

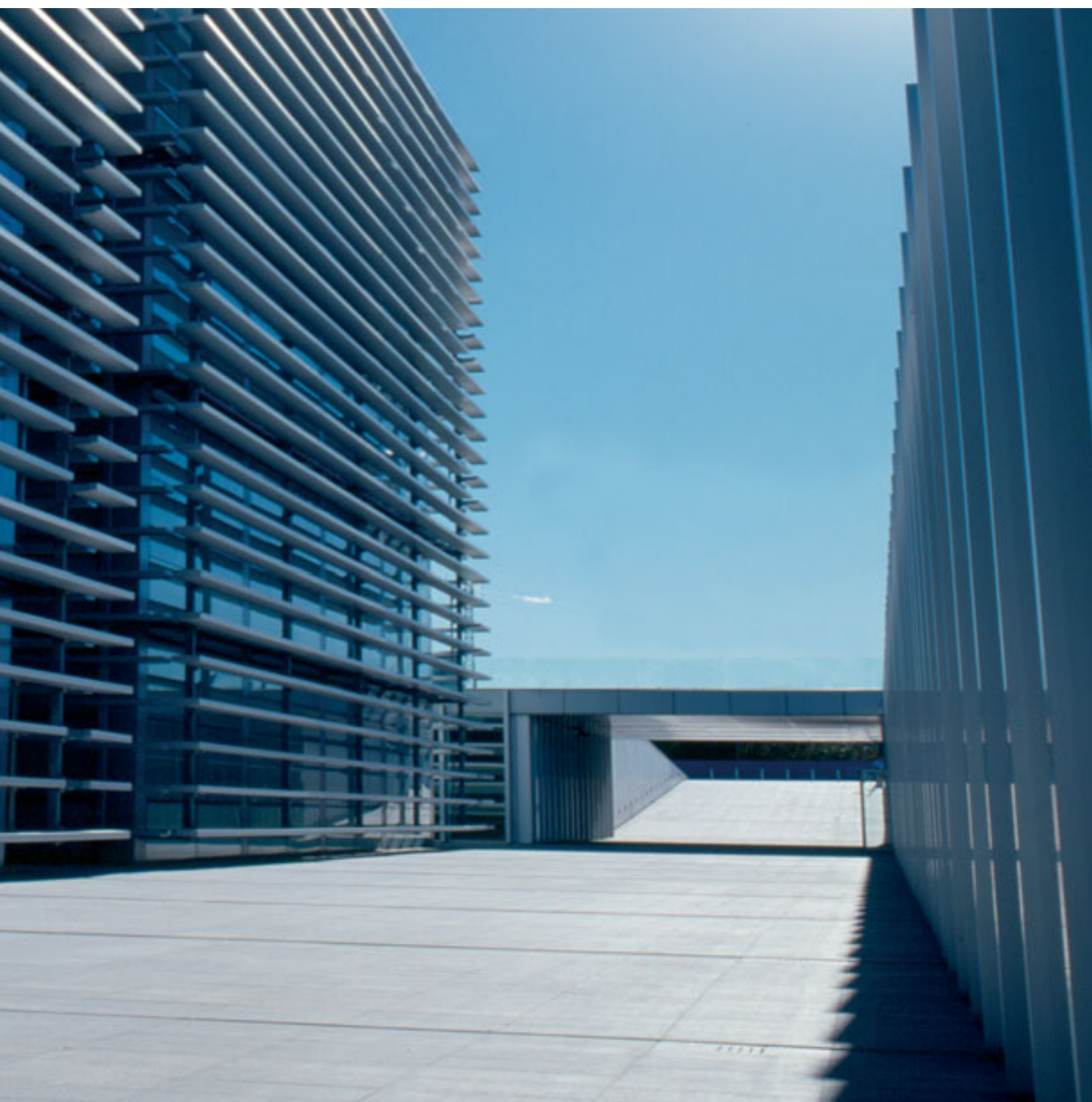
# 1

## Activity Report



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*experience*



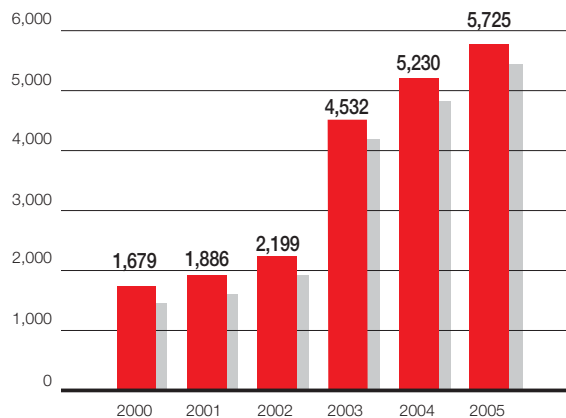
# 1.1

## Construction

With sales of 5.725 billion euros in 2005 and an order book reaching an all-time maximum of almost 9.4 billion euros, the Construction area of the ACS Group has consolidated itself as the indisputable sector leader in Spain and one of the top construction companies in Europe in terms of turnover and profitability.

