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Annual Report ACS Group

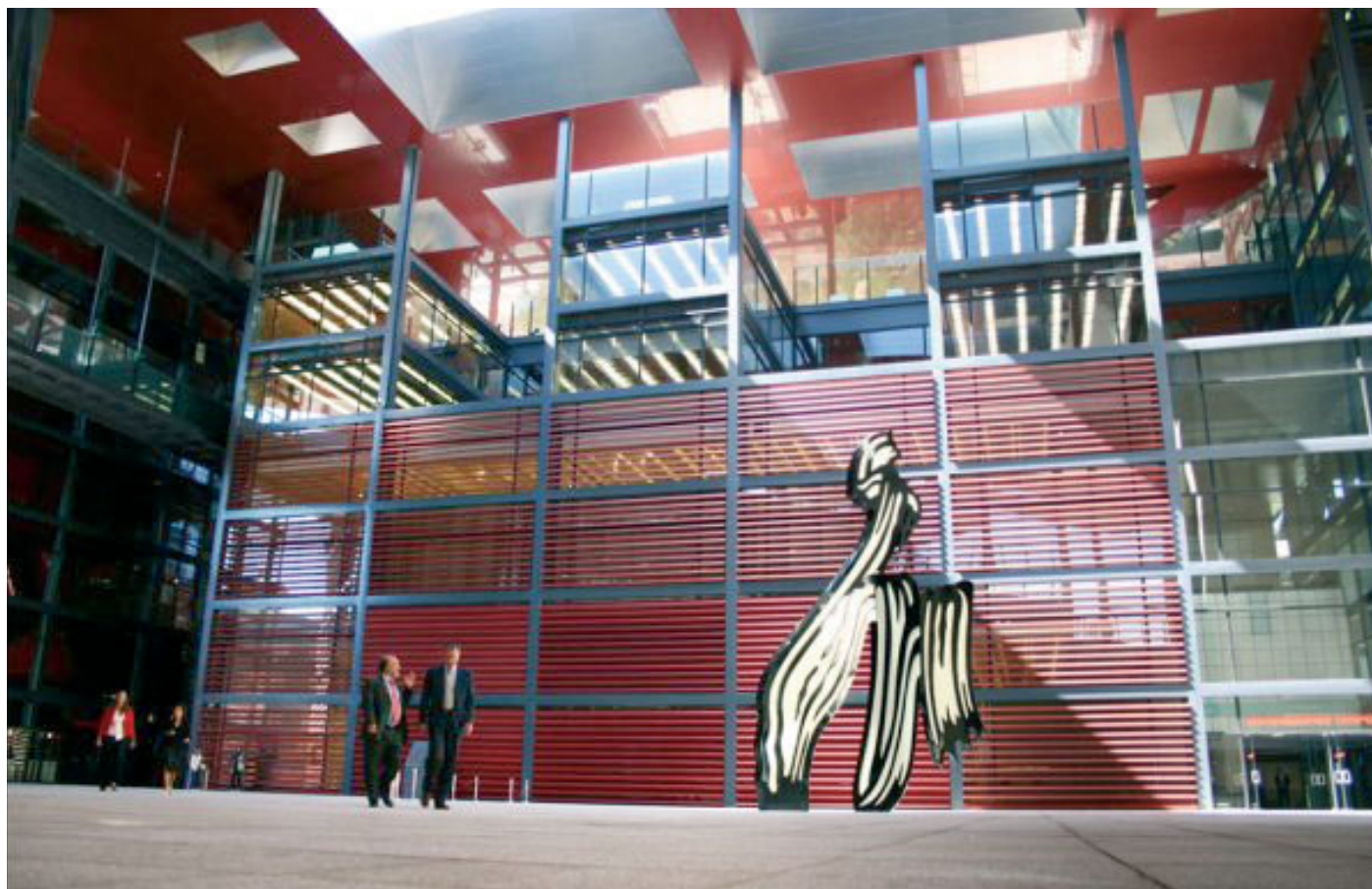
About this 2005 Annual Report

For the first time, the ACS Group Annual Report includes information on activities, as well as economic and financial, corporate responsibility and good governance information in a single document. The 2005 Annual Report has four sections and combines all public information on the Group which is of significance to shareholders, clients, employees, and in general, anyone with an interest in detailed information on the ACS Group's economic, financial, social and environmental activities, results and outlook. This is the second year that the ACS Group has published specific public reports on corporate responsibility and good governance.

