2.1. Management Bodies
   2.1.1. Board of Directors
   2.1.2. Management Committee
   2.1.3. Management Team

2.2. Corporate Strategy

2.3. Activity Report
   2.3.1. Construction
   2.3.2. Industrial Services
   2.3.3. Services and Concessions
2.1 MANAGEMENT BODIES

2.1.1. Board of Directors

Mr. Florentino Pérez Rodríguez
Chairman and CEO
Civil Engineer
Member of the Board of Directors of ACS Group since 1982
Member of the Board of Directors of Abertis Infraestructuras since 1995

Mr. Antonio García Ferrer
Executive Vice Chairman
Civil Engineer
Member of the Board of Directors of ACS Group since 2003
Member of the Board of Directors of Abertis Infraestructuras since 1993

Mr. Pablo Vallbona Vadell
Vice Chairman
Naval Engineer and MBA from the IESE
Member of the Board of Directors of ACS Group since 1997
Member of the Board of Directors of Inmobiliaria Urbis

Mr. José María Loizaga Viguri
Member of the Board of Directors
Economist
Member of the Board of Directors of ACS Group since 1988
Member of the Board of Directors of Mestral Services Financieros

Mr. Isidro Fernández Barreiro
Member of the Board of Directors
Industrial Engineer
Member of the Board of Directors of ACS Group since 2003
CEO of Corporación Financiera Alba

Mr. Julio Sacristán Fidalgo
Member of the Board of Directors
Computer Science
Member of the Board of Directors of ACS Group since 1998

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Chairman and CEO
Civil Engineer
Member of the Board of Directors of ACS Group since 1982
Member of the Board of Directors of Abertis Infraestructuras since 1995

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Vice Chairman
Naval Engineer and MBA from the IESE
Member of the Board of Directors of ACS Group since 1997
Member of the Board of Directors of Inmobiliaria Urbis
2.1. Management Bodies

2.1.2. Management Committee

Mr. Florentino Pérez Rodríguez
Chairman and CEO
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 General Manager of Transport Infrastructures in the Ministry of 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. In 1992 Mr. Pérez was appointed as the Chairman of OCP Construcciones, S.A., which was the company that resulted from the merger of Construcciones Padrós, S.A. and OCISA. Therefore he has been the Chairman and CEO of the ACS Group since 1992.

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 took over 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 financial shareholdings.

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
Head of the Construction Area
Born in 1955. Civil Engineer.
Mr. Fernández joined the Group in 1987 and was appointed General Manager in 1994. In 1998 he took on the role of Managing Director of ACS Proyectos, Obras y Construcciones, S.A., and in 2001 was appointed Chairman of the company. From 2002 he took on the responsibility of the Construction Area of the ACS Group.

Mr. Ignacio Pérez Rodríguez
Head 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 Bancoval, until 1991, when he joined the ACS Group as Chairman of Semi. He was named Managing Director of Grupo Cobra in 1997. At present he is directing the Industrial Services Area of the ACS Group.

Mr. Demetrio Ullastres Llorente
Head of the Services and Concessions 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 Construcciones and General Manager of Grupo Dragados in charge of Concessions and Construction. He is currently responsible for the Services and Concessions Division of the ACS Group.
2.1.3. Management Team

**ACS, Actividades de Construcción y Servicios**

- Mr. Florentino Pérez Rodríguez: Chairman and CEO
- 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 Engineering Manager
- Mr. Ricardo Martín de Bustamante: Civil Engineering Manager
- Mr. Gonzalo Gómez Zamalloa: Building 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
- Mr. Manuel Pérez Beato: Chairman and CEO of Vías y Construcciones
- Mr. Antonio Alfonso Sánchez: General Manager of Vías y Construcciones
- Mr. Rafael Valero Sin: CEO of Tecsa
- Mr. Enrique Pérez Rodríguez: CEO of Cogesa

**ACS Industrial Services**

- Mr. Ignacio Pérez Rodríguez: Chairman and CEO
- Mr. José Alfonso Nebre 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 SEM and MAESSA
- Mr. Juan Agustín Sánchez Bernal: Chairman and CEO of ETRA, API and MÉS
- Mr. José Reis Costa: Chairman and CEO of CME

**Dragados Industrial**

- Mr. Lorenzo Díaz Revenga: Chairman and CEO
- Mr. Alberto Sicre Díaz: General Manager of CYMI
- Mr. Mateo Rodríguez Sánchez: General Manager of Ingeniería Industrial y Plantas
- Mr. Pedro Ascorbe Trian: General Manager of Dragados Off-Shore
- Mr. Juan Enrique Ruiz: General Manager of Sistemas
- Mr. Antonio Benítez Vilches: General Manager of Masa

**ACS Services and Concessions**

- Mr. Demetrio Ullastres Llorente: Chairman and CEO
- Mr. Juan Galvan Morante: Secretary General

**Services**

- Mr. Luis Janini Tatay: Vice Chairman
- Mr. José Naranjo Hiraldo: CEO of Urbaser
- Mr. Javier Polanco Gómez-Lavín: CEO of Tecmed
- Mr. Juan Carlos Pérez Paredes: CEO of Dragados SPL
- Mr. Cristobal Valderas Alvarado: CEO of Clece

**Concessions**

- Mr. Jaime Álvarez López: Chairman
- Mr. Víctor Revuelta García: General Manager
- Mr. Manuel García Buey: General Manager
- Mr. Francisco Fernández Lafuente: General Manager
2.2 CORPORATE STRATEGY

The year 2003 has been decisive for the ACS Group. The merger with Grupo Dragados has created a national leader of European dimensions, positioning the Company as a world reference in the promotion, development, construction and management of infrastructures and services of all types. Our success is based on an efficient organization and a dynamic, entrepreneur management team following a strategy focused on maximizing profits for our shareholders.