### Turnover evolution

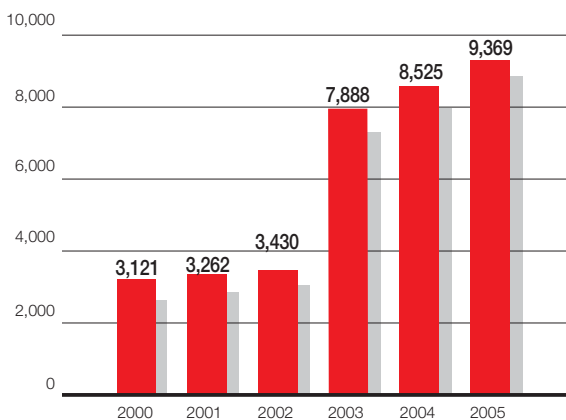
Millions of Euros



Note: 2004 and 2005 data according to IFRSs

### Order book evolution

Millions of Euros



Note: 2004 and 2005 data according to IFRSs

Since 2000, sales have multiplied by 3.4 times and operating profit and net profit by 4.3 and 4.5 times respectively, which reflects that sales growth has been accompanied by substantial improvements in profitability.

These improvements have been achieved thanks to:

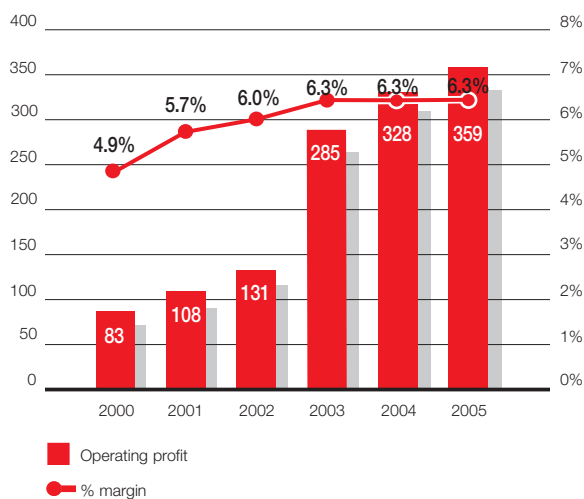
- The successful implementation of the merger process of the construction activities of the ACS Group and Dragados, which has by far exceeded the objectives set initially.
- The commercial strategy focused on large-scale works, with a high degree of specialisation and added value, and on the most highly developed international markets.
- The close relationship with its clients.
- Strict cost control.
- And the consistency of the demand of the sector in Spain over the last few years.





### Operating profit evolution

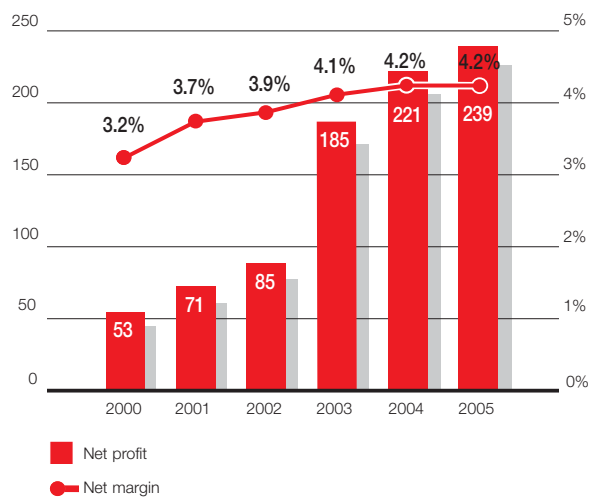
Millions of Euros



Note: 2004 and 2005 data according to IFRSs

### Net profit evolution

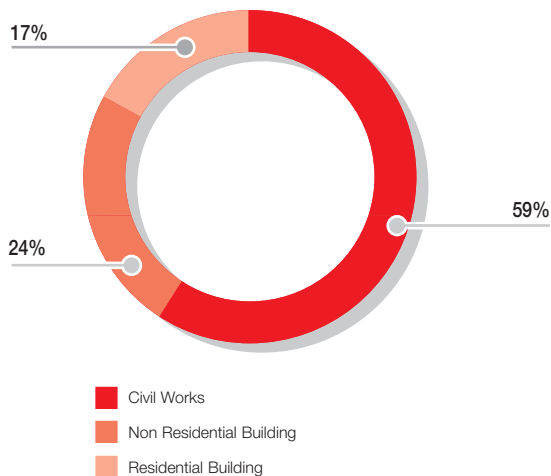
Millions of Euros



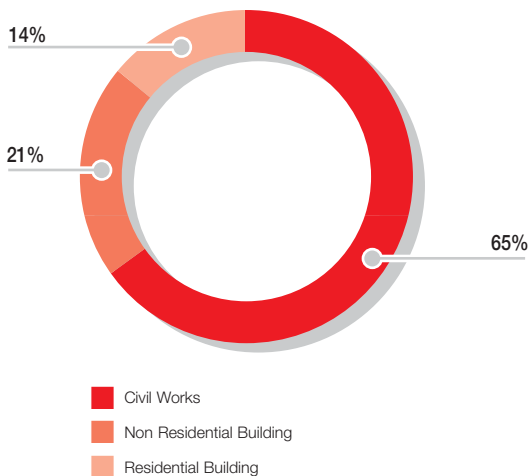
Note: 2004 and 2005 data according to IFRSs

The gearing of the commercial policy of the ACS Group in the Construction area towards large-scale projects is evident in the significant weight of civil works over total activity, representing almost 60% of turnover and 65% of the order book.

