent Company) and its subsidiaries (the Group), consisting of the consolidated balance sheet at 31 December 2010, the consolidated income statement, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity, the consolidated cash flow statement and related notes to the consolidated annual accounts for the year then ended. As explained in Note 2.1, the Directors of the Parent Company are responsible for the preparation of these consolidated annual accounts in accordance with the International Financial Reporting Standards as endorsed by the European Union, and other provisions of the financial reporting framework applicable to the Group. Our responsibility is to express an opinion on the consolidated annual accounts taken as a whole, based on the work performed in accordance with the legislation governing the audit practice in Spain, which requires the examination, on a test basis, of evidence supporting the annual accounts and an evaluation of whether their overall presentation, the accounting principles and criteria applied and the estimates made are in accordance with the applicable financial reporting framework.
2. In our opinion, the accompanying consolidated annual accounts for 2010 present fairly, in all material respects, the consolidated financial position of Grupo Isolux Corsán, S.A. and its subsidiaries at 31 December 2010 and the consolidated results of its operations and the consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards as endorsed by the European Union, and other provisions of the applicable financial reporting framework.
3. The accompanying consolidated Directors' Report for 2010 contains the explanations which the Parent Company's Directors consider appropriate regarding the consolidated Group's situation, the development of its business and other matters and does not form an integral part of the consolidated annual accounts. We have verified that the accounting information contained in the consolidated Directors' Report is in agreement with that of the consolidated annual accounts for 2010. Our work as auditors is limited to checking the consolidated Directors' Report in accordance with the scope mentioned in this paragraph and does not include a review of information other than that obtained from the accounting records of Grupo Isolux Corsán, S.A. and its subsidiaries.

PricewaterhouseCoopers Auditores, S.L.

Original in Spanish signed by
Lorenzo López
Partner

25 April 2011

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GRUPO ISOLUX CORSÁN, S.A. AND SUBSIDIARIES

Consolidated Annual Accounts at 31 December 2010
and 2010 Directors' Report

CONSOLIDATED ANNUAL ACCOUNTS OF GRUPO ISOLUX CORSÁN, S.A. AND SUBSIDIARIES AT 31 DECEMBER 2010

Content of the consolidated annual accounts of Group Isolux Corsán, S.A. and subsidiaries

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**CONSOLIDATED ANNUAL ACCOUNTS OF GRUPO ISOLUX CORSÁN, S.A.
AND SUBSIDIARIES AT 31 DECEMBER 2010**

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**CONSOLIDATED ANNUAL ACCOUNTS OF GRUPO ISOLUX CORSÁN, S.A.
AND SUBSIDIARIES AT 31 DECEMBER 2010**

CONSOLIDATED BALANCE SHEET
(Thousand euro)

	Note	31 December 2010	31 December 2009	1 January 2009
ASSETS				
Non-current assets				
Property, plant and equipment	6	203.834	216.534	238.784
Goodwill	7.1	487.114	486.192	486.662
Intangible assets	7.2	66.509	54.209	64.937
Intangible assets assigned to projects	8.1	1.400.922	1.393.672	659.864
Other non-current assets assigned to projects	8.2	252.201	278.548	274.400
Investments in associates	9	178.996	57.059	57.837
Financial investments	10	11.512	143.006	101.946
Trade and Other receivables	12	69.093	63.357	27.772
Deferred tax assets	20	115.886	61.740	41.537
Derivative financial instruments	11	4.287	2.675	4.751
		2.790.354	2.756.992	1.958.490
Current assets				
Inventories	13	427.860	357.784	333.525
Trade and other receivables	12	1.941.875	1.655.435	1.489.444
Derivatives and financial instruments	11	4.710	1.634	5.417
Financial assets at fair value through profit or loss	14.2	2.300	504	210.771
Cash and cash equivalents	14.1	937.555	420.778	287.469
		3.314.300	2.436.135	2.326.626
Total assets		6.104.654	5.193.127	4.285.116

Notes 1 to 39 and Appendices I to IV form an integral part of these consolidated annual accounts.

**CONSOLIDATED ANNUAL ACCOUNTS OF GRUPO ISOLUX CORSÁN, S.A.
AND SUBSIDIARIES AT 31 DECEMBER 2010**

CONSOLIDATED BALANCE SHEET
(Thousand euro)

	Note	31 December 2010	31 December 2009	1 January 2009
EQUITY				
Capital and reserves attributable to the Company's equity holders				
Share capital	15	17.463	17.463	17.463
Share premium account	15	469.163	469.763	470.634
Legal reserve	15	8.207	5.850	3.493
Hedging reserve	11	(36.316)	(13.663)	(13.956)
Cumulative translation differences	16	38.119	10.492	(53.388)
Retained earnings	17	199.710	183.088	199.229
		696.346	672.993	623.476
Minority interests	17	74.728	52.457	21.503
Total equity		771.074	725.450	644.979
LIABILITIES				
Non-current liabilities				
Borrowings	19	877.564	691.061	703.690
Project finance	8.3	1.012.530	828.335	534.407
Derivative financial instruments	11	47.647	20.562	27.811
Deferred tax liabilities	20	66.752	55.035	54.183
Provisions for other liabilities and expenses	21.1	47.167	49.883	33.983
Trade and other payables	18	41.028	219.412	54.826
		2.092.688	1.864.288	1.408.900
Current liabilities				
Borrowings	19	372.804	216.894	144.139
Project finance	8.3	222.480	141.735	151.096
Trade and other payables	18	2.559.171	2.191.878	1.875.643
Current tax liabilities		21.779	11.713	20.138
Derivative financial instruments	11	12.559	6.200	6.637
Provisions for other liabilities and expenses	21.2	52.099	34.969	33.584
		3.240.892	2.603.389	2.231.237
Total liabilities		5.333.580	4.467.677	3.640.137
Total equity and liabilities		6.104.654	5.193.127	4.285.116

Notes 1 to 39 and Appendices I to IV form an integral part of these consolidated annual accounts.

**CONSOLIDATED ANNUAL ACCOUNTS OF GRUPO ISOLUX CORSÁN, S.A.
AND SUBSIDIARIES AT 31 DECEMBER 2010**
**CONSOLIDATED INCOME STATEMENT
(Thousand euro)**

	Note	Year ended 31 December	
		2010	2009
Total operating revenue		3.239.786	3.018.540
Revenue / Sales	22	3.188.740	2.959.162
Other operating income	24	44.995	56.044
Difference between opening and closing inventories		5.034	(19.133)
Own work capitalized		1.017	22.467
Total operating expenditure		(3.032.084)	(2.834.436)
Materials consumed and other external costs	23	(1.864.095)	(1.771.669)
Employee benefit expenses	25	(379.270)	(355.659)
Depreciation, amortization and impairment losses	6,7 y 8	(86.692)	(65.058)
Change in trade provisions		(16.804)	(6.515)
Other operating expenses	24	(685.223)	(635.535)
Operating results		207.702	184.104
Financial expenses	27	(171.743)	(139.949)
Financial income	27	56.022	34.333
Net financial results	27	(115.721)	(105.616)
Share of result of associates	9	(7.072)	(12.012)
Profit before income tax		84.909	66.476
Income tax	28	(20.949)	(10.296)
Profit for the year		63.960	56.180
Attributable to:			
Company's equity Holders		63.155	60.904
Minority interests	17	805	(4.724)
		63.960	56.180
Earnings per share attributable to the Company's equity holders during the year – Basic and diluted (euro per share)	29	0,72	0,70

Notes 1 to 39 and Appendices I to IV form an integral part of these consolidated annual accounts.

**CONSOLIDATED ANNUAL ACCOUNTS OF GRUPO ISOLUX CORSÁN, S.A.
AND SUBSIDIARIES AT 31 DECEMBER 2010**

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED AT 31
DECEMBER 2010 AND 2009 (Thousand euro)**

	Note	Year ended at 31 December	
		2010	2009
Profit/(loss) for the year		63.960	56.180
Other comprehensive income:			
Changes due to financial statement translation	16	34.819	62.221
Fair value changes in cash flow hedges	11	(54.609)	(13.240)
- Tax effect	20	15.245	3.130
Cash flow hedge transferred to profit and loss	11	21.952	14.740
- Tax effect	20	(6.545)	(4.351)
Net cash flow hedges		(23.957)	279
Comprehensive income for year attributable to:		74.822	118.680
Parent Company's shareholders		68.129	125.077
Minority interests		6.693	(6.397)

Notes 1 to 39 and Appendices I to IV form an integral part of these consolidated annual accounts.

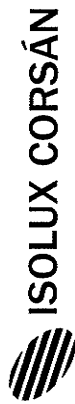


CONSOLIDATED ANNUAL ACCOUNTS OF GRUPO ISOLUX CORSAÑ, S.A. AND SUBSIDIARIES AT 31 DECEMBER 2010

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – YEAR 2010
(Thousand euro)

	Attributable to the Company's equity holders						Minority interests (Note 17)	Total equity
	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)		
Balance at 31 December 2009	17.463	469.763	5.850	(13.663)	10.492	183.088	52.457	725.450
Profit/(loss) for the year	-	-	-	-	-	63.155	805	63.960
Net cash flow hedges	-	-	-	(22.653)	-	-	(1.304)	(23.957)
Foreign currency translation differences	-	-	-	-	27.627	-	7.192	34.819
Total other comprehensive income	-	-	-	(22.653)	27.627	-	5.888	10.862
Total comprehensive income	-	-	-	(22.653)	27.627	63.155	6.693	74.822
Other movements (Incentives; net from tax effect) (Note 34)	-	-	-	-	-	(19.266)	-	(19.266)
Other movements	-	-	-	-	-	(1.510)	15.578	14.068
2009 profit distribution (Note 17)	-	(600)	2.357	-	-	(25.757)	-	(24.000)
Balance at 31 December 2010	17.463	469.163	8.207	(36.316)	38.119	199.710	74.728	771.074

Notes 1 to 39 and Appendices I to IV form an integral part of these consolidated annual accounts.



CONSOLIDATED ANNUAL ACCOUNTS OF GRUPO ISOLUX CORSAÑ, S.A. AND SUBSIDIARIES AT 31 DECEMBER 2010

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – YEAR 2009 (Thousand euro)

	Attributable to the Company's equity holders						Minority interests (Note 17)	Total equity
	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)		
Balance at 1 January 2009	17.463	470.634	3.493	(13.956)	(53.388)	199.229	21.503	644.979
Profit/(loss) for the year	-	-	-	-	-	60.904	(4.724)	56.180
Net cash flow hedges	-	-	-	293	-	-	(14)	279
Foreign currency translation differences	-	-	-	-	63.880	-	(1.659)	62.221
Total other comprehensive income	-	-	-	293	63.880	-	(1.673)	62.500
Total comprehensive income	-	-	-	293	63.880	60.904	(6.397)	118.680
Other movements	-	-	-	-	-	-	37.351	37.351
2008 profit distribution	-	-	2.357	-	-	(43.059)	-	(40.702)
Dividends paid against reserves (Note 17)	-	(871)	-	-	-	(33.986)	-	(34.857)
Balance at 31 December 2009	17.463	469.763	5.850	(13.663)	10.492	183.088	52.457	725.450

Notes 1 to 39 and Appendices I to IV form an integral part of these consolidated annual accounts.

CONSOLIDATED ANNUAL ACCOUNTS OF GRUPO ISOLUX CORSÁN, S.A. AND SUBSIDIARIES AT 31 DECEMBER 2010

CONSOLIDATES CASH FLOW STATEMENT (Thousand euro)

	Notes	Year ended 31 December	
		2010	2009
Cash flows from operating activities			
Profit for the year before taxes		84.909	66.477
Adjustments for:			
- Depreciation, amortization and impairment losses	6,7 y 8	86.692	65.063
- Change in trade provisions		16.804	6.515
- Profit on non-current assets assigned to projects disposal	24	(26.562)	-
- Share in associates' profits	9	7.072	12.012
- Net financial results	27	115.721	105.616
Subtotal		199.727	189.206
Changes in working capital :			
- Inventories		(79.893)	41.929
- Trade and other receivables		(306.058)	(49.666)
- Financial assets at fair value through profit or loss		(1.796)	210.267
- Trade and other payables		318.774	264.170
- Provisions for other liabilities and expenses		14.139	(3.580)
- Other non-current receivables and payables		-	(18.581)
- Other changes		(4.303)	(2.374)
Cash generated from operations		225.499	697.848
- Taxes paid		(16.997)	(25.458)
Net cash generated from operating activities		208.502	672.390
Cash flows from investing activities			
- Acquisition of subsidiary, net of cash acquired		-	2.213
- Acquisition of property, plant and equipment and intangible assets		(46.615)	(46.260)
- Income from property, plant and equipment and intangible assets disposal		1.415	-
- Acquisition of non-current assets assigned to projects		(506.019)	(412.085)
- Revenue due to non-current assets assigned to projects disposal		256.535	-
- Acquisitions of investments in associates and financial investments		(1.374)	(95.666)
- Net change in other receivables		(6.061)	(70.523)
- Interest received and other financial income		2.002	32.159
Net cash used in investing activities		(300.117)	(590.162)
Cash flows from Financing activities			
- Net income from borrowings		467.030	183.225
- Net reimbursement of borrowings		(124.616)	(144.139)
- Income from project finance		505.863	279.923
- Reimbursement of project finance		(58.037)	(80.141)
- Interest paid		(161.718)	(137.251)
- Dividends paid		(24.000)	(49.769)
Net cash generated from/(used in) financing activities		604.522	51.848
Net change in cash and cash equivalents		512.907	134.076
Cash and cash equivalents at start of the year		420.778	287.469
Exchange differences included in net change for the year		3.870	(767)
Cash and cash equivalents at the end of the year	14.1	937.555	420.778

Notes 1 to 39 and Appendices I to IV form an integral part of these consolidated annual accounts.

CONSOLIDATED ANNUAL ACCOUNTS OF GRUPO ISOLUX CORSÁN, S.A. AND SUBSIDIARIES AT 31 DECEMBER 2010

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS (Thousand euro)

1. General information

At the 2010 year end GRUPO ISOLUX CORSÁN, S.A. (hereinafter, the Company) forms a group (hereinafter, 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 (hereinafter, Joint Ventures). 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, except from those explained in note 9. The Group's main activities and sales are carried on and made in Spain and Latin America, and it is in expansion in Asia, Africa and North 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 those entities 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 scope 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 scope under the proportionate consolidation method.

The parent company and certain subsidiaries are members of temporary joint ventures, whose assets, liabilities, income and expenses are recognized using the proportionate method. Appendix IV contains a detail of the temporary joint ventures of which Group companies are members.

Changes in the consolidation scope during 2010 are as follows:

- The following companies were incorporated: Isolux Corsán Concesiones de México, S.A. de C.V., Isolux Corsan Energy Cyprus Limited, Isolux Corsan Power Concessions India Private Limited, Mainpuri Power Transmission Private Limited, Isolux Corsán Concessions India Privated Limited, Soma Isolux Varanasi Aurangabad Tollway Private Limited, Isolux Soma and Unitech JV, Isolux Corsán Brasileña de Infraestructuras, S.L., ICI Soma JV, Carreteras Centrales de Argentina, S.A., Wett Holdings LLC., Eclesur, S.A., Empresa Concesionaria Líneas Eléctricas del Sur, S.A., Isolux Corsán Renovables, S.A., Isolux Corsán Panamá, S.A., Hixam Gestión de Aparcamientos III, S.L., Isolux Corsán Arabia Saudí, LLC and Isolux Corsán Gulf, LLC.
- The following companies were acquired: AB Alternative Investment, B.V., ICC Sandpiper, B.V., Isolux Corsán Participaciones de Infraestructura Ltda., Isolux Corsán Participaciones en Viabahía Ltda.
- Shareholding increase in Infinita Renovables, S.A. from 70% to 80%.
- Shareholding decrease in Luxeol, S.L. from 100% to 70% and in Viabahia Concesionaria de Rodovias, S.A. from 75% to 55%.
- Joint ventures sale in Brazil (see note 8.1), sale of Infinita Renovables Patagonia, S.A. and Aparcamientos IC Gómez Ulla, S.L.
- During the year, Isolux de México, S.A. de C.V. absorbed Isolux Corsán Construcción S.A. de C.V. (both came within the consolidation scope in 2009).

**CONSOLIDATED ANNUAL ACCOUNTS OF GRUPO ISOLUX CORSÁN, S.A.
AND SUBSIDIARIES AT 31 DECEMBER 2010****NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS
(Thousand euro)**

Changes in the consolidation scope during 2009 are as follows:

- The following companies were incorporated: Grupo Isolux Corsán Concesiones, S.A., Isolux Ingeniería USA LLC, Isolux Corsán Cyprus Limited, Sociedad Concesionaria Zona 8-A., S.A, Eólica Isolcor, S.L., Parque Eólico Cova da Serpe II, S.L., Vías Administración y Logística, S.A. de C.V., Viabahia Concesionaria de Rodovias, S.A., Iccenlux Corp., Isolux Corsan Concessions Cyprus Limited, Isolux Corsan NH1 Cyprus Limited, Aparcamientos IC Elche, S.L., Inversiones Blumen, S.L., Líneas de Comahue Cuyo, S.A., Aparcamientos Los Bandos Salamanca, S.L., Soma Isolux Surat Hazira Tollway PVT, LTD., Soma Isolux Kishangarh-Ajmer-Beawar Tollway PVT.LTD, Isolux Corsán India & Soma Enterprises Limited, Indra Isolux de México S.A de C.V., Construcciones e Instalaciones del Noreste S.A. de C.V. and Wind Energy Transmission Texas, LLC.
- The following companies were acquired: Agua Limpia Paulista, S.A. (40%), Integração Elétrica Norte e Nordeste, S.A. (50%) and Global Vambru, S.L.
- Shareholding increase in Alqunias, S.A. and Pinares del Sur, S.L. from 25% to 50% and from 18% to 50%, respectively.
- Sale of Parque Eólico Cova da Serpe, S.L.

On 17 December 2004, the 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 Grupo Isolux Wat. 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. Grupo Isolux Corsán is the result of the 2005 merger.

Grupo Isolux Corsán, S.A.'s registered office is at Caballero Andante 8 Street, 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 its bylaws is entered in volume 20,745, book 0, section 8, sheet 189, and 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.
- Rendering 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 mainly operates through 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.

CONSOLIDATED ANNUAL ACCOUNTS OF GRUPO ISOLUX CORSÁN, S.A. AND SUBSIDIARIES AT 31 DECEMBER 2010

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS (Thousand euro)

- 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 and transformation energy plants.
- Renewable energy: activity in bio-fuel.

These consolidated annual accounts were prepared by the Board of Directors on 28 March 2011. The Directors will submit these consolidated annual accounts to the General Shareholders' 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 2010?? have been prepared in accordance with International Financial Reporting Standards (IFRS) adopted for its use in the European Union, approved by the European Commission Regulations (IFRS-EU) and effective at 31 December 2009. The group started working under IFRS-EU on 1 January 2006.

The policies described below have been applied consistently to all the financial years presented in these consolidated annual accounts.

The amounts are expressed in thousands of euro in this document, unless 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 alternative criteria:

- Measurement of property, plant, equipment and intangible assets at historical cost, capitalizing financial expenses over the construction period.
- Joint ventures and temporary joint ventures 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 judgment in the process of applying the Company's accounting policies. Note 4 discloses the areas that require a higher level of judgment or entail greater complexity, and the areas where assumptions and estimates are significant for the consolidated annual accounts.

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Standards, amendments and interpretations that came into effect in 2010

- **IFRS 3 (Reviewed) “Business combinations”.** This standard is mandatory and must be applied on a prospective basis to all business combinations whose acquisition date was after the date of the first period beginning after 1 July 2009. The advanced application of this standard is allowed for those fiscal years commencing as from 30 June 2007. In any case, such advanced application requires the enforcement at the same date of IAS 27 (reviewed in 2008) and amendments incorporated to IFRS 3 as a consequence of the 2008 improvement project. Acquisition method is maintained regarding business combinations, but important changes are introduced. For example, all payments made to acquire a business are recorded at fair value on the acquisition date, and contingent payments classified as liabilities are recorded at fair value at each balance sheet end, recording any change in the income statement. An accounting policy choice, applicable to each business combination and consisting of measuring non-parent shares at its fair value or at the proportional net value of the acquired company's assets and liabilities, is introduced. All transaction costs are carried as expenses. The Group has applied IFRS 3 (Reviewed) to all business combinations taking place as from 1 January 2010, on a prospective basis.
- **IAS 27 (reviewed) “Separate and consolidated financial statements”.** This standard is mandatory and must be applied on a prospective basis to all the periods commencing as from 1 July 2009. This standard requires the effects of all transactions with non-parent shares to be recognized in equity if there is no control change, so as to these transactions not to generate neither goodwill nor gains or losses. The standard also establishes the accounting policy to be applied when control is lost. Any residual share held by the Company returns to its fair value and a gain or loss is recorded in the income statement. The Group has applied IAS 27 (reviewed) to all transactions with non-parent shares as from 1 January 2010, on a prospective basis.
- **IFRIC 12 “Concession services agreements”.** This interpretation affects public-private concession services agreements in which the grantor states the services to be assigned to the infrastructure by the concessionaire, the entity to whom the service must be rendered and the price to be applied. The grantor also controls any significant residual share in the infrastructure at the end of the agreement. This interpretation is enforceable for all fiscal years beginning as from 30 March 2009. The Group applies IFRIC 12 as from 1 January 2010, on a retrospective basis. This retrospective enforcement had no significant effect, since the Group has applied similar criteria relating concession services agreements accounting as those terms stated under IFRIC 12.
- **IFRIC 15 “Property construction agreements”.** This interpretation clarifies the recognition conditions for those revenues relating to property construction agreements and, particularly, if these agreements fall within the application scope of IAS 11 “Construction contracts” or IAS 18 “Revenue”. This interpretation is enforceable for all fiscal years commencing as from 1 January 2010. The Group has adopted IFRIC 15 interpretation as from that date on a prospective basis, with no significant effect on consolidated annual accounts.

Improvement Project published by IASB in April 2009 and adopted by the European Union in March 2010. Amendments incorporated to this project, as well as enforceable dates for each of them are explained below:

- **IAS 1 “Financial Statements disclosure”.** The amendment is about the classification of liabilities convertible into equity instruments, as current or non-current items. Despite the holder's right to require the liability to be settled by an equity instruments issue at any time, a financial liability is classed as non-current if there is an unconditional right to delay its cancellation through a transfer of cash or other assets for the next 12 months following the financial statements date. This amendment is enforceable for all fiscal years beginning as from 1 January 2010. The Group has adopted it since 1 January 2010.

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- **IAS 7 “Cash flow statement”.** The modification is to clarify that only those disbursements arising in asset recognition in the balance sheet can be classified as cash flow from investment activities. In this manner, alignment in cash flow from investment activities classification and assets recognized relating financial situation are improved, decreasing practical differences. This amendment is enforceable for all fiscal years beginning as from 1 January 2010. As a consequence, all disbursements arising in asset recognition in the balance sheet are showed as cash flow from investment activities in the consolidated cash flow statement.
- **IAS 17 “Leases”.** When a lease includes both land and buildings, the classification as financial or operating lease must be performed separately, in accordance with the general principles stated in IAS 17. Prior to this amendment, IAS 17 required any indefinite real estate lease to be classified as an operating lease, unless ownership was transferred at the end of the lease. However, this practice has been discontinued since IASB considers it is against general principles applicable in lease classification. When a lease is newly classed as financial, the recognition must be done on a retrospective basis. This amendment is enforceable for all fiscal years beginning as from 1 January 2010. The Group has adopted IAS 17 amendment since 1 January 2010, with no significant effects on its financial statements.
- **IAS 18 “Revenue”.** A new section is added to IAS 18 Appendix, in which guidance to determine whether an entity acts as principal or agent is given. The amendment affects IAS 18 Appendix which is not part of the standard itself, so the new guidance will be in force as from its publication. The Group has adopted the additional section in IAS 18 since 1 January 2010, without significant issues arising on its financial statements.
- **IAS 36, “Impairment of assets”:** For the purpose impairment testing, each cash generating unit (CGU) or group of CGUs to which the goodwill is allocated should not be larger than an operating segment (in accordance with IFRS 8) prior to aggregation. Entities that use aggregated operating segments to determine their cash generating units will be forced to disaggregate when the amendment becomes effective. This could result in the recognition of an impairment loss. This amendment is of mandatory application for all years commencing on or after 1 January 2010. The criteria adopted by the Group are similar to those established in IAS 36, therefore the application of the same has not had any significant effect.
- **IFRS 2 “Share-based remuneration”.** IFRS 2’s scope is aligned with business combination definition contained in IFRS 3 (reviewed) “Business combinations”. The amendment supports that transactions under common control and business contributed to create a joint venture are not under IFRS 2’s scope. This amendment is enforceable for all fiscal years commencing as from 1 July 2009. The Group has adopted it since 1 January 2010, without any significant effect on its financial statements.
- **IFRS 5 “Held-for-trading non-current assets and interrupted activities”.** The amendment clarifies that IFRS 5 states the information to be disclosed regarding held-for-trading non-current assets and interrupted activities. Terms about information disclosure contained in other IFRS are not applicable, unless these standards require:
 - Specific information to be disclosed regarding held-for-trading assets and interrupted activities; or
 - Information to be disclosed about the measurement of assets and liabilities inside a disposal group which was not under the scope of IFRS 5.This amendment is enforceable for all fiscal years beginning as from 1 January 2010, on a prospective basis. The Group has adopted it since 1 January 2010, without any significant issue arising as concerns its financial statements.