The management of the new Group maintains the course that both Groups shared:
- A corporate culture centered on satisfying the needs of the client.
- Competitive advantages based on the high quality of our human resources, excellent technology and constant innovation in each project.
- A permanent effort to increase profitability for the shareholder.

Strategic Vision

The ACS Group is leader in the business of promoting, building and managing infrastructures and services. This vision is based on the vocation for developing the societies where the Group is present and strives to increase their well-being and sustainable growth through new projects, by means of:
- The development of infrastructures which includes a wide range of activities such as civil works, industrial installations, energy plants, telecommunication systems, treatment and purification plants, etc.
- Services offered in the fields of integral management of urban and industrial infrastructures and logistics.

This wide range of products developed by the ACS Group in the construction, applied engineering, services and concessions markets share the same vocation of client service and strategic values, which are summarized by the solid management of know-how that we have obtained through experience, the mutual trust achieved with our clients and the constant quest for profitability of the resources managed.

Strategic Objectives

The strategic vision of the ACS Group is backed by the following clearly defined objectives that pursue sustainable growth:

To reinforce leadership in the development of infrastructures in the markets in which we are active
- Through the culture of a contractor focused on serving our clients with whom we share a mutual trust acquired over the years and resulting in the capacity to quickly adapt to their current needs and future requirements.
- As a result of competitive advantages due to our outstanding human resources that guarantee the quality of our work, to the excellent techniques of our processes and to our continued training policies. All this makes it possible to offer the greatest innovation for each project that we carry out or service that we provide.

To satisfy our clients needs
- Maintaining our high standards of quality, safety and reliability in the numerous products and services that we provide with the objective of promoting stability and guaranteeing the recurrence of revenues.
- Increasing the number of products and services we offer in order to further diversify our order book while reducing exposure to the economic cycles of some markets.
- Expanding our client base through continued commercial effort in new markets.

To optimize the profitability of the resources that we manage
- Through the improvement of operational and financial efficiency, offering attractive profitability on capital invested.
- Applying rigorous investment criteria in accordance with our expansion and growth strategies.
- Maintaining a solid financial structure that helps to obtain resources at a low cost.
- Offering an attractive dividends policy which is sustainable over long term.
To improve the society in which we live
- Contributing to its economic growth, whether directly through the wealth generated by our activities and the promotion of investment and employment, or indirectly through the improvements provided by the infrastructures that we develop.
- Improving social well-being through the creation of dignified work that is compensated fairly.
- Respecting the environment and culture in each of the activities carried out by the Group following the recommendations of the main national and international institutions.

Strategic Values
Experience
Over the past 60 years the companies of the ACS Group have developed and incorporated the technical and human capacities necessary to maintain and increase competitive advantages in markets that have become more and more specialized.
This permanent knowledge management is a sample of the commitment acquired with our clients so that we can offer them a quality service that incorporates the newest techniques in the different activities carried out by the Group.
The combination of mature businesses that require experienced management and new businesses in which new technologies are applied in the design, construction and execution of projects, gives shape to the base of the accumulated experience of our professionals and management that makes up one of the most valuable assets of our Group.

As a result, the ACS Group has a greater capacity for offering integral solutions in Spain and in those international markets where our clients are present.

Trust
The long term relationships that we maintain with our clients, based on the trust acquired over the years and on the mutual knowledge, facilitate our ability to quickly adapt to their needs and requirements.
Without a doubt, the reason for this mutual trust is the dynamism and flexibility offered by our organization that makes it possible to increase the efficiency of our operations while taking maximum advantage of the commercial potential and productivity of each division. This reality, together with an appropriate cost structure, increases the competitiveness of our companies and guarantees our clients a result that fully satisfies their requirements.

Profitability
From the industrial point of view of each line of business as well as from a corporate perspective, our future is based on the profitability that we are capable of generating from the resources that we manage while applying an active risk control policy.
This concept is established throughout the organization and forms part of our corporate culture guaranteeing a strategic coherence in all the Group’s activities while permitting an objective and reliable evaluation of the management activities carried out.

2.3 Activity Report

2.3.1. Construction
The ACS Group has been consolidated as the indisputable leader in the construction business in Spain, having invoiced 5,595 million euros in 2003. This leadership is clearly shown in the civil works field where it maintains a privileged position and which represents over half of the Group’s construction activity.

Turnover by activities:

- Civil works: 53%
- Non-Residential building: 26%
- Residential building: 13%
- International: 8%

It is precisely in the civil works area where we offer the best added value to our clients, mainly to the Spanish Government, and where our size gives us a differentiating advantage.

Tunnel under the Villaviciosa Estuary (Asturias)
Construction is a key business for the ACS Group, as much for its influence on the positive projection of our organization in Spain and abroad as for its capacity to generate financial resources.

The Group's construction activity maintains high levels of profitability as a result of a focused strategy regarding cost controls and the application of a commercial policy focused on large construction projects with high added value and specialization requirements.

One of the keys to this achievement is the close relationship that the Group maintains with its clients. This is demonstrated through the quality of the services provided and long term commitment which make it possible to constantly offer efficient services and anticipate future needs with the intention of covering all the areas of activity that the client is interested in developing.

Breakdown of Domestic Civil Works Turnover:

- Highways and roads: 42%
- Hydraulic works: 25%
- Railways: 21%
- Other civil works: 12%

Breakdown of Domestic Turnover by Client Profile:

- Central Administration: 36%
- Regional Administration: 39%
- Local Administration: 8%
- Private Clients: 17%

Organization Structure

The companies ACS Proyectos, Obras y Construcciones, S.A. and Dragados Obras y Proyectos, S.A. (DOPSA) are in a merger process that will give way to a new leader in the construction industry under the name of Dragados, S.A. This new company will be formed of various companies that develop specialized activities and products:
Strategic Objectives

The objectives of the construction activity are aimed towards maximizing the profits of our projects. In this sense, and thanks to our competitive advantages, the following are our basic strategic targets:

- To maintain a growth rate that permits a sustained increase in profits, directed towards seeking profitability from large projects with a high value added concept due to the specialization that is entailed.
- Selective international expansion, through concessionary projects or in countries where we have a stable presence.

Activity in 2003

Civil Works

Dragados, S.A., as the Group’s head company in the construction sector, participates in all the infrastructure plans carried out in Spain. Its presence is noteworthy in the construction of important highway projects, motorways, roads, marine works, hydraulic works, metropolitan infrastructures, airports, ports, etc.

The magnitude of these civil engineering projects demands a solid structure of resources and technology. Dragados, S.A. offers this structure, in addition to a demanding subcontracting policy that results in a more integrated production. As a result, the meeting of deadlines is guaranteed, as are the maximum levels of quality and safety.

In the past year there have been very relevant projects in motorways and roads, of which the following stand out:

- Toll trunk motorways R-2, R-3 and R-5 as well as the M-50 ring road in Madrid.
- Toll road from Santiago to Alto Santo Domingo in La Coruña.
- Highway from Levante to France via Aragón.
- Ring road in Las Palmas de Gran Canaria.
- Highway from Cantabria to Mesta.
- San-Castilla highway in Alicante.
- Montagut-Olós highway in Gerona.

- Betxi-Borriol highway in Castellón.
- Naval Moral highway in Cáceres.
- Highway between Ciudad Real and Atalaya del Cañavate.
- Highway between Santa Cruz Tenerife and San Cristóbal.
- North access to Ferrol through the prolongation of the A-9 motorway.
- Fourth lane on the Montmeló-Papiol highway in Barcelona.
- Vigo by-pass.
- Tunnel on María de Molina Street in Madrid.

The most relevant projects carried out on international markets were:

- Santiago-Valparaíso toll road in Chile.
- North-south motorway in Santiago de Chile.
- Platinum Corridor toll road in South Africa.

In the railroad sector, which includes high speed, interurban and metropolitan projects, the following merit mention:

- Construction of various sections between Madrid and Valladolid of the AVE high-speed line to north and northeast Spain, including the construction of the double tunnel in Guadarrama, Madrid.
- Construction of various sections of the AVE high-speed line between Córdoba and Málaga.
- Building of various sections between Lérida and Barcelona of the AVE line joining Madrid, Barcelona and the French Border.
- New high speed line from Madrid to Toledo.
- Construction of various sections of subway of Metrosur in Madrid.
- Building of two sections of the new Line 9 of the Barcelona subway.
- Local train between Vélez and Málaga.
Within the group of hydraulic infrastructures, coasts and ports, the most significant works carried out are:
- Yesa Reservoir, Navarra.
- Lodosa Canal, Navarra.
- Water Treatment Plant in Baix Llobregat, Barcelona.
- Montijo Canal, Badajoz.
- Wharves at Aixes Port, Asturias.
- Water storage facilities for Canal de Isabel II on Avenida de Filipinas, Madrid.
- Construction of Hayovel Port in Tel Aviv (Israel).

The most significant airport works include:
- New terminal, satellite building, car park and accesses to Barajas Airport, Madrid.
- Runway 15L-33R in Barajas Airport, Madrid.
- New runway 07R-25L and taxiways for the El Prat Airport, Barcelona.

Building

This activity involves the construction of non-residential, commercial, health, educational, administrative, cultural and sports buildings, as well as dwellings and the restoration of unique buildings.

In non-residential buildings, the ACS Group participates in numerous public and private projects, of which the following stand out:
- In the construction of cultural buildings and sports complexes:
  - Enlargement of the National Museum Centre of Art Reina Sofia, Madrid.
  - Enlargement of the Prado Museum, Madrid.
  - Theatres of Canal de Isabel II, Madrid.
  - Villa Cultural de Prado, Valladolid.
  - Finishing works at the Gran Canaria Stadium.
  - Sports complex in Alcobendas, Madrid.

Regarding health centers and hospitals:
- New La Fe Hospital in Valencia.
- Renovation work on the San Pedro Hospital in La Rioja.
- New hospital in Lugo.
- O’Donnell Maternity Hospital in Madrid.
- Maternity-Infants Hospital in Las Palmas Gran Canaria.
- Juan Canalejo Hospital in La Coruña.
- Renovation work on the María Ana Hospital in Madrid.
- Rehabilitation and construction of health centers in Uganda.

In administrative buildings for offices and industries:
- Trade fair, Valencia.
- Court houses in Valencia and Castellón.
- El Corte Inglés shopping centre in Sanchinarro, Madrid.
- New head offices of the Santander Central Hispano Bank in Boadilla, Madrid.
- Biomedical Park in the duty-free zone of Barcelona.
- The Repsol Centre in Móstoles, Madrid.
- Centre of Biomedicine for the Biomedicine Research Foundation of Valencia.
- “Rockodromo” multi-purpose pavilion, Madrid.

The ACS Group continues to carry out residential building construction projects for public clients, most of which are state subsidized, and for private clients located in larger cities, residential zones and tourist destinations throughout Spain.
2.3. Activity Report

2.3.2. Industrial Services

The ACS Group participates throughout the entire value chain of Industrial Services in the areas of energy, communications and control systems, offering promotion, engineering and installation services in addition to maintenance. Our extensive experience places us in a leading position within the sector in Spain, Portugal and Latin America, reaching a turnover of 3,069 million euros in 2003 and outstanding out as:

- Main supplier of the energy operators for the development and maintenance of installations to generate and distribute electric power.
- World reference in the construction of offshore platforms.
- Significant agent in the development and maintenance of technological systems related to telecommunications, road and rail traffic and industrial control.
- Leader in various other fields related to engineering, installing and maintaining industrial infrastructures such as thermodynamic and mechanical installations, road maintenance, hospital installations, etc.

These services fall into five areas: distribution networks, energy projects, telecommunications, control systems and industrial systems.

**Turnover by activity:**

- Distribution Networks: 27%
- Energy Projects: 25%
- Telecommunications: 24%
- Control Systems: 14%
- Industrial Services: 10%

The high level of competitiveness of the Group’s Industrial Services area is based on the quality of the many services offered and the in-depth knowledge of the needs of our clients, who are mainly governmental entities and industrial companies. Thanks, therefore, to our high technical qualifications and capacity for integrating processes, as well as our business diversification and extensive geographical coverage, the Group offers integral solutions, anticipating the future services that might be required by our clients.

**Organizational Structure**

The activities in this area are carried out through two parent companies, Cobra Group and Dragados Industrial:

**Cobra Group**

- Auxiliary services to electricity, gas, and water; communications and specialized distribution companies; installations and assemblies in the agricultural area of mechanical, electrical, air conditioning, instrumentation and security control systems; studies in and projects related to these areas.

**Dragados Industrial**

- Design, installation and maintenance of urban and interurban traffic control systems and public street lighting.
- Maintenance and installation of electrical networks, particularly in the railroad sector.
- Road safety: integral road signaling, conservation and maintenance of roads and consultancy and technical assistance.
- Promotion, construction, exploitation and maintenance of wind plants.
- Engineering and execution of projects in fields related to energy.
- Engineering and construction of industrial plants.

**Industrial Services**

- Building of offshore platforms, including plants, large equipment parts and metal structures.
- Building of offshore platforms, including plants, large equipment parts and metal structures.
- Engineering and construction of industrial plants.
- Engineering and construction of projects in fields related to energy.
- Engineering, installation and maintenance of traffic systems, instrumentation, public street lighting and toll systems.
Strategic Objectives

The solid basis for growth with which we face the future will allow us to optimize our profitability by applying a strict criterion for selecting new projects based on their potential for creating added value. For this reason, we have established the following well defined objectives:

- To continue leading the growth of the sector during the next years.
- To improve productivity through growth in those services that offer higher added value, maintaining a strict cost control policy.
- To apply a policy of geographical expansion with a strict profitability criterion.
- To invest in the promotion of new technology intensive businesses, such as renewable energies.

Our leadership position, the result of our elevated technical qualifications, our extensive geographic presence and the business dynamism of our Group, gives us the competitive advantages necessary to face these challenges successfully.

Activity in 2003

Distribution Networks

This activity is backed by more than 50 years of experience and guaranteed by the know-how developed over these years and the high quality service provided. This has placed the Group in the indisputable position of leader in this business based on a strong specialization in products and geographical areas. One of the most important competitive advantages is the constant innovation in assembly techniques and the incorporation of specialized machinery, which, in many cases is of in-house design and construction.

In the distribution of gas, the Group offers a wide range of services, the most outstanding being the commercialization and installation of gas networks in cities and towns, the construction and maintenance of all types of networks, the construction of receiving installations, the reading of meters, the building of control and measuring stations and the digitalization of networks. Additionally, supply and waste collection systems have been built and maintained as well as pumping and treatment stations and facilities. Of these activities, the following projects are noteworthy:

- The Seville-Córdoba gas pipeline, consisting of duplicating the part of the natural gas supply line between Huelva and Madrid.
- Renovation of the natural gas distribution network in Seville using new polythene piping.
- Framework construction contract for medium pressure, natural gas networks throughout Spain.
- Commercialization and construction of gas and heating installations in areas under expansion and saturation throughout Spain.
- Assembly and maintenance of LP gas installations, handling emergencies and client service in Lima, Peru.
- Emergency works and breakdowns of the Canal de Isabel II water distribution network in Fuenlabrada, Madrid.

In the electric power field, the Group maintains its leadership by performing jobs such as engineering, supplying, installing, putting into service and maintaining power lines, distribution networks, substations and public street lighting systems. Furthermore, the Group is pioneer and leader in integrated electrical maintenance and conveyance lines, distribution and voltage substations, as well as substations at all voltage transformation points.

In the domestic market, the following projects should be pointed out:

- 27 kilometres of overhead lines for 400kv in Olmedilla-Romica, 12.3 kilometres for 220kv in Vimianzo-Mazaricos and 17.3 kilometres for 220kv in Ameizeras-Cando, all in the Galicia region.
- 400 kilometres of high voltage 400/20/132 and 66kv optical fiber overhead lines located throughout Spain.
- The burial of high voltage lines in various cities, of which 12.1 kilometres of double circuit 400kv line in the Barajas Airport expansion project in Madrid and 220kv and 132kv lines in Mazarnedo de Basauri-Acía, Tomeza-Lourizan Substation, and in the Substation Grela-Port are noteworthy.

In the international market, high voltage line installation projects performed in Mexico, Brazil, Mauritania and the Dominican Republic should be mentioned. In addition, maintenance contracts were signed for lines in Chile and Abu Dhabi.
Energy Projects

Through this division, the Group offers a variety of products under turnkey contract that include electrical installations such as substations and transformation centers for generating, conveying and distributing power and solutions for large consumers, as well as the execution of important projects like combined cycle power plants, desalination plants, crude oil extraction platforms, thermal power stations, co-generation plants, etc. The following projects that were developed in 2003 are noteworthy:

- Combined cycle power plants in Castejón (Navarra), Santurce (Bilbao), Amorebieta (Bilbao), Cartagena (Murcia), Castellón (Valencia), Castellón (Teruel) and Aceca (Toledo).
- Refrigeration for the general project of the combined cycle power plant in Campo de Gibraltar in San Roque (Cádiz).
- Regasifying Plant in Sagunto (Valencia).
- AKAL L compression and production platform in the Gulf of Mexico.
- Natural gas liquidizing plant for the complex on the Melkoya Island in Barents Sea, 140 kilometres northwest of Hammerfest, Norway.

It is worth noting our growing presence in the renewable energy field through the promotion of the construction and operation of wind farms under turnkey contract. The following are of interest:

- Requeixo in As Somozas, La Coruña.
- Serra de Outes in Mazaricos, La Coruña.
- Raposeras in Calahorra, Logroño.
- La Lastra in Huérmeces, Burgos.
- Ortiga in Castanheira de Pera, Portugal.

Additionally, 149 wind turbines have been installed and commissioned at various wind farms in Spain and abroad on behalf of third parties.

Telecommunications

This area includes all the works related to engineering, developing, installing and maintaining networks and technical equipment of landline, mobile and wireless telephony for the subscribers’ local loop and optical fiber, as well as radio link-up, microwave systems and made-to-measure telecommunication systems, among others.

Over the past years, the Group has worked with the most important agents in the industry, the national telecommunication operators and many of their subsidiaries in Latin America, as well as the technical suppliers of the sector. These relations have created a high level of specialization, allowing us to offer a growing range of more advanced services with an increasing added value.

The following are the most outstanding projects carried out in 2003:

- Maintenance contract for the global client loop with Telefónica.
- First deployment of mobile telephony antennae for Amena, acting as one of the two approved suppliers.
- Projects and works on DCS 1800 and UMTS network at a national level for different operators.
- Supply and installation of open frame towers for different operators, being noteworthy GIF’s project for sharing mobile telephony infrastructures between the different operators within the range of the high speed lines.
- The standardization for the deployment of the PLC (Power Line Communications) technology for electric companies.
- Implementation of the optical fiber network in El Prat de Llobregat.
- Installation of the first 300kw patch panel in FM in Spain for split antennae.
- Radio stations for the Consorcio Nacional de Canales Privados in Colombia.

Control Systems

The Group has become the main supplier of engineering, installation and operation of control systems for the industry and urban services. These include traffic services, public street lighting and other signaling and control systems requiring high levels of maintenance. This guarantees a high visibility of revenues and margin stability.

The most outstanding traffic related activities include integral urban and interurban traffic regulation and control solutions, the control of fleets of vehicles through localization systems (GPS) and the control of operations assistance resources (SAE). Of the most important contracts carried out in 2003, the following should be mentioned:

- Dynamic signaling and traffic control system on N-323 highway between Bailén and Granada, M-607 road in Madrid and the toll trunk motorways R-2, R-3 and R-5, as well as the M-50 ring road in Madrid.
- Installation of SOS posts on A-231 highway from Carrion de los Condes to Osorno and between Mtenida and Almendralejo on the La Plata highway.
- Indirect management of the conservation and maintenance service for traffic lights and traffic control in Vigo and Orense.
- Construction project for the traffic light system of the trolley cars in Baix Llobregat (Barcelona).
- Maintenance of the installations and equipping of the fleet of the Municipal Transport Company of Madrid (EMT) with SAE.

The installation and maintenance of public and private street lighting systems include intelligent control systems and automatic centers as well as electronic and fluid technology for ornamental fountains. Outstanding projects last year included:

- Conservation and maintenance services for public street lighting in various cities: Madrid, Barcelona, Valencia, Seville, Málaga, Las Palmas de Gran Canaria, Santa Cruz de Tenerife, Gijón, Jerez de la Frontera, Cádiz, Vigo, Jaén, Crevsa, Telde, Granollers, Montcada i Reixac, Cosiada, Montesol del Vallés, Vall de Uxó and Valencia.
- Public street lighting on the TF-5 motorway in Tenerife and the M-50 ring road in Madrid.
- Construction and conservation of ornamental fountains of which the following stand out as emblematic symbols: the cybernetic fountain of the Palau de la Música in Valencia and the fountain of the National Congress in Madrid.

In the services associated with hydraulic infrastructures, the following should be mentioned with respect to distribution, cleaning, purification and information systems:

- Restoration of the Torrox Lagoon in Jerez (Cádiz).
- Water storm retention tank in Pozuelo (Madrid).
- Maintenance and operation of the “La Chiva” waste water treatment plant and of one of the conservation zones of the Madrid sewer system.
- Maintenance and operation of the Automatic Hydraulic Information System (SAIH) of the Tajo and Segura Hydrographic Basins, as well as maintenance and operation of the network of automatic warning stations pertaining to the SAICA system in the Hydrographic Basin of the North.

Regarding electronic signaling and access control for transportation systems and buildings as well as control and regulation systems of various production industries, the following projects are noteworthy:

- Toll collection and control system for the R-2, R-3 and R-5 trunk motorways and their accesses to the M-50 in Madrid, the N-1 and N-4 highways in South Africa and the North-South artery in Santiago de Chile.
- Electronic installations of medium and low voltage, special security installations in the tunnels on María de Molina Street in Madrid and Monrepos in Huesca.
- Tele-control of the municipal cleaning network for LaCoruña Town Council.
- Updating of the control panel of the boosting plant for marine deposits in the Gulf of Mexico.

In security and assistance systems, the special security installations at the Puerta de Atocha Train Station, the National Museum Center of Art Reina Sofia in Madrid, and the City of the Arts and Sciences of Valencia, are particularly outstanding.

In the area of railroads, the Group carried out the design, engineering, construction, start up and maintenance of railway systems, including high speed lines and urban transport (subways, light trains, trolley buses and streetcars), in specialties such as electrification, signaling, rail security installations, communications, auxiliary services relevant to access controls, automatic ticketing, mechanical stairs, street lighting, ventilation and air conditioning. In this field the following projects are noteworthy:

- Project, construction, installation and maintenance of the overhead contact line and its associated systems for the Madrid-Zaragoza-Barcelona AVi high-speed railroad line.
- Project, supply, installation and maintenance of the installations for the security systems to detect fallen obstacles on the tracks and interlockings and the train protection system for the Madrid-Zaragoza-Barcelona AVi high-speed line.
- Installation of last generation Sile electronic interlockings at various stations in Spain.
- Installation of the security system on the Oroso-Otdes section of the Zamora-La Coruña line.
- Control equipment for several stations of the Madrid subway system.
Industrial Systems

The Group offers integral control of auxiliary services for industrial and production processes in a wide range of fields in Spain and other countries.

This activity includes applied engineering services such as installations and transformations in industrial, petrochemical and cement plants, ships, refineries and other singular projects that need specific specialization such as cooling systems and industrial air conditioning, mechanical and structural systems, etc.

One of the characteristics of this type of activity is the predominance of maintenance contracts which are generally medium term and renewable. In general, installation services involve contracts of this type, which ensure recurring revenue.

Among our industrial projects, the following should be pointed out:

- Terethalic acid and paraffin plant in San Roque (Cádiz).
- “Novolen III” polypropylene plant in Tarragona.
- Integration of lines to interconnect the heat exchangers at the refinery in Hidalgo, Mexico.
- Visbreaking and vacuum units for the La Pampilla Plant in Lima, Peru.
- Contract to update the fuel storage park in Madeira, Portugal.
- Electrical installations and air conditioning for several buildings of which the following should be mentioned: the BSCH Financial City in Madrid, the satellite building at Barajas Airport in Madrid, the National Museum Center of Art Reina Sofia in Madrid, an office building on Diagonal del Mar Street in Barcelona, the Ferrara Hotel Complex in Torrox (Málaga), a hotel in Macao (Dominican Republic), the trade fair facilities in Baracaldo, Bilbao, the Maternity Hospital on O’Donnell Street in Madrid, the Gran Hospital of Lanzarote in Las Palmas de Gran Canaria, the shopping centers Xanadú in Arroyomolinos (Madrid), Ociópolis in Valencia, and Ikea in Seville, respectively.
- Supply, design and mechanical assembly of new pharmaceutical product plants in Alhama (Murcia) and León.

- Installation of the new cement plan in Zafra (Badajoz).
- Assembly of equipment and pipelines at the pilot plants for obtaining tar in Trubia (Asturias) and at the detergent plant in Las Torres de Cotillas (Murcia).
- Manufacture and assembly of blocks for ships in the shipyards of Seville, Gijón (Pontevedra), Sestao (Bilbao) and Fene (La Coruña).

In the area of industrial maintenance, of the new contracts signed in 2003, the following merit mentioning:

- Annual maintenance contracts for an important part of the production units of various refineries in Gibraltar (Cádiz), La Rabida (Huelva) and Tenerife (Canary Islands).
- Maintenance contract for mining equipment used to exploit the open pit mines of Puentes de García Rodriguez (La Coruña).
- Maintenance contract for Ford’s plant in Almusafes (Valencia).
- Integral building maintenance contracts for Grupo Auna’s head office, the head office and network of the Social Security Administration in Barcelona, the network of branch offices of the Herrero Bank in Asturias, the University of Zaragoza (campuses in Zaragoza, Huesca and Teruel), and various municipal buildings in Barcelona.
- Integral maintenance of the Zaragoza-Delicias AVE train Station.

Additionally, activities have been carried out regarding vertical and horizontal signaling and restraint systems for different Autonomous Regional Governments, the Ministry of Civil Works and the Department of Traffic to adjust vertical signaling and repaint road markings on highways and main roads in different provinces of Spain.
2.3.3. Services and Concessions

The Services and Concessions area covers environmental services, port services and logistics, passenger and merchandise transport, integral maintenance and facility management, advertising in transport infrastructures and concessions. Each of these activities is a reference in the Spanish sector and, combined, they represent a diversified offer of high quality.

The Concessions area has more than 30 years of reliable experience with a solid history of creating value in the concessions handled. This, together with our financial strength, has made our Group the first international reference in promoting, financing and building new transport infrastructures.

2.3.3.1. Services

The Services activity of the ACS Group reached a turnover of 2,157 million euros in 2003. In this sector, the Group presents a multiple service offer that the new organization divides into four areas of activity: Environmental Services, Port and Logistic Services, Integral Maintenance and Scheduled Transport by Road.

Turnover by activity:

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Organizational Structure

Strategic Objectives

There are ambitious objectives for these activities in which we maintain a clear commitment to profitable growth:

- To continue as leader of the municipal solid waste treatment sector.
- To promote the expansion of our port, logistics and passenger transportation services.
- To consolidate international activity with criteria focused on profitability.
- To stimulate new complementary business areas such as the treatment of special wastes or social health services.

Activity in 2003

Environmental Services

The Group handles the control and treatment of urban wastes as a specialty. Its activities include street cleaning, the collection and treatment of urban solid waste through the construction and operation of treatment plants, the integral management of special, industrial and hospital wastes, the handling of the biogas produced, the management of the integral water cycle, all of which are carried out in Spain and abroad. The following projects performed in 2003 are noteworthy:

In landfills:

- The exploitation of biogas from the controlled landfill at Pinto in the larger Madrid Community has reached a continuous production of 11 Mw and will reach 13 Mw when the biogas from the methane conversion plant is incorporated. Likewise, we are starting to exploit the biogas from the Bens Landfill in La Coruña.
- The design, carrying out and operation of the project to depopulate municipal waste to recover energy and the sealing and subsequent control and maintenance of the Valdemingómez Landfill 2000 in Madrid.
- Sealing and landscaping of the landfill in Vall d’en Joan en Garraf (Barcelona).
- Sealing and recovery of the landfill sites in Porto do Son (La Coruña) and Alcalá de Henares (Madrid).
- Construction of the Besos and Mediterráneo Ecoparks for Entidad Metropolitana de Barcelona.
- Construction of various clean points (Lloret del Mar), transfer stations (Tragacete, Cañaveras, Almodóvar, Málaga, Las Palmas, etc) and leach treatment plants (Mérida) that complement the corresponding existing installations.

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- Start-up of the environmental technologies park on the island of Mallorca for treating package and wrapper waste, obtaining the biogas resulting from the organic components of municipal solid waste.
- Controlled landfill to eliminate inert waste in Madrid.

In urban solid waste treatment:
- Construction of the USW treatment plants in Cuenca, Ibiza, Lugo, and Palencia.
- Waste treatment and elimination contracts in Madrid, La Coruña and Tenerife.
- First phase of sorting and recycling materials and composting the organic portion at full capacity in the integral plant in Cantabria.
- USW management contract in León.
- Operation of the urban waste transfer and elimination facilities in Madrid.
- Integral USW thermal treatment plants in Madrid and Mallorca.

The most important street cleaning and USW collection contracts signed in 2003 were:
- Esplugues de Llobregat, Vilassar de Mar, and Sant Andreu de la Barca in Barcelona.
- Paracuellos del Jarama, Alpedrete, Arganzuela, Puente de Vallecas and Las Rezas in Madrid.
- Port of Seville, Santa Cruz de Tenerife, León and Logroño in the rest of Spain.
- Construction of underground container system in Móstoles.
- Cleaning services for the 2004 Olympic Games in Athens.

With regards to the management of other waste products, the contract involving agricultural solid waste in Almería and the collection of Marpol waste in 15 ports in the autonomous regions of Valencia, Murcia and Andalusia are of great interest.

Port Services and Logistics:
The Group acts as a global operator of the entire logistic chain including all the activities involved: port handling activities, shipping agent, land, air and sea forwarding, auxiliary port services, combined transport, international fractionized transport and specialized logistics.

In 2003 the Group consolidated its leadership as operator of container terminals in Spain, moving more than 2.5 million TEUs (standard 20ft. containers), and continued its expansion abroad. In this sense the following activities are worth mentioning:
- In Spain, the company Terminales del Sudeste was founded to operate the multi-purpose terminal in Málaga and reached an agreement with the shipping company Maersk to handle 150,000 TEUs during 2004.
- The new container terminal in Bilbao’s Port was put into service, substantially increasing the port’s activity by including traffic from Eurofeeders and the shipping consortium Eurosal.
- Internationally, Jintang International Container Terminal Co., Ltd., was established to operate the container terminal at Jing-Tang Port in China for 50 years.

Concerning activities involving conventional terminals, the Group was awarded terminal C at the port in Castellón.

With respect to the combined shipping of containers, the growth in rail traffic from the dry port in Madrid-Coslada is noteworthy. This is the first inland maritime customs operation that has been set up in Europe.

Other outstanding events of last year were:
- Construction was started on the solid bulk minerals terminal in the Port of Santander that the Group will operate for 25 years.
- Autoterminal, the automobile logistics terminal in the Port of Barcelona, was granted the European Transport Award for Logistics for its contribution to the improvement of transport competitiveness.
- As for shipping agencies, of note is the acquisition of Olsen and Cía., a shipping agent in the Canary Islands currently acting as agent there for Maersk and Saffmarine, as well as the agency contract for the APL shipping traffic that offers import-export services between Barcelona and the Far East.
Integral Maintenance

The Group carries out indoor cleaning activities, integral building maintenance, gardening, forestry activities and landscape restoration, multiple services at airports and social health services.

- Indoor cleaning:
  
  The Group is currently one of the first references in the field with outstanding clients such as the Ministry of the Interior, the Madrid subway, RENFE (National Railroad Co. of Spain), the City Councils of Madrid and Barcelona and the majority of the large hospitals of the public health system.

- Multiple services for airports:
  
  The Group offers all types of services linked to airport management: internal and external cleaning of aircraft, airports, collection and maintenance of luggage carts, management of conference rooms and business centers at airports, attention to passengers and authorities, airport security, etc.

- Maintenance of the installations:
  
  Through this activity, the Group offers all the management and operational services necessary for optimum operability of property and installations, from the maintenance of the technical installations to the offering of auxiliary services such as cleaning, security, gardening and facility management. Throughout Spain, the Group also adjusts and remodels spaces and offices for different uses.

- Gardening, reforestation and landscape restoration:
  
  The Group maintains an outstanding position in the gardening sector by maintaining public gardens in numerous cities. Furthermore, we have consolidated our position as leader in reforestation, silviculture treatments and the conservation and improvement of natural surroundings.

- Social health services:
  
  This activity is directed to population groups with possible social risk and to whom the following services are offered: domestic help, integral management of centers for the elderly, phone-assistance, nursery schools and child care centers, among others. The contracts managed are preferably public and all require a specific technical component.

- Advertising:
  
  Management of advertising spaces in large transport facilities and centers such as airports, subways, railroad terminals (static as well as in the rolling stock) and trade fair grounds, in addition to the production and operation of closed circuit television channels.

Scheduled Road Transport

Continental Auto operates a scheduled passenger service as a long distance, interurban and urban road transport company with a long tradition in the field. The company covers four major geographical zones on the peninsula: the Madrid Area, Northern Spain, Catalonia and Andalusia. By managing 42 public concessions, it offers services in 11 autonomous regions, 26 provincial capitals and more than 2,600 towns, maintaining its position as leader among the Spanish companies of the sector.

With respect to merchandise transport, Continental Auto distributes petroleum derivatives for Repsol in Burgos, Tarragona, Málaga, Granada, Motril, Córdoba, Seville, Cádiz and Almería.
In addition, its subsidiary Continental Rail holds a concessionary contract with GIF to ship materials by rail to build the AVE high-speed railroad line between Madrid, Barcelona and the French border. This is a strategic step in positioning the Group in the Spanish railroad transport field.

Continental Auto has obtained extensive experience through its participation in more than 15 bus stations. Outstanding in this area is its 25 year concession to operate the bus terminal at Avenida de América in Madrid.

The following are the most representative figures for 2003 showing the Continental Auto Group’s leadership within its field:
- Turnover: 157 million euros.
- Passengers carried: approximately 56 million.
- Tons transported: 1,900,000.
- Fleet: 945 vehicles.
- Distance travelled: 107 million kilometres.
- Number of employees: over 1,700 people.

2.3.3.2. Concessions
In the Concessions area, the new company is the major transportation developer in the world, having developed more than 50 projects. This experience, our first line technical and human resources and our financial strength, contribute to making the Group the first international reference point for promoting, financing and building new transport infrastructures. For the 10th year running, ACS leads the world ranking in transportation concessions issued by the prestigious magazine Public World Financing.

Strategic Objectives
Our strategic positioning and our competitive advantages allow us to be selective in our investments and to face ambitious goals that can be summarized as follows:
- To continue leading the world market in the promotion of concessions.
- To continue developing a diversified project portfolio.
- To introduce a long term international expansion policy in stable countries.
- To obtain attractive profitability, taking advantage of the Group’s capacity and experience in all development phases.

Activity in 2003
The year 2003 represented a relaunching of concessions in Spain as the regional and central governments released more new tenders for bid than in previous years. The Group was awarded the following:
- Thirty-year concession to operate the A-8 toll road in Guipúzcoa, granted on June 6 when this section of the motorway was transferred to the local authority. The operation of the highway started that same day, assuming the complexity and problems resulting from a fixed expiry date after over 30 years of exclusive concession.
- Construction and operation of the Seville subway, the first infrastructure concession released for bid by the Andalusian Regional Government and the first subway under a concessionary regime in Spain.
- Construction and operation of the “shadow-toll” type highway between Toledo and Consuegra in the region of Castilla-La Mancha.
- Fifty year concession awarded to the TF Ferro consortium, in which ACS has a 50% stake, to building and operating the cross border AVE high-speed railroad connection between Figueres (Spain) and Perpignan (France).
- Forty-year concession for the construction and operation of the Alicante by-pass.

The following new contracts abroad are noteworthy:
- The Darrington-Dishford section of the A-1 motorway in England. This is the fourth concession contracted in this country and consolidates the strength of the alliance maintained with important local companies.
- The Dundalk by-pass in Ireland, an important project developed to solve the problems of communication between Dublin and Belfast. This is the first concession that we have been awarded in this country.

During 2003 the construction work for the following concessions was completed and they are now in the operation phase:
- Motorway between Santiago de Chile and Valparaíso-Viña del Mar, where the last 21 kilometres were finished connecting Viña del Mar and Villa Almenara.
- The Scut Veira Interior motorway, concluding all of the construction works awarded and permitting the start of “shadow-toll” operation.
- In the first months of 2004, the R-3 and R-5 trunk roads in Madrid were inaugurated as was the section corresponding to the M-50 included in the concession.

In 2004 all of the works corresponding to the Platinum Corridor Toll Road Concession in South Africa were completed.