### Turnover breakdown by activity



### Order book breakdown by activity

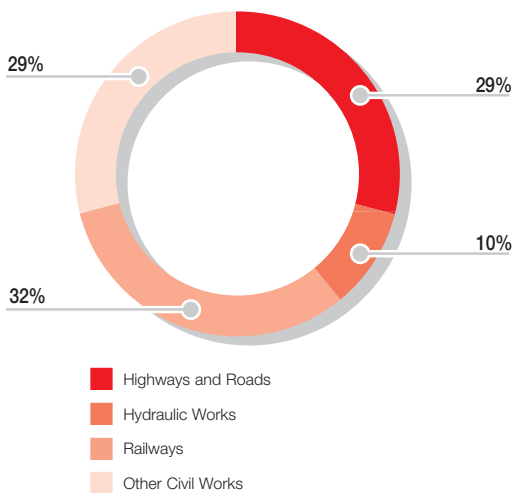




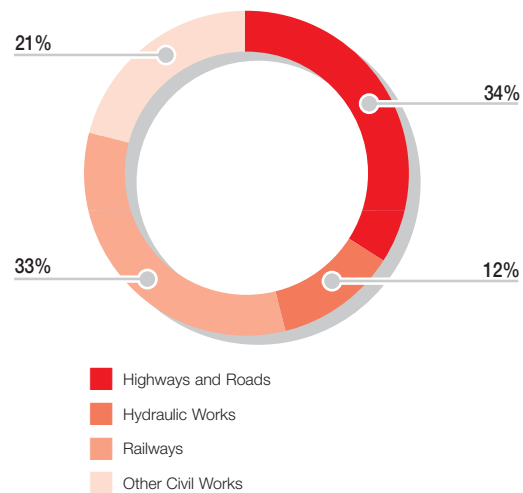
In the Civil Works activity, the ACS Group has a solid competitive position thanks to the complexity, dimension and quality of the projects that it carries out, standing out in the

construction of all kinds of infrastructures, be they transport-related, such as motorways, highways or roads, marine, hydraulic, airport-related or of any other kind.

Domestic Civil Works turnover breakdown by type of project



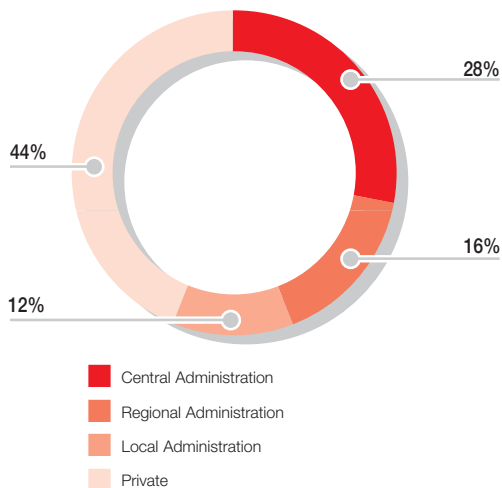
Domestic Civil Works order book breakdown by type of project



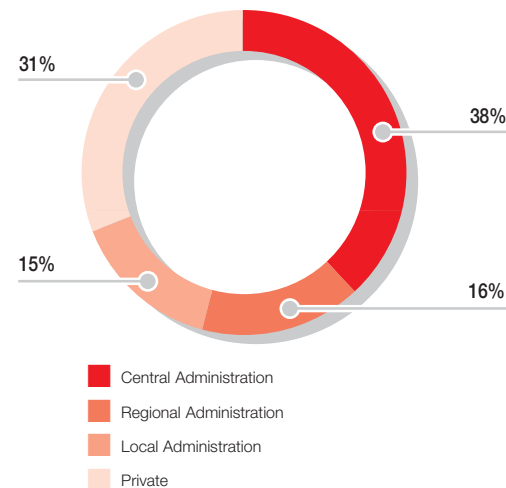
The ACS Group maintains a close relationship with its clients, seen through the quality in service provision and by its long-term commitment, which enables a continuous and efficient offer of services and an anticipation of clients' future needs.

Its main clients are public administrations, basically the Central Administration, and particularly the Ministry of Civil Works and the Ministry of Environment, and regional and local administrations.

Domestic turnover breakdown by type of client



Domestic order book breakdown by type of client





### Sector prospects

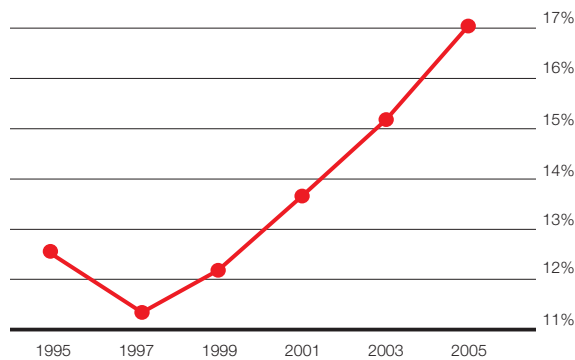
With a production of 154.8 billion euros in 2005, construction activity has for another year been the most dynamic sector of the Spanish economy:

- It has increased by 6% from the previous year.
- It provides employment to 12.4% of the population in work.
- Its investment constitutes 58.3% of the total investment of the economy.
- And it represents 17.1% of the country's economic activity.