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- **IFRS 8 "Operation segments"**. The requirement to report the value of the assets in a segment is only applicable when the highest decision-making unit reviews this information. This amendment is enforceable for all fiscal years beginning as from 1 January 2010. Prior to IFRS 8 being in force, information by segment was prepared by the Group and reviewed by its highest decision-making unit, therefore the amendment's adoption had no significant effects.

Standards, amendments and interpretations in force since 2010, whose application has no impact on the Group's annual accounts

- **IFRIC 16 "Hedge of a net investment in a foreign operation"**. This interpretation concerns the accounting treatment to be applied to a net investment hedge, including the fact that the hedge does not refer to presentation currency differences but to those related to functional currency. It also states that the hedge instrument can be maintained in any part of the group, except for the dependent company it is hedging. The requirements under IAS 21 "Changes in foreign exchange rates" are applicable to the hedged item. The company has applied IAS 39 "Financial instruments: measurement and recognition" since 1 January 2010 on a prospective basis, to stop hedge accounting related to those hedge instruments considered as net investment hedge which do not comply with the requirements under IFRIC 16. This interpretation is enforceable for all fiscal years commencing as from 1 July 2009.
- **IFRIC 18, "Transfers of assets from customers"**: This interpretation provides guidance on how to account for assets from customers or cash received that is used to acquire or construct specific assets. This interpretation applies only to those assets used to connect the customer to a network or provide the customer with on-going access to a supply of goods or services, or to do both. This interpretation shall be applied prospectively to all transfers of assets from customers received on or after 1 July 2009. For the purpose of its adoption by the EU, this interpretation shall be effective, at the latest, as from the start of the first year beginning after 31 October 2009. The Group applies IFRIC 18 since 1 January 2010 without this having a material impact on the financial statements of the Group.
- **IFRS 1 (reviewed) "First adoption of IFRS"** (in force since 1 July 2009) and **IFRS 1 (amendment) "Additional exemptions for those entities initially adopting IFRS"** (in force since 1 January 2010).

The following amendments relate to the improvement project published by IASB in April 2009 and adopted by the European Union in March 2010:

- **IFRIC 9 (Amendment) "New assessment of implicit derivatives"** (in force for years commencing as from 1 July 2009).
- **IFRIC 16 "Net investment hedge for foreign transactions"** (in force since 1 July 2009).
- **IAS 38 (Amendment) "Intangible assets"** (in force since 1 January 2010).
- **IAS 39 (Amendment) "Financial instruments: measurement and recognition"** (in force since 1 January 2010).
- **Standards, amendments and interpretations to existing standards that are not yet in effect and have not been previously adopted by the Group.**

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Standards, amendments and interpretations that can be adopted in advance for years commencing as from 1 January 2010:

- **IAS 24 "Information disclosure concerning related parties"**. The reviewed standard clarifies and simplifies the definition for "related party", removing all inconsistencies present in the previous standard and making it easier to apply. In addition, it eliminates the requirement for those entities related to Public Administrations which have to disclose all the information concerning transactions carried out with public bodies and other entities related with them. This reviewed standard can be total or partially adopted in advanced. The standard is applicable for those years beginning as from 1 January 2011. The Group will adopt IAS 24 as from 1 January 2011, on a prospective basis.
- **IAS 32 (Amendment) "Right issues classification"** (in force as from 1 February 2010)
- **IFRIC 14 (Amendment) "Advanced payments concerning minimum financing requirements"** (in force as from 1 January 2011)
- **IFRIC 19 "Financial liabilities cancellation through equity instruments"** (applicable to those year beginning at 30 June 2010)

2010 improvement project, published by IASB in May 2010 and that modifies IFRS 1, 3 and 7 and IAS 1, 12, 27 and 34, as well as IFRIC 13:

- **IFRS 1 "First adoption of IFRS"**
- **IFRS 3 "Business combinations"**. Improvement Project includes the following aspects with respect to IFRS 3:
 - Contingent consideration agreements arising in business combinations with an acquisition date prior to IFRS 3 application (2008) have to be recorded in compliance with the requirements stated in previous IFRS 3 (issued in 2004). Amendments in IFRS 7 "Financial instruments: information disclosure", IAS 32 "Financial instruments: disclosure" and IAS 39 "Financial instruments: measurement and recognition" eliminate exemptions related to contingent considerations, but are not applicable to contingent considerations arising from business combinations with an acquisition date prior to IFRS 3 application (2008);
 - The choice to measure non-parent shares at fair value or at the proportional net value of acquired company's assets and liabilities only applies to instruments representing present shares and granting holders the right to participate in the event of a settlement by the company??, on a proportionate basis. The rest of non-parent share components are measured at fair value unless another measurement basis was required by IFRS.

IFRS 3 guidance applies to all share-based remunerations derived from a business combination, including share-based payment agreements replaced both voluntarily and not voluntarily. This amendment is enforceable for all fiscal years beginning as from 1 July 2010. The Group will apply IFRS 3 (amendment) to all business combinations since 1 January 2011, on a prospective basis.

- **IFRS 7 "Financial instruments: information disclosure"**. Amendments relate to financial instrument information disclosure, mainly concerning quantitative and qualitative aspects of the nature and scope of those risks associated with financial instruments. This amendment is enforceable for all fiscal years beginning as from 1 January 2011. The Group will apply IFRS 7 (amendment) to all financial instruments as from 1 January 2011, on a prospective basis.
- **IAS 1 "Financial statements disclosure"**. Companies can present an itemized analysis of other results in the statement of changes in equity or in the notes to the annual accounts. This amendment is enforceable for all fiscal years beginning as from 1 January 2011. The Group will adapt financial statements in accordance with IAS 1 as from 1 January 2011, on a prospective basis.

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- **IAS 27 "Separate and consolidated financial statements"**. Amendments in IAS 21 "Effects of changes in foreign exchange rates", IAS 28 "Investments in associates" and IAS 31 "Interests in joint ventures" resulting from IAS 27 review (2008) have to be applied on a prospective basis. This amendment is enforceable for all fiscal years beginning as from 1 July 2010. The Group will adopt this standard as from 1 January 2011, on a prospective basis.
- **IAS 34 "Intermediate financial information"**
- **IFRIC 13 "Customer loyalty programs"**
- **IFRS 7 (amendment) "Disclosures – Transfers of financial assets"**: The amendment to IFRS 7 requires additional disclosures in respect of risk exposure arising from financial assets transferred to third parties. The amendment requires disclosure about risks and rewards of transfer transactions involving on-balance sheet financial assets and the identification of associated financial liabilities and requires enhanced disclosure about transactions involving off-balance sheet financial assets: the result generated on the transaction, the remaining risks and rewards and the reflection for accounting purposes of the same, initial and future, and the estimated fair value of the "on-going involvement" recorded on the balance sheet. Amongst others, this amendment would affect transactions involving the sale of financial assets, factoring agreement, securitization of financial assets and securities loan agreements.

Amendments in IFRS 7 are enforceable for all fiscal years beginning as from 1 July 2011, although adoption in advance is also allowed. At the preparation date of these consolidated annual accounts. This amendment was pending adoption by the European Union. The Group is analyzing the impact this adoption could have over consolidated annual accounts.

- **IAS 12 (amendment) "Deferred income tax: underlying assets recovery"**. This amendment offers a practical approach to measure deferred income tax assets and liabilities related to real estate investments carried at fair value. This measurement option is provided in IAS 40 "Investment property". The amendment will be enforceable for all fiscal years beginning as from 1 January 2012.
- **IFRS 1 (Amendment) "Hyperinflation level increase and elimination of those fixed dates applicable to first adopters"**.

No significant impact is expected as a result of these standards entering into force.

In addition, at the preparation date of these financial statements, IASB had published the following standards which are pending adoption by the European Union. These standards, amendments and interpretations will be enforceable as from 2011; the Group has adopted them in advance:

- **IFRS 9 "Financial instruments"**. IFRS 9 simplifies financial assets recording and introduces new requirements relating its classification and measurement. Those assets held for collect cash from payments are measured at amortized cost, whereas the rest (including held-for-trading financial assets), are measured at fair value. Hence, only an impairment model for those assets carried out at amortized cost was required. In October 2010, IASB updated IFRS 9 to include initial recognition and subsequent measurement criteria for financial liabilities and disposal criteria for financial instruments. Related issues in IAS 39 have not been change, except for the subsequent recording of financial liabilities through profit and loss. In such cases, fair value changes arising from credit risk assessment are directly recorded in equity as income and expense. These amounts cannot be allocated to the income statement but reclassified to other captions under equity. Nevertheless, in the event that a mismatch is detected with the related financial assets measurement, all value changes will be charged to results. For the moment, the current IAS 39 requirements regarding financial assets impairment and hedge accounting are still in force. This standard will be applicable for all fiscal years beginning as from 1 January 2013, although it can be implemented in advance. At the preparation date of these consolidated annual accounts, this standard had not been adopted by European Union.

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Restatement and change in accounting criteria:

During 2010, Group's Board of Directors has decided to change the accounting policy regarding consolidation of real estate businesses in which there exists joint control. This decision implies replacing the proportionate consolidation method by the equity method, as explained in note 2.2, and has been adopted due to the decreasing importance of these businesses over the activity of the Group and because the real estate line of business is no longer considered as a strategic business.

In compliance with IAS 8 this change has been applied on a retrospective basis. Therefore, in compliance with IAS 1, the Consolidated Balance Sheet shows comparative information regarding previous year end and initial restated balances. This change had no impact on equity.

Major impacts of the above-mentioned restatement at 31 December 2009 and 2008 are explained below:

	Impact on operating result	Impact on assets at 31 December	
	2009	2009	2008
Landscape Corsán, S.L.	-	(358)	(358)
Las Cabezadas de Aranjuez, S.L.	234	(6.979)	(6.860)
Alqlunia 5, S.A.	360	(10.691)	-
Pinares del Sur, S.L.	(50)	(10.996)	-
	544	(29.024)	(7.218)

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.

When through the acquisition of a subsidiary, the Group acquires a group of assets or net assets that are not a business, the group cost is allocated between the identifiable assets and liabilities within the group based on their fair values at the acquisition date (all acquisition during 2010 and 2009 present these characteristics). The cost of net assets group includes legal and financial expenses necessary to carry out the transaction. When the Group incurs in costs related to the acquisition of a participation in an entity that is not a business and the transaction has not been finalized at year end, the aforementioned costs are recognized in the balance sheet if it is likely that the transaction will be carried out successfully after year end. In the event that the transaction cannot be estimated as likely, the incurred costs are recognized as expenses in the income statement.

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 to 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 directly recognized in the income statement.

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Intercompany transactions, balances and unrealized gains on transactions between Group companies are removed. Unrealized 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 scope under the full consolidation method.

Aparcamiento Los Bandos Salamanca S.L. and Aparcamientos IC Sarrión where the group holds a 70% and a 51% of the shares, respectively, are not considered subsidiaries as the control is not held by the Group. Agreements established between shareholders result in the investment being considered as a joint venture (See Appendix III).

Agua Limpia Paulista, S.A. and Concesionaria Autovía A-4 Madrid, S.A. where the Group holds 40% and 48.75% of the shares, respectively, are considered subsidiaries since the control is held by the Group, due to shareholder agreements (See Appendix I).

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 recognized 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, with the exception of Landscape Corsán, S.L., Pinares del Sur, S.L., Las Cabezas de Aranjuez, S.L. and Alqlunia 5, S.L. The Group's shareholding in these companies amounts to 50%, 50%, 40% and 50% respectively, and, as stated in note 2.1, they are consolidated through the equity method commencing this year. 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 recognizes, 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 recognize 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 recognized on the transaction if it causes a reduction in the net realizable 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, except those companies mentioned above, which are consolidated through the equity 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 and are initially recognized at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

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The Group's share on its associates' post-acquisition profits or losses is recognized in the income statement and its share of post-acquisition movements in reserves is recognized in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's share in the associates. Unrealized 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 recognized in the income statement.

Appendix II to these notes set out 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 to execute a construction work, 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 euro, the Company's functional and presentation currency, although figures are expressed in thousands of euro for presentation purposes.

Transactions and balances

Transactions in foreign currency are translated to the functional currency using the exchange rates effective at the transaction dates; at the year-end they are measured at the exchange rate in force at that moment. 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 recognized 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 amortized cost and other changes in the instrument's carrying amount. The translation differences are recognized in results for the year and other changes in the carrying amount are recognized 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 with respect to non-monetary items such as equity instruments classed as available-for-sale financial assets are included in equity in the revaluation reserve.

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Group companies

Results and the financial situation of all Group companies (none of which has the currency of a hyperinflationary 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 recognized 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 recognized 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 are recognized 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 recognized as a separate asset only when it is likely 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).

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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 capitalized is carried at production cost and reflected as income in the income statement.

Assets received through debt collection procedures are measured at the lower of the price related to the receivable for the corresponding asset, and market price.

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 recognized 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 recognized in the amount paid by the Company with respect to assignment or operating royalties. In certain cases, concessions relate to the administrative authorization granted by municipal authorities or other public bodies for the construction and subsequent operation of car parks, highways, electric transmission lines 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. Once the exploitation of the concession assets begins, related collections are recognized as ordinary revenue and operating expenditure is included in expenses for the year. In all cases, the intangible assets are amortized on a straight-line basis over the concession term, except for those railway concessions, which are depreciated in a systematic way, based on the estimated traffic and expected revenues. 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.

As project-related funding is obtained, concessions are reclassified into non-current assets assigned to projects (see Note 2.6).

Computer software

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

Costs associated with developing or maintaining computer software programs are recognized 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 recognized as intangible assets.

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

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Research and development expenses

Research expenditure is recognized as an expense as incurred. Costs incurred in development projects (related to the design and testing of new or improved products) are recognized 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 recognized as an expense when incurred. Development expenses previously recognized as an expense are not recorded as an asset in a subsequent period. No development costs are capitalized at 31 December 2010.

Contracts portfolio

Contractual relations with clients acquired through Business combinations are recognized at its fair value at the acquisition date. Contractual customers relationships has a definite life and are measured at cost less accumulated depreciation. Depreciation is calculated on a straight-line basis during the expected duration of the contract (5 years).

2.6. Non-current assets assigned to projects

This caption includes the amount of investments made mainly in transport, car parks, energy and environmental infrastructures that are operated by the Group's subsidiaries and are financed by means of project finance arrangements (Project finance).

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, although additional guarantees can arise in between construction period and project implementation. Each project is carried out through specific companies in which project assets are partly financed 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 up 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, as well as those indirectly attributable costs corresponding to the construction period. Likewise, financial expenses accrued during construction period are capitalized.

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.

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AND SUBSIDIARIES AT 31 DECEMBER 2010****NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS
(Thousand euro)**

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, net of any amount that the granting authority reimburse at the concession end. 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. Interest costs

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

2.8. Non-financial asset impairment losses

Assets with an indefinite useful life and goodwill are not amortized/ depreciated and are tested annually for impairment. Assets subject to amortization/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 recognized in the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher between an asset's fair value less sale costs and value in use. For the purposes of assessing impairment, assets are grouped together at the lowest level for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill for which impairment losses have been recognized are tested at each balance sheet date in the event that the loss has reversed.

2.9. Financial assets

The Group classifies its financial assets 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 recognized and reviews the classification at each reporting date.

In accordance with IFRS 7 amendment, the Group classifies market-valued financial instruments based on the lowest of used data that were significant with respect to the instrument whole fair value. In compliance with this standard, financial instruments must be classified as follows:

1. Quoted prices in active markets for identical instruments.
2. Directly (prices) or indirectly (based on prices), observable data for the instrument.
3. Data not based on market observations.

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 categorized 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 and the granting authority guarantees those payments.

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AND SUBSIDIARIES AT 31 DECEMBER 2010****NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS
(Thousand euro)****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 non-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 assets 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 recognized at the trading date, i.e. the date the Group undertakes to acquire or sell the asset. Investments are initially recognized 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 amortized cost using the effective interest rate 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 recognized 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 analyzed by separating the differences in the instrument's amortized cost and other changes in the instrument's carrying amount. Translation differences on monetary instruments are recognized in the income statement, while translation differences on non-monetary instruments are recognized in equity. Changes in the fair value of monetary and non-monetary instruments classified as available for sale are recognized in equity.

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

Interest on available-for-sale instruments calculated using the effective interest rate method is recognized in the income statement item "Net financial results". Dividends from available-for-sale equity instruments are recognized 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, maximizing market input and relying as little as possible on the entity's specific inputs.

**CONSOLIDATED ANNUAL ACCOUNTS OF GRUPO ISOLUX CORSÁN, S.A.
AND SUBSIDIARIES AT 31 DECEMBER 2010****NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS
(Thousand euro)**

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 is impairment losses it will be necessary to examine whether there is a significant or protracted below cost decline in the fair value of the securities. 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 recognized in the income statement, is removed from equity and recognized in the income statement. Impairment losses recognized in the income statement on equity instruments are not reversed through the income statement.

Impairment testing of receivables is described in Note 2.12.

Financial assets and liabilities are offset and presented by its net value in the balance sheet when there is a legally enforceable right to compensate the recorded amounts, and the Group has the intention to settle or to realize the asset and cancel the liability simultaneously.

2.10. Derivative financial instruments and hedging activities

Derivatives are initially recognized at fair value at the contract date and are subsequently measured at fair value. The method to recognize 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 recognized assets and liabilities (fair value hedge);
- hedges of a specific risk associated with a recognized liability or a highly probable forecast transaction (cash flow hedge); or
- hedge 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 some 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 and Consolidated Statement of Comprehensive Income. 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. Derivatives not classified as hedges for accounting purposes are carried as current assets or liabilities.

Regarding the amendment in IFRS 7, the Group proceeds to classify financial instruments market valuations as stated in Note 2.9.

Fair value hedge

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

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of the hedged item for which effective interest rate method has been used, is recorded as profit or loss up to its maturity.

**CONSOLIDATED ANNUAL ACCOUNTS OF GRUPO ISOLUX CORSÁN, S.A.
AND SUBSIDIARIES AT 31 DECEMBER 2010****NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS
(Thousand euro)****Cash flow hedge**

The effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedges is recognized 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 recorded 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 recognized in the income statement item "Net financial results". The gain or loss relating to the effective portion of forward foreign currency contracts that hedge sales is recognized in the income statement item "Sales" and the ones hedging purchases is recognized in "Materials consumed and other external costs".

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 recognized when the forecast transaction is ultimately recognized 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 in a similar way to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognized in equity. The gain or loss relating to the ineffective portion is immediately recognized in the income statement. Gains and losses accumulated in equity are included in the income statement when the foreign operation is disposed of.

At 31 December 2010 and 2009 the Group does not hold net foreign investment hedge derivatives.

Derivative financial instruments at fair value through profit or loss

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

2.11. Inventories

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

Finished products and work in progress items costs include design costs, raw materials, direct work force, other direct costs and general manufacturing costs (based on a normal capacity of production facilities). Changes in prices of such inventories referred to variable indexes are recorded against inventories 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. These items are classified as short- or long-term cycle depending on whether the period to completion is less or more than twelve months.

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

Inventories comprise biological assets (see Note 2.27).

Net realizable value is the selling price estimated during ordinary business course, less applicable sale variable costs.

**CONSOLIDATED ANNUAL ACCOUNTS OF GRUPO ISOLUX CORSÁN, S.A.
AND SUBSIDIARIES AT 31 DECEMBER 2010****NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS
(Thousand euro)****2.12. Trade and other receivables**

Trade receivables are amounts due from customers related to goods sold or services rendered in the course of the company's business. If the receivables are expected to be collected in a year or less (or in the operation cycle if longer), they are classified as current assets. Otherwise, they are recorded as non-current assets.

Trade receivables are initially recognized at fair value and are subsequently measured at amortized cost using the effective interest rate 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 in accordance with 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 recognized in the income statement. When a receivable is uncollectable, the provision for receivables is adjusted accordingly. Subsequent recoveries of receivables written off are recognized in the income statement for the year in which the recovery takes place.

2.13. Cash and cash equivalents

Cash and cash equivalents include cash in hand, demand deposits in banks and other short-term highly liquid investments with original maturities of three months or less. 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, and is included in equity attributable to the Company's equity holders.

2.15. Government grants

Grants from the government are recognized 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 recognized 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 recognized at fair value and are subsequently measured at amortized cost using the effective interest rate method.

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AND SUBSIDIARIES AT 31 DECEMBER 2010****NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS
(Thousand euro)****2.17. Borrowings**

Borrowings are initially carried at fair value net of transaction costs. They are subsequently measured at amortized cost. Any differences between the funds obtained (net of necessary costs) and their repayment value are recognized in the income statement over the life of the debt applying the effective interest rate 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 bank loans are taken to the income statement for the year on an accrual basis.

2.18. Current and deferred taxes

Tax expense for the year comprises current and deferred tax. Tax is recognized in the income statement except to the extent it relates to items recognized directly in equity. In this case, tax is also recognized in equity.

The current tax charge is calculated based on the tax laws approved or about to be approved at the balance sheet date in the countries where the Group's companies operate and generate results subject to tax. Management assesses regularly the positions taken in relation to tax returns with respect to situations where tax law is subject to interpretation, and establishes, where appropriate, the necessary provisions on the basis of the amounts that it is expected to pay to the tax authorities.

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 realized or the deferred income tax liability is settled.

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

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 likely that the temporary difference will not reverse in a foreseeable future.

Deferred tax assets and liabilities are offset if, and only if, there is a legally recognized right to offset current tax assets against current tax liabilities and when the deferred tax assets and deferred tax liabilities derive from income tax levied by the same taxing authority on the same taxable entity or person or different taxable entities or persons which intend to settle current tax assets and liabilities on a net basis.

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.

**CONSOLIDATED ANNUAL ACCOUNTS OF GRUPO ISOLUX CORSÁN, S.A.
AND SUBSIDIARIES AT 31 DECEMBER 2010****NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS
(Thousand euro)**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 recognized 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 unrecognized 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.

At 31 December 2010 and 2009 the Group does not hold such kind of operations.

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 recognizes 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 recognizes 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 recognizes a provision when contractually obliged or when there is a past practice that has created a constructive obligation.

2.20. Provisions

The Group recognizes a provision when: it has a present legal or constructive obligation as a result of past events; it is likely that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognized 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 recognized 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 recognized as interest expense.

**CONSOLIDATED ANNUAL ACCOUNTS OF GRUPO ISOLUX CORSAÑ, S.A.
AND SUBSIDIARIES AT 31 DECEMBER 2010****NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS
(Thousand euro)****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 recognizes 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 recognize 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 recognized 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 recognized as project revenue from inception. The difference with respect to the corresponding figure a month earlier is production for the month, which is the amount recognized as revenue.

Construction work costs are recognized 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 recognized 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 such exceptional cases, when it is not possible to estimate the margin for the entire contract, the total costs incurred are recognized and sales that are reasonably assured with respect to the completed work are recognized 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 recognized until the customer's approval is reasonably assured; costs incurred in this work are, however, recognized when incurred, irrespective of the degree of approval obtained from the customer.

In the event that the amount of work actually executed in a project exceeds the amount certified at the year end, the difference between the two amounts is reflected in the consolidated balance sheet item "Trade and other receivables". When the amount of work actually executed in a project is lower than the amount of the certificates issued, the difference is recognized in the consolidated balance sheet item "Trade and other payables".

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AND SUBSIDIARIES AT 31 DECEMBER 2010****NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS
(Thousand euro)**

Estimated project close-out costs are provisioned and apportioned over the execution period. These costs are recognized 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 recognized 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 recognized 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, when 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 recognized 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 revenue recognition 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 recognized 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 (when the predominant element is that the concession holder has the right to receive fees directly from users or the level of future flows are not assured by the granting authority) or as financial assets (when 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 it for a specified period. When such contracts contain multiple elements, the amount of revenue recognized is defined as the fair value for each phase of the contract. Revenue from infrastructure construction and engineering is recognized as described in the preceding paragraphs. Revenue from an intangible asset operation is recognized on an accrual basis as operating revenue. When a financial asset has been previously recognized, revenue is treated as a principal repayment with an interest income component. The characteristics of the Group's main activities are described below:

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AND SUBSIDIARIES AT 31 DECEMBER 2010****NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS
(Thousand euro)**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 recognized at fair value during the construction phase. When the granting authority directly provides or guarantees a level of revenue for the concession holder, the asset is included in receivables. When the concession holder has the right to receive fees from users or revenues are not guaranteed, an intangible asset is recognized. In such cases, the Group recognizes revenue on an accrual basis and the intangible asset is depreciated over the concession term using a straight-line method, except for some toll rails infrastructures concessions in which the depreciation is recognized based in the traffic forecast for the concession.

Car parks

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 recognized until the parking space has been handed over, which usually coincides with the execution of the public deed of sale. Additionally, in order to recognize the sale and costs, construction of the car park must have been completed and the license for the use of the car park must have been delivered. Commitments formalized in car park sale contracts pending handover are recorded as advanced receivables in the amounts obtained on account of the parking space. Capitalized 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 council and is recognized when the relevant amounts fall due for payment. In the case of concessions, the amount paid to obtain the concession is recognized in the income statement over the concession period. Capitalized costs are included as 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 recognized 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 recognized, the necessary provisions are posted to cover costs to be incurred following handover. These provisions are calculated using the 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. Capitalized costs are recognized as intangible assets.

Real estate business

The Group companies recognize sales and results of real estate 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.