As in the case of last year's report, the aim of the Report on Corporate Responsibility is to describe the Company's social and environmental principles, programs and actions, and evidence the quality of the ACS Group's relations with interest groups. This document follows the guidelines of the 2002 guide "Global Reporting Initiative" (GRI) and focuses on those matters that are especially significant to a company of the characteristics of the ACS Group.

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Letter from the Chairman

2005 has been a decisive year for our Group. We have consolidated our leadership in the infrastructure and services sector in Spain, continued our expansion in international markets and made the largest investment in the history of ACS with the acquisition of a significant stake in Unión Fenosa.

Economically, all of our initially foreseen objectives have been surpassed. Sales were up by 12%, reaching over 12,100 million euros and net profit grew by 34.5% to 609 million euros. The positive operating results of each activity and the improvement in working capital contributed to the generation of cash flow prior to investments and the distribution of dividends of over 1,350 million euros, enabling us to finance a portion of the 4,217 million euros invested this year.

Without a doubt, the Group's most significant investment was in Unión Fenosa. When we reached an agreement to acquire 22.1% of the third ranked Spanish electricity utility for 2,219 million euros on September 23rd, we were aware that we were taking a major leap forward in the corporate track record of ACS. Our knowledge of the markets in which Unión Fenosa operates, the opportunities existing in the energy sector and the company's leadership position as an integrated gas and electricity utility made this investment a strategic objective for our Group.

In order to reinforce our position as a reference shareholder of Unión Fenosa, two months later, ACS launched a takeover bid which was recently completed and has enabled us to increase our ownership interest in this company to 34.5%. Additionally, the financing arrangement used has allowed the Group to maintain its investment policy, which is aimed at guaranteeing the sustainable development of our activities in upcoming years.

Construction area sales were up by 9.5% this year, reaching 5,725 million euros. The positive performance of this sector in Spain and its future outlook, especially with respect to civil works, following the recent approval of the 2005-2020 Strategic Infrastructure and Transport Plan, guarantees ongoing stability in terms of income in upcoming years.

The performance of the Industrial Services area was excellent in 2005, backed by heavy domestic and international demand for energy-related systems, of which our companies knew how to take advantage, as well as the improvement of the operating efficiency of all activities. In this respect, sales exceeded 4,000 million euros for the first time in the area's history, up by 16.8%.

Services and Concessions area sales increased by 9.9% to 2,420 million euros, in view of the growing need for services relating to infrastructures. The area reinforced its leadership position in the Spanish market and increased its multinational offer in the environmental and port and logistics services areas.

The performance of the total order book, which increased by over 12% to nearly 27,000 million euros, clearly evidences the ACS Group's excellent position, which will guarantee its success in the near future. It also demonstrates that the Group's competitiveness and technical capacity are increasingly more valued by our clients.

The contribution to the Group's net profit of companies accounted for the equity method, amounted to 145 million euros, up by 53.5% from the previous year. The inclusion of Unión Fenosa within the scope of consolidation in the last quarter, the positive results obtained by each company and the increase in ownership interest in Abertis and Urbis to the current 24.8% respectively, accounted for this growth.

The solid performance of our business lines, confirmed by the excellent results obtained, and the Group's investment policy aimed at obtaining long-term profitability, has been backed by the strong support of our investors. In fact, in 2005 the ACS share had the best stock market performance since 1997, increasing by 62%, which tripled the revaluation of the main Spanish and European indicators.



Also worthy of mention is our Group's considerable effort in terms of corporate responsibility, relating to our commitment to "do good work", or in other words, to meet the expectations of clients, shareholders, employees and the society as a whole. In 2005 ACS continued to develop programs and to undertake measures to improve the social and environmental impact of our activity. In this respect, noteworthy is the substantial increase in environmentally certified production, which now accounts for 87% of total production. Significant advances were also made in terms of job safety as evidenced by the improvement of all the prevention indexes, confirming our position as one of the safest companies in the sector.