The excellent performance of the Spanish economy over the last few years and the taking root of the welfare economy have generated strong growth in demand for transport infrastructures, which has resulted in an increase in investment plans on the part of public administrations.

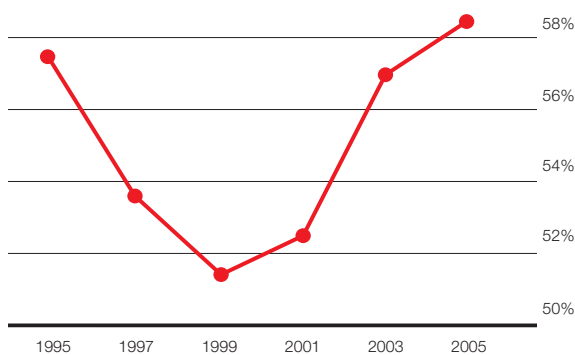
The sector maintains a favourable forecast for 2006 given the positive performance of official bidding processes, solidity in the demand for commercial building and the prolongation of the residential cycle.

### Construction investment over GDP



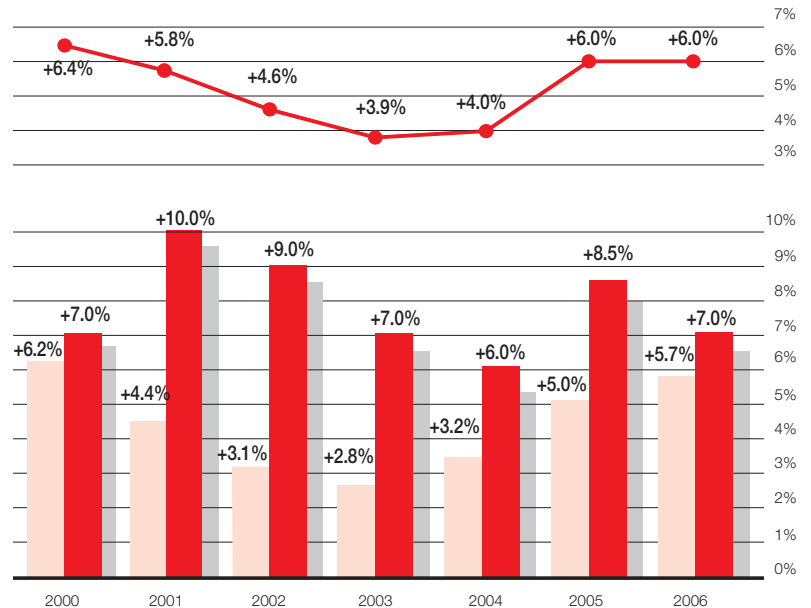
Source: Spanish Statistics Institute

### Construction investment over total investment



Source: Spanish Statistics Institute

### Construction official bidding in Spain



● Inter-annual production variation in Construction  
■ Inter-annual production variation in Building  
■ Inter-annual production variation in Civil Works

Source: Association of Spanish Contractors (SEOPAN)



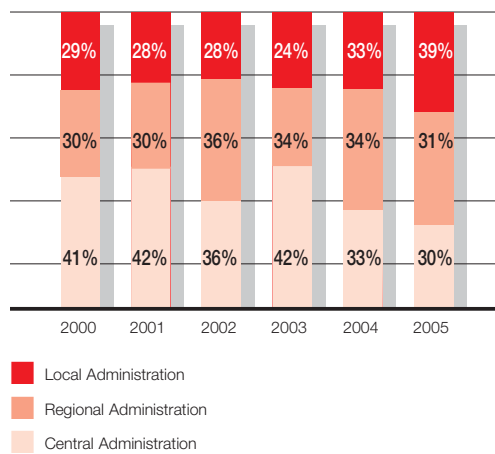
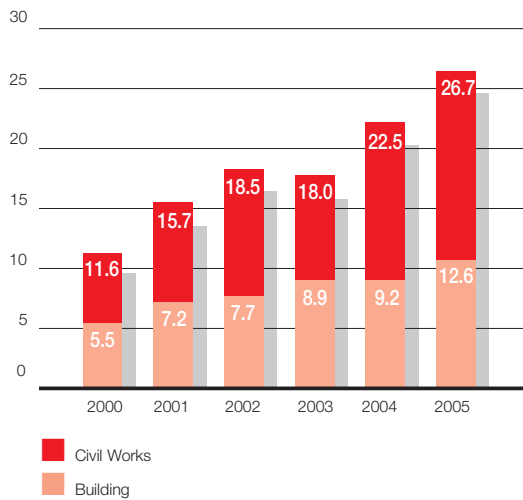
### Civil Works

Official bidding processes have increased by 24.1% in 2005, the highest rate since 2001, which has enabled the main companies in the sector to position their order books at all-time maximums and improve their turnover growth from the previous year. Likewise, greater participation of regional and local administrations can be appreciated in

official bidding processes in detriment to that of the Central Administration, which represents 30% of the total, as a consequence of the containment of public deficit through a policy of budgetary rigour, due to the greater active participation of regional and local administrations in the financing of concerted measures and as a result of a growing partnership with the private sector.