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AND SUBSIDIARIES AT 31 DECEMBER 2010****NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS
(Thousand euro)****2.22. Leases****When a Group company is the lessee – Finance lease**

The Group leases certain property, plant and equipment. Property, plant and equipment leases where the Group has substantially all the risks and rewards of ownership are classed as finance leases. Finance leases are capitalized at the lease's inception at the lower between 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 outstanding debt. 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 lease is depreciated over the shorter of the useful life of the asset or the lease term.

When 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 lesser are classified as operating leases. Payments made under operating leases (net of any incentives received from the lesser) are charged to the income statement on a straight-line basis over the period of the lease.

When a Group company is the lessor

When assets are leased under finance lease, the present value of lease payments is recognized as a financial receivable account. The difference between the gross receivable and the present value of that amount is recognized as a financial return on capital.

Lease revenues are recognized during the lease period in accordance with the net investment method, which reflects a constant periodic rate of return

Assets leased to third parties under operating lease contracts are included in tangible fixed assets on the balance sheet. Income from leases is recognized on a straight-line basis during the lease term.

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

Non-current assets (or disposal groups) are classified as held-for-sale assets and are recognized at the lower between carrying value and fair value less selling costs, if the carrying value is mainly recovered through 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 recognized as a liability in the Group's consolidated annual accounts in the year in which the dividends are approved by the parent 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 27) and shares on associates' profits.

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AND SUBSIDIARIES AT 31 DECEMBER 2010****NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS
(Thousand euro)****2.27. Biological assets**

Agricultural products harvested or collected from biological assets are measured at the point of sale or harvest at fair value less estimated costs at point of sale. Such measurement relates to the cost value at the harvest or collection date for the purposes of measuring inventories. Gains or losses on the variation in fair value less estimated costs at point of sale are recognized in the consolidated income statement. Specifically: agricultural products like grains are recorded at market value, net of marketing costs. Additionally assets used in the production process are recognized at their replacement cost.

2.28. Financial information by segments

Operative segments are consistently disclosed with internal information, which is presented to the highest decision-making unit. This unit is responsible for operative segments resources allocation and for these segments' performance assessment. Management Committee has been designed as the highest decision-making unit.

3. Financial risk management**3.1. Financial risk factors**

Group's activities are exposed 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 program focuses on financial markets uncertainty and seeks to minimize 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, Mexican peso, Qatari real and Indian rupee, as well as to other currencies. Foreign exchange risk arises from future commercial transactions, recognized 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 obliged to hedge all foreign exchange risk through the Central Treasury Department. Foreign exchange risks arising from future commercial transactions and recognized 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 recognized assets and liabilities are denominated in a currency other than the company's functional currency.

The Group's Treasury Department has a policy of hedging net forecast flows deriving from forecast transactions in currencies other than the functional currency of the Group company that effects the transaction. At 31 December 2010 and 2009 there were foreign current put transactions related to companies located in Spain, Africa, India and Latin America (See Note 11).

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NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS (Thousand euro)

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 Latin America), particularly in US dollars. At 31 December 2010, 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 2010 would have been 8.085 thousand euro lower/higher (2009: 7.672 thousand euro lower/higher), mainly due to the effects of the increase/decrease in USD liability/asset positions. Equity 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 and Mexico), USA and India. 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 fully financed by borrowings, the Group ensures that the loans are obtained in the correspondent functional currency. When no financing is used, the Group does not contract hedges, except in certain cases in which short-term forecast flows relating dividends from the subsidiary are hedged. Set out below is a breakdown of the main foreign currency exposures affecting capital investments:

	2010	2009
Brazilian Real (*)	392.592	335.550
Mexican Peso (*)	267.976	214.222
Indian Rupee	93.238	66.544
US Dollar (*)	22.806	10.399
Other currency (*)	4.343	6.191
Total	780.955	632.906

(*) 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. It is also exposed to risk of change in price of raw materials used in the biodiesel production, which has begun during 2009. 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, as well as by ensuring the production or acquisition of certain raw materials at a closed price.

For oil purchases to use as raw material in biodiesel production, the Group has purchase contracts in which oil price is referred to diesel quotation, which in turn is the reference price for biodiesel. In this way, margins are assured.

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NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS (Thousand euro)

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

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

- Project finance

As explained in Note 8, the Group participates in a number of investment projects under "Project finance" arrangements in which, among other aspects, repayments are secured only by cash flows from the respective projects; there may be, in some cases and during the construction phase, additional guarantees. 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 analyzed below:

2010

	<u>Euribor rates</u>	<u>TJLP rate (*)</u>	<u>TIIE rate (**)</u>	<u>PLR rate (***)</u>	<u>Other rates</u>	<u>Total</u>
Financing	399.528	285.788	296.782	252.912	-	1.235.010
Interest-bearing cash and cash equivalents	(59.397)	(68.072)	(29.274)	(65.815)	(1.403)	(223.962)
Net position	340.131	217.716	267.508	187.097	(1.403)	1.011.048
Portion hedged by derivative financial instruments	100%	0%	96%	0%	0%	59%

2009

	<u>Euribor rates</u>	<u>TJLP rate (*)</u>	<u>TIIE rate (**)</u>	<u>PLR rate (***)</u>	<u>Other rates</u>	<u>Total</u>
Financing	374.145	365.650	190.929	30.585	8.761	970.070
Interest-bearing cash and cash equivalents	(31.327)	(20.756)	(7.996)	(17.424)	(4.878)	(82.381)
Net position	342.818	344.894	182.933	13.161	3.883	887.689
Portion hedged by derivative financial instruments	73%	0%	132%	0%	0%	55%

(*) Brazilian long-term reference interest rate

(**) Mexican long-term reference interest rate

(***) Indian long-term reference interest rate

The Group analyses its 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 representing the most relevant interest-bearing positions. Based on 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 2.839 thousand euro (2009: 2.450 thousand euro), mainly due 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).

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NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS (Thousand euro)

- 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 analyzed below:

	2010		
	Euribor rate	Other rates	Total
Borrowings	1.119.646	130.722	1.250.368
Interest-bearing cash and cash equivalents	(237.429)	(436.414)	(673.843)
Net position	882.217	(305.692)	576.525
Portion hedge by derivative financial instruments	86%	0%	131%

	2009		
	Euribor rate	Other rates	Total
Borrowings	889.777	18.178	907.955
Interest-bearing cash and cash equivalents	(186.575)	(114.667)	(301.242)
Net position	703.202	(96.489)	606.713
Portion hedge by derivative financial instruments	89%	0%	104%

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 (in this sense, 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. Based on the simulations conducted, the impact on after-tax results of an increase/decrease of 100 basis points interest rate would decrease/increase in (717) thousand euro (2009: (172) thousand euro), mainly due to higher/lower interest expense on variable rate loans. Equity would have changed in the same amount (effects calculated not considering the impact of changes in fair value of financial derivatives contracts).

b) Credit risk

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

- Derivative financial instruments (see Note 11) and balances included under Cash and cash equivalents and financial assets at fair value through profit or loss (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 and financial assets at fair value through profit or loss are contracted with reputable financial institutions that obtain high credit ratings. Investments in government bonds and treasury bills also relate to governments with high credit ratings.

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NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS (Thousand euro)

A high proportion of trade and other receivables (62.37% and 60.72% at 31 December 2010 and 2009, respectively) relate to transactions with national and international 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 there is no default history 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.

Regarding to the Group's project financing arrangements ("Project finance"), as explained in Note 7, 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, 82% of financing recognized at 31 December 2010 (2009: 85%) falls due after more than one year and 68% of the financing recognized at 31 December 2010 (2009: 69%) 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	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
At 31 December 2010				
Borrowings	372.804	62.315	606.621	208.628
Derivative financial instruments	12.559	2.382	7.146	38.118
Trade and other payables (excluding deferred revenue)	2.559.171	3.331	3.405	9.293
Accrued unimatured interest	37.239	31.877	69.515	11.774
Total	2.981.773	99.905	686.687	267.813
At 31 December 2009				
Borrowings	216.894	38.763	589.819	62.478
Derivative financial instruments	6.200	20.562	-	-
Trade and other payables (excluding deferred revenue)	2.191.878	23.188	476	2.539
Accrued unimatured interest	23.985	22.879	20.889	7.792
Total	2.438.957	105.392	611.184	72.809

Liquidity risk is managed on an overall, centralized 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, and temporary placement of cash surpluses) and managing the funds necessary to undertake planned investments.

At 31 December 2010 the Group has a positive working capital amounting 73 thousand euro. Operative cash flow net from tax effect for 2011 is expected to exceed 317 thousand euro.

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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 current position in trade and other payables, as reflected in the consolidated accounts) less cash and cash equivalents and financial assets at fair value through profit or loss. Capital is calculated as equity, as reflected in the consolidated accounts, plus net debt.

In 2010, the Group's strategy, which has not changed since 2009, consisted of keeping the leverage ratio below 80%, which is deemed reasonable considering that the Group's main businesses (construction and engineering) are characterized by high levels of working capital (both financial assets and financial liabilities). Leverage ratios at 31 December 2010 and 2009 are shown below:

	2010	2009
Borrowings (see Note 19) y Trade and other payables – Current (see Note 18)	3.809.539	3.099.833
Less: financial assets at fair value through profit or loss (see Note 14.2)	(2.300)	(504)
Less: cash and cash equivalents (see Note 14.1)	(937.555)	(420.778)
Net debt	2.869.684	2.678.551
Equity (including minority interests)	771.074	725.450
Total share capital	3.640.758	3.404.001
Leverage ratio (net debt / total capital)	78,8%	78,7%

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.

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AND SUBSIDIARIES AT 31 DECEMBER 2010****NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS
(Thousand euro)****4. Accounting estimates and judgments**

The preparation of consolidated annual accounts under IFRS-EU requires that management make estimations 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 ones.

Estimates and judgments 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 judgments

The Group makes estimates and judgments concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and judgments 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 with respect to 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 judgment 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 recognizes 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 recognized, 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 sense, 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 judgment 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.

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(Thousand euro)****Revenue recognition**

The Group recognizes 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 recognized 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 likely contingencies relating to the increase in the total estimated cost and adjusts revenue recognized 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 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 recognized prospectively as from the year in which the change takes place.

For those intangible assets related to railway administrative concessions that are depreciated in a systematic way based on the expected traffic and expected revenues, Group's management annually updates traffic estimates made for such concessions.

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 fulfill 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 recognized 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.

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AND SUBSIDIARIES AT 31 DECEMBER 2010****NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS
(Thousand euro)****5. Financial information by segments**

Operative segments have been determined based on the information presented to Management Committee, which is used to strategic decision making.

Regarding operative segments, the Committee considers there are 5 business units: Construction, Engineering and Industrial Services, Concessions, Renewable Energies and Real Estate. Moreover, an additional analysis concerning geographical areas in which the Group operates is performed: Spain, Latin America (mainly Mexico, Brazil and Argentina), Asia (basically India), and others (including mainly activities carried out in Angola or Algeria).

Since the "Renewable Energies" segment has been recently incorporated and considering it does not reach the quantitative limits under IFRS 8, the decision has been taken not to present this segment separately, but to include it in "Engineering and Industrial Services". Revenues from this segment are obtained from fuel (biodiesel) sale to external customers.

Businesses from "Real Estate" segments are included under "Others, Corporate and Consolidation Adjustments", due to its low contribution to Group operations; revenues from this segment are obtained through real estate sales.

"Construction" and "Engineering and Industrial Services" segments obtain their revenue mainly by rendering construction services, whereas "Concessions" segment obtain them through the sale of the corresponding service according to the type of concession to which it relates.

Revenues generated between segments mainly come from construction services rendered by "Construction" and "Engineering and Industrial Services" to the rest of segments or to the Group's Corporate. These revenues are carried out under market conditions and analyzed by Management Committee as stated in "Own work capitalized".

Operative segments performance is assessed by Management Committee based on the valuation of each segment operating result. Total impact on "Net financial results" of financial income and expenses are analyzed by each individual segment. A detailed analysis is carried out by Treasury Department, which manages Group's cash position. Likewise, income tax is analyzed at Group level by Management Committee.

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**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS
(Thousand euro)**

Segment-information presented to Management Committee at 31 December 2010 is as follows:

2010	Construction	Engineering and Industrial Services	Concessions	Other, Corporate and Consolidation Adjustments	Total
Revenue from external customers	1.281.931	1.625.958	163.577	117.274	3.188.740
Segment's ordinary revenue	1.305.269	1.718.059	163.577	1.835	3.188.740
Own work capitalized	-	-	-	1.017	1.017
Other operating revenue	-	45.615	397	4.017	50.029
Total operating revenue	1.305.269	1.763.674	163.974	6.869	3.239.786
Depreciation and charges due to impairment	(7.725)	(33.829)	(33.598)	(11.540)	(86.692)
Operating expenses	(1.203.640)	(1.642.826)	(51.429)	(47.497)	(2.945.392)
Operating result	93.904	87.019	78.947	(52.168)	207.702
Net financial results	4.495	(21.374)	(44.410)	(54.432)	(115.721)
Shares in associates' profit/ (Loss)	-	-	(6.562)	(510)	(7.072)
Before-tax profit/(loss)	98.399	65.645	27.975	(107.110)	84.909
Income tax	-	-	-	(20.949)	(20.949)
Profit/(loss) for the year	-	-	-	-	63.960
Total Assets	1.558.378	2.168.063	2.172.660	205.553	6.104.654
Total assets include:					
Investments in associates	-	-	8.761	170.235	178.996
Additions to non-current assets	7.455	14.747	377.102	6.046	405.350
Total Liabilities	1.309.446	1.666.576	1.951.108	406.450	5.333.580

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NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS (Thousand euro)

Segment-information presented to Management Committee at 31 December 2009 is as follows:

2009	Construction	Engineering and Industrial Services	Concessions	Other, Corporate and Consolidation Adjustments	Total
Revenue from external customers	1.225.194	1.588.542	106.298	39.128	2.959.162
Segment's ordinary revenue	1.232.984	1.524.362	106.317	95.499	2.959.162
Own work capitalized	-	22.467	-	-	22.467
Other operating revenue and inventory changes	-	105.296	435	(68.820)	36.911
Total operating revenue	1.232.984	1.652.125	106.752	26.679	3.018.540
Depreciation and charges due to impairment	(7.516)	(21.828)	(27.515)	(8.199)	(65.058)
Operating expenses	(1.150.241)	(1.526.969)	(32.505)	(59.663)	(2.769.378)
Operating result	75.227	103.328	46.732	(41.183)	184.104
Net financial results	7.650	(18.007)	(25.844)	(69.415)	(105.616)
Shares in associates' profit/ (Loss)	-	-	(6.080)	(5.932)	(12.012)
Before-tax profit/(loss)	82.877	85.321	14.808	(116.530)	66.476
Income tax	-	-	-	(10.296)	(10.296)
Profit/(loss) for the year	-	-	-	-	56.180
Total Assets	1.448.945	1.948.628	1.703.590	91.964	5.193.127
Total assets include:					
Investments in associates	-	-	13.791	43.268	57.059
Additions to non-current assets	8.774	31.726	613.228	6.620	660.348
Total Liabilities	1.167.156	1.308.685	1.570.921	420.915	4.467.677

During 2010 and 2009 no charge due to goodwill impairment has been recognized.

Ordinary revenues from external customers are measured consistently with those applied in the income statement.

Total assets and liabilities amounts presented to Management Committee are measured consistently with those applied in the consolidated annual accounts. These assets and liabilities are assigned based on segment activities and physical asset location.

The parent company is domiciled in Spain, but the Group also operates abroad. Information by geographical segment at 31 December 2010 is presented below:

2010	Spain	Latin America	Asia	Other Consolidation Adjustments	Total
Ordinary revenue from external customers	1.588.804	865.835	201.710	532.391	3.188.740
Total assets	3.353.428	2.019.099	525.845	206.282	6.104.654
Total assets include:					
Non-current assets	1.480.597	1.014.680	296.064	(987)	2.790.354
Total Liabilities	3.609.985	1.254.800	388.989	79.806	5.333.580

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The parent company is domiciled in Spain, but the Group also operates abroad. Information by geographical segment at 31 December 2009 is presented below:

2009	Spain	Latin America	Asia	Other Consolidation Adjustments	Total
Ordinary revenue from external customers	1.793.418	749.494	86.571	329.679	2.959.162
Total assets	2.958.047	1.661.282	390.962	182.836	5.193.127
Total assets include:					
Non-current assets	1.414.879	1.089.850	245.102	7.161	2.756.992
Total Liabilities	2.872.714	1.032.293	269.469	293.201	4.467.677

During 2010 and 2009 ordinary revenue from transactions carried out with a single customer representing more than 10% of the Group has not been recognized.

6. Property, plant and equipment

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

2010	Land and buildings	Plant machinery and tooling	Furnishings	Vehicles	Data processing equipment	PPE in progress	Other PPE	Total
Cost								
1 January	121.546	142.625	9.390	21.860	16.949	581	5.172	318.123
Additions	3.247	8.845	833	1.472	1.898	4.397	380	21.072
Disposals	(770)	(9.197)	(1.642)	(3.157)	(7.608)	-	(388)	(22.762)
Impairment	(1.800)	-	-	-	-	-	-	(1.800)
Transfers	680	483	-	-	-	-	(823)	340
31 December	122.903	142.756	8.581	20.175	11.239	4.978	4.341	314.973
Accumulated Depreciation								
1 January	(5.043)	(64.462)	(4.716)	(10.774)	(11.895)	-	(4.699)	(101.589)
Depreciation	(2.527)	(20.501)	(673)	(2.466)	(1.585)	-	(504)	(28.256)
Disposals	285	7.724	1.308	1.548	6.422	-	151	17.438
Impairment	1.800	-	-	-	-	-	-	1.800
Transfers	(1.048)	(40)	(145)	(1.079)	-	-	1.780	(532)
31 December	(6.533)	(77.279)	(4.226)	(12.771)	(7.058)	-	(3.272)	(111.139)
Net book value	116.370	65.477	4.355	7.404	4.181	4.978	1.069	203.834

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NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS (Thousand euro)

2009	Land and buildings	Plant machinery and tooling	Furnishings	Vehicles	Data processing equipment	PPE in progress	Other PPE	Total
Cost								
1 January	144.418	138.604	9.190	16.737	15.895	7.691	4.139	336.674
Additions	1.476	17.018	1.060	4.178	2.494	154	1.389	27.769
Disposals	-	(18.748)	(848)	(847)	(899)	-	(159)	(21.501)
Transfers	(24.348)	5.751	(12)	1.792	(541)	(7.264)	(197)	(24.819)
31 December	121.546	142.625	9.390	21.860	16.949	581	5.172	318.123
Accumulated Depreciation								
1 January	(4.587)	(67.823)	(4.199)	(6.235)	(11.154)	-	(3.892)	(97.890)
Depreciation	(1.128)	(19.446)	(571)	(2.338)	(1.329)	-	(703)	(25.515)
Disposals	-	18.353	815	491	728	-	153	20.540
Transfers	672	4.454	(761)	(2.692)	(140)	-	(257)	1.276
31 December	(5.043)	(64.462)	(4.716)	(10.774)	(11.895)	-	(4.699)	(101.589)
Net book value	116.503	78.163	4.674	11.086	5.054	581	473	216.534

Property, plant and equipment include at 31 December 2010 vehicles, machinery and other assets totaling 3,184 thousand euro (2009: 4,922 thousand euro) being acquired under finance leases, as analyzed below:

	2010	2009
Capitalized finance lease cost	8.782	9.149
Accumulated depreciation	(5.598)	(4.227)
Carrying amount	3.184	4.922

Bank borrowings are secured by land and buildings valued at 68,765 thousand euro (2009: 71,384 thousand euro). The balance of secured debt amounts to 37,841 thousand euro (2009: 39,476 thousand euro).

At 31 December 2010, the Group has property, plant and equipment located abroad for a total cost of 39,963 thousand euro (2009: 30,092 thousand euro) and accumulated depreciation of 17,637 thousand euro (2009: 13,418 thousand euro).

At 31 December 2010 property, plant and equipment with an original cost of 44,055 thousand euro (2009: 46,265 thousand euro) and accumulated depreciation of 284 thousand euro (2009: 197 thousand euro) were not used in operations. Most of these buildings were acquired as payment in kind. In 2010 and 2009 no impairment charges were reflected in relation to these assets.

The income statement includes rental costs of 100,241 thousand euro (2009: 112,704 thousand euro), relating to rented property, plant and equipment.

During 2010, a land has been impaired by 1,800 thousand euro based on its market value (2009: 0 thousand euro).

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.

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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:

	2010	2009
Beginning of the year	486.192	486.662
Differences on exchange	922	(470)
Impairment charges	-	-
End of the year	487.114	486.192

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 assignment:

<u>CGU</u>	2010	2009
Construction	154.578	154.578
Engineering – México	24.510	24.510
Engineering – Brazil	54.735	54.735
Engineering – Argentina and other	12.284	11.362
Engineering – Spain and other	231.166	231.166
Renewable energies	9.841	9.841
Total	487.114	486.192

Except in the case of Renewable energies, whose cash flows are estimated for the useful life of the entire project, the recoverable amount of CGUs is determined through 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:

<u>CGU</u>	Operating result (*)		Residual growth rate		Discount rate	
	2010	2009	2010	2009	2010	2009
Construction	76.453	95.156	1%	1,7%	10,30%	10,00%
Engineering – México	5.682	6.797	2%	2%	13,00%	13,40%
Engineering – Brazil	7.669	12.507	2%	2%	14,00%	14,50%
Engineering – Argentina and other	11.564	10.421	2%	2%	18,00%	18,00%
Engineering – Spain and other	122.550	82.936	1,7%	1,7%	10,50%	10,50%
Renewable energies	(5.886)	12.087	(**)	(**)	12,00%	12,00%

(*)Results included in operating result column refer to the forecast for the following year. The Group generally estimates forecasts for 5 years based on their business plan.

(**) Not applicable.

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These assumptions have been used to analyze each CGU in the business segment. Group management considers that changes to assumptions that could cause a CGUs 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 2010 and 2009, no impairment losses were identified.

7.2. Other intangible assets

A breakdown of movements for 2010 and 2009 is as follows:

2010	Contract portfolio	Administrative Concessions	Computer software	Total
Cost				
1 January	11.116	38.039	18.364	67.519
Additions	-	19.607	5.936	25.543
Disposals	-	-	(1.329)	(1.329)
Transfers	-	(5.239)	(213)	(5.452)
31 December	11.116	52.407	22.758	86.281
Accumulated depreciation				
1 January	(2.223)	(2.152)	(8.935)	(13.310)
Amortization	(2.223)	(1.166)	(4.031)	(7.420)
Disposals	-	-	1.168	1.168
Transfers	-	(225)	15	(210)
31 December	(4.446)	(3.543)	(11.783)	(19.772)
Net book value	6.670	48.864	10.975	66.509

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2009	Contract portfolio	Administrative Concessions	Computer software	Total
Cost				
1 January	11.116	49.283	13.895	74.294
Additions	-	16.671	6.507	23.178
Disposals	-	-	(2.038)	(2.038)
Transfers	-	(27.915)	-	(27.915)
31 December	11.116	38.039	18.364	67.519
Accumulated depreciation				
1 January	-	(1.986)	(7.371)	(9.357)
	(2.223)	(2.596)	(2.463)	(7.282)
Amortization	-	-	912	912
Disposals	-	2.430	(13)	2.417
Transfers	(2.223)	(2.152)	(8.935)	(13.310)
Net book value	8.893	35.887	9.429	54.209

At 31 December 2010, projects under this caption mainly correspond to the following concessions:

- Concession obtained in 2009 for the construction and maintenance of seven 421-kilometer transmission lines and five new substations in Texas (United States) performed through the joint venture Wind Energy Transmission Texas L.L.C. included in Appendix III. Concession period is unlimited. At 31 December 2010, works are at an initial development stage and the expected investment amounts to 464 million euro, approximately.

- Car park concessions totally located in Spain that at 31 December 2010 had not yet received financing assigned to projects.

- Other concessions for public and environmental services rendering.

At the year end these concessions have not yet received of financing assigned to projects; once they are assigned financing, they will be considered as intangible assets assigned to projects or receivables, as appropriate.

In addition, during 2010 the following concessions received of financing and were transferred to intangible assets assigned to projects:

- Concession obtained in 2009 for 19 years to the extension, improvement, operation and maintenance of a 133-kilometer toll road in India (Surat-Hazira) through the joint venture Soma Isolux Surat Hazira Tollway PVT, Ltd., included in Appendix III. Concession period is up to 2028. At 31 December 2009, the works were at an initial development stage and expected investment amounted to 404 million euro, approximately.

- Concession obtained in 2009 for 18 years to the extension, improvement, operation and maintenance of a 94-kilometer toll road in India (Kishangarh-Aimer Beawar Highway) through the joint venture Soma Isolux Kishangarh-Ajmer-Beawar Tollway PVT, Ltd., included in Appendix III. Concession period is up to 2027. At 31 December 2009, the works were at an initial development stage and expected investment amounted to 201 million euro, approximately.

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(Thousand euro)**

- Concession obtained in 2009 for 25 years to the extension, improvement, operation and maintenance of 681-kilometer toll roads in Brazil through the subsidiary Viabahia Concessionaria de Rodovias, S.A., included in Appendix I. Concession period is up to 2035. At 31 December 2009, implementation of toll systems have begun and expected investment amounted to 710 million euro, approximately.

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 depreciate capitalized asset over the concession term.

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 11,577 thousand euro (2009: 3,132 thousand euro). The balance of secured debt amounts to 5,072 thousand euro (2009: 1,230 thousand euro).