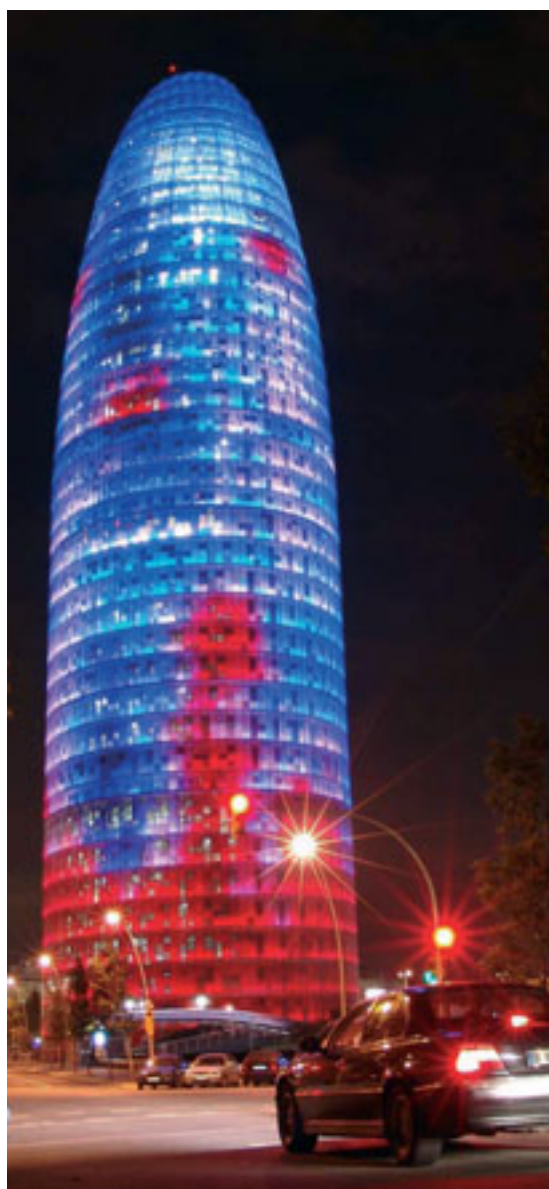
Finally, once again I would like to express my sincere gratitude to our shareholders, clients and employees for their confidence in our Group, which we attempt to respond to with the same dedication and enthusiasm for such a passionate project as ACS.

Florentino Pérez

A handwritten signature in black ink, reading "Florentino Pérez". The signature is written in a cursive, flowing style.

Management Bodies

Board of Directors



Executive Chairman

Mr. Florentino Pérez Rodríguez ■

Civil Engineer
Chairman and CEO of ACS Group since 1993
Member of the Board of Directors of ACS Group since 1989

Executive Vice Chairman

Mr. Antonio García Ferrer ■

Civil Engineer
Member of the Board of Directors of ACS Group since 2003
Member of the Board of Directors of Abertis Infraestructuras
Member of the Board of Directors of Inmobiliaria Urbis

Vice Chairman

Mr. Pablo Vallbona Vadell ■ ■

Naval Engineer and MBA from the IESE
Member of the Board of Directors of ACS Group since 1997
Executive Vice Chairman of Banca March
Vice Chairman of Corporación Financiera Alba
Vice Chairman of Abertis Infraestructuras

■ Member of the Executive Committee

■ Member of the Audit Committee

■ Member of the Appointment and Remuneration Committee



Directors

Mr. José María Loizaga Viguri ■ ■

Economist
Member of the Board of Directors of ACS Group since 1989
Chairman of Mercapital, S.L.
Chairman of Mercapital Private Equity, S.G.E.C.R., S.A.
Chairman of Cartera Hotelera, S.A.
Chairman of Bodegas Lan
Vice Chairman of Zardoya Otis
Vice Chairman of Banco Urquijo

Dr. José María Aguirre González ■

Doctorate in Civil Engineering
Member of the Board of Directors of ACS Group since 1995
Chairman of Banco Guipuzcoano
Member of the Board of Directors of Acerinox
Member of the Board of Directors of Siemens España

Mr. Agustín Batuecas Torrego

Civil Engineer
Member of the Board of Directors of ACS Group since 1999
Chairman and CEO of Continental Auto
Vice Chairman of Fenebús

Mr. Álvaro Cuervo García ■

Doctorate in Economics. Professor of Business Economics
Member of the Board of Directors of ACS Group since 1997
Member of the Advisory Board of Privatisations
Member of the Board of Directors of ThyssenKrupp
Member of the Board of Directors of SONAE INDUSTRIA, SONAE SGPS
Vice Chairman of TAFISA