### 2000-2005 Official bidding processes evolution

Billions of Euros





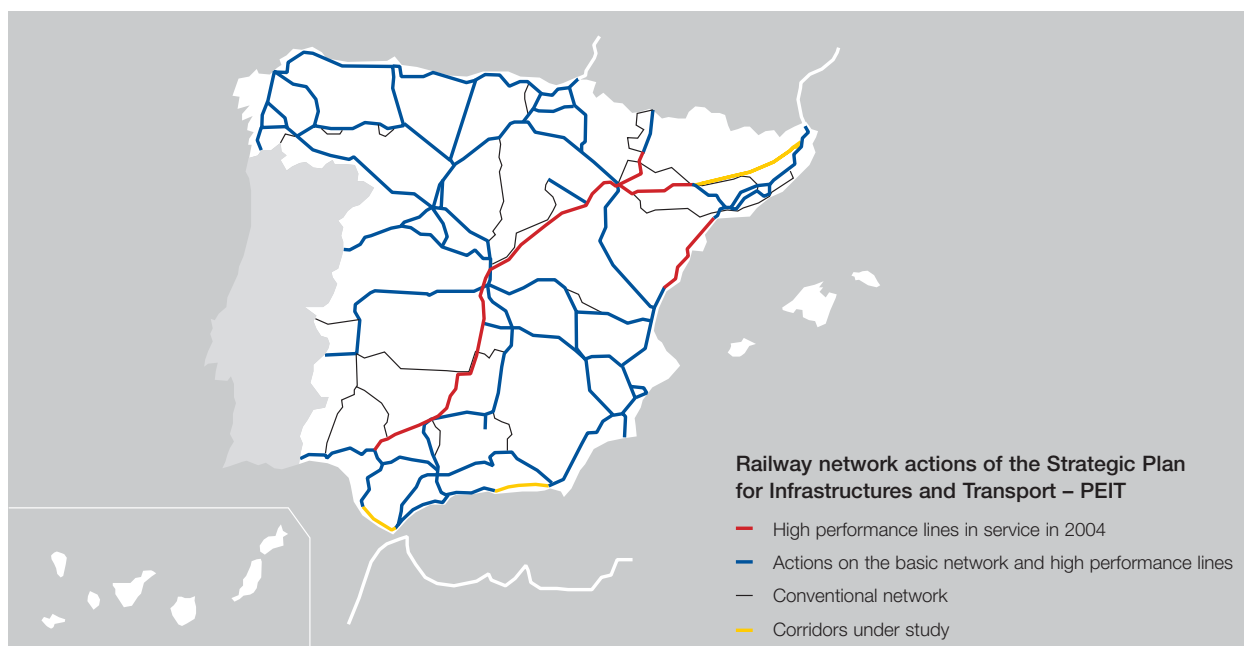
As such, private participation in the financing of transport infrastructures is consolidated as a political alternative given the profitability of the public-private model at a time when the State resources will be insufficient to tackle the investments announced for the next few years with the ambitious Strategic Plan for Infrastructures and Transport, PEIT, ratified by the Government on July 15<sup>th</sup>, 2005 in the Council of Ministers, the proposals of which had been presented in December 2004, aimed at improving Spanish infrastructures in the period encompassed between 2005 and 2020.

The announced investments of the plan is in the region of €250 billion, which supposes an annual average of €15.5 billion and an investment effort of around 1.5% of GDP on average throughout its period of validity. Of the total investment committed, 60% will be charged to the General State Budgets and the remaining 40% will be charged to Public-Private Partnership schemes.

The commitment of the PEIT is ambitious and constitutes a pledge for Spain's economic development and competitiveness through a more integrated, safer, more efficient and more sustainable transport system that is more respectful to the environment and strengthens social and territorial cohesion.

The measures of the plan are focused on railways, roads, air and marine transport and ports, activities in which the ACS Group holds significant competitive advantages. The main investments of the Plan will be geared towards:

- In railways: multiplying by ten the current high-speed network, up to 10,000 kilometres, and modernising the current stretches, concentrating more than 48.0% of the total investment of the Plan for this purpose.
- In roads: Increasing the state network of highways and motorways by 6,000 kilometres, for which 26.8% of the investment of the Plan will be devoted.
- In airports: duplicating the traffic absorption capacity of the airport network.
- In ports: increasing the capacity of ports by 75%.



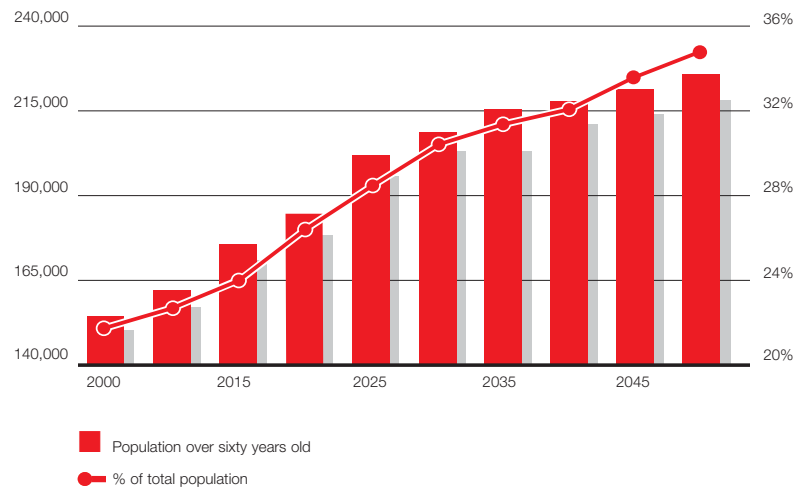




## Building

Building is also enjoying favourable prospects for the future mainly thanks to demographical factors, immigration and the ageing of the European population, to the arrival of foreign investment in property, which will be boosted by greater European growth and lower air transport costs, and thanks to low interest rates, which facilitate access to housing through cheap financing.

Forecast of European population aged over 60



Source: Eurostat



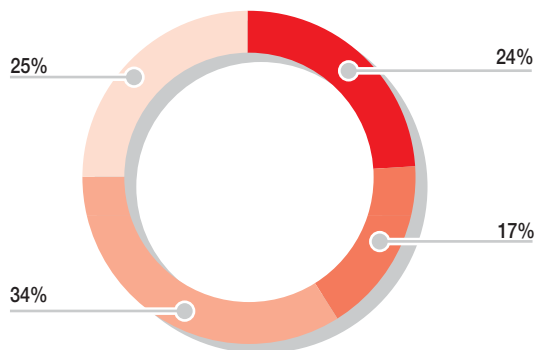


The production of residential building in the Spanish economy as a whole in 2005 has grown by 9%, as a consequence of the increase in approved projects over the last few years. 2005 stands out in that an increase of 5% was recorded, reaching the figure of 720,000 dwellings.

Likewise a clear recovery of private demand for non-residential building can be appreciated across the entire Spanish economy, following the slight decrease registered over the course of 2005.

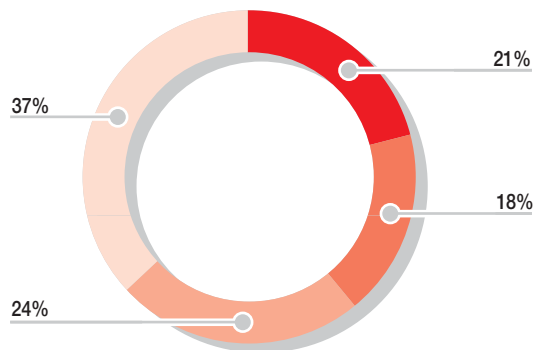
The boost in the refurbishment and maintenance subsector is notable, currently reinforced by the need to respond to increasing housing demand, notwithstanding that of new construction, which has experienced high revaluations, and by the financing facilities. The trend of this activity will be to approach the most mature level of the European Union, which represented 37% of the sector production total in 2005 versus 25% of production in Spain.

Construction production in Spain



- Civil Works
- Non Residential Building
- Residential Building
- Refurbishment and Maintenance

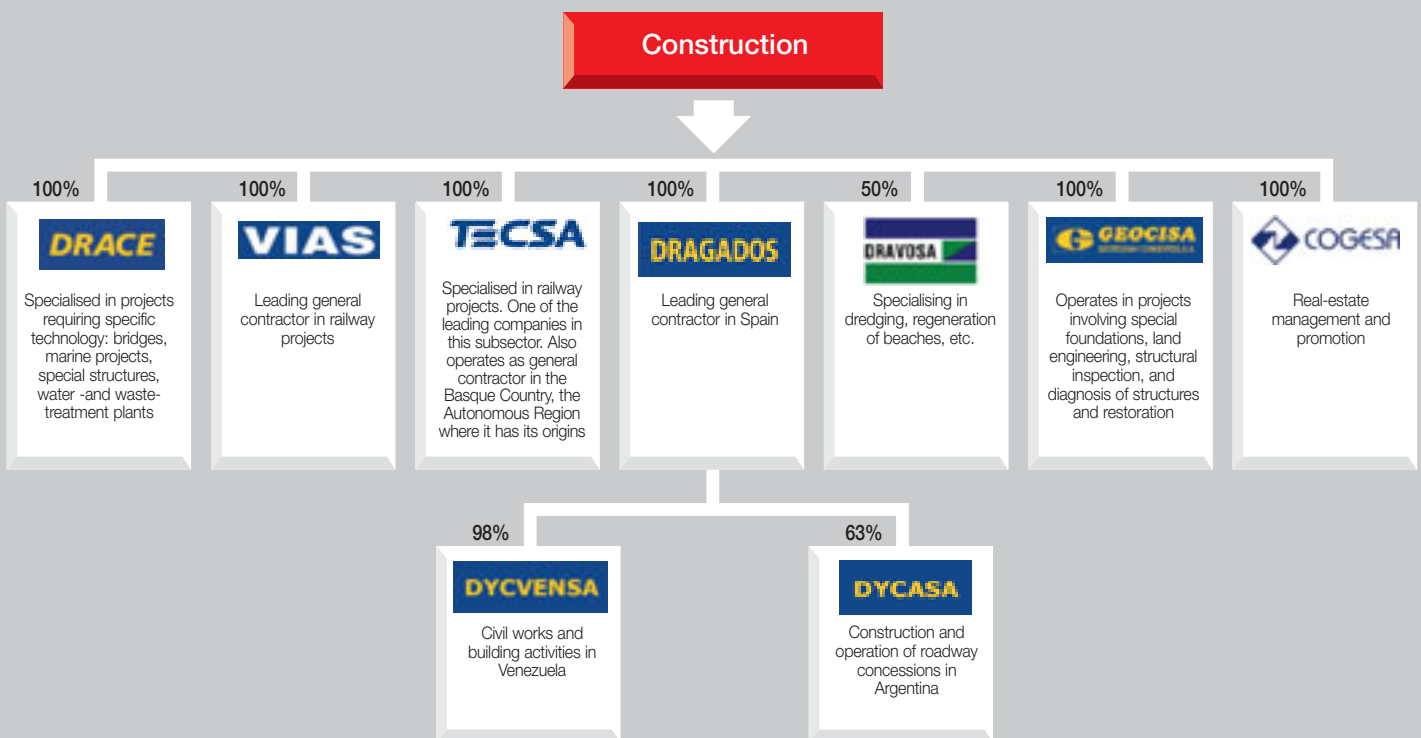
Construction production in the EU-15



- Civil Works
- Non Residential Building
- Residential Building
- Refurbishment and Maintenance



## Organizational structure





### Strategic objectives

Construction is a mature and competitive business in which the satisfaction of clients' needs is crucial, demanding in this sense a management predominantly local. The strategy of the Construction activity of the ACS Group is based on the maximization of the profitability of its projects through an increased focus on large-scale projects which generate greater added value due to the inherent degree of specialisation. The main strategic objectives of this activity are:

- Maintenance of the share of the domestic market and constant improvement of operating profitability, attaining sustainable and profitable growth.
- Selective international expansion through the development of own concessions and/or unique projects requiring a high degree of specialization.

The cash flow generation of this activity enables the financing of other activities that strengthen the Group's long-term growth.

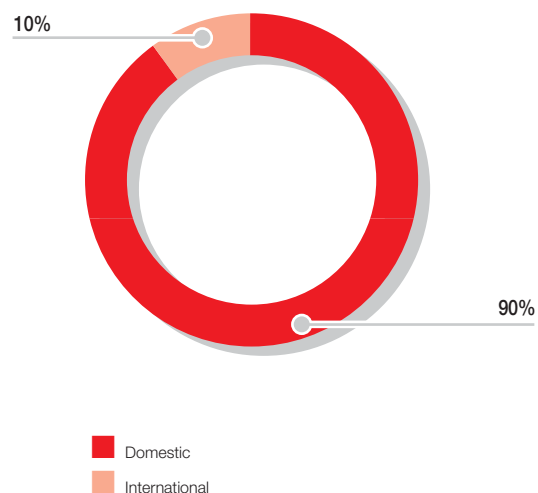
### Activity in 2005

The ACS Group participates in all kinds of infrastructure projects through its leading company in the Construction activity, Dragados, S.A. Its significant presence is notable in the construction of important projects of highways, motorways, roads, marine works, hydraulic works, metropolitan infrastructures, airports, ports, etc., being also highly competitive in building activity, both in non-residential building for commercial, healthcare,

educational, administrative, cultural or sporting uses and in the refurbishment of unique buildings, and in residential building throughout Spain, with presence in the country's principal cities, residential areas and tourist destinations.

Its international contribution in 2005 has supposed 10% of the total and principally comes from countries where the Group carries out transport infrastructure concessions, basically Europe and Latin America.

Turnover breakdown by market





## Civil Works

In **motorways and roads** the following projects carried out in 2005 are noteworthy:

- Palencia - Fuentes de Valdeparo highway.
- Cuenca highway: Tarancón - Alcazar Rey and Alcázar Rey Horcajada.
- Plasencia bypass.
- Naval Moral highway.
- A-7 Mediterranean highway. Nerja-Almuñécar section.
- A-8 CN-362 Cantabrian highway, from Ribadesella to Luarca. Tamón - Villalegre section.
- Salamanca South-West ring road.
- Upgrading of the N-I in the County of Treviño.
- Right roadway of the Paseo de Santa Maria de la Cabeza-N-III connection, in Madrid.

- Underground routing of the Puente del Rey - Avenida de Portugal junction between Paseo del Marqués de Monistrol and Puente de Segovia (Madrid).
- Connection of Calle Embajadores with the M-40 (Madrid).
- Tercer Milenio bridge over the River Ebro.
- Valires tunnel in Andorra.

In **railways**, in which high-speed, interurban and metropolitan projects are encompassed, the following deserve special mention:

- Madrid-Valencia High-Speed Line, Gabaldón - Villanueva de la Jara and Requena - Siete Aguas sections.
- Orense-Santiago High-Speed Line, Lalín - Silleda - Boqueixón sections.
- Madrid-Barcelona High-Speed Line, Olérdola - Aviñonet section.
- Córdoba-Málaga High-Speed Line, Gobantes - Abdalajis Tunnels section.
- New rail access to the North and Northeast of Spain, Tres Cantos - Canto Blanco section.
- Construction of the infrastructure of the extension of Line 11 of the Madrid subway to Carabanchel Alto.
- Construction of the infrastructure of the extension of Line 7 of the Madrid subway to Coslada and San Fernando de Henares, II M40 - Coslada and III Coslada - San Fernando de Henares sections.
- Remodelling of Sants railway station in Barcelona, 1<sup>st</sup> and 2<sup>nd</sup> phase.
- Line 1 of the Sevilla subway.
- Infrastructure and stations of several sections of Line 9 of the Barcelona subway.



Among the works carried out in **hydraulic infrastructures, coasts and ports**, the following deserve special mention:



- Construction project of the works of the southern retaining sea wall for the Barcelona Port Authority.
- Extension works of the Gijón port.
- Extension works of the outer sea wall of the Algeciras port.
- Arenoso dam.
- Breña dam.

The Group's most important projects in **airports** include the following:

- Construction of Terminal 4 of Madrid-Barajas airport.
- New terminal area and control tower in La Palma airport (Islas Canarias).
- New control tower and control centre of the terminal area in Santiago airport (Galicia).

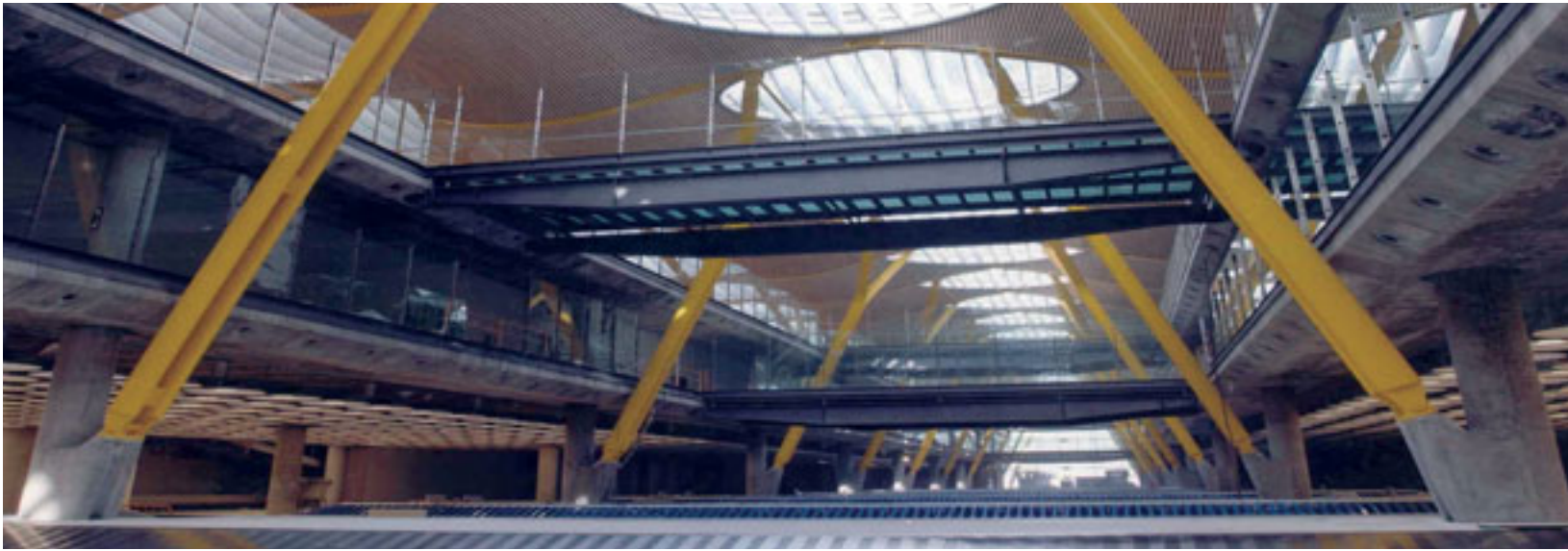
### Building

In non-residential building, the ACS Group is involved in many public and private projects, including:

In the construction of **cultural and sports buildings**:

- Execution of the 4<sup>th</sup> phase works of the Granada Science Park.
- Construction of pavilions 3 and 4 of phase II of the expansion of the Valencia Trade Fair Complex.
- Aquatic centre in Madrid.
- Valde las Fuentes sports complex in Alcobendas (Madrid).
- Construction of Benidorm's municipal sports centre (Alicante).





- Construction of a new building for the Juan Crisóstomo de Arraiga music conservatory, in Bilbao.
- High-performance island athletics centre in Santa Cruz de Tenerife (Islas Canarias).
- Foundations, buried networks and concrete structure of a shopping and leisure centre in Orihuela (Alicante).
- Civil engineering and construction of a shopping centre in Murcia.
- El Teler shopping centre, in Onteniente (Valencia).
- Execution of several buildings in the Ibarreña - Zuloaga (Megapark) partial development plan in Baracaldo (Vizcaya).

In respect of **health centres and hospitals:**

- Extension and remodelling works of the maternal and children's university hospital of the Canaries.
- Phase 3 of Lanzarote Hospital (Islas Canarias).
- Construction of phase I of the Juan Canalejo Marítimo de Oza hospital complex in A Coruña (Galicia).
- Construction of the new Lugo hospital (Galicia).
- Drafting of the special plan of the hospital complex, execution project, installations and activity project, site management and execution of the works of the new La Fe university hospital, in Valencia.
- Construction of a hospital in Ceuta.
- Reform and extension works of San Pedro hospital and complementary urban development operations.
- Construction of a residence for the elderly in Melilla.

In **industrial and office administrative buildings:**

- Gas Natural tower in Barcelona.
- Telecommunications city for Telefónica in Madrid.
- Building of the Caixa de Galicia Foