



Florentino Pérez Rodríguez
ACS Group Chairman

The year 2003 was highlighted by two extraordinary events: the merger of ACS, Actividades de Construcción y Servicios, S.A., with Grupo Dragados, S.A., which has strengthened our position as a world reference in the infrastructure and services sector, and the outstanding operative and financial performance of all the areas of the Group.

As you already know, the final merger of the parent companies of both groups took place on December 15. The merger gave rise to the foremost Spanish Group dedicated to the development, construction, maintenance and operation of infrastructures which is now among the European leaders in the sector. This merger was the culmination of a process that started in April of 2002 through the acquisition of 23.5% of Dragados Group, and, after increasing our shareholding by 10% through a take-over-bid in March of 2003, the merger received practically unanimous support from the respective Extraordinary General Shareholders' Meetings, both of which took place on October 14, 2003.

The advantages resulting from this merger are now beginning to materialize. Our leadership and competitiveness within the sector have allowed us to increase our order book to historic levels. As a direct consequence of the integration of both companies, we are working towards obtaining important cost savings and rationalizing our structure, which, in turn, is contributing to the increase in profits. It is worth emphasizing the significant revaluation of our shares on the stock exchange in the last months which is due, in part, to the elevated liquidity of our company with a capitalization of 4,586 million euros at the end of 2003.

More specifically, between April 18, 2002, when we acquired the 23.5% stake in Dragados and the end of 2003, the share price of ACS showed an increase of 26.8%, versus the negative performance of the principal indexes of reference, both domestic and international, over the past twenty months.

Without doubt the Group's economic results for 2003 have contributed to this excellent trend: the figure for consolidated pro-forma turnover surpassed 10,700 million euros which implies an increase of 7.7% against the previous year, and the pro-forma net profit grew by 16.5% accounting for 380 million euros. In addition, the Group obtained a pro-forma gross profit figure of 932 million euros, 16% more than last year, confirming the Group's great capacity to create cash flows.

This noteworthy capacity is what has allowed us to continue an active strategy on investments that involved 543 million euros during 2003. It has also allowed us to maintain the Group's solid financial base showing a net debt with recourse with a balance of 914 million euros as of December 31, 2003. This balance was presented after the redemption of 35% of Dragados capital share, equivalent to more than 1,300 million euros.

The performance of the different business areas was also very positive. Thus, the Construction activity, headed by the company born from the imminent merger of the subsidiary construction companies of both groups, reached an aggregated sales figure of 5,595 million euros in 2003, 5% more than that of the previous period. This merger has placed us in the indisputable position of market leader in Spain, not only due to the revenues, but also because of the volume of our order book which guarantees activity for 18 months in the Spanish market.

The Industrial Services area, formed by Cobra Group and Dragados Industrial, presented an increase in its aggregated sales of close to 9%, thanks to the performance of both the national market and the international activities, the latter representing 31% of the total. The pro-forma turnover figure, of 3,069 million euros, led to the consolidation of our position as the outstanding leader in the development and maintenance of energy, telecommunications and industrial infrastructures in the Iberian and Latin American markets.

With regards to sales in the Services and Concessions area, through which the Group carries out its environmental activities, passenger transport, port and logistic services, integrated maintenance and the promotion of concessions for infrastructure in transport, growth reached nearly 14%, the equivalent of 2,160 million euros. Subsequently, this area strengthened its position as a field undergoing major development, representing the greatest growth prospects for the Group.

These results are a good starting point that will enable us to face our future; an attractive future in the infrastructure sector, thanks to the opportunities that are arising both in Spain and on the international markets in which we are active. Our wide range of products and services that are supported by excellent technical and human resources, our reinforced competitive position, the solid financial base of our balance sheet, and in particular, our corporate culture based on leadership, operational efficiency and client service, are sufficient qualities to take on, with guaranteed success, the new opportunities that will be generated through the consolidation of our merger process.

Special mention needs to be made of the outstanding measures adopted in relation to the corporate governance of the company, reflected in the transparency, ethical behaviour and rigorous professionalism that have always characterized all the actions of the ACS Group. Among these measures are the approval of the Rules regarding the Stock Market, the Rules of the Board of Directors and the proposal of the Rules for the General Shareholders Meeting, all of which are included in the Annual Report of Corporate Governance recently published, the main contents of which are summarized in this Report.

Before finishing, I would like to mention the recent and dramatic terrorist attacks of March 11 in Madrid which caused such a great impact in our country, and which our organization suffered directly through the loss of four employees: Cipriano Castillo Muñoz, Juan Miguel Gracia García, M^a del Carmen López Pardo and Jesús Utrilla Escribano. On behalf of the Board of Directors and myself, I would like to express our solidarity with, and heartfelt condolences to all their families, relatives and close friends.

Finally, once again, I want to reiterate my most sincere gratitude to our shareholders, clients and employees for the confidence shown in our Group which we hope to continue to deserve in this new and exciting project.

A handwritten signature in blue ink, reading 'Florentino Pérez Rodríguez'. The signature is written in a cursive, flowing style.