Mr. Manuel Delgado Solís ■

B.S. in Pharmacy. Lawyer
Member of the Board of Directors of ACS Group since 2003
Member of the Board of Directors of Unión Fenosa

Mr. Javier Echenique Landiribar ■ ■

B.A. in Economics
Member of the Board of Directors of ACS Group since 2003
Member of the Board of Directors of Telefónica Móviles
Member of the Board of Directors of Uralita
Member of the Board of Directors of ENCE

Mr. Isidro Fernández Barreiro ■

Industrial Engineer
Member of the Board of Directors of ACS Group since 2003
CEO of Corporación Financiera Alba
Member of the Board of Directors of Banca March
Member of the Board of Directors of Prosegur

Mr. Joan-David Grimà i Terré

Doctorate in Economics and Business Studies
Member of the Board of Directors of ACS Group since 2003
General Manager of Santander Central Hispano
Member of the Board of Directors of Antena 3, TV

Mr. Pedro López Jiménez ■

Civil Engineer
Member of the Board of Directors of ACS Group since 1989
Chairman of Unión Fenosa
Member of the Board of Directors of CEPSA
Chairman of Terratest
Member of the Board of Directors of Keller Group Plc
Member of the Board of Directors of Lingotes Especiales

Mr. Santos Martínez-Conde Gutiérrez-Barquín ■

Civil Engineer
Member of the Board of Directors of ACS Group since 2001
General Manager of Corporación Financiera Alba
Member of the Board of Directors of Acerinox
Member of the Board of Directors of Unión Fenosa

Mr. Javier Monzón de Cáceres

B.A. in Economics
Member of the Board of Directors of ACS Group since 2003
Chairman of Indra

Mr. Miquel Roca i Junyent

Lawyer
Member of the Board of Directors of ACS Group since 2003
Secretary of the Board of Directors of Abertis Infraestructuras
Secretary of the Board of Directors of Banco de Sabadell

Mr. Julio Sacristán Fidalgo ■

B.S. in Chemistry
Member of the Board of Directors of ACS Group since 1998

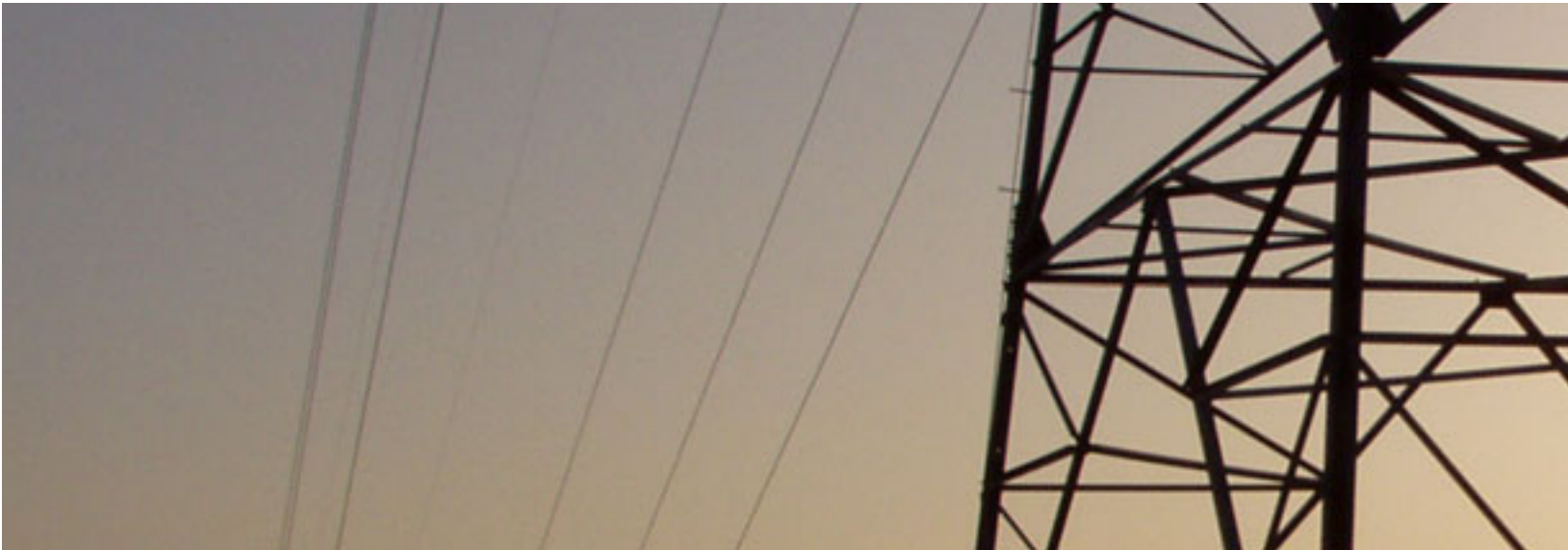
Mr. Francisco Servando Verdú Pons

B.A. in Economics and MBA from the Chicago University
Member of the Board of Directors of ACS Group in the period 2002-2003 and re-elected in 2006
CEO of Banca March
Member of the Board of Directors of Corporación Financiera Alba

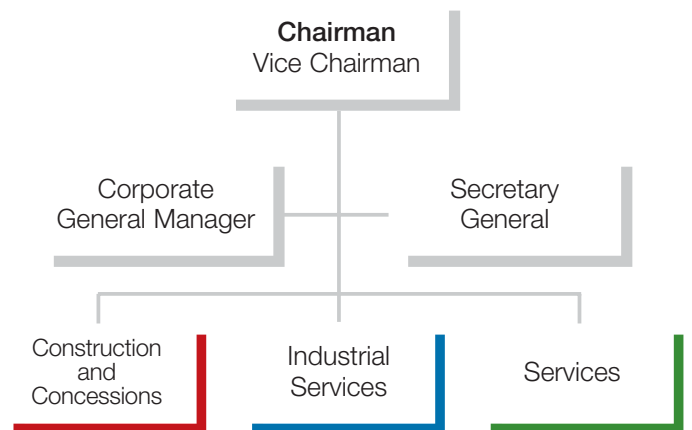
Secretary General and Director

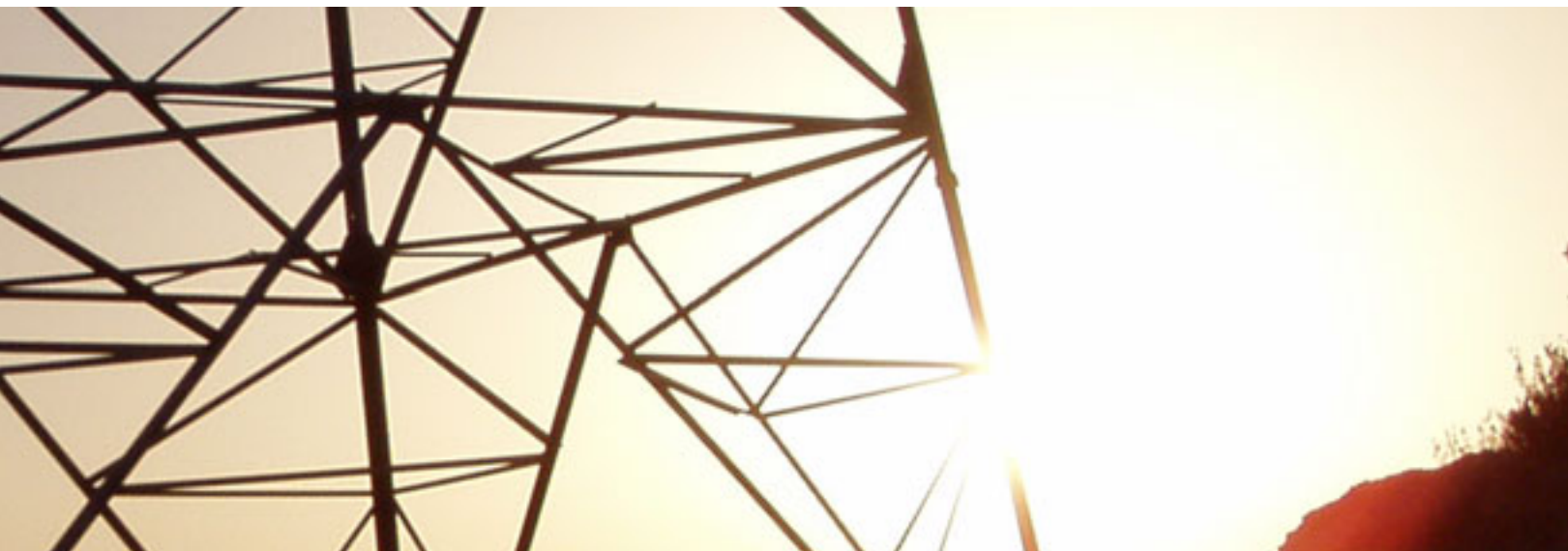
Mr. José Luis del Valle Pérez ■ ■ ■

Lawyer and State Attorney
Member of the Board of Directors of ACS Group since 1989



Management Committee





Mr. Florentino Pérez Rodríguez

Executive Chairman

Born in 1947. Civil Engineer. Although Mr. Pérez started his career in the private sector, he held different posts in the Public Administration between 1976 and 1982 when he was Delegate for Sanitation and Environment of the Madrid City Council, General Sub-Director of Promotion of the Centre for the Development of Industrial Technology in the Ministry of Industry and Energy, General Manager of Transport Infrastructures in the Ministry for Transport, as well as Chairman of IRYDA in the Ministry of Agriculture. In 1983, he returned to the private sector as top executive of Construcciones Padrós, S.A., of which he was one of the main shareholders. Since 1993, he has been the Chairman and CEO of the ACS Group, first as the chairman of OCP Construcciones S.A., and since 1997 as the chairman and CEO of the so-called ACS Group.

Mr. Antonio García Ferrer

Executive Vice Chairman

Born in 1945. Civil Engineer. Mr. García started his career in Dragados y Construcciones, S.A. in 1970. After assuming various positions of responsibility in the construction company, in 1989 he was appointed Regional Manager for Madrid. Then in 1998 he was placed at the head of the Building business and in 2001 he became General Manager of the Industrial and Services Divisions. In 2002 Mr. García was appointed as the Chairman of Grupo Dragados, S.A., and in December 2003 he became the Executive Vice Chairman of the ACS Group.

Mr. Ángel García Altozano

Corporate General Manager

Born in 1949. Civil Engineer and MBA, University of Dayton. Mr. García started his professional career in the construction sector. He was General Manager of the Instituto Nacional de Industria (INI) and President of Bankers Trust for Spain and Portugal. In 1997 he joined the ACS Group as Corporate General Manager with responsibility over the economic-financial areas, corporate development and affiliates.

Mr. José Luis del Valle Pérez

Secretary General

Born in 1950. Lawyer and State Attorney. From 1974 until 1983 Mr. del Valle held various positions in the Public Administration and was a member of the Parliament from 1979 to 1982 and Deputy Secretary of the Ministry of Territorial Administration. He has been a member of the Board of Directors of the ACS Group since 1989 and has been the Secretary General to the Board of Directors since 1997.

Mr. Marcelino Fernández Verdes

Chairman of the Construction and Concessions Area

Civil Engineer. Mr. Fernández joined the Group in 1987 and was appointed General Manager in 1994. In 1998 he became the CEO of ACS Proyectos, Obras y Construcciones S.A., and in 2001 was appointed Chairman of the company. He is the Chairman of Dragados.

Mr. Ignacio Pérez Rodríguez

Chairman of the Industrial Services Area

Born in 1952. Civil Engineer. After initiating his professional career in the construction sector, Mr. Pérez held several relevant management posts in Control Presupuestario and Bancovial, until 1991, when he joined the ACS Group as Chairman of Semi. He was named CEO of Grupo Cobra in 1997. At present he is Chairman of ACS, Servicios, Comunicaciones y Energía, the Services, Communications and Energy area of the ACS Group.

Mr. Demetrio Ullastres Llorente

Chairman of the Services Area

Born in 1945. Civil Engineer. Mr. Ullastres joined Grupo Dragados in 1969, and has carried out his entire professional career within the company where he has been head of the Building activity, Manager of Civil Engineering, International Director, Chairman of Dragados Industrial, Chairman of Dragados Construcción and General Manager of Grupo Dragados in charge of Concessions and Construction. He is currently the Chairman of ACS, Servicios, the Services area of the ACS Group.



Management Team

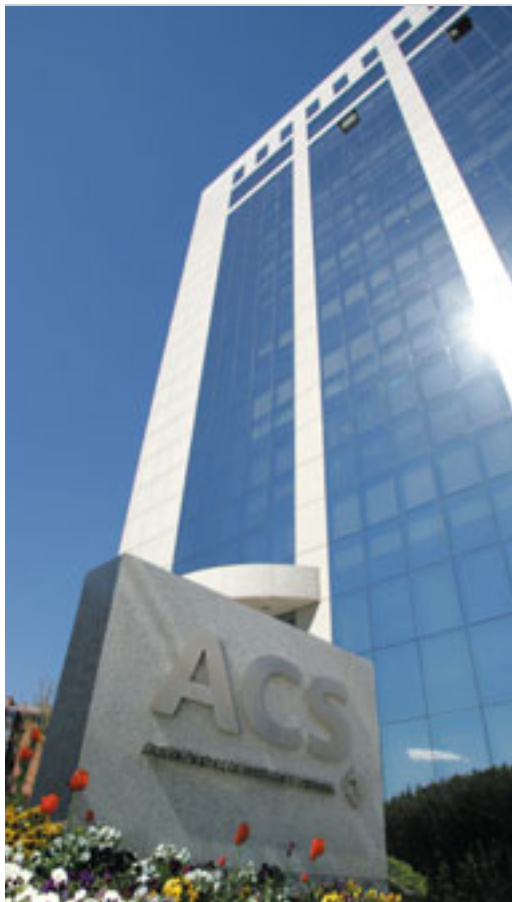
ACS, Actividades de Construcción y Servicios

Mr. Florentino Pérez Rodríguez
Executive Chairman

Mr. Antonio García Ferrer
Executive Vice Chairman

Mr. Ángel García Altozano
Corporate General Manager

Mr. José Luis del Valle Pérez
Secretary General



Dragados

Mr. Marcelino Fernández Verdes
Chairman and CEO

Mr. Juan Ernesto Pérez Moreno
Executive Assistant to the Chairman

Mr. Luis Nogueira Miguelsanz
Secretary General

Mr. José María López Piñol
Civil Works I Manager

Mr. Ricardo Martín de Bustamante
Civil Works II Manager

Mr. Gonzalo Gómez Zamalloa
Building I Manager

Mr. Ignacio Segura Suriñach
Building II Manager

Mr. Antonio Cortés Sánchez
International Manager

Mr. Octavio del Real Sánchez
Subsidiary Companies Manager

Mr. Maximiliano Navascués Redondo
Contracting Manager

Mr. Alfonso Costa Cuadrench
Technical Services Manager

Vías y Construcciones

Mr. Manuel Pérez Beato
Chairman and CEO

Mr. Antonio Alfonso Sánchez
General Manager

Mr. Manuel Álvarez Muñoz
Civil Works Manager

Mr. Ignacio Legorburu Escobar
Building Manager

Tecsa

Mr. José María Aguirre Fernández
CEO



Drace

Mr. José Luis Sarabia Centeno
CEO

Geocisa

Mr. Francisco Javier Asencio Marchante
CEO

Cogesa

Mr. Enrique Pérez Rodríguez
CEO

ACS Servicios Comunicaciones y Energía

Mr. Ignacio Pérez Rodríguez
Chairman and CEO

Mr. José Alfonso Nebrera García
General Manager

Mr. José Romero de Ávila González-Albo
Secretary General

Cobra Group

Mr. Eugenio Llorente Gómez
CEO of Cobra

Mr. Daniel Vega Baladrón
CEO of SEMI and MAESSA

Mr. Juan Agustín Sánchez Bernal
Chairman of ETRA, API and IMES

Mr. José Reis Costa
Chairman of CME

Dragados Industrial

Mr. Lorenzo Díaz Revenga
Chairman and CEO

Mr. Carlos Rodríguez Méndez
General Manager of CYMI

Mr. Mateo Rodríguez Sánchez
General Manager of Ingeniería Industrial y Plantas

Mr. Pedro Ascorbe Trian
General Manager of Dragados Offshore

Mr. Juan Enrique Ruiz González
General Manager of Sistemas

Mr. Antonio Benítez Vilches
General Manager of Masa

ACS Servicios y Concesiones

Mr. Demetrio Ullastres Llorente
Chairman and CEO

Mr. Juan Galvañ Morante
Secretary General

Services

Mr. Javier Polanco Gómez-Lavín
CEO of Urbaser

Mr. José Naranjo Hiraldo
General Manager of Urbaser

Mr. Juan Carlos Pery Paredes
CEO of Dragados SPL

Mr. Agustín Batuecas Torrego
Chairman and CEO of Continental Auto

Mr. Cristóbal Valderas Alvarado
CEO of Clece

Concessions

Mr. Manuel García Buey
CEO

Mr. Victor Revuelta García
General Manager

Mr. Francisco Fernández Lafuente
General Manager

Corporate Strategy

Vision

A worldwide reference in the **construction and services** activities. A group taking part in the **development** of key sectors for the economy such as **infrastructures** and **energy**. A company committed to the **social and economic progress** of the countries in which it is present.



Mission

Meeting our clients needs

- Innovating from day to day, and increasing the offer of products and services which enable the Group to diversify its portfolio of activities while reducing its exposure to economic cycles.
- Ongoing improvement of quality, safety and reliability standards in relation to the numerous services offered, in order to foster stability and to guarantee recurring income.
- Expanding the Group's current client base, through a permanent commercial effort in new markets.

Optimizing the profitability of the resources managed

- Increasing operating and financial efficiency and offering attractive profitability to our shareholders.
- Applying strict investment criteria in line with the company's strategy of expansion and growth.
- Maintaining a solid financial structure which facilitates the raising of resources and the maintenance of a low cost thereof.
- Offering an attractive dividend policy which is sustainable in the long-term.

Improving the society in which we live

- Contributing to its economic growth, whether directly through the wealth generated by the Group's activity and the fostering of investment and employment, or indirectly through improvements represented by the infrastructures developed.
- Improving social welfare through the creation of decent and fairly remunerated employment.
- Respecting the environmental and cultural backdrop in each of the activities carried out by the Group, in accordance with the recommendations of the main domestic and international institutions.



Values

Experience of over 60 years developing and incorporating the capacities needed to offer our clients high quality services relying on new technical developments.

Profitability as a future guarantee, obtained through the efficient management of resources and an active risk-control policy which guarantees our shareholders an adequate return.

Trust from our clients built on a long-term relationship and mutual familiarity, which allows us to adapt quickly and flexibly to their needs and demands.

Commitment to sustainable development, demonstrated by our track record of creating value for our shareholders and clients, and by the professional development of our employees and collaborators, which allow us to serve society in an efficient and ethically responsible manner.

History

The ACS Group began operating in 1983 when a group of engineers acquired Construcciones Padrós, a mid-sized construction company with financial problems located in Badalona (Cataluña). After restructuring this company, the same strategy was repeated with the acquisition of OCISA, a prestigious construction company which was larger and already in operation for over 40 years.

At the end of the eighties, a diversification process was initiated through the acquisition of SEMI, a company specialised in the maintenance and installation of electric lines. This process was continued a year later with the purchase of a majority shareholding in Cobra, one of the most reknown companies in the sector of support services to electric and telecommunications companies, and a market leader with over 70 years of experience.

The first of the large company mergers took place in 1993 with the creation of OCP, which would be the seed of the Group structured as it is today. OCP became one of the leading groups of the construction companies in Spain. The second large merger took place in 1997, with the creation of ACS as a result of OCP's merger with Auxini and Gines Navarro.

At the end of the nineties, the Group incorporated most of the companies forming its current services area; Continental Auto, which engaged in passenger transport, Onyx, a provider of environmental services, Imes, a company dedicated to public lighting services, integral maintenance and control services, and Vertresa, the largest waste treatment plant in Madrid.

The turn of the century started with the integration of the Dragados Group, which positioned the ACS Group as the indisputable leader in the Spanish market and of one the most important companies in its industry of the European continent.

Parallel to this entire integration process, the ACS Group has established the basis of its future strategy, by focusing its activity on relevant sectors of the Spanish and European economy through investments such as those in Abertis and Urbis, as well as its investment in Unión Fenosa in 2005 amounting to over 3,400 million euros. This investment has enabled ACS to enter in a strategic sector as a reference shareholder of one of the leading energy companies in Spain.