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 (Project finance).

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), in such a way that investment payback for the bank will take place solely through the project cash flows. Additional guarantees could be settled in some cases during construction phase. Any other borrowings are subordinated to the Project finance until it is fully repaid.

These are financing arrangements which are applied to specific business projects. Companies engaged in energy installation projects, bio-fuel plants and certain toll roads have other shareholders. In the case of certain toll road and car park concessions, the Group is the only concession holder.

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NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS (Thousand euro)

8.1. Intangible assets assigned to projects

In view of the projects' characteristics a large part of the non-current assets assigned to projects are recognized in Intangible assets – Concessions (see accounting treatment in Notes 2.5, 2.6 and 2.21). This headline includes 615,629 thousand euro (2009: 395,962 thousand euro) relating to non-current assets in progress.

	2010	2009
Cost		
1 January	1.449.248	680.248
Additions	355.506	596.117
Translation differences effects	130.893	149.153
Disposals	(480.407)	-
Transfers	4.799	23.730
31 December	1.460.039	1.449.248
Accumulated amortization		
1 January	(55.576)	(20.384)
Amortization	(39.505)	(25.018)
Translation differences effects	(2.871)	(7.757)
Disposals	37.395	-
Transfers	1.440	(2.417)
31 December	(59.117)	(55.576)
Net book value	1.400.922	1.393.672

At 31 December 2010, the Group has intangible assets assigned to projects abroad with a total carrying amount of 1,168,226 thousand euro (2009: 1,226,935 thousand euro).

During 2010, 52,075 thousand euro have been capitalized (2009: 39,747 thousand euro), relating to interest accrued during the construction of non-current assets arising 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 3,929 km and an approximated investment of 1,617 million euro for periods of approximately 30 years, through joint ventures at 33,3% and 50% included in Appendix III, as well as through two subsidiaries at 100%, included in Appendix I. At 31 December 2010, the Group has 7 concessions, 4 of which are being operated, and other 3 are under construction or newly allocated, (At 31 December 2009, the Group had 15 concessions, 11 of which were in operation, and other 4 were under construction or newly allocated).

At December 2010, the Group sold the shareholding held at 31 December 2009 over 8 concessions for electricity transmission lines (see note 24).

- Car park concessions (mainly off-street car park concessions) in Spain for periods of up to 50 years, through subsidiaries and joint ventures included in Appendix I and III. At 31 December 2010, a part of the concessions are being operated, while the rest of them are under construction. Up to 16,044 car parks (2009: 19,041) were managed during 2010 and expected investment amounts to 317 million euro. Up to 2015, 22,103 car parks are expected to be managed.

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- Two toll road concessions in Mexico, through the subsidiary Concesionaria Autopista Monterrey-Salttillo, S.A.C.V. and Autopista Perote-Xalapa, S.A.C.V. At 31 December 2009, these concessions are in the following situation:
 - Concesionaria Autopista Monterrey-Salttillo S.A.C.V.: Concession for the construction, operation and maintenance achieved in 2006 to 2036 for 95 km, with a total estimated investment of 226 million euro. The concession partially entered in operation during previous year, expanding those sections in operation during 2010. At the year end, approximately 78% of the concession is at operation.
 - Concesionaria Autopista Perote-Xalapa, S.A.C.V.: Concession for the construction, operation and maintenance achieved in 2008 to 2038 for 59.9 km, with a total estimated investment of 453 million euro approximately. Operating is forecasted along 2011.
- Concession obtained in 2007 for improvement, expansion and maintenance of a 68-kilometer toll road (Autovía A-4) through Concesionaria Autovía A-4 Madrid, S.A., included in Appendix I. Period of concession is until 2026. At 31 December 2010 practically the whole concession is operating. Estimated investments amounts to 82-million euro, approximately.
- Concession obtained in 2008 for 15 years to the extension, improvement, operation and maintenance of a 291-kilometer toll road in India (Panipat-Jalandar) through the subsidiary Soma-Isolux NH One Tollway Private Limited, included in Appendix I. Concession period is up to 2023. Construction works regarding extension and improvement of the existing path (operation and maintenance activities are carried on since the concession implementation) began in 2009 and the expected investment amounted to 739 million euro, approximately. During 2010 there have been cash outflows totaling 167.869 thousand euro, which had been capitalized in the previous year. During 2009, concession rights which had not generated cash flows in the year were capitalized in the amount of 182.705 thousand euro.
- Concession obtained in 2009 for 19 years to the extension, improvement, operation and maintenance of a 133-kilometer toll road in India (Surat-Hazira) through the joint venture Soma Isolux Surat Hazira Tollway PVT, Ltd., included in Appendix III. Concession period is up to 2028. At 31 December 2009, the works were at an initial development phase and expected investment amounted to 404 million euro, approximately. Operation is expected by 2012. During 2010 this concession has been allocated financing, so it has been reclassified to intangible assets assigned to projects.
- Concession obtained in 2009 for 18 years to the extension, improvement, operation and maintenance of a 94-kilometer toll road in India (Kishangarh-Aimer Beawar Highway) through the joint venture Soma Isolux Kishangarh-Ajmer-Beawar Tollway PVT, Ltd., included in Appendix III. Concession period is up to 2027. Construction works have begun during 2010 and expected investment amounts to 201 million euro. Operation is expected by 2012. During 2010 this concession has been allocated financing, so it has been reclassified to intangible assets assigned to projects.
- Concession obtained in 2009 for 25 years to the extension, improvement, operation and maintenance of 681-kilometer toll roads in Brazil through the subsidiary Viabahia Concesionaria de Rodovias, S.A., included in Appendix I. Concession period is up to 2035. At 31 December 2010 it is in operation and implementation works concerning toll systems have been performed simultaneously. Expected investment amounts to 710 million euro, approximately. During 2010 this concession has been allocated financing, so it has been reclassified to intangible assets assigned to projects.

Control of most concession assets reverts to the granting body at the end of the concession period although there is usually an option to renew concessions at the time they expire.

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8.2. Other non-current assets assigned to projects

There are other non-current assets assigned to projects, whose detail is presented below:

	2010	2009
Cost		
1 January	287.787	275.120
Additions	3.229	13.270
Translation differences effects	2.189	-
Disposals	(19.840)	(25.422)
Transfers	313	24.819
31 December	273.678	287.787
Accumulated depreciation		
1 January	(9.239)	(720)
Amortizations	(11.511)	(7.243)
Translation differences effects	(45)	-
Disposals	16	-
Transfers	(698)	(1.276)
31 December	(21.477)	(9.239)
Net book value	252.201	278.548

No interest relating to non-current assets under construction was capitalized during the construction phase neither in 2010 nor 2009, except for non-current assets coming from company Infinita Renovables, where financial expenditures are capitalized for 4.268 thousand euro in 2009 (2010: 0 thousand euro).

At 31 December 2010, 214,929 thousand euro (2009: 223,232 thousand euro) belonging to two bio-fuel plants (Located in Ferrol and Castellón) and managed through Infinita Renovables are recognized under this caption. Operations in these plants took place during 2009.

2009 disposals are mainly related to the sale of Parque Eólico Cova da Serpe (located in Orense, Galicia), by transferring all shares of the company concessionaire.

This caption records assets allocated to projects abroad at a net book value amounting to 10,453 thousand euro (2009: 28,874 thousand euro).

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8.3. Project finance

The repayment schedule for project finance is set out below, based on project cash flow forecasts and as stipulated in the relevant contracts:

							2010
	Current	Non-current				Subtotal	Total
		2012	2013	2014	Subsequent		
Maturities per year	222.480	49.546	51.142	72.247	839.595	1.012.530	1.235.010

							2009
	Current	Non-current				Subtotal	Total
		2011	2012	2013	Subsequent		
Maturities per year	141.735	40.152	56.226	66.916	665.041	828.335	970.070

At 31 December 2010 there are debts totaling 835,482 thousand euro (2009: 595,924 thousand euro) denominated in foreign currencies (mainly Brazilian real, Indian Rupees and Mexican pesos).

Project finance 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. Nevertheless, additional guarantees may be granted during the construction phase and until the implementation of the project.

All financing is referenced to market rates and rates are contractually 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:

	31/12/2010	31/12/2009
Opening balance	57.059	57.837
Additions	-	10.965
Disposals	-	-
Transfers	128.875	-
Impairment of investments	-	(4.714)
Profit/(loss) of equity companies	(7.072)	(7.298)
Profit/(loss) of equity companies –Responsibility provision	134	269
Closing balance	178.996	57.059

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Transfers recorded in 2010 relate to investment transfer in Grupo T-Solar Global, S.A. (see note 10). Although investment in this company at 31 December 2010 amounts to 19.80%, it has been considered as an associate due to the existence of several factors indicating the Group's significant influence (options on receivables capitalization (see note 12), the Group's executives acting as directors in Grupo T-Solar Global, S.A., agreements with other shareholders to company's shares acquisition, and the Group's intention to gain control over the company). All transactions carried out after year end in order for the Group to gain control over Grupo T-Solar Global, S.A. are detailed in note 38. The operations and issues mentioned above have been taken into account by the Group to analyze the potential existence of impairment losses in the investment.

Additions during 2009 mainly correspond to the shareholding increase in Pinares del Sur, S.L., through the assumption of 13.000 new shares concerning share capital increase approved by General Shareholders' Meeting on 28 April 2009, in the amount of 781 thousand euro and with a share premium of 5.740 thousand euro.

Impairment recorded during 2009 relates to the investment in Pinares del Sur, S.L. This impairment was due to the impairment undergone by the Company's real estate promotions market value.

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

2010						
Name	Country of incorporation	Assets	Liabilities	Revenue	Results	% Interest
Alqlunia 5, S.L.	Spain	20.016	22.204	89	(2.704)	50,00%
Pinares del Sur, S.L.	Spain	39.786	33.993	5.564	(541)	50,00%
Las Cabezadas Aranjuez, S.L.	Spain	54.259	57.110	541	(1.164)	40,00%
Landscape Corsan , S.L.	Spain	275	52	2	(2)	50,00%

2009						
Name	Country of incorporation	Assets	Liabilities	Revenue	Results	% Interest
Alqlunia 5, S.L.	Spain	22.173	21.656	146	(520)	50,00%
Pinares del Sur, S.L.	Spain	38.780	44.033	595	(2.150)	50,00%
Las Cabezadas Aranjuez, S.L.	Spain	55.656	57.343	801	(1.569)	40,00%
Landscape Corsan , S.L.	Spain	277	52	12	(105)	50,00%

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

2010						
Name	Country of incorporation	Assets	Liabilities	Revenue	Results	% Interest
Autopista Madrid-Toledo, S.A.	Spain	498.396	420.612	11.821	(5.636)	25,50%
Grupo T-Solar Global, S.A.	Spain	1.281.982	1.120.418	115.285	(116.753)	19,80%
Gestión de Partícipes de Biorreciclajes, S.L.	Spain	283	307	-	-	33,33%
Proyectos Inmobiliarios Residenciales, S.L.	Spain	7.122	9.965	-	-	23,75%

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						2009
Name	Country of incorporation	Assets	Liabilities	Revenue	Results	% Interest
Autopista Madrid-Toledo, S.A.	Spain	527.890	444.430	4.793	(18.649)	25,50%
Gestión de Participes de Biorreciclajes, S.L.	Spain	283	307	-	-	33,33%
Proyectos Inmobiliarios Residenciales, S.L.	Spain	7.122	9.965	-	-	23,75%

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

10. Financial Investments

Set out below is an analysis of financial investments assets showing movements:

	2010	2009
Opening balance	143.006	101.946
Additions	1.294	76.163
Disposals	(55)	(34.858)
Transfers	(128.875)	-
Impairment losses (Note 27)	(3.858)	(245)
Closing balance	11.512	143.006
Less non-current portion	(11.512)	(143.006)
Current portion	-	-

For measurement purposes, financial investments are classified as available-for-sale financial assets (See Note 2.9).

Transfers during 2010 correspond to the transfer of investment in Grupo T-Solar Global, S.A. (See note 9).

Additions in 2009 are mainly due to contributions made to Grupo T-Solar Global S.A., in the amount of 72.580 thousand euro and disposals concerning the allocation of freely available for distribution reserve through Grupo T-Solar Global, S.A. share-based payment dated at 21 December 2009 and amounting to 34.857 thousand euro (See Note 17). At 31 December 2009 the shareholding in this company amounted to 19,80%.

The rest of the 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 euro. Maximum exposure to credit risk at the reporting date is the carrying amount of the assets classified as available for sale.

Financial instrument balances under this caption are classified in Group 3 for the purpose of information sources used to determine its fair value in compliance with IFRS 7 (See Note 2.9).

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11. Derivative financial instruments

Derivative financial instruments are analyzed below at 31 December 2010 and 2009:

	2010		2009	
	Assets	Liabilities	Assets	Liabilities
Interest rate swaps-cash flow Hedges	3.789	(47.337)	2.589	(23.020)
Interest rate swaps-held for Trading	-	-	-	(1.809)
Currency forward contracts-cash flow Hedges	2.803	(12.631)	141	(1.825)
Currency forward contracts- held for Trading	2.404	(236)	1.579	(108)
Total	8.996	(60.204)	4.309	(26.762)
Less non-current portion:				
Interest rate swaps –cash flow Hedges	3.789	(47.337)	2.589	(20.301)
Interest rate swaps –held for Trading	-	-	-	-
Currency forward contracts – cash flow hedges	498	(309)	-	(261)
Currency forward contracts – held for Trading	-	-	86	-
	4.287	(47.646)	2.675	(20.562)
Current portion	4.709	(12.559)	1.634	(6.200)

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 net portion of cash flow and fair value hedges recognized as revenue in the income statement totals 601 thousand euro (2009: 2.661 thousand euro) (see Note 27).

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

Financial instrument balances under this caption are classified in Group 2 for the purpose of information sources used to determine its fair value in compliance with IFRS 7 (See Note 2.9).

Foreign currency forward contracts

The notional principal of currency forward sale contracts, relating mainly to the sale of US dollars and purchase of euro and Mexican pesos (net of US dollars purchased against euro and Mexican pesos sold) outstanding at 31 December 2009 was 7.498 thousand USD (2008: 45.345 thousand USD).

It is expected that high likely future transactions hedged, denominated in foreign currency, take place on different dates, mainly within the next 12 months. Profit and loss recognized in the hedging reserve in equity with respect to foreign currency forwards at 31 December 2010 are recognized in the period or periods during which the hedged transaction affects the income statement. This normally takes place within 12 months of the balance sheet date unless the gain or loss had been included in the initial purchase value of fixed assets, in which case such recognition occurs during asset's life (between five and ten years).

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Main currency forward contracts characteristics at 31 December 2010 are shown below:

Project name or associate	Transaction	Currency (**)	Final maturity	Notional value (*)
Forward Isolux Ingeniería	Purchase	CHF	11/01/2011	309
Forward Isolux Ingeniería	Sale	QAR	17/02/2011	(113.597)
Forward Isolux Ingeniería	Purchase	USD	31/08/2012	71.347
Forward Isolux Ingeniería	Sale	USD	30/09/2011	(72.072)
Forward Isolux Ingeniería	Sale	MXN	19/01/2011	(9.837)
Forward Isolux Ingeniería	Purchase	USD	29/04/2011	41.625
Forward Isolux Ingeniería	Sale	USD	18/01/2011	(12.421)
Forward Isolux Ingeniería/Tecna	Purchase	USD	30/03/2012	12.380
Forward Isolux Ingeniería/Tecna	Sale	USD	30/04/2012	(53.385)
Forward Isolux México	Purchase	USD	12/01/2011	13.235
Forward Isolux México	Sale	USD	14/01/2011	(9.498)
Forward Isolux Ingeniería/Tecna	Purchase	USD	10/01/2011	7.307
Forward Isolux Ingeniería/Tecna	Sale	USD	18/01/2011	(6.016)

(*) Effective at 31 December 2010

(**) USD: US Dollar; QAR: Qatari Real; CHF: Swiss Franc; MXN: Mexican Peso

Main currency forward contracts characteristics at 31 December 2009 are shown below:

Project name or associate	Transaction	Currency (**)	Final maturity	Notional value (*)
Forward Isolux Ingeniería	Sale	USD	30/07/2010	(6.016)
Forward Isolux Ingeniería	Purchase	USD	30/08/2010	16.866
Forward Isolux Ingeniería	Sale	USD	30/03/2012	(136.554)
Forward Isolux Ingeniería	Purchase	USD	30/04/2012	118.136
Forward Isolux Ingeniería	Purchase	USD	29/01/2010	(12.630)
Forward Isolux Ingeniería	Sale	USD	12/01/2010	1.126
Forward Isolux Ingeniería	Sale	MXN	19/11/2010	(23.103)
Forward Isolux Ingeniería	Sale	QAR	07/02/2011	(165.375)
Forward Isolux Ingeniería	Purchase	CHF	04/03/2010	2.239
Forward Isolux México	Sale	USD	12/01/2011	(33.744)
Forward Isolux México	Purchase	USD	20/01/2010	156

(*) Effective at 31 December 2009

(**) USD: US Dollar; QAR: Qatari Real; CHF: Swiss Franc; MXN: Mexican peso

Although all the contracts in force at 31 December 2010 and 2009 were obtained for hedging purposes, due to the Group's contracting and designation criteria applicable at the contract dates, some of the contracts did not qualify for hedge accounting under IFRS-EU.

Gross incomes and expenditures recorded in the hedging reserve (net of tax effect and external partners) resulting from cash flow hedge at 31 December 2010 amount to (9,645) thousand euro (2009: (2,568) thousand euro) and will be transferred to the income statement on an ongoing basis until the contract is settled. These derivatives' settlement generated a loss of 135 thousand euro (2009: 601 thousand euro).

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Interest rate swaps

The notional principal of interest rate swaps outstanding at 31 December 2010 amounted to 1.352.370 thousand euro (2009: 1.093.879 thousand euro).

At 31 December 2010, fixed interest rates ranged between 1.80% and 4.82% (2009: 2.44% and 5.05%). The variable interest rate is the EURIBOR. In the case of the derivative linked to the TIIE rate (variable rate used for two projects in Mexico), the contracted fixed interest rate is 8.20% (2009: 8.20%). At 31 December 2010, gains and losses recognized in the hedging reserve in equity (net of tax effects and external partners) with respect to interest rates swaps amounts to (26,671) thousand euro (2009: (11,095) thousand euro) and will be taken to the income statement on a continuous basis until bank borrowings are repaid. These derivatives settlements generated a loss of 21,815 thousand euro (2009: 14,139 thousand euro).

Set out below is an analysis of the main interest rate swaps in force at 31 December 2010:

Name	Contract date	Final maturity	Notional value	Fixed interest rate (paid)	Variable interest rate (charged)
Grupo Isolux Corsán	11/09/2009	03/06/2012	50.000 thousand euro	2,66%	Euribor
Grupo Isolux Corsán	23/06/2009	23/06/2012	20.000 thousand euro	2,44%	Euribor
Grupo Isolux Corsán	24/02/2009	24/02/2012	20.000 thousand euro	2,47%	Euribor
Grupo Isolux Corsán	22/06/2009	18/06/2013	85.000 thousand euro	1,80%	Euribor
Grupo Isolux Corsán	10/09/2010	29/06/2015	532.000 thousand euro	2,03%	Euribor
Bank loan IC Concesiones	28/04/2010	03/06/2013	50.000 thousand euro	1,97%	Euribor
Bank loan Infinita Renovables	30/04/2007	30/12/2016	181.800 thousand euro	3,79%	Euribor
Bank loan Hixam	07/02/2007	29/12/2022	63.273 thousand euro	4,36%	Euribor
Bank loan Concesionaria Saltillo Monterrey	30/05/2007	30/05/2025	2.330.080 thousand mexican peso	8,20%	TIIE (*)
Bank loan Sociedad Concesionaria Autovía A-4	01/08/2008	15/06/2025	58.165 thousand euro	4,45%	Euribor
Bank loan Concesionaria Perote-Xalapa	13/02/2008	14/01/2022	1.900.000 thousand mexican peso	8,20%	TIIE(*)
Bank loan HIXAM II	13/01/2010	23/12/2025	30.466 thousand euro	3,00%	Euribor
Bank loan Sociedad Concesionaria Zona 8-A	26/07/2007	25/02/2024	7.607 thousand euro	4,82%	Euribor

(*)Mexican long-term reference interest rate

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Set out below is an analysis of the main interest rate swaps in force at 31 December 2009:

Name	Contract date	Final maturity	Notional value	Fixed interest rate (paid)	Variable interest rate (charged)
Grupo Isolux Corsán	19.07.2007	28.02.2010	200.000 thousand euro	2,89%	Euribor
Grupo Isolux Corsán	03.10.2008	26.03.2010	305.000 thousand euro	4,36%	Euribor
Grupo Isolux Corsán	24.02.2009	24.02.2010	20.000 thousand euro	2,47%	Euribor
Grupo Isolux Corsán	23.06.2009	23.06.2012	30.000 thousand euro	2,44%	Euribor
Grupo Isolux Corsán	11.09.2009	03.06.2012	50.000 thousand euro	2,66%	Euribor
Bank loan HIXAM	07.02.2007	29.12.2022	65.302 thousand euro	4,36%	Euribor
Bank loan Sociedad Concesionaria Zona 8-A	26.07.2007	25.02.2024	8.807 thousand euro	4,79%	Euribor
Bank loan Infinita Renovables	30.04.2007	31.12.2012	131.634 thousand euro	4,12%	Euribor
Bank loan Concesionaria Saltillo Monterrey	30.05.2007	30.05.2025	2.330.080 thousand mexican peso	8,20%	TIIE (*)
Bank loan Concesionaria Autopista Perote-Xalapa	13.02.2008	14.01.2022	2.226.085 thousand mexican peso	8,20%	TIIE (*)
Bank loan Sociedad Concesionaria Autovía A-4	01.08.2008	15.06.2025	21.611 thousand euro	5,05%	Euribor

(*)Mexican long-term reference interest rate

During January 2010, the interest rate swap related to Infinita Renovables, S.A. loan, has been renegotiated. This new contract matures at 30 December 2016, the notional hedged amount totals 181.800 thousand euro and pays a guaranteed interest rate of 3.79%, twice a year.

Those derivatives hedging 200 and 305 million loans have been substituted by the derivative hedging a notional of 532 million relating the "Forward Start Facility" financing, referred to in note 9.1.

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12. Trade and other receivables

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

	31/12/2010	31/12/2009	01/01/2009
Non-current			
Loans to associates	24.385	19.635	580
Trade receivables for sales and services	39.466	41.238	21.226
Other receivables	5.242	2.484	5.966
	69.093	63.357	27.772
Current			
Trade receivables for sales and services	826.336	822.523	739.732
Trade receivables-Work completed pending certification	592.212	402.015	429.394
Less: Provision for impairment of receivables	(15.178)	(10.645)	(25.310)
Trade receivables – Net	1.403.370	1.213.893	1.143.816
Trade receivables from associates	21.492	4.222	-
Loans to associates	55.258	1.910	13.961
Sundry debtors	102.601	146.272	112.901
Public entities	160.777	130.140	154.894
In advance-payments to suppliers	144.360	119.936	38.402
Other receivables	54.017	39.062	25.470
	1.941.875	1.655.435	1.489.444

There is no significant effect on the fair values of trade and other receivables due to its recognition at amortized cost, since nominal values are deemed to approximate fair values.

At 31 December 2009 "Sundry debtors" includes a loan granted at 30 November 2009 to the related company Grupo T-Solar Global, S.A. amounting to 50.888 thousand euro, which must be repaid by 30 May 2010 and 30 November 2010. This loan accrues interest at 6-month Euribor plus an annual spread of 2.5%. In the event of a monetary contributions to borrower's share capital, it will be required to pay the loan. At any time the Group had the option to capitalize the debt by offsetting the debt held by Grupo T-Solar Global, S.A. against the Group. During 2010 the loan has been extended under the conditions mentioned before, being the new maturity date on 30 November 2011. At 31 December 2010 this operation is recorded under the caption "Loans to associates".

At 31 December 2010, the sum of 405.780 thousand euro (2009: 188.812 thousand euro) has been 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 requirements stipulated in IAS 39 regarding de-recognition of financial assets.

At 31 December 2010 "Trade receivables for sales and services" caption includes bills discounted at banks for a total of 59.233 thousand euro (2009: 50.013 thousand euro).

The Group recognized a loss of 15.692 thousand euro (2009: 3.732 thousand euro) due to the impairment of trade receivables during the fiscal year ended 31 December 2010.

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Movements in the provision for impairment of trade receivables are as follows:

	2010	2009
Opening balance	10.645	25.310
Appropriations	15.692	3.732
Applications	(6.288)	-
Reversals	-	(18.397)
Transfers	(4.871)	-
Closing balance	15.178	10.645

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 receivables referred to above. It is not Group policy to contract insurance for receivables hedging.

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

	2010	2009
US dollar	87.691	72.782
Qatar riyal	9.747	6.970
Brazilian real	4.820	39.495
Moroccan dirham	948	7.066
Argentinean peso	72.761	41.970
Mexican peso	877	4.690
Algerian dinar	5.093	6.583
Other currencies	1.499	3.409
	183.436	182.965

Costs incurred and gains recognized (less recognized losses) on all contracts in force at the balance sheet date amounted to 5.292.735 thousand euro (2009: 8.319.547 thousand euro) and 403.358 thousand euro (2009: 798.707 thousand euro), respectively.

13. Inventories

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

	31/12/2010	31/12/2009	01/01/2009
Property developments in progress	229.931	199.666	186.222
Raw materials and finished products	113.499	101.705	95.501
Capitalized project costs	84.430	56.413	51.802
	427.860	357.784	333.525

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

	31/12/2010	31/12/2009	01/01/2009
Property developments in progress, short cycle	65.745	39.168	48.038
Property developments in progress, long cycle	164.186	160.498	138.184
	229.931	199.666	186.222

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At 31 December 2010 there are no commitments to sell property developments in progress (2009: 4.970 thousand euro). In this respect, the Group has received advance payments amounting to 33 thousand euro (2009: 1.239 thousand euro) which are reflected on the liabilities side of the consolidated balance sheet in the item "Advanced receivables".

During 2010, capitalized interest amounted to 362 thousand euro (2009: 1.039 thousand euro), relating to interest accrued during the construction of properties and arising on direct financing received to build the properties.

The increase in inventories during 2010 is mainly due to the increase in real estate properties received as credit collections. The amount received for credit collections in 2010 totals 14.613 thousand euro.

At 31 December 2010 property development guarantying funding received amounts 36.798 thousand euro (2009: 45.736 thousand euro).

During 2010, an impairment amounting 3.840 thousand euro (2009: 0 thousand euro) on real estate has been recorded based on the income statement.

14. Cash and cash equivalents and Financial assets at fair value through profit or loss

14.1 Cash and cash equivalents

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

	31/12/2010	31/12/2009	01/01/2009
Cash at bank and in hand	427.880	316.295	193.617
Short-term bank deposits and other	509.675	104.483	93.852
	937.555	420.778	287.469

This caption includes cash (cash in hand and demand deposits in banks) and cash equivalents (i.e., short-term highly liquid investments easily convertible into specific cash amounts within a maximum of three months, or with any restriction and availability penalty if higher, and whose value is not subject to significant change risks).

Of the total figure for cash and cash equivalents, temporary joint ventures contributed 179.368 thousand euro (2009: 184.348 thousand euro) and joint ventures contributed 33.395 thousand euro (2009: 51.659 thousand euro).

Cash and cash equivalents include balances in currencies other than euro totaling 612.134 thousand euro (2009: 177.819 thousand euro).

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

During 2009 the concession gained for the toll road in India through the subsidiary Soma-Isolux NH Tollway Private Ltd., was partially capitalized. An amount of 182.705 thousand euro related to this capitalization, did not affect cash flows. That is the reason why changes related to this operation not affecting cash flows have not been considered in 2009 cash flow statement.

At 2010 year end, 12.920 thousand euro (2009: 23.640 thousand euro) are recognized under "Cash in hand and banks", whose availability is restricted to the requirements of the loan received as funding for Hixam II project.

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14.2 Financial assets at fair value through profit or loss

Set out below is a breakdown of financial assets at fair value through profit or loss:

	31/12/2010	31/12/2009
Short-term bank deposits and others	2.300	504
	2.300	504

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 (2009: 87.316.199 shares) with a par value of 0.20 euro each (2009: 0.20 euro). The shares are fully paid up in a total amount of 17.463 thousand euro (2009: 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:

	2010		2009	
	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.	5.334.367	6,11%	5.334.367	6,11%
Corporación Empresarial Cajasol, S.A.U.	13.629.406	15,61%	13.629.406	15,61%
Cartera Perseidas, S.L.	8.731.620	10,00%	8.731.620	10,00%
Charanne B.V.	2.182.905	2,50%	2.182.905	2,50%
Total	87.316.199	100,00%	87.316.199	100,00%

b) Share premium account

This reserve is unrestricted and stands at 469.163 thousand euro (2009: 469.763 thousand euro).

c) Legal reserve

Appropriations to the legal reserve are made in compliance with Article 274 of the Capital 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. At 31 December 2009 and 2010 this reserve amounts to 3.493 thousand euro and is fully incorporated.

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.

In addition, this reserve includes the reserve resulting from the application in the parent company of Article 273.4 of the Spanish Companies Act 2010: "In any event, a restricted reserve equivalent to the goodwill appearing on the asset side of the balance sheet must be allocated and a portion of profits representing at least 5% of that goodwill must be allocated to this reserve. If there were no profits or profits were insufficient, freely available reserves should be used". This reserve amounts to 4.714 thousand euro (2009: 2.357 thousand euro) at 31 December 2010.

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16. Cumulative translation differences

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

<u>Company or subgroup</u>	<u>2010</u>	<u>2009</u>
Isolux de México S.A. de CV	(545)	(2.929)
Grupo Isolux Energía y Participaciones Ltda.	26.345	26.347
Isolux Proyectos, Ltda.	1.156	239
Powertec Proyectos, Ltda.	761	199
Isowat Mozambique, S.A.	1.452	1.519
Isolux Brasil Sociedade Anonima	(813)	94
Isolux Corsan Polonia, Sp Zoo	(214)	(227)
Concesionaria Autopista Saltillo-Monterrey, S.A. de C.V.	3.701	(4.366)
Grupo Tecna	(3.676)	(5.793)
Líneas Mesopotámicas Argentinas, S.A.	(10)	25
Concesionaria Autopista Perote-Xalapa, S.A.	601	(6.506)
Azul de Cortes, S.A. De C.V.	6.613	(651)
Soma-Isolux NH One Tollway Pvt Ltda.	5.983	(978)
Soma-Isolux Surat Hazira Tollway Pvt Ltd.	1.036	-
Soma-Isolux Kishangarh - Ajmer - Beawar Tollway Pvt. Ltd.	1.063	-
Isolux Corsan Argentina, S.A.	(57)	(106)
Agua Limpia Paulista, S.A.	183	-
Isolux Corsan India PVT	(437)	-
ICI & soma Enterprise	(525)	-
Viabahía Concesionaria de Rodovias, S.A.	3.099	884
Corsan Corvian Construcción, S.A. - Sucursales	478	563
Isolux Ingeniería, S.A.- Sucursales	(6.645)	2.455
Other	(1.430)	(277)
Total	38.119	10.492

17. Retained earnings and minority interest

The proposal for the distribution of the parent company's 2010 results that will be submitted to the Annual General Meeting and the approved (on 28 June 2010) 2009 distribution are set out below:

	<u>Miles de Euros</u>	
<u>Available for distribution</u>	<u>2010</u>	<u>2009</u>
Profit for the year	52.096	38.114
<u>Distribution</u>		
Voluntary reserves	19.739	11.757
Reserve for unavailable goodwill (Spanish Companies Act 2010, article 273.4)	2.357	2.357
Dividends	30.000	24.000
	52.096	38.114

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At 21 December 2009 the General Shareholders' Meeting approved the share premium and the allocation of unrestricted reserves in the amount of 34.857 thousand euro through the contribution of Grupo T-Solar Global, S.A. shares in favor of Group's shareholders (see Note 10).

Movements in minority interests during 2010 are set out below:

	Opening balance	Share of profit/losses	Dividends	Change in shareholding and others	Closing balance
Grupo Tecna	7.692	2.023	(617)	727	9.825
Interisolux Torrejón Viv. Joven, S.L.	12	-	-	-	12
Julitex, S.L.	(47)	(50)	-	-	(97)
Interisolux Alcorcón Viv. Joven, S.L.	300	-	-	-	300
Agua Limpia Paulista, S.A.	146	(79)	-	173	240
Viabahía Concesionaria de Rodovías, S.A.	5.208	204	-	15.471	20.883
Grupo Infinita Renovables	2.408	(3.892)	-	2.011	527
Soma-Isolux NH One Tollway Pvt. Ltda.	35.034	3.500	-	4.451	42.985
Sociedad Concesionaria Auto. A4, S.A.	1.704	(901)	-	(750)	53
Total	52.457	805	(617)	22.080	74.728

Movements in minority interests during 2009 are set out below:

	Opening balance	Share of profit/losses	Dividends	Change in shareholding and others	Closing balance
Grupo Tecna	6.093	3.348	(617)	(1.132)	7.692
Interisolux Torrejón Viv. Joven, S.L.	350	301	(300)	(339)	12
Julitex, S.L.	-	(50)	-	3	(47)
Interisolux Alcorcón Viv. Joven, S.L.	300	-	-	-	300
Agua Limpia Paulista, S.A.	-	-	-	146	146
Viabahía Concesionaria de Rodovías, S.A.	-	-	-	5.208	5.208
Grupo Infinita Renovables	12.773	(10.341)	-	(24)	2.408
Soma-Isolux NH One Tollway Pvt. Ltda.	302	1.853	-	32.879	35.034
Sociedad Concesionaria Auto. A4, S.A.	1.685	165	-	(146)	1.704
Total	21.503	(4.724)	(917)	36.595	52.457

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NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS (Thousand euro)

18. Trade and other payables

Set out below is a breakdown of trade and other payables at 31 December 2010, 31 December 2009 and 1 January 2009:

	31/12/2010	31/12/2009	01/01/2009
Non-current			
Deferred income-Government grants	10.136	10.504	1.417
Other payables	30.892	208.908	53.409
Total	41.028	219.412	54.826
Current			
Trade payables	1.136.644	883.665	655.296
Bills payables	715.197	728.873	735.794
Interim Billings	238.929	218.851	180.342
Advances received on contracted work	210.272	163.060	128.180
Social security and other taxes	160.714	136.961	110.384
Other payables	97.415	60.468	65.647
Total	2.559.171	2.191.878	1.875.643

At 31 December 2009, other non-current payables include costs to be incurred in the amount of 14,836 thousand euro (2009: 182,705 thousand euro) related to the intangible asset recognized in 2009 for the toll road administrative concession in India (Panipat-Jarandar).

Regarding non-current position, deferred income mainly corresponds to grants received for the acquisition of fixed assets assigned to projects.

Nominal values are deemed to approximate fair values.

Information regarding delays in payments to suppliers in compliance with Law 15/2010 (5 July).

In accordance with Law 15/2010 (5 July), a maximum of 60 days is established as the period for making payment of outstanding amounts to suppliers and creditors. For this purpose, a temporary payment schedule finishing on 1 January 2013 is defined. In compliance with second additional provision of the above Law, from the date of its entry into force until 31 december 2011, the payment period will be 120 days.

In compliance with Law 15/2010 which amended the law establishing measures to combat late payment, the Group is analyzing the standard contracts with its suppliers in those cases in which the new law is applicable and, bearing in mind that the payment management system that the Group uses, in general, is for payment to be confirmed through financial institutions??? by virtue of the contracts concluded with the latter, at 31 December 2010 and considering the total balance outstanding to suppliers in Spain at said date, there are no significant amounts, in said balance, with an accumulated deferral exceeding the legally established payment period.

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(Thousand euro)**
19. Borrowings

	31/12/2010	31/12/2009	01/01/2009
Non-current			
Property development	16.905	11.869	23.677
Other mortgage loans	58.180	52.527	45.229
Syndicated loan	532.928	457.121	502.890
Credit lines	127.592	30.228	20.360
Other borrowings	140.350	136.485	107.195
Finance lease liabilities	1.609	2.831	4.339
	877.564	691.061	703.690
Current			
Advanced credit debts	73.750	31.942	-
Syndicated loan	3.420	50.995	-
Mortgage loans	7.786	1.248	2.147
Credit lines	268.271	119.853	116.109
Finance lease liabilities	1.246	1.899	1.843
Other loans	18.331	10.957	24.040
	372.804	216.894	144.139
Total borrowings	1.250.368	907.955	847.829

Borrowings relating to property developments and finance lease liabilities are secured by the financed assets. 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.

Credit lines are generally classified as short-term since its maturity is used to be on an annual basis. Nevertheless, these lines reflect tacit renewal clauses.

At 31 December 2010 and 2009, non-current borrowings mature as indicated below:

<u>Item</u>	2010			2009		
	Between 1		Total	Between 1		Total
	and 5	More than 5		and 5	More than	
	years	years		years	5 years	
Property development	970	15.935	16.905	3.769	8.100	11.869
Other mortgage loans	16.202	41.978	58.180	20.642	31.885	52.527
Syndicated loan	532.928	-	532.928	457.121	-	457.121
Credit lines	122.160	5.432	127.592	30.228	-	30.228
Other borrowings	116.700	23.650	140.350	120.574	15.911	136.485
Finance lease liabilities	1.609	-	1.609	2.831	-	2.831
Total	668.936	208.628	877.564	635.165	55.896	691.061

Finance lease liabilities are discounted to their present value. Future financial charges on finance leases total 110 thousand euro (2009: 114 thousand euro).

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NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS (Thousand euro)

19.1) Syndicated loans

On 14 February 2007, the Group concluded an agreement to obtain a credit line of 200.000 thousand euro. At 31 December 2010 the balance outstanding is 162.547 thousand euro (2009: 201.335 thousand euro). The credit line bears interest at the Euribor plus a spread of 0.60% per annum, in periods of 1, 3 or 6 months. At 13 November 2009 the above-mentioned credit was renewed and subscribed by most of the financial institutions at 31 December 2009 (Nominal: 165.000 thousand euro). By means of this renewal, the syndicated entities revoke the early repayment clause fixed at 14 February 2010 and an interest rate of Euribor plus a spread of 2.5% per annum is established as from the renewal date. Therefore, the new maturity date is 14 February 2012 (subject to an early repayment clause on 14 February 2011).

On 26 March 2008, the Group entered into an agreement for a credit line amounting to 305.000 thousand euro, the main aim of which is the funding of the Group's operations. At the year end date, the balance pending payment amounts to 209.310 thousand euro (2009: 306.781 thousand euro). This facility bears interest at Euribor plus 0.90% a year in periods of 1, 3 or 6 months. At 13 November 2009 the above-mentioned credit was renewed and subscribed by most of the financial institutions by 31 December 2009 (Nominal: 295.000 thousand euro). By this renewal, the syndicated entities revoke the early repayment clause fixed at 26 March 2010 and an interest rate of Euribor plus a spread of 2.5% per annum is established as from the renewal date. Therefore, the new maturity date is 26 March 2012 (subject to an early repayment clause on 26 March 2011).

On 29 June 2010, the Group has arranged a long-term syndicated loan under "Forward Start Facility" mode which writes off the above mentioned agreements, as well as other credit lines and loans amounting to 72.000 thousand euro. The initial granted amount under this operation is 532.000 thousand euro (which may be increased to 700.000 thousand euro through other financial institutions joining) and is structured in Section A (345.800 thousand euro) and Section B (revolving credit by 186.200 thousand euro, for the Group's general treasury financing needs). At 31 December 2010 the syndicated loan has been increased to 552.000 thousand euro (352.300 thousand euro in Section A and 189.700 thousand euro in Section B), therefore the consolidated loans at that date amount to 452.857 thousand euro. Disposed balances accrue interest of Euribor plus a variable spread between 2.25% and 3% depending on certain ratios..

Moreover, the loan must comply with the usual ratios required for this kind of operations. At 31 December 2010 Management understands no covenant under this agreement has been breached.

Maturities per year for such loans are shown below:

<u>Maturity date</u>	<u>Amount</u> <u>(thousand euro)</u>
29/12/2012	11.051
29/06/2013	44.168
29/12/2013	55.183
29/06/2014	66.215
29/12/2014	99.368
29/06/2015	276.015
Total	552.000

On 17 June 2010, the Group arranged a 85.000 thousand euro credit line with Natixis, ICO and KBC, structured in Section A (70.000 thousand euro to infrastructure concession project finance in India) and Section B (15.000 thousand euro to Group's project finance). At 31 December 2010 the outstanding payment amounts to 83.491 thousand euro. The loan accrues interest of Euribor plus a 3% annual spread and cancelation is through a single payment on 17 June 2015 (with potential advanced amortization on 17 June 2013 and 17 June 2015 in the event of agreement between financial entities and the Group). Additionally, as usual for this kind of operation, the loan is subject to certain ratios compliance. At 31 December 2010 Management understands no covenant under this agreement has been breached.

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NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS (Thousand euro)

19.2) Other borrowings

The following debts are included under this caption:

At 2 June 2008, the Company entered into an agreement for a credit line amounting to 100,000 thousand euro with Instituto de Crédito Oficial (ICO), the main aim of which is the funding of the infrastructure concession operations in Mexico carried out by the Group. At the year end, the balance pending payment amounts to 100,245 thousand euro (2009: 100,527 thousand euro). This facility bears interest at Euribor plus 3 % a year, in periods of 1, 3 or 6 months at the borrower's request. The loan must comply with the usual ratios required for this kind of operations. At 31 December 2009 Management understands no covenant under this agreement has been breached.

At 16 December 2009, the Company entered into an agreement for a seven-year loan amounting to 25.000 thousand euros with Compañía Española de Financiación del Desarrollo, S.A. (Cofides), the main aim of which is the funding of an infrastructure project in India. This facility bears interest at Euribor plus 3.55% a year. At the year end the balance pending payment amounts to 22.640 thousand euro (2009: 0 thousand euro). Repayment is through ten equal amounts to be paid twice a year as from June 2012. The loan must comply with the usual ratios required for this kind of operations. At 31 December 2009 Management understands no covenant under this agreement has been breached.

19.3) Credit lines

Credit lines are generally classified as short-term as they are usually arranged on an annual basis. Nevertheless, these lines reflect tacit renewal clauses. When the term is longer than a year, they are classified as non-current.

19.4) Other information

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

	2010	2009
Non-current		
Euro	845.605	690.488
Other currencies	31.959	573
	877.564	691.061
Current		
Euro	274.040	199.289
Other currencies	98.764	17.605
	372.804	216.894
Total borrowings	1.250.368	907.955

The Group has the following unused credit lines:

	2010	2009
Variable rate:		
- Maturing in less than one year	143.825	236.750
- Maturing in more than one year	86.741	24.255
	230.566	261.005

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**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS
(Thousand euro)**
20. Deferred income tax

The gross movement in deferred income tax is shown below:

	Deferred tax assets		Deferred tax liabilities	
	2010	2009	2010	2009
1 January	61.744	41.537	55.035	54.183
Charge to income statement (Note 28)	43.853	21.727	10.128	1.151
Tax charged to equity	10.289	(1.520)	1.589	(299)
31 December	115.886	61.744	66.752	55.035

Deferred tax assets at each year end are as follow:

	2010	2009
Tax losses	39.037	22.040
Tax credits pending application	35.302	27.549
Temporary differences	41.547	12.155
	115.886	61.744

Movements during 2010 and 2009 in deferred tax assets and liabilities are as follows:

Deferred tax liabilities

	Reversals	Appropriations	Other movements	Total
At 1 January 2009				54.183
Charged to income statement	(8.423)	11.089	(1.515)	1.151
Charged to equity	(775)	476	-	(299)
At 31 December 2009				55.035
Charged to income statement	(15.024)	20.084	5.068	10.128
Charged to equity	-	1.589	-	1.589
At 31 December 2010				66.752

Deferred tax assets

	Reversals	Appropriations	Other movements	Total
At 1 January 2009				41.537
Charged to income statement	(4.932)	31.991	(5.336)	21.723
Charged to equity	(3.875)	2.355	-	(1.520)
At 31 December 2009				61.744
Charged to income statement	(26.213)	57.591	12.475	43.853
Charged to equity	-	10.289	-	10.289
At 31 December 2010				115.886

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Deferred tax assets / (liabilities) charged to equity during the year are as follows:

	2010	2009
Fair value reserves in equity:		
Reserve for hedging transactions	8.700	(1.221)
	8.700	(1.221)

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

	2010	2009
<u>Deferred tax assets</u>		
Arising from provisions.	10.413	2.460
Arising from non-current assets	13.650	3.105
Arising from financial derivatives measurement	17.484	6.590
Total	41.547	12.155
<u>Deferred tax liabilities</u>		
Arising from measurement of inventories	(9.465)	(9.465)
Arising from measurement of derivative financial instruments	(2.838)	(747)
Arising from non-current assets	(20.180)	(7.359)
Arising in trade and other receivables	(8.175)	(8.014)
Arising in available- for- sale financial assets	(19.250)	(19.250)
Arising from other items	(6.844)	(10.200)
Total	(66.752)	(55.035)

At 31 December 2010 the Group has recognized tax credit with respect to tax losses to be implemented in the amounts detailed below:

The Group records deferred tax assets relating to tax loss carryforwards at 31 December 2010 as follows:

Generation year	Country			Total
	Spain	Argentina	Mexico	
2007	2.767	-	-	2.767
2008	2.255	81	54	2.390
2009	12.516	-	4.367	16.883
2010	13.971	2.486	540	16.997
				39.037

These tax credits must be applied over a 15, 5 and 10-year period since its recognition in Spain, Argentina and Mexico, respectively.

Deferred tax assets with respect to tax credits pending application and tax losses are recognized insofar as the realization of the relevant tax benefit through future taxable profits is likely. The Group has recognized all its tax credits and tax losses on the basis of estimated future taxable profits

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**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS
(Thousand euro)**
21. Provisions for other liabilities and charges
21.1. Provisions for other liabilities and charges – Non-current

	Provisions for project completion	Provisions for litigation and other	Total
Balance at 1 January 2008	13.952	20.031	33.983
Appropriations	14.346	11.746	26.361
Reversals	-	-	-
Applications	(10.192)	-	(10.192)
Balance at 31 December 2009	18.106	31.777	49.883
Appropriations	4.155	6.887	11.042
Reversals	-	-	-
Applications	(9.758)	(4.000)	(13.758)
Balance at 31 December 2010	12.503	34.664	47.167

Provisions for project completion

The balance in this account relates to projects that are completed or substantially completed and consists of the Group's estimate of probable costs to be incurred prior to final acceptance by the customer. Additional customer claims not subject to objective quantification at consolidated annual accounts preparation date could arise, although Management understands no significant loss over provisioned amounts will arise.

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 generate significant losses above the amounts provisioned.

21.2. Provisions for other liabilities and charges – Current

The balances included in this item, totaling 52.099 thousand euro (2009: 34.969 thousand euro), relate to the Construction Division and the Engineering Division and mainly consist of provisions for project completion costs and other items. "Change in trade provisions" in the income statement registers net allocations made to provisions for other liabilities and current expenses.

22. Revenue / Sales

Sales information by activity and market is included in Note 5.

23. Materials consumed and other external costs

The account Materials consumed and other external costs during 2010 and 2009 is analyzed below:

	2010	2009
Raw materials and other supplies	921.782	1.004.321
Difference between opening and closing inventories, excluding real estate	(39.811)	(10.815)
Other external costs	982.124	778.163
Total	1.864.095	1.771.669

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NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS (Thousand euro)

24. Other income and expense

Other operating income and expense are analyzed below:

	2010	2009
<u>Other operating revenue</u>		
Operating grants	1.187	1.012
Other operating revenue	43.808	55.032
Total	44.995	56.044
<u>Other operating expense</u>		
Operating leases	100.241	112.704
Other external services	524.141	451.220
Impairment of net receivables	(1.596)	12.497
Taxes	62.437	59.114
Total	685.223	635.535

During 2010 other operating expense includes net losses from the sale of non-current assets totaling 812 thousand euro. No results for this item were recognized during 2009.

On December 2010 the Group has carried on joint ventures sale regarding 8 electric line transmission concessions in Brazil (see note 8.1). This operation has implied a net cash inflow of 256.535 thousand euro, a net operating profit of 26.562 thousand euro and a conversion difference revenue amounting to 33.026 thousand euro not generating cash inflows.

25. Employee benefit expenses

	2010	2009
Wages and salaries	304.022	289.194
Social Security contributions	75.248	66.465
	379.270	355.659

"Wages and salaries" during 2010 include indemnities amounting 11.376 thousand euro (2009: 7.050 thousand euro).

The Group's average workforce is analyzed below:

Category	2010	2009
Graduates	2.647	2.220
Administrative staff	794	530
Workers	4.199	5.139
	7.640	7.889

Additionally, the average number of persons employed during 2010 by the proportionately-consolidated companies has been 1.374 (2009: 882).

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NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS (Thousand euro)

At 31 December 2010, personnel distribution by gender is as follows:

Category	Men	Women	Total
Board Directors	13	-	13
Senior managers	7	1	8
Managers	137	17	154
Graduates	1.742	480	2.222
Administrative staff	327	249	576
Workers	3.286	206	3.492
	5.512	953	6.465

At 31 December 2009, by personnel distribution by gender is as follows:

Category	Men	Women	Total
Board Directors	12	-	12
Senior managers	10	-	10
Managers	103	8	111
Graduates	1.699	411	2.110
Administrative staff	251	237	488
Workers	4.620	284	4.904
	6.695	940	7.635

26. Operating leases

Future minimum lease installments under non-cancellable operating leases are analyzed below:

	2010	2009
Less than 1 year	11.166	13.525
Between 1 and 5 years	18.271	18.488
More than 5 years	10.488	12.453
Total	39.925	44.466

The expense recognized in the income statement during 2010 in relation to operating leases totals 100,241 thousand euro (2009: 112,704 thousand euro).

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. Since at lease inception and at the preparation date of these consolidated annual accounts, the purchase option is not likely to be exercised the operation has been classified as an operating lease. All payments due throughout the original 12-year term are included in the above table.

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NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS (Thousand euro)

27. Net financial results

	2010	2009
Interest expense	(139.158)	(118.231)
Net gains/ (losses) on foreign currency transactions	-	-
Net gains/ (losses) on derivative financial instruments at fair value	-	(2.661)
Impairment of available-for-sale investments (Note 10)	(3.858)	(245)
Other financial expense	(28.727)	(18.812)
Financial expense	(171.743)	(139.949)
Interest income and other financial income	13.398	17.354
Reversal impairment of available-for-sale investments (Note 10)	-	-
Net gains/(losses) on foreign currency transactions	28.921	3.657
Net gains/ (losses) on derivative financial instruments at fair value	601	-
Other financial income	13.102	13.322
Financial income	56.022	34.333
Net financial expense/ loss	(115.721)	(105.616)

Profits from foreign currency transactions in 2010 include 33.026 thousand euro relating to a joint ventures sale of 8 electric transmission line concessions in Brazil (see note 24).

28. Income tax

Grupo Isolux Corsán, S.A. is the parent company of Fiscal Group 102/01 and is therefore authorized to present consolidated tax declarations in Spain for all companies included in Fiscal Group.

Income tax expense is composed of:

	2010	2009
Current income tax	54.674	30.888
Deferred tax (Note 20)	(33.725)	(20.572)
Total Income Tax Expense	20.949	10.296

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

	2010	2009
Profit before taxes	84.909	66.476
Tax calculated at the rate applicable to the parent company's profits	25.472	19.943
Effect on tax payable of non-tax deductible expenses	2.453	2.596
Effect of different tax rates abroad and other differences in foreign operations	2.440	1.436
Deductions generated during the year	(3.437)	(16.611)
Other	(5.979)	2.932
Tax expense	20.949	10.296

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NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS (Thousand euro)

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

	2010	2009
Deductions for export activities	3.437	15.142
Profits reinvested	-	1.469
Total	3.437	16.611

The effective tax rate in 2010 has been 24.67% (2009: 15.49%). This rate differs from the rate applicable to the parent company (30% in 2009 and 2010) mainly due to the net effect of non-deductible expenses, 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.

On 1 July 2010, inspection activities on Income Tax for the period 2005-2008 were initiated in Grupo Isolux Corsán, S.A., as the parent company of the tax group.

Likewise, several group companies are subject to a general inspection of Value Added Tax (2006-2008), Income Tax (2006-2008), Annual Statement of Operations (2005-2008) and Intra-Community Business Operations Statement (2005-2008).

From the actions that the tax authorities could adopt in relation to the inspected years, a tax liability could result which cannot be objectively quantified. However, the management of the parent company estimate that the resulting liability of that potential revision could mean significant losses higher than the provisioned amounts.

The following taxes and years are open to inspection:

Income tax	Fiscal years
Corporate income tax	2009 a 2010
Value added tax	2009 a 2010
Personal income tax	2009 a 2010
Other taxes	last 4 years

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

29. 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.

	2010	2009
Profit attributable to the Company's equity holders (Thousand euro)	63.155	60.904
Weighted average number of outstanding ordinary shares	87.316.199	87.316.199
Basic earnings per share (euro per share)	0,72	0,70

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(Thousand euro)****30. Dividends per share**

Dividends paid out (or proposed) in relation to profits for 2010 and 2009 amount to 30.000 thousand euro and 24.000 thousand euro (see Note 17), respectively, entailing a dividend per share of 0.34 euro and 0.27 euro, respectively. If in 2009 we take into account agreed dividends against reserves amounting 34.857 thousand euro (see Note 17), total dividends will amount to 58.847 thousand euro in 2009, which entails a dividend per share of 0.67 euro in 2009.

31. 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 21. 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 totaling 1.250 thousand euro (2009: 1.369 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. Additionally, the group has provided financial guarantees to related parties as mentioned in note 33.

32. Commitments**Non-current assets purchase commitments**

No significant commitments have been made to purchase non-current assets at the balance sheet date, other than those required in the ordinary course of business.

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 installments is set out in Note 26.

CONSOLIDATED ANNUAL ACCOUNTS OF GRUPO ISOLUX CORSÁN, S.A. AND SUBSIDIARIES AT 31 DECEMBER 2010

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS (Thousand euro)

33. Related-party transactions

Transactions with related parties during 2010 and 2009 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 Caja Castilla La Mancha Group

The Group effects transactions with Caja Castilla La Mancha Group solely in connection with its banking activities. Transactions completed at 31 December 2010 and 2009 are presented below by nature:

	2010		2009	
	Granted	Disposed	Granted	Disposed
Credit lines	6.500	6.023	15.500	15.473
Long-term syndicated loans	15.000	15.000	15.000	15.000
Project finance	40.400	40.400	40.400	40.400
Guarantees granted	2.000	1.403	6.000	1.561
Mortgage loans	18.330	18.330	19.072	19.072
Other loans	8.486	8.486	8.227	8.227

During 2010 the interest rate swap to hedge future Euribor fluctuations by a notional value of 33.333 thousand euro has expired (2009: 33.333 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 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 Corporación Caja Navarra Group

The Group effects transactions with Corporación Caja Navarra Group solely in connection with its banking activities. Transactions completed at 31 December 2010 and 2009 are presented below by nature:

	2010		2009	
	Granted	Disposed	Granted	Disposed
Credit lines	15.000	14.958	15.000	3.526
Long-term syndicated loans	20.000	20.000	20.000	20.000
Guarantees granted	10.000	8.367	10.000	7.284
Other borrowings	2.000	2.000	2.000	2.000

During 2010 the interest rate swap to hedge future Euribor fluctuations by a notional value of 33.333 thousand euro has expired (2009: 33.333 thousand euro).

On 31 December 2009 the Group had an export credit facility line with a 25.000 thousand limit. The utilized amount totaled 18.450 thousand euro. At 31 December 2010 the limit is 5.000 thousand euro, the amount utilized being 3.282 thousand euro.

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

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NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS (Thousand euro)

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

a.3) Transactions with Corporación Empresarial Cajasol S.A.U

The Group effects transactions with Corporación Empresarial Cajasol, S.A.U. solely in connection with its banking activities. Transactions completed at 31 December 2010 and 2009 are presented below by nature:

	2010		2009	
	Granted	Disposed	Granted	Disposed
Credit lines	15.000	14.964	15.000	14.985

During 2010 the interest rate swap to hedge future Euribor fluctuations by a notional value of 33.333 thousand euro has expired (2009: 33.333 thousand euro).

The Group also has several current accounts necessary to carry on its ordinary business and manages a part of its cash resources by contracting financial assets through Corporación Empresarial Cajasol S.A.U..

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

a.4) Transactions with Charanne B.V.

The Group has carried out the following transactions with Charanne B.V. shareholder during 2009 and 2010:

- On 7 February 2008, the Company granted a loan to B.V. Vista for a total of 4.700 thousand euro, with a one year maturity and bearing an interest rate of Euribor plus a spread of 1%. This loan has been renewed for an additional year and transferred to Charanne B.V. during 2009. A renewal for an additional year has taken place in 2010.

- On 4 December 2008, the Group acquired the 100% of the shares that Vista B.V. had of the Company Azul de Cortes, B.V. During 2009 the Company has transferred this debt to Charanne B.V. The balance outstanding debt at 31 December 2009 in connection with this transaction amounted to 11.076 thousand euro (22.152 thousand euro at 31 December 2009).

The transactions mentioned above were carried out under market conditions.

a.5) Transactions with Vista B.V.

The Group has carried out the following transactions with Vista B.V. in 2009 and 2010:

- On 7 February 2008, the Group granted a loan to the company BV Vista for a total of 4.700 thousand euro, with a one year maturity, which earns an interest rate of Euribor plus a spread of 1%. This loan has been renewed for an additional year and transferred to Charanne B.V. during 2009.

- On 4 December 2008, the Group acquired the 100% of the shares that Vista BV had of the Company Azul de Cortes, BV for an amount of 44.218 thousand euro (see Note 13). The balance outstanding as at 31 December 2008 in connection with this transaction amounted to 31.516 thousand euro. During 2009 the debt with this Company has been transferred to Charanne B.V.

The transactions mentioned above were carried out under market conditions.

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AND SUBSIDIARIES AT 31 DECEMBER 2010****NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS
(Thousand euro)****b) Transactions with the Company's Board directors and management****b.1) Information required by articles 229 to 231 of Capital Company Act**

Parent company's directors have nothing to report pursuant to Articles 229 to 231 of Capital Company Act, approved by Royal Decree 1/2010 of 2 July, 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. (Chairman), Isolux Wat Ingeniería, S.L. (Chairman), Isolux Corsán Concesiones, S.A. (Chairman), Isolux Corsán Inmobiliaria, S.A. (Chairman), Infinita Renovables, S.A., Grupo Isolux Corsán Concesiones, S.L. (Chairman), Isolux Corsán Concesiones de Infraestructuras, S.L. (Chairman), T-Solar Global, S.A. (Chairman), Grupo T-Solar Global, S.A., and Las Cabezas Aranjuez, S.L.
- Mr. José Gomis Cañete is a Board member of Corsán-Corviam Construcción, S.A. (Vice-Chairman), Isolux Ingeniería, S.A. (Vice-Chairman), Isolux Wat Ingeniería, S.L. (in his capacity as representative of Construction Investments, S.a.r.l.- Vice-Chairman), Isolux Corsán Inmobiliaria, S.A. (in his capacity as representative of Construction Investments, S.a.r.l.- Vice-Chairman), Isolux Corsán Concesiones, S.A. (in his capacity as representative of Construction Investments, S.a.r.l. - Vice-Chairman); Grupo Isolux Corsán Concesiones, S.L. (Vice-Chairman); Isolux Corsán Concesiones de Infraestructuras, S.L. (Vice-Chairman); Infinita Renovables, S.A. (Chairman); T-Solar Global, S.A.; and Grupo T-Solar Global S.A. (Chairman).
- Mr. Antonio Portela Alvarez is a Board director of Desarrollo de Concesiones y Servicios, Sercón, S.A. (Chairman), Infinita Renovables, S.A., T-Solar Global, S.A., Corsán-Corviam Construcción, S.A. (CEO), Isolux Corsán Inmobiliaria, S.A. (CEO), Isolux Corsán Concesiones, S.A. (CEO), Isolux Ingeniería, S.A. (CEO), Grupo Isolux Corsán Concesiones, S.L. (CEO), Isolux Corsán Concesiones de Infraestructuras, S.L. (CEO) and Isolux Corsán Aparcamientos, S.L. (Chairman).

Additionally, Mr Antonio Portela Alvarez holds shares in Infinita Renovables, 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%) (Board of directors member).
- 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.

Moreover, Mr. Eduardo López Milagro, representative of Grupo Corporativo Empresarial de la Caja de Ahorros y Monte de Piedad de Navarra, S.A.U., is Board member of Acciona Solar, S.A. in representation of Grupo Corporativo Empresarial de la Caja de Ahorros y Monte de Piedad de Navarra, S.A.U.

- 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. Additionally 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 Ávila González, as representative of Caja Castilla La Mancha Corporación, S.A., is Board member of Industrializaciones Estratégicas, S.A. (Chairman) and Promociones Inmobiliarias Gaytan IV (Chairman). Additionally is a Board director of Isolux Wat Ingeniería, S.L., Isolux Corsán Inmobiliaria, S.A. and Isolux Corsán Concesiones, S.A.

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Caja Castilla La Mancha Corporación, S.A. is Board member of Grupo T-Solar Global, S.A.; El Reino de Don Quijote de la Mancha, S.A.; Obenque, S.A.; Comtal Estruct, S.L.; and Las Cabezas de Aranjuez, S.L. Moreover, it has a shareholding in the following companies: CCM Iniciativas Industriales, S.L. and subsidiaries (100%); CCM Inmobiliaria Centrum 2004, S.L. and subsidiaries (99,97%); CCM Inmobiliaria del Sur 2004, S.L. and subsidiaries (99,97%); Comtal Estruct, S.L. (30,77%); Construcciones Sarrión, S.L. (5,26%); DHO Grupo Constructor Corporativo S.L. (10,53%); El Reino de Don Quijote de la Mancha, S.A. (12,80%); Las Cabezas de Aranjuez S.L. (60%); Planes e Inversiones CLM, S.A. and subsidiaries (100%); Bami Newco, S.A. (1,45%); Midamarta S.L. (1%); Diverga Construcciones, S.L. (4,95%); Obenque S.A. (14,33%); Explotaciones Forestales y Cinegéticas Alta-Baja (100%); Hormigones y Áridos Aricam, S.L. (25%); and Desarrollo Industrial Aricam, S.L. (4,74%).

- Monte de Piedad y Caja de Ahorros San Fernando de Huelva, Jerez y Sevilla (Cajasol), holds direct share in Gerens Hill Internacional, S.A. (4,12%) and indirect (0,15%).
- Mr. Ángel Serrano Martínez-Estélez is a Board Director member of Corsán-Corviam Construcción, S.A., Isolux Wat Ingeniería, S.L., Isolux Corsán Inmobiliaria, S.A., Isolux Corsán Concesiones, S.A. and Grupo T-Solar, S.A.
- Mr. José Luis Hernández Sánchez, as representative of Cartera Perseidas, S.L., is a Board Director member of Isolux Corsán Inmobiliaria, S.A. and Isolux Corsán Concesiones, S.A.
- Cartera Perseidas, S.L. is Board member of Grupo T-Solar Global, S.A.; Isolux Corsán Inmobiliaria, S.A. and Isolux Corsán Concesiones, S.A.
- Mr. Javier Gómez-Navarro Navarrete is a Board Director member 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 Articles 229-230 of Capital 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 analyzed below:

2010					
	Debtor balances	Creditor balances	Costs / Purchases	Financial income	Revenue / Sales
Ciudad Real Aeropuerto, S.L.	15.189	-	-	-	-
Synergy Industry and Technology, S.A.	809	-	-	-	-
2009					
	Debtor balances	Creditor balances	Costs / Purchases	Financial income	Revenue / Sales
Ciudad Real Aeropuerto, S.L.	15.189	-	-	-	1.460
Synergy Industry and Technology, S.A.	809	-	-	-	-
Grupo T-Solar Global, S.A.	98.804	27.540	23.741	87	48.895

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NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS (Thousand euro)

The following should be noted with respect to the transactions with Grupo T-Solar Global, S.A. at 31 December 2009:

- During 2009 the main commercial transactions between the Group and T-Solar Global, S.A. correspond to solar plates purchased from Grupo T-Solar Global and to revenue from services relating to construction, operation, maintenance and monitoring in photovoltaic solar plants by virtue of construction, operation and maintenance arrangements between both parts.
- During 2009 the Company granted a loan to the related company Grupo T-Solar Global, S.A. for a total of 50.888 thousand euro. The contract was set up at 30 November 2009, matures at 30 November 2010 and will be paid in two installments, on 30 May 2010 and 30 November 2010. This loan bears interest at the six-month Euribor rate plus an annual 2.5% spread. In the event of monetary contributions to the borrower's share capital, it will be forced to redeem the loan. At any time the Group has the option to capitalize the debt by offsetting the debt held by Grupo T-Solar Global, S.A. against the Company.
- Grupo Isolux Corsán has given technical guarantees amounting 26.884 thousand euro to the company.

The transactions mentioned above were carried out under market conditions.

b.3) Remuneration paid to Board directors and management of Grupo Isolux Corsán, S.A.

	2010	2009
Wages and salaries (including indemnities)	4.678	5.050
Per diems for attendance at Board meetings	630	558
	5.308	5.608

Additionally, certain Board directors and managers are beneficiaries of the incentive plan described in Note 34.

b.4) Loans granted to Board of Directors

	2010	2009
Opening balance	5.198	5.099
Interest charged	99	99
Closing balance	5.297	5.198

The loans relate to 2000 and 2002, have no established maturity date and bear interest at the Euribor rate + 0.50%.

c) Transactions with associates

Transactions and balances with associates at 31 December 2010 and 2009 are analyzed below:

	2010			
	Debtor balances	Creditor balances	Costs / Purchases	Revenue / Sales
Autopista Madrid-Toledo Concesionaria, S.A.	4.450	-	-	-
Proyectos Inmobiliarios Residenciales, S.L.	1.315	-	-	-
Grupo T-Solar Global, S.A.	73.816	151	161	31.799
Alqlunia5, S.A.	395	-	-	-
Pinares del Sur, S.L.	8.874	-	-	1.952
Las Cabezas de Aranjuez S.L.	13.600	-	-	-

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NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS (Thousand euro)

	2009			
	Debtor balances	Creditor balances	Costs / Purchases	Revenue / Sales
Autopista Madrid-Toledo Concesionaria, S.A.	1.097	1	-	1.097
Proyectos Inmobiliarios Residenciales, S.L.	1.315	-	-	-
Alqlunia5, S.A.	395	-	-	-
Pinares del Sur, S.L.	10.675	-	-	4.303
Las Cabezadas de Aranjuez S.L	13.600	-	-	-

Regarding transactions with Grupo T-Solar Global, S.A.

- During 2009 the main commercial transactions between the Group and T-Solar Global, S.A. correspond to solar plates purchase to Grupo T-Solar Global and to revenue from services rendering relating construction, operation, maintenance and monitoring in photovoltaic solar plants by virtue of construction, operation and maintenance arrangements between both parts.
- During 2009 the Company granted a loan to the related company Grupo T-Solar Global, S.A. for a total of 50.888 thousand euro. The contract was set up at 30 November 2009, matures at 30 November 2010 and will be paid in two times, on 30 May 2010 and 30 November 2010. . This loan bears interest at the six-month Euribor rate plus an annual 2.5% spread. In the event of monetary contributions to the borrower's share capital, it will be forced to redeem the loan. At any time the Group has the option to capitalize the debt by offsetting the debt held by Grupo T-Solar Global, S.A. against the Company. The maturity date has been extended up to 30 November 2011, under the same terms stated in the previous contract.
- Grupo Isolux Corsán has given technical guarantees amounting 19.277 thousand euro to the company.

Transactions mentioned above were done under market conditions.

34. Share-based payments

In 2006 a three-year incentive plan was created for the Group's managers and Board directors. In accordance with that plan, incentives will be paid in 2009 by the present shareholders of Grupo Isolux Corsán, S.A. provided certain conditions stipulated in the relevant agreement were fulfilled. In 2006, 2007 and 2008 the Group recorded the corresponding expense against an increase in equity. During 2010, the Company has assumed the payment, recording the impact directly in equity in the amount of 19.266 thousand euro (agreed amount net of tax effect).

CONSOLIDATED ANNUAL ACCOUNTS OF GRUPO ISOLUX CORSÁN, S.A. AND SUBSIDIARIES AT 31 DECEMBER 2010

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS (Thousand euro)

35. 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, on assets, liabilities, revenue and results of joint ventures consolidated through the proportional method. These amounts are included in the consolidated balance sheet and income statement:

Assets:	31/12/2010	31/12/2009	01/01/2009
Non-current assets	589.213	861.552	552.025
Current assets	209.740	147.224	56.261
	798.953	1.008.776	608.286
Liabilities:			
Non-current liabilities	303.287	374.954	246.631
Current liabilities	183.884	247.694	137.313
	487.171	622.648	383.944
Net assets	311.782	386.128	224.342
Revenue	359.089	285.289	-
Expenses	(334.962)	(261.908)	-
Profit after taxes	24.127	23.381	-

There are no contingent liabilities relating to the Group's interests in joint ventures, or contingent liabilities recognized by the joint ventures themselves.

36. Temporary joint ventures (UTES)

The Group has interests in the UTES listed in Appendix IV. The amounts set out below represent 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:

Assets:	2010	2009
Non-current assets	6.708	16.681
Current assets	493.239	471.673
	499.947	488.354
Liabilities:		
Non-current liabilities	558	465
Current liabilities	505.828	458.594
	506.386	459.059
Net assets	(6.439)	29.295
Revenue	919.557	772.696
Expenses	(925.996)	(743.401)
Profit after taxes	(6.439)	29.295

There are no contingent liabilities relating to the Group's interests in UTES, or contingent liabilities recognized by the UTES themselves.

**CONSOLIDATED ANNUAL ACCOUNTS OF GRUPO ISOLUX CORSÁN, S.A.
AND SUBSIDIARIES AT 31 DECEMBER 2010****NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS
(Thousand euro)****37. Environment**

The Group has taken the necessary measures to protect and improve the environment and to minimize 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.

38. Subsequent events

After 31 December 2010, and in relation to the comments contained in Note 9, contracts have materialised for the purchase of shares in Grupo T-Solar Global, S.A. from other shareholders, increasing the Group's holding in said company to 38.34%. Moreover, the Group has approved at said date, its intention to contribute the relevant funds in relation to a capital increase that was decided on 23 February 2011 by the Shareholders' Meeting of Grupo T-Solar Global, S.A., which is being executed. The amount and percentage to be contributed is pending a decision by the rest of the shareholders. Furthermore, a merger has been approved by virtue of which the new Group company that is set up, Grupo GTS Sociedades Solares S.A., will absorb Grupo T-Solar Global, S.A. On completion of this transaction, the Group will have control over the merged company and Grupo T-Solar Global, S.A. will be a subsidiary of the Group.

On 18 March 2011 the Group has signed an agreement with Morgan Stanley Infrastructure Partner (MSIP) American infrastructure fund, by virtue of which the Group joins MSIP as a strategic partner for infrastructure concessions business in India. This agreement enhances the Group's financial position in this kind of business and favors its entry in new related projects.

39. Auditors' fees

The fees accrued to PricewaterhouseCoopers Auditores, S.L. for audit services rendered during 2010 total 1.013 thousand euro (2009: 851 thousand euro).

Fees accrued to PricewaterhouseCoopers Auditores, S.L. for other services rendered during 2010 total 313 thousand euro (2009: 424 thousand euro).

Fees accrued to other companies operating under the PricewaterhouseCoopers brand for other services rendered during 2010 amount to 414 thousand euro (2009: 840 thousand euro).

The fees accrued to other auditors for audit services rendered during 2010 total 369 thousand euro (2009: 270 thousand euro).

CONSOLIDATED ANNUAL ACCOUNTS OF GRUPO ISOLUX CORSÁN, S.A. AND SUBSIDIARIES AT 31 DECEMBER 2010
Appendix I

Subsidiaries included in the Consolidation Scope

Company name	Address	Shareholding		Shareholder	Consolidation method	Activity	Auditor
		2010 Cost (thousand euro)	% par value				
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
Elaborados Metálicos Emesa S.L.	A Coruña	48.678	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 Maroc, S.A.	Casablanca	9.403	100,00	Isolux Ingeniería, S.A.	FC	Engineering	PwC
Isowat Mozambique, Lda.	Maputo	7.198	100,00	Isolux Ingeniería, S.A.	FC	Engineering	Unaudited
Isolux Corsán Polonia Sp zoo	Varsovia	3.984	100,00	Isolux Ingeniería, S.A.	FC	Engineering	Unaudited
Luxeol S.L.	Madrid	3	70,00	Isolux Ingeniería, S.A.	FC	Concessions	Unaudited
Isolux Ingeniería USA LLC	Houston	-	100,00	Isolux Ingeniería, S.A.	FC	Engineering	Unaudited
Tecna Estudios y Proyectos S.A.	Bs. Aires	21.659	50,01	Isolux Ingeniería, S.A.	FC	Engineering	PwC
Tecna Proyectos y Operaciones, S.A. (1)	Madrid	-	100,00	Tecna Estudios y Proyectos S.A.	FC	Engineering	PwC
Tecna Bolivia, S.A. (1)	Santa Cruz de la Sierra	-	90,00	Tecna Proy. y Operaciones, S.A.	FC	Engineering	PwC
Tecna Brasil Ltda. (1)	Rio Janeiro	-	98,95	Tecna Proy. y Operaciones, S.A.	FC	Engineering	PwC
Tecna del Ecuador, S.A. (1)	Quito	-	76,92	Tecna Proy. y Operaciones, S.A.	FC	Engineering	PwC
Medianito del Ecuador, S.A. (1)	Quito	-	76,90	Tecna Proy. y Operaciones, S.A.	FC	Engineering	PwC
Latintecna, S.A. (1)	Lima	-	99,00	Tecna Proy. y Operaciones, S.A.	FC	Engineering	Otros
Tecna Engineering LLC (1)	Houston	-	100,00	Tecna Proy. y Operaciones, S.A.	FC	Engineering	Otros
Ven Tecna, S.A. (1)	Caracas	-	99,00	Tecna Proy. y Operaciones, S.A.	FC	Engineering	Otros
Tecrinct Proyectos e Ingeniería S.A. de C.V. (1)	México DF	-	100,00	Tecna Proy. y Operaciones, S.A.	FC	Engineering	Otros
Energía de Asturias GIC, S.A.	Avilés	250	100,00	Isolux Ingeniería, S.A.	FC	Engineering	Unaudited
Isolux Eólica, S.A.	Madrid	60	100,00	Isolux Ingeniería, S.A.	FC	Engineering	Unaudited
Sociedad Concesionaria Zona 8-A, S.A.	Zaragoza	2.692	100,00	Isolux Ingeniería, S.A.	FC	Concessions	PwC
Agua Limpia Paulista, S.A.	Sao Paulo	342	40,00	Isolux Ingeniería, S.A.	FC	Engineering	PwC
Eólica Isolcor, S.L.	Madrid	3	100,00	Isolux Ingeniería, S.A.	FC	Engineering	Unaudited
Isolux Wat Ingeniería, S.L.	Madrid	3	100,00	Isolux Ingeniería, S.A.	FC	Engineering	Unaudited

CONSOLIDATED ANNUAL ACCOUNTS OF GRUPO ISOLUX CORSÁN, S.A. AND SUBSIDIARIES AT 31 DECEMBER 2010
Appendix I

Company name	Address	Shareholding		Shareholder	Consolidation method	Activity	Auditor
		2010 Cost (thousand euro)	% par value				
Isolux Corsán Servicios S.A.	Madrid	13.174	100,00	Isolux Wat Ingeniería, S.L.	FC	Engineering	PwC
Global Vambru, S.L.	Madrid	9.265	100,00	Isolux Corsán Servicios S.A.	FC	Engineering	PwC
Powertec Española, S.A.	Madrid	33.263	100,00	Isolux Wat Ingeniería, S.L.	FC	Engineering	Unaudited
Powertec Proyectos e Obras Ltda.	Rio Janeiro	388	100,00	Powertec Española, S.A.	FC	Engineering	Unaudited
Corsan-Corviam Construcción, S.A.	Madrid	229.243	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	Otros
Extremefia de Infraestructura, S.A.	Madrid	197	100,00	Corsán Corviam Const., S.A.	FC	Construction	Unaudited
Isolux de México, S.A. de C.V.	México DF	61.582	100,00	Corsán Corviam Const., S.A.	FC	Construction	PwC
Isolux Corsán do Brasil S.A.	Rio Janeiro	11.828	100,00	Corsán Corviam Const., S.A.	FC	Construction	Unaudited
Isolux Proyectos e Instalaciones LTDA.	Rio Janeiro	40.794	100,00	Corsán Corviam Const., S.A.	FC	Construction	Unaudited
Isolux Corsán Argentina S.A.	Bs. Aires	943	100,00	Corsán Corviam Const., S.A.	FC	Construction	PwC
Isolux Corsán Argellie EURL	Argel	10.167	100,00	Corsán Corviam Const., S.A.	FC	Construction	PwC
Isolux Corsán India Engineering & Construction Private LTD.	Haryana	1.602	100,00	Corsán Corviam Const., S.A.	FC	Construction	PwC
Construcciones e Instalaciones del Noreste S.A. de C.V.	México DF	3	100,00	Isolux de México, S.A. de C.V.	FC	Construction	PwC
Isolux Corsán Cyprus Limited	Nicosia	23	100,00	Corsán Corviam Const., S.A.	FC	Construction	Unaudited
Isolux Corsán Panamá, S.A. (*)	Ciudad de Panamá	-	100,00	Corsán Corviam Const., S.A.	FC	Construction	Unaudited
Grupo Isolux Corsán Concesiones, S.L.	Madrid	95.003	100,00	Grupo Isolux Corsán, S.A.	FC	Concessions	PwC
Isolux Corsán Concesiones, S.A.	Madrid	530.496	100,00	Grupo Isolux Corsán Concesiones, S.L.	FC	Concessions	PwC
Isolux Energía e Particip. Ltda.	Rio Janeiro	302.409	100,00	Isolux Corsán Concesiones, S.A.	FC	Concessions	Deloitte
Linhas de Xingu Transmissora de Energía	Rio Janeiro	1.310	100,00	Isolux Energía e Particip. Ltda.	FC	Concessions	Unaudited
Linhas de Macapa Transmissora de Energía	Rio Janeiro	1.292	100,00	Isolux Energía e Particip. Ltda.	FC	Concessions	Unaudited
Conc. Aut. Monterrey-Satillo, S.A.C.V.	México DF	68.906	100,00	Isolux Corsán Concesiones, S.A.	FC	Concessions	PwC
Soma-Isolux NH One Tollway Private Limited	Haryana	52.876	61,00	Isolux Corsán Concesiones, S.A.	FC	Concessions	Other
Parque Eólico Cova da Serpe II, S.L.	Madrid	3	100,00	Isolux Corsán Concesiones, S.A.	FC	Concessions	Unaudited
Vias Administración y Logística, S.A. de C.V.	México DF	-	100,00	Isolux Corsán Concesiones, S.A.	FC	Concessions	PwC
Viabahia Concessionaria de Rodovias, S.A.	Sao Paulo	22.174	55,00	Isolux Corsán Concesiones, S.A.	FC	Concessions	PwC
Iccenlux Corp.	Houston	7.190	100,00	Isolux Corsán Concesiones, S.A.	FC	Concessions	E&Y

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Company name	Address	Shareholding		Shareholder	Consolidation method	Activity	Auditor
		2010 Cost (thousand euro)	% par value				
Isolux Corsán Concesiones de México, S.A. de C.V. (*)	Mexico DF	3	100,00	Isolux Corsán Concesiones, S.A.	FC	Concessions	Unaudited
Isolux Corsan Energy Cyprus Limited (*)	Nicosia	-	100,00	Isolux Corsán Concesiones, S.A.	FC	Concessions	Unaudited
Isolux Corsan Power Concessions India Private Limited (*)	Haryana	-	100,00	Isolux Corsan Energy Cyprus Limited	FC	Concessions	Unaudited
Mainpuri Power Transmission Private Limited (*)	Haryana	-	73,00	Isolux Corsan Power Concessions India Private Limited	FC	Concessions	Unaudited
AB Alternative Investment, B.V. (*)	La Haya	6	100,00	Isolux Corsán Concesiones, S.A.	FC	Concessions	Unaudited
ICC Sanpiper, B.V. (*)	Amsterdam	6	100,00	AB Alternative Investment, B.V.	FC	Concessions	Unaudited
Isolux Corsán Concesiones de Infraestructuras, S.L. (2)	Madrid	34.500	100,00	Grupo Isolux Corsán Concesiones, S.L.	FC	Concessions	PwC
Sociedad Concesionaria Autovía A-4 Madrid S.A.	Madrid	4.824	48,75	Isolux Corsán Concesiones de Infraestruct., S.L.	FC	Concessions	PwC
Isolux Corsan Concessions Cyprus Limited	Nicosia	383	100,00	Isolux Corsán Concesiones de Infraestruct., S.L.	FC	Concessions	Unaudited
Isolux Corsán Concessions India Privated Limited (*)	Haryana	-	100,00	Isolux Corsan Concessions Cyprus Limited	FC	Concessions	Unaudited
Isolux Corsan NH1 Cyprus Limited	Nicosia	23	100,00	Isolux Corsán Concesiones de Infraestruct., S.L.	FC	Concessions	Other
Isolux Corsán Mexicana de Infraestructuras, S.L. (4)	Madrid	3	100,00	Isolux Corsán Concesiones de Infraestruct., S.L.	FC	Concessions	Unaudited
Isolux Corsán Brasileña de Infraestructuras, S.L. (*)	Madrid	3	100,00	Isolux Corsán Concesiones de Infraestruct., S.L.	FC	Concessions	Unaudited
Isolux Corsán Participaciones de Infraestructura Ltda (*)	Sao Paulo	-	100,00	Isolux Corsán Concesiones de Infraestruct., S.L.	FC	Concessions	Unaudited
Isolux Corsán Participaciones en Viabahía Ltda (*)	Sao Paulo	-	100,00	Isolux Corsán Participaciones de Infraestruct. Ltda.	FC	Concessions	Unaudited
Isolux Corsán Aparcamientos, S.L.	Madrid	106.003	100,00	Grupo Isolux Corsán Concesiones, S.L.	FC	Concessions	PwC
Isolux Corsán Aparcamientos Madrid, S.A.	Madrid	4.652	100,00	Isolux Corsán Aparcamientos S.L.	FC	Concessions	Unaudited
Aparcamientos IC Zaragoza Torrero, S.L.	Madrid	6	100,00	Isolux Corsán Aparcamientos S.L.	FC	Concessions	Unaudited
Aparcamientos IC Talavera II, S.L.	Madrid	6	100,00	Isolux Corsán Aparcamientos S.L.	FC	Concessions	Unaudited
Aparcamientos IC Segovia II, S.L.	Madrid	6	100,00	Isolux Corsán Aparcamientos S.L.	FC	Concessions	Unaudited
Explotaciones Las Madrigueras, S.L.	Tenerife	1.651	100,00	Isolux Corsán Aparcamientos S.L.	FC	Concessions	Unaudited
Aparcamientos IC Ruiz de Alda S.A.	Madrid	13.682	100,00	Isolux Corsán Aparcamientos S.L.	FC	Concessions	Unaudited
Hixam Gestión de Aparcamientos, S.L.	Madrid	21.400	100,00	Isolux Corsán Aparcamientos S.L.	FC	Concessions	PwC

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Company name	Address	Shareholding		Shareholder	Consolidation method	Activity	Auditor
		2010 Cost (thousand euro)	% par value				
Ceuti de Aparcamientos y Serv., S.A.	Ceuta	2.040	100,00	Hixam Gestión de Aparcamientos, S.L.	FC	Concessions	Unaudited
Gestión de Concesiones, S.A.	La Línea	7.871	100,00	Hixam Gestión de Aparcamientos, S.L.	FC	Concessions	Unaudited
Aparcamientos IC Talavera, S.L.	Madrid	500	100,00	Hixam Gestión de Aparcamientos, S.L.	FC	Concessions	Unaudited
Aparcamientos Segovia, S.L.	Segovia	1.215	100,00	Hixam Gestión de Aparcamientos, S.L.	FC	Concessions	Unaudited
Aparcamientos IC Zaragoza, S.L.	Madrid	3.571	100,00	Hixam Gestión de Aparcamientos, S.L.	FC	Concessions	Unaudited
Aparcamientos Islas Canarias, S.L.	Las Palmas	1.500	100,00	Hixam Gestión de Aparcamientos, S.L.	FC	Concessions	Unaudited
Aparcamientos IC Toledanos, S.L.	Madrid	682	100,00	Hixam Gestión de Aparcamientos, S.L.	FC	Concessions	Unaudited
Hixam Gestión de Aparcamientos II, S.L.	Madrid	9.400	100,00	Hixam Gestión de Aparcamientos, S.L.	FC	Concessions	Unaudited
Aparcamientos IC Ponzano, S.L.	Madrid	10.134	100,00	Isolux Corsán Aparcamientos S.L.	FC	Concessions	PwC
Aparcamientos IC Toledanos II, S.L.	Madrid	7.850	100,00	Hixam Gestión de Aparcamientos II, S.L.	FC	Concessions	Unaudited
Aparcamientos IC Chiclana, S.L.	Madrid	2.426	100,00	Hixam Gestión de Aparcamientos II, S.L.	FC	Concessions	Unaudited
Aparcamientos IC Hospital de Murcia, S.L.	Madrid	6.411	100,00	Hixam Gestión de Aparcamientos II, S.L.	FC	Concessions	Unaudited
Aparcamientos IC Córdoba, S.L.	Madrid	2.247	100,00	Hixam Gestión de Aparcamientos II, S.L.	FC	Concessions	Unaudited
Hixam Gestión de Aparcamientos III, S.L. (*)	Madrid	3	100,00	Isolux Corsán Aparcamientos S.L.	FC	Concessions	Unaudited
Desarrollo de Concesiones y Servicios Sercon, S.A.	Madrid	191	100,00	Grupo Isolux Corsán Concesiones, S.L.	FC	Concessions	Unaudited
Isolux Corsán Inmobiliaria, S.A.	Madrid	150.003	100,00	Grupo Isolux Corsán, S.A.	FC	Real Estate	PwC
Cost Wright, S.L.	Madrid	33	100,00	Isolux Corsán Inmobiliaria, S.A.	FC	Real Estate	Unaudited
Valdelirio, S.L.	Madrid	118	100,00	Isolux Corsán Inmobiliaria, S.A.	FC	Real Estate	Unaudited
Julitex, S.L.	Las Palmas	3	80,00	Grupo Isolux Corsán, S.A.	FC	Real Estate	Unaudited
Olmosa, S.L.	Madrid	66	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 Vivienda Joven, S.L.	Madrid	108	90,00	Isolux Corsán Inmobiliaria, S.A.	FC	Real Estate	PwC
Interisolux Alcorcón Vivienda Joven, S.L.	Madrid	1.200	80,00	Isolux Corsán Inmobiliaria, S.A.	FC	Real Estate	PwC
Acta, S.A.	Lisboa	94	100,00	Grupo Isolux Corsán, S.A.	FC	Engineering	Other

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Company name	Address	Shareholding		Shareholder	Consolidation method	Activity	Auditor
		2010 Cost (thousand euro)	% par value				
Azul de Cortes BV	Amsterdam	66.458	100,00	Grupo Isolux Corsán, S.A.	FC	Real Estate	Unaudited
Azul de Cortes, S. de R.L., de C.V. (3)	La Paz	-	100,00	Azul de Cortes BV	FC	Real Estate	PwC
Bendía, S.A.	Madrid	1.067	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
EDIFISA, S.A.	Madrid	549	96,04	Grupo Isolux Corsán, S.A.	FC	Real Estate	Unaudited
Infinita Renovables, S.A.	Vigo	53.238	80,70	Grupo Isolux Corsán, S.A.	FC	Renewable Energies	PwC
Intal. y Montajes La Grela, S.A.	La Coruña	104	100,00	Grupo Isolux Corsán, S.A.	FC	Engineering	Unaudited
Inversiones Blumen, S.L.	Madrid	10	100,00	Grupo Isolux Corsán, S.A.	FC	Engineering	Unaudited
Powertec Sistemas, S.A.	Madrid	3.013	100,00	Grupo Isolux Corsán, S.A.	FC	Engineering	Unaudited
Powertec Cataluña, S.A.	Madrid	47	100,00	Grupo Isolux Corsán, S.A.	FC	Engineering	Unaudited
Unidad Mater. Avanz. Ibérica, S.A.	Orense	180	100,00	Grupo Isolux Corsán, S.A.	FC	Engineering	Unaudited
Isolux Corsan Renovables, S.A. (*)	Buenos Aires	-	100,00	Grupo Isolux Corsán, S.A.	FC	Engineering	Unaudited
Isolux Corsan Arabia Saudi LLC (*)	Riad	73	70,00	Grupo Isolux Corsán, S.A.	FC	Concessions	Unaudited
Isolux Corsan Gulf LLC (*)	Oran	310	100,00	Grupo Isolux Corsán, S.A.	FC	Engineering	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 Tecna Estudios y Proyectos, S.A.

(2)

Change in company's name during 2009 (before-named Aparcamientos IC Arona, S.L.)

(3)

Change in company's name during 2009 (before-named Juandro Consultores S. de R.L.)

(4)

Change in company's name during 2010 (before-named Aparcamientos IC Elche, S.L.)

Full Consolidation

CONSOLIDATED ANNUAL ACCOUNTS OF GRUPO ISOLUX CORSÁN, S.A. AND SUBSIDIARIES AT 31 DECEMBER 2010
Appendix II

Subsidiaries included in the Consolidation Scope

Company name	Address	Shareholding		Shareholder	Consolidation Method	Activity	Auditor
		2010 Cost (thousand euro)	% par value				
Autopista Madrid Toledo Concesionaria, S.A.	Madrid	25.274	25,50	Isolux Corsán Concesiones de Infraestruct., S.L	EC	Concessions	Auren
Proyectos Inmobiliarios Residenciales, S.L.	Madrid	1.278	23,75	Isolux Corsán Inmobiliaria, S.A.	EC	Real Estate	Unaudited
Gestión de Participes de Bioreciclaje, S.L.	Cádiz	20	33,33	Global Vambru, S.L	EC	Concessions	Other
Grupo T-Solar Global, S.A. (*)	Madrid	138.855	19,80	Grupo Isolux Corsán, S.A.	EC	Renewable Energies	PwC

(*) Added to the consolidation scope during the year.
MP: Equity method.

CONSOLIDATED ANNUAL ACCOUNTS OF GRUPO ISOLUX CORSÁN, S.A. AND SUBSIDIARIES AT 31 DECEMBER 2010
Appendix III

Subsidiaries included in the Consolidation Scope

Company name	Address	Shareholding		Shareholder	Consolidation Method	Activity	Auditor
		2010 Cost (thousand euro)	% par value				
Constructora Autopista Perote Xalapa S.A. de C.V.	México DF	15	50,00	Isolux de México, S.A. de C.V.	PC	Construction	PwC
Indra Isolux de México S.A. de C.V.	México D.F	1	50,00	Isolux de México, S.A. de C.V.	PC	Construction	Unaudited
Isolux Corsán India & Soma Enterprises Limited	Haryana	-	50,00	Isolux Corsán India Engineering & Construction Private LTD.	PC	Construction	Unaudited
ICI Soma JV (*)	Haryana	-	50,00	Isolux Corsán India Engineering & Construction Private LTD.	PC	Construction	Unaudited
Carreteras Centrales de Argentina, S.A. (*)	Buenos Aires	616	49,00	Corsán Corviam Const., S.A.	PC	Construction	PwC
Porto Primavera Transmisora Energía S.A.	Rio Janeiro	22.676	33,33	Isolux Energía e Particip. Ltda.	PC	Concessions	Deloitte
Vila do Conde Transmisora Energía S.A.	Rio Janeiro	12.131	33,33	Isolux Energía e Particip. Ltda.	PC	Concessions	Deloitte
Cachoeira Paulista T. Energía S.A.	Rio Janeiro	7.548	33,33	Isolux Energía e Particip. Ltda.	PC	Concessions	Deloitte
Jauru Transmisora de Energía S.A.	Rio Janeiro	28.060	33,33	Isolux Energía e Particip. Ltda.	PC	Concessions	Deloitte
Integracao Eléctrica Norte e Nordeste, S.A.	Sao Paulo	72.971	50,00	Isolux Energía e Particip. Ltda.	PC	Concessions	Unaudited
Isonor Transmission S.A.C. Perú	Lima	7.626	50,00	Isolux Corsán Concesiones, S.A.	PC	Concessions	Unaudited
Caravelli Coteruse Transmisora de Energía S.A.C.	Lima	7.620	100,00	Isonor Transmisión S.A.C.	PC	Concessions	Unaudited
Concesionaria Autopista Perote Xalapa S.A. de C.V.	México DF	70.573	50,00	Isolux Corsán Concesiones, S.A.	PC	Concessions	PwC
Soma Isolux Surat Hazira Tollway PVT, LTD	Haryana	11.667	50,00	Isolux Corsán Concesiones, S.A.	PC	Concessions	Other
Soma Isolux Kishangarh-Ajmer-Beawar Tollway PVT.LTD	Haryana	11.892	50,00	Isolux Corsán Concesiones, S.A.	PC	Concessions	Other
Wett Holdings LLC	Delaware	7.182	50,00	Iccenlux Corp.	PC	Concessions	Unaudited
Wett - Wind Energy Transmission Texas, LLC.	Austin	7.182	50,00	Wett Holdings	PC	Concessions	E&Y
Parking Pío XII, S.L.	Palencia	502	50,00	Isolux Corsán Aparcamientos, S.L.	PC	Concessions	Unaudited
Emiso Cádiz S.A.	Cádiz	4.500	50,00	Isolux Corsán Aparcamientos S.L.	PC	Concessions	Unaudited
Aparcamientos IC Sarrión	Madrid	3	51,00	Isolux Corsán Aparcamientos S.L.	PC	Concessions	Other

CONSOLIDATED ANNUAL ACCOUNTS OF GRUPO ISOLUX CORSÁN, S.A. AND SUBSIDIARIES AT 31 DECEMBER 2010 Appendix III

Company name	Address	Shareholding		Shareholder	Consolidat ion Method	Activity	Auditor
		2010 Cost (thousand euro)	% par value				
Aparcamientos Los Bandos Salamanka, S.L.	Madrid	4	70,00	Isolux Corsán Aparcamientos S.L.	PC	Concessions	Unaudited
Soma Isolux Varanasi Aurangabad Tollway Private Limited (*)	Haryana	-	50,00	Isolux Corsán Concesiones, S.A.	PC	Concessions	Unaudited
Isolux Soma and Unitech JV (*)	Haryana	-	49,50	Isolux Ingeniería, S.A.	PC	Concessions	Unaudited
Participes de Biorreciclaje, S.L.	Madrid	20	33,33	Global Vambru, S.L	PC	Concessions	Other
Bioreciclajes de Cádiz S.A. (5)	Cádiz	-	98,00	Participes de Biorreciclaje, S.L.	PC	Concessions	Other
Líneas Mesopotánicas S.A.	Bs. Aires	4	33,33	Grupo Isolux Corsán, S.A.	PC	Engineering	PwC
Líneas del Norte S.A.	Bs. Aires	-	33,33	Grupo Isolux Corsán, S.A.	PC	Engineering	PwC
Líneas de Comahue Cuyo, S.A.	Bs. Aires	6	33,34	Grupo Isolux Corsán, S.A.	PC	Engineering	PwC
Eclesur, S.A. (*)	Buenos Aires	9	50,00	Grupo Isolux Corsán, S.A.	PC	Engineering	Unaudited
Empresa Concesionaria Líneas Eléctricas del Sur, S.A. (*)	Buenos Aires	9	50,00	Grupo Isolux Corsán, S.A.	PC	Concessions	Unaudited
Landscape Corsán, S.L.	Madrid	6	50,00	Isolux Corsán Inmobiliaria, S.A.	EC	Real Estate	Unaudited
Pinares del Sur, S.L.	Cádiz	10.444	50,00	Isolux Corsán Inmobiliaria, S.A.	EC	Real Estate	PwC
Las Cabezas de Aranjuez S.L.	Madrid	32.791	40,00	Isolux Corsán Inmobiliaria, S.A.	EC	Real Estate	E&Y
Alquimia5 S.A.	Toledo	750	50,00	Isolux Corsán Inmobiliaria, S.A.	EC	Real Estate	Other

- (*) 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.
- (5) Cost included in Participes de Biorreciclaje S.L.
- PC: Proportionate Consolidation
- EC: Equity consolidation method

**CONSOLIDATED ANNUAL ACCOUNTS OF GRUPO ISOLUX CORSÁN, S.A.
AND SUBSIDIARIES AT 31 DECEMBER 2010**

Appendix IV

**Companies included in consolidation scope participating in temporary Joint ventures
(UTEs)**

Name of UTE	% interest	Name of UTE	% interest
EDAR VILLAHERMOSA	70,00%	UTE ENVASES PICASSENT	70,00%
COLUNGA CARAVIA UTE	66,67%	UTE PRESA MELONARES	50,00%
CONSER INF LEON UTE	50,00%	UTE GUADALOPE	50,00%
ACCESO PTO. VALENCIA UTE	40,00%	UTE FLUMEN MODERNIZACIÓN RIEGOS	50,00%
CARRETERA A-222- MEDIANA	50,00%	UTE ATEWICC 3 SUPLIDOS	33,34%
PROMOCION RIVAS	97,00%	UTE ALMAGRO	100,00%
PASARELA PTE CASTRO	50,00%	AVE AMOREBIETA - ETXANO	50,00%
UTE AUTOVIA RONDA-RINCON	50,00%	UTE RIO DUERO-TUNEL PINAR ANTEQUERA	45,00%
UTE EDAR CARBONERO	100,00%	MONTAJE VIA ALTA VELOCIDAD VIA PRAT.S.JOAN	50,00%
PLAN DOTACION BDA. CEUTA	50,00%	UTE CENTROS PENITENCIARIOS ANDALUCIA ORIENTAL	100,00%
CONSERVACIÓN INFRAESTRUCTURA LEON	50,00%	UTE LOMA LA LATA ON	75,00%
UTE JUCAR VINALOPO	33,33%	UTE MANSUB 2 CONSTROL Y SISTEMAS	25,00%
CAMINO DE SANTIAGO	50,00%	ADECUACIÓN PRESA BEMBEZAR Y RETORNILLO	50,00%
AMPLIACIÓN PUERTO 1 FASE	25,00%	NUEVO APOYO TERMINAL BARCELONA UTE	75,00%
MEJORA ACCESO PUERTO	50,00%	UTE VERDUGA	100,00%
CORREDOR DEL MORRAZO	50,00%	CENTRO DE INSERCIÓN SOCIAL DE TENERIFE	100,00%
RONDA LOS OMEYAS UTE	33,34%	UTE E.D.A.R. TOMELLOSO	90,00%
FFCC EL PORTAL UTE	70,00%	UTE ENVOLVENTE CRUZ ROJA	60,00%
UTE MACÍAS PICAVEA	50,00%	UTE MURO	60,00%
RELLENO PARCELAS 23	34,00%	UTE DEPUR.SESEÑA BOROX	90,00%
AUTOPISTA MADRID TOLEDO	36,00%	UTE VALENCIA I	50,00%
PRESA ARAUZO UTE	100,00%	INSTALACIÓN DE ESTACIÓN L3 ROQUETES UTE	100,00%
ESTACION AGUAS RESIDUALES DE LA LINEA	50,00%	UTE CERCANIAS MADRID LINEA C-3 PINTO	40,00%
A-312 VARIANTE LINARES	50,00%	CARRETERA LEÓN CEMBRANOS	65,00%
UTE LAS TERRAZAS	100,00%	ACTUACIONES MEDIAMBIENTALES AVE	33,34%
MODERNIZACIÓN INSTALACIONES RIEGO EN RIO			
BEMBEZAR CORDOBA	50,00%	UTE IDAM MONCOFA	45,00%
CONVENTO SAN FRANCISCO II	50,00%	PLANTA DE VALORIZACIÓN ORGANICA ALGARVE	50,00%
UTE PUNTO LIMPIO BENAVENTE	50,00%	UTE RIO TURBIO OFF ESPAÑA	91,00%
UTE ZAMORA VERDE	33,00%	UTE REMODELACIÓN SOTSCENTRALS L-3 TMB	40,00%
		ACONDICIONAMIENTO CTRA A-495.GIBRALEON-	
DUPLICACION CALZADA VARIANTE MARTOS EN A-316	50,00%	S.BARTOLOME	60,00%
UTE EL ESPARTAL II	55,00%	UTE CORELSA	50,00%
LINEA FERROVIARIA OSUNA AGUADULCE	50,00%	CANALIZACION AT PUERTO FERROL	40,00%
UTE VARIANTE CARTAMA	60,00%	NUEVO VIAL DE CONEXIÓN CON CTRA. N-352	50,00%
OBRAS CENTRO TECNOLÓGICO ARNEDO LA RIOJA	80,00%	UTE AVELE INFRAESTRUCTURA TRANSPORTE	31,92%
REMODELACIÓN INTEGRAL ARRASATEKO KIROL			
ESPARRUA	50,00%	UTE AVELE 2 INFRA.TRANSPORTE	32,32%
RESIDUOS SAN ROQUE	100,00%	NUEVA AREA TERMINAL AEROPUERTO DE SANTIAGO	55,00%
ADECUACION ENTORNO CASA LES RADIOS	80,00%	UTE GARABOLOS	80,00%
UTE MUNICIPIOS COSTEROS	100,00%	AUTOVÍA DEL DUERO-VARIANTE DE ARANDA	70,00%
REMODELACIÓN DARSENA INTERIOR PORTO VILANOVA	50,00%	MTTO. T4 BLOQUE 1, AENA	100,00%
UTE CONCESIONARIA EDAR LAXE CORSAN	100,00%	MTTO.CENTRO URGENCIAS EXTRAHOSP.EL MOLAR	100,00%
UTE QUIEBRAJANO	50,00%	UTE VALENCIA III	50,00%
DUPLICACION M-501	50,00%	UTE CABEZA DE BUEY	100,00%
HOSPITAL DE BURGOS	10,00%	UTE HOSPITAL VIRGEN DE LA SALUD	40,00%
MEJORA RED SANEAMIENTO CASCO DE LA VILLA	70,00%	CARRETERA PUERTO RICO-MOGAN	30,00%
LINEA AEREA MADRID-SEGOVIA-VALDEASTILLAS	20,00%	UTE CORIA MORALEJA	60,00%
UTE MUELLE BAIONA AMPLIACION DE PEIRAO	65,00%	CARRIL MAÇANET-FORNELLS DE LA SELVA AP-7	55,00%
UTE ACCESO CORUÑA	50,00%	UTE INECAT	39,25%
UTE ABASTECIMIENTO LERIDA CANAL PIÑANA	70,00%	UTE ANTEQUERA	70,00%
MEJORA ABASTECIMIENTO AGUA OVIEDO	100,00%	UTE VIA SAGRERA	50,00%
UTE HOSPITAL MILITAR	100,00%	UTE DG POLICIA	100,00%
UTE CATENARIA MALAGA	50,00%	UTE CAJA DUERO	100,00%
UTE SANEAMIENTO MUNICIPIOS CORDOBA	50,00%	MTTO. ALCALA-MECO	80,00%
LINEA AVE CAMPOMANES	50,00%	UTE MANTENIMIENTO ALCALA MECO	20,00%
UTE GUINOLUX	50,00%	UTE VALENCIA V	50,00%

**CONSOLIDATED ANNUAL ACCOUNTS OF GRUPO ISOLUX CORSÁN, S.A.
AND SUBSIDIARIES AT 31 DECEMBER 2010**

Appendix IV

Name of UTE	% interest	Name of UTE	% interest
UTE CLIMATIZACION ALCAZAR SAN JUAN	40,00%	ENLACE MEIRAS	50,00%
UTE AUTOVIA A7 CONCENTAINA MURO DE ALCOY	50,00%	CONSTRUCCIÓN ACCESOS A SOTO DE RIBERA	60,00%
ACONDICIONAMIENTO TRAVESIA DE MARTOS	50,00%	UTE DCS LOMA LA LATA	50,00%
LINEA 5 TRAMO	40,00%	UTE ELECT. HOSPITAL PARAPLEJICOS	99,00%
UTE ARCO TRIUNFO	100,00%	SISTEMAS A4T1	50,00%
UTE U 11 SAN LAZARO	70,00%	UTE LEVATEL	50,00%
HOSPITAL PARAPLEJICOS TOLEDO	80,00%	LUCALA	33,33%
UTE COIN CASAPALMA	50,00%	UTE ENARSA OFF	50,00%
ADECUACION CAMINO TORTILLA VARIANTE LINARES	50,00%	MUSEO DE AMERICA	100,00%
UTE AVE NUDO DE LA TRINIDAD MONTCAIDA	33,34%	BARRIADA PR.ALFONSO	50,00%
UTE PLAZA SUR DELICIAS	50,00%	UTE EDAR LA CHINA	50,00%
MANTENIMIENTO XUNTA DE GALICIA	70,00%	SEDE ADMINISTRATIVA HOSPITAL MILITAR SEVILLA	100,00%
UTE DEPURADORA FERNAN NUÑEZ	50,00%	GALERIAS BARAJAS	100,00%
UTE MARBELLA	80,00%	CSIC EN LA CARTUJA	100,00%
UTE EDIFICIO MEDICINA C.JUSTICIA MADRID	50,00%	UTE ARQUITECTURA L-5	43,50%
MTTO.EDIFICIOS Mº MEDIO AMBIENTE	100,00%	REFORMA HOSPITALIZACIÓN HOSPITAL MILITAR SEVILLA	100,00%
EMISARIO RIO PISUERGA	50,00%	UTE PLANTA COMPRESORA	50,00%
TRAVESIA MARTOS II	50,00%	CALLES POLA DE LENA	100,00%
VIA DEL PRAT DE LLOBREGAT	25,00%	AMPLIACION HOSPITAL UNIVERSIDAD DE GUADALAJARA	50,00%
UTE ARITZETA	50,00%	PUENTE PISUERGA UTE	50,00%
LOMA LA LATA - OFF	75,00%	EUBA-IURRETA UTE	50,00%
UTE ABASTECIMIENTO OROPESA	100,00%	UTE LOECHES	50,00%
AUTOVIA IV CENTENARIO FASE 1 TRAMO 1	70,00%	AZUCARERA PRAVIA UTE	60,00%
UTE MACEIRAS REDONDELA	50,00%	TUNEL STA.Mº CABEZA	51,00%
UTE PRESA SANTOLEA	50,00%	SEGURIDAD UNID.MADRES DE YESERIAS	100,00%
SANEAMIENTO PUERTO DEL CARMEN	70,00%	TERCERA RONDA CIRCUNV.LA CORUÑA-POCOMACO	80,00%
ACONDICIONAMIENTO CTRA. VALLEHERMOSO-ARURE	70,00%	UTE AVE PINAR II	64,29%
UTE CABREIROS	70,00%	MANIPE ASTURIAS	100,00%
REDES BCN UTE	50,00%	UTE CORONA F.ABAJON	50,00%
ACOMETIDAS ATEWICC-4	33,33%	REHABILITACIÓN CUARTEL TENIENTE RUIZ	42,50%
DRATYP IX	50,00%	OBRAS TRES APARCAMIENTOS EN CEUTA	42,50%
T. RENFE 07 - CENTRO	50,00%	BEATRIZ DE BOBADILLA	100,00%
T. RENFE 07 - NORTE	50,00%	RAMBLA ALBOX	70,00%
UTE REGADÍO DURATON	100,00%	OBRAS EDIF. FACULTAD MEDICINA DE GRANADA	50,00%
LINEA DE TRANSMISION CAPANDA	33,00%	MTTO.COMUNICACION.L9	20,00%
CAPANDA	33,33%	UTE TUNEL BIELSA	50,00%
UTE MIERA	50,00%	METRO-R.METTAS/VAPES	50,00%
UTE JEREZ GTOS GRALES	10,00%	PRESA GUADALMELLATO	60,00%
UTE HOSPITAL ALCAZAR	40,00%	PCI L2 METRO BCN	50,00%
UTE GIRONA	33,00%	INSTAL . L5 METRO BCN	16,00%
UTE EDAR VIC	50,00%	UTE LAVAPINOS PUENTE - GRANADA	80,00%
LINEA 9 METRO BARCELONA	20,00%	UTE HOSPITAL DE LAFERRERE	40,00%
RED ACCESO RURAL EN CATALUÑA	50,00%	BALSA DE VICARIO	70,00%
CONSTRUCCIÓN SUBESTACIÓN PLAN TRAMONTANA	50,00%	UTE PLANTA TRATAMIENTO VALLADOLID	30,00%
UTE ALP PLANOLÉS SUPLIDOS	33,33%	UTE ZAMORA LIMPIA	30,00%
U.T.E. PALOS	99,90%	UTE AYUNTAMIENTO MORALEJA	60,00%
INTEGRACIÓN SISTEMA CONTROL DEL TSA	33,33%	UTE AYUNTAMIENTO JARAIZ DE LA VERA	50,00%
TELEMANDO DE ENERGIA	50,00%	UTE AGUAS CILLEROS	60,00%
UTE BENIDORM	49,00%	UTE ZONA VERDE	60,00%
SAVE 3, SUPLIDOS	26,20%	UTE MONUMENTO HISTORICO	60,00%
MTTO. INTEGRAL BASE	80,00%	UTE ALICANTE I	40,00%
MANTENIMIENTO INSTALACIONES EDIFICIO ADUANA	100,00%	UTE AVICO	25,00%
AEROPUERTO CIUDAD REAL UTE	65,00%	DCS RIO TURBIO C&S	50,00%
UTE QUINTANA	50,00%	UTE AVE PORTO-MIAMAN	75,00%
SS/EE LINEA 3 METRO SUPLIDOS	50,00%	SANEAMIENTO CASTRILLON UTE	55,00%
MANTENIMIENTO SANITARIO GUADALQUIVIR	80,00%	UTE RIO TURBIO ON	91,00%
UTE COMAVE, SUPLIDOS	28,33%	UTE TORIO-BERNESGA	50,00%
VODAFONE CDC LEGANES	50,00%	UTE CEUTA APARCAMIENTO	50,00%
PLANTA DE COMPOSTAJE EN ARANDA	50,00%		

GRUPO ISOLUX CORSAN, S.A. AND SUBSIDIARIES

DIRECTORS' REPORT 2010

1. Economic Environment

During 2010 Gross Domestic Product (GDP) of the Spanish economy underwent an annual decrease of 0.2% a less sensitive decrease as compared to 3.7% reduction rate experienced during 2009. During 2010 an increase of 1.7% has taken place in the Euro zone.

This decrease is particularly due to the decline in the internal demand, mainly generated by the reduction in public administration consumption and in the gross formation of fixed capital

Employment decreased by 2.3% compared with last year, then there was a sharp increase in the unemployment rate from 18.0% in 2009 to 20.0% in 2010. The consumer price index ended 2010 at 1.8%, which is higher than the (0.3%) at which 2009 ended.

Regarding investment, the gross formation of fixed capital fell by 7.2% in 2010, reflecting a 2.7% increase in capital goods and 10.9% decline in construction.

Economic forecasts for 2011 foresee a sensitive increase in the performance of the Spanish economy and GDP is expected to grow by 0.7%, employment is expected to fall by 0.3%, inflation is expected to increase by 2.3%, the gross formation of fixed capital will fall by 1.7% while the national deficit will reach 6.4%.

Economic forecasts for those countries in which the Company operates are quite positive. The expected growth margin in 2011 Gross Domestic Product is of 4.13% in Brazil, 8.37% in India, 3.92% in Mexico and 2.31% in USA. These amounts take a greater importance due to the higher Group internationalization.

2. Development and performance of the Group in 2010

With respect to Concessions, there was a marked increase in investments in the different areas operated:

- Car Parks: always in Spain;
 - New concessions have been put in operation,
 - Investments in new concessions to be operated in future years
 - Turn to occupation levels prior to the crisis in operative car parks.
- Energy Infrastructures:
 - Implementation of new energy transmission concessions in Brazil,
 - Significant investment in concessions in Brazil.
 - Disinvestment due to shareholding disposal in 8 transmission concessions in Brazil.
 - Beginning of the investments in United States.
- Toll roads:
 - New concession granted in India for a 192-kilometer toll road.
 - BR116 toll road (681 kilometers) entry in operation in Brazil.
 - Significant investments in concessions in India, Brazil, Mexico and Spain.

In Construction, our presence in traditional sectors in Spain such as land infrastructures (rail and road) was continued, promoting our presence in overseas markets where the Group is developing major infrastructure projects (in countries such as Mexico, Algeria and India).

In Engineering and Services, regarding the international market, the Group has developed major international projects particularly in the transmission area and power generation in countries such as Brazil, Argentina, Mexico, Angola and Italy.

GRUPO ISOLUX CORSAN, S.A. AND SUBSIDIARIES

DIRECTORS' REPORT 2010

Regarding the area of Renewable Energies, 2010 has been the first year in which the Group's Biodiesel plants in Castellon and Ferrol have been fully operating.

In general the Group has increased its overseas presence which in 2010 reached more than 50% of Group's activity, as well as consolidated its leadership position in the domestic market.

Business performance in 2010

2.1. Financial highlights

The development of the Group's main figures in 2009 and 2010 is as follows:

Key Figures

Thousand euro

	<u>2010</u>	<u>2009</u>	<u>Variation</u>
Total operating revenue	3.239.786	3.018.540	7,33%
Consolidated profit (before minority interests)	63.960	56.180	13,85%
Operating profit	207.702	184.104	12,82%
Gross operating profit - EBITDA (1)	311.198	255.677	21,72%
Net financial results	(115.721)	(105.616)	9,52%
Debts associated with Projects (2)	1.235.010	970.070	27,31%
Net debt with financial entities (3)	310.513	486.673	-36,20%
Portfolio (thousand euro)	30.180	25.839	16,80%

(1) Operating profit not taking into account amortization/ depreciation, impairment losses and changes in trade provisions.

(2) Includes short and long-term Project finance.

(3) Includes debts with financial entities net of cash, cash equivalents and short-term bank deposits.

There has been a slightly increase in Gross Operating Profit – EBITDA (7.33%) and consolidated profit (13.85%). Particularly noteworthy is the 16.80% portfolio increase.

GRUPO ISOLUX CORSAN, S.A. AND SUBSIDIARIES

DIRECTORS' REPORT 2010

2.2 Group's results

2.2.1 Income Statement performance

The performance of the income statement for 2010 and 2009, as well as the variation in the most important figures, is as follows:

Thousand euro	<u>2010</u>	<u>2009</u>	<u>Var(%)</u>
Total operating revenue	3.239.786	3.018.540	7,33%
Turnover	3.188.740	2.959.162	
Other operating income (1)	46.012	78.511	
Inventory changes	5.034	(19.133)	
External and operating expenses	(2.549.318)	(2.407.204)	
Staff costs	(379.270)	(355.659)	
Gross Operating Profit (EBITDA)	311.198	255.677	21,72%
% over turnover	9,61%	8,62%	
Depreciation and charges due to impairment losses	(86.692)	(65.058)	
Change in trade provisions	(16.804)	(6.515)	
Operating profits	207.702	184.104	12,82%
% over turnover	6,51%	6,22%	
Net Financial Results	(115.721)	(105.616)	9,57%
Shares in result of associates	(7.072)	(12.012)	
Profit before taxes	84.909	66.476	27,73%
Income tax	(20.949)	(10.296)	
Profit for the year	63.960	56.180	13,85%
Profit attributed to minority interests	805	(4.724)	
Profit attributed to Company's shareholders	63.155	60.904	3,70%

(1) Includes own work capitalized.

2.2.2. Development and composition of turnover

The development and composition of turnover during 2010 and 2009 is as follows:

Thousand euro	<u>2010</u>	<u>% of Total</u>	<u>2009</u>	<u>% of Total</u>	<u>% 2009-2010</u>
Construction	1.305.269	41,0%	1.232.984	41,7%	5,9%
Engineering and Industrial Services	1.718.059	53,9%	1.524.362	51,5%	12,7%
Concessions	163.577	5,1%	106.317	3,6%	53,9%
Other (1)	1.835		95.499		
Total	3.188.740		2.959.162		7,8%

(1) Includes other business and consolidation adjustments

GRUPO ISOLUX CORSAN, S.A. AND SUBSIDIARIES

DIRECTORS' REPORT 2010

With respect to the breakdown into domestic and international markets, the Group's turnover has performed as follows:

Thousand euro	2010	% of Total	2009	% of Total	% 2009-2010
Domestic market	1.588.804	49,8%	1.793.418	60,6%	(11,4%)
International market	1.599.936	50,2%	1.165.744	39,4%	37,2%
America	865.835	54,1%	749.494	64,3%	15,5%
Rest of the world	734.101	45,9%	416.250	35,7%	76,4%
Total	3.188.740		2.959.162		7,8%

2.2.3. Development and composition of Gross Operating Profit (EBITDA)

The development and composition of EBITDA during 2010 and 2009 is as follows:

Thousand euro	2010	% of Total	2009	% of Total	% 2009-2010
Construction	104.712	33,6%	85.771	33,8%	22,1%
Engineering and Industrial Services	135.015	43,4%	128.378	50,2%	5,2%
Concessions	112.545	36,1%	74.162	29,0%	51,8%
Other (1)	(41.074)		(32.634)		
Total	311.198		255.677		21,72%

(1) Includes other business and consolidation adjustments

3. Outlook 2011

The business volume of Grupo Isolux Corsán during 2010 exceeded 5.977 million euro, 22% of which relates to the domestic market and 78% to international markets.

Set out below is a by area-breakdown of business for 2010:

Thousand euro	2010	% of Total
Construction	1.313.262	21,97%
Engineering and Industrial Services	1.882.913	31,50%
Concessions	2.780.874	46,53%
Total	5.977.049	

The Group's total portfolio at 31 December 2010 amounts to 30.179,9 million euro, 18% of which relates to domestic market and 82% to international ones.

GRUPO ISOLUX CORSAN, S.A. AND SUBSIDIARIES

DIRECTORS' REPORT 2010

Set out below is a breakdown of the portfolio by business area and performance with respect to 2009:

Thousand euro	2010	% of Total	2009	% of Total	% 2009-2010
Construction	3.626.434	12,0%	3.380.824	13,1%	7,3%
Engineering and Industrial Services	2.731.978	9,1%	2.110.281	8,2%	29,5%
Concessions	23.613.190	78,2%	20.138.020	77,9%	17,3%
Other sectors	208.312	0,7%	210.147	0,8%	(0,9%)
Total	30.179.914		25.839.272		16,8%

Despite the current macro-economic environment both in Spain and globally, Group portfolio figures, enable us to be reasonably optimistic about our prospects in 2011. Grupo Isolux Corsán expects to improve turnover by maintaining its profitability ratios and cash generation during 2011.

Of the contracts awarded to the Group in the first few months of 2011, the following are particularly noteworthy in view of their significance.

- 3.150 MW rectifier station construction (Porto Velho) and 2.950 MW inverter station (Araraguara) in Brazil.
- Tarragona's Central Market renewal and car park operation.
- Construction of an office building in Madrid as EFE agency headquarters.
- Construction of two photovoltaic solar plants in Italy for Sunedison.
- Car parks for the new courts in Las Palmas de Gran Canaria (700 spaces).
- 150 MW Kulhna Generation Plant in Bangladesh.

4. Treasury stocks

There have been no movements in treasury stock during the year.

5. Research and development activities

Research, initial design, testing of new products and services, etc., 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.

GRUPO ISOLUX CORSAN, S.A. AND SUBSIDIARIES**DIRECTORS' REPORT 2010****6. Human Resources**

The average number of Group employees during 2010 stood at 7.640 instead of 7.889 employees of added average Group of year 2009. The composition of the average workforce by professional category is as follows:

Category	2010	2009
University graduates	2.647	2.220
Administrative staff	794	530
Workers	4.199	5.139
	7.640	7.889

7. Use of Financial Instruments

The activities carried out by Group companies are exposed to various financial risks. The policies developed by Grupo Isolux Corsán concerning these risks are based on the establishment of hedges for exchange and interest rate risks.

Operations with financial derivatives at 31 December 2010 are as follows:

a) Exchange rate hedging operations

In order to hedge the exchange risk, the Group has arranged hedging transactions through which it insures:

1.- The forward sale and purchase of US dollars (USD) against euro with different dates and at different exchange rates for a total amount of 161.328 thousand dollar and 132.660 thousand dollar, respectively.

2. - The forward sale and purchase of USD against Mexican pesos with different dates and exchange rates for a total amount of 9.498 thousand dollar and 13.235 thousand dollar, respectively.

3. - The forward purchase of Swiss Francs against euro with different dates and exchange rates for a total amount of 309 thousand Swiss Francs.

4. - The forward sale of Mexican pesos against euro with different dates and Exchange rates for a total amount of 9.837 thousand Mexican pesos.

The effect of these transactions has been valued at the year end.

b) Interest rate hedging operations

At 31 December 2010, the Group has entered into interest rate swaps with financial entities. These swaps were arranged on 10 September 2010, are in effective force until 14 February 2011 and mature on 29 June 2015, and insure a rate of 2.025% for a debt of 532.000 thousand euro, related to the long-term loan provided by a syndicate. This loan was renewed, extended and grouped into a unique contract amounting to 552.000 thousand euro which will be in force as from 14 February 2011.

GRUPO ISOLUX CORSAN, S.A. AND SUBSIDIARIES**DIRECTORS' REPORT 2010**

The repayment of this loan is through the following amortization schedule:

<u>Maturity date</u>	<u>Amount</u> <u>(thousand euro)</u>
29/12/2012	11.051
29/06/2013	44.168
29/12/2013	55.183
29/06/2014	66.215
29/12/2014	99.368
29/06/2015	276.015
Total	552.000

In addition, in 2010 the following interest rate swaps were in force:

HIXAM loan:

Contract date: 7 February 2007
Notional amount: 63.273 thousand euro
Interest rate: 4.36%
Maturity date: 29 December 2022

HIXAM II loan:

Contract date: 13 January 2010
Notional amount: 30.466 thousand euro
Interest rate: 3.00%
Maturity date: 23 December 2025

Sociedad Concesionaria Zona 8ª loan:

Contract date: 26 July 2007
Notional amount: 7.607 thousand euro
Interest rate: 4.815%
Maturity date: 25 February 2024

Infinita Renovables loan:

Contract date: 1 February 2010
Notional amount: 181.800 thousand euro
Tipo de Interés: 4.115%
Maturity date: 30 December 2016

Concesionaria Saltillo - Monterrey S.A de C.V. loan:

Contract date: 30 May 2007
Notional amount: 2.330.080 thousand Mexican pesos
Interest rate: 8.20%
Maturity date: 30 May 2025

Concesionaria Perote-Xalapa S.A de C.V. loan:

Contract date: 13 February 2008
Notional amount: 1.900.000 thousand Mexican pesos
Interest rate: 8.20%
Maturity date: 14 January 2022

GRUPO ISOLUX CORSAN, S.A. AND SUBSIDIARIES**DIRECTORS' REPORT 2010**Sociedad Concesionaria Autovía A4 Madrid S.A. loan:

Contract date: 30 July 2008
Notional amount: 29.082 thousand euro
Interest rate: 5.05481%
Maturity date: 15 June 2025

Sociedad Concesionaria Autovía A4 Madrid S.A. loan:

Contract date: 30 July 2008
Notional amount: 29.082 thousand euro
Interest rate: 5.058%
Maturity date: 16 June 2025

Other loans/credits to the Group:

Contract date: 24 February 2009
Notional amount: 20.000 thousand euro
Interest rate: 2.47%
Maturity date: 24 February 2010

Contract date: 23 June 2009
Notional amount: 20.000 thousand euro
Interest rate: 2.44%
Maturity date: 23 June 2012

Contract date: 29 May 2009
Notional amount: 50.000 thousand euro
Interest rate: 2.66%
Maturity date: 3 June 2012

Contract date: 29 April 2010
Notional amount: 50.000 thousand euro
Interest rate: 1.97%
Maturity date: 3 June 2013

Contract date: 22 June 2010
Notional amount: 85.000 thousand euro
Interest rate: 1.80%
Maturity date: 18 June 2013

GRUPO ISOLUX CORSAN, S.A. AND SUBSIDIARIES**PREPARATION OF THE 2010 CONSOLIDATED ANNUAL ACCOUNTS**

In its General Meeting dated at 28 March 2011, and in compliance with the requirements of Articles 253 of the Capital Company Act and Article 37 of the Commercial Code, the Board of Directors formulates the Consolidated Financial Statements (Consolidated Balance Sheet, Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidate Statement of Changes in Equity, Consolidated Statement of Cash Flows and Consolidated Notes to the Financial Statements) and the Management Report, concerning the year ended 31 December 2010, to the terms contained in the documents attached and prior to writing this document.

Signatories:

Mr. Luis Delso Heras
Chairman

Mr. José Gomis Cañete
Vice-Chairman (Representing Construction
Investments, Sarl.)

Mr. Javier Gómez-Navarro Navarrete
Member

Mr. Serafín González Morcillo
Member

Mr. Francisco Moure Bourio
Member (Representing Iman Consultores y
Asesores, S.L.)

Mr. Ángel Serrano Martínez – Estellez
Member

Mr. Antonio Pulido Gutierrez
Member (Representing Monte de Piedad y Caja
de Ahorro de San Fernando de Huelva, Jerez y
Sevilla)

Mr. Juan Odériz San Martín
Member (Representing Grupo Corporativo
Empresarial de la Caja de Ahorros y Monte de
Piedad de Navarra S.A.U.)

Mr. José Luis Hernández Sánchez
Member (Representing Cartera Perseidas, S.L.)

Mr. Juan José Ávila González
Member (Representing Caja Castilla-La Mancha
Corporación, S.A.)

Mr. Antonio Hernández Mancha
Member

Mr. José Luis Ros Maorad
Member

Mr. Antonio Portela Álvarez
CEO

Mr. Juan Francisco Falcón
Non-voting secretary