

ACS GROUP'S NET PROFIT IN 2005 TOTALLED €609 MILLION, REPRESENTING A 34.5% INCREASE

- *Contracting rose by 22%, taking the total portfolio to €26,868 million.*
- *Net investments amounted to €4,217 million, of which €2,423 million went to the acquisition of a 24.5% stake in Unión Fenosa.*

Consolidated Earnings

In 2005 ACS Group attained a net profit of €609 million, 34.5% more than the year before. The excellent performance of all the operating activities, the important growth in the profits contributed by the undertakings and the sound financial situation of the Group explain this outcome.

Consolidated turnover in 2005 amounted to €12,114 million, representing a 12% increase over 2004. International sales continued to record a substantial organic growth of nearly 17%, totalling €2,106 million, which represents 17.4% of the group's turnover.

Gross operating profit (EBITDA) amounted to €1,095 million, representing an 11.7% increase over the year before. Net operating profit (EBIT) totalled €817 million, 12.9% more than in 2004. This favourable operating profit and the increase of earnings in the companies carried by the equity method, which rose by 53.5%, led ACS Group's profit before taxes in 2005 to grow by 29%, totalling €804 million.

Earnings by Business Areas

The Construction division ended the year with sales of €5,725 million, 9.5% higher than the previous year. Net operating profit amounted to €359 million, representing a 9.4% increase and a 6.3% margin over sales.

Contracting developed positively during the year, both in terms of volume, which took the works portfolio to a historical high of €9,369 million, equal to nearly 20 months of business, and of the relevance of the projects awarded. Among the latter are several sections of the

improvement of the M-30 ring road in Madrid, the construction of new stretches of motorways in Valencia, Castile-León, Castile-La Mancha and Galicia, works for the extension of the Madrid underground network, sections of the high-speed railway in Valencia and Catalonia, the construction of the Puerta de Hierro Hospital in Majadahonda, the combined bus, train and underground stations in Madrid, and the erection of the headquarters for *Mossos d'Esquadra* (self-governing community police force) in Catalonia.

The **Industrial Services** division grew substantially throughout the year, both in terms of sales, which rose by 16.8% to €4,077 million, and of operating profit—net operating profit grew by nearly 17%, totalling €286 million, equal to 7% of sales.

The favourable operating performance went in hand with a high rate of contracting, mainly in international markets, as shown by the year-on-year growth of the portfolio by over 25%, reaching a historical high of €4,269 million (29% abroad), the equivalent of 13 months of sales. Higher energy requirements in the markets where the Group is present and its technical preparation favoured a higher demand of the construction and maintenance of oil, gas and electric power generation and distribution facilities.

Thus, in the international market, in 2005 the Group was awarded important contracts for the construction of the Lázaro Cárdenas Minatitlán III oil refinery in Mexico, the Tlemencer desalination plant in Algeria, the implementation of railway signalling systems in Chile, and the establishment of power transportation and distribution lines in Algeria, Brazil, Ethiopia, Mexico, Panama, Portugal and Zimbabwe.

On the domestic front there is still a strong demand in the utilities sector, where the Group was awarded a number of contracts for the construction and maintenance of combined cycle power generation plants such as the Christopher Columbus (Cristóbal Colón) plant in Huelva for Endesa, the plant in Sabon for Unión Fenosa, and works in six thermal plants in Spain to install smoke de-sulphuring systems.

The **Services and Concessions** division had a turnover of €2,420 million, 9.9% more than the year before, and a net operating profit of €206 million, a 16.4% increase. As a result, operating margins improved substantially—net operating profit rose by 40 b.p. to 8.5% of sales.

One of the most important projects is the contract for the design, construction, financing and operation of the urban waste treatment plant of Greater Marseille, servicing over one million people. The Group's international growth continued with the award of a contract for the construction of three waste treatment plants in Valence and the operation of the Varennes-Jarcy plant near Paris. In Spain, the Group was awarded contracts to clean and gather urban waste in Almeria, Santa Cruz de Tenerife, Santiago de Compostela, Madrid, Merida and Toledo, as well as comprehensive maintenance contracts in Police and Civil Guard headquarters and in a number of hospitals in several Self-governing Communities. The total portfolio as of 31 December 2005 amounted to €13,230 million, 10.4% more than a year earlier and equal to over five and a half years of activity.

Earnings from Undertakings

The contribution to Group profits of the undertakings carried by the equity method amounted to €135 million, which represents a 44.4% increase. Abertis contributed €93 million and Urbis nearly €31 million, supported by their excellent operating performance and the increase of the Group's holding in these companies during the year.

Unión Fenosa started to contribute to Group earnings in the last quarter of the year, the net contribution being 11 million euros after the write-down of part of the goodwill allocated to assets.

Cash Flow Generation

The favourable operating performance, the increase of dividend payouts from the undertakings and the higher contribution from current assets allowed the Group to generate €1,354 million in **cash flow from its operating activities**, representing a 27.5% increase.

Investments

The Group's total investments during the year amounted to €4,217 million, of which €2,423 million correspond to the acquisition of 24.5% of Unión Fenosa. €903 million were invested in the purchase of shares of Abertis and Urbis, and as of 31 December 2005 the Group owned 24.8% of the former and 24.4% of the latter.

The remaining €891 million correspond to **net investment** during the year: €280 million were invested in the industrial services division, mainly

in assets related to the generation, transportation and distribution of energy; €140 million were invested in environmental, harbour and logistics services; over €310 million went to the transportation infrastructure concessions division; and €159 million were invested in construction, of which €72 million went to projects that are state and privately funded such as Madrid Calle30, the Hospital in Majadahonda and the Can Brians Prison.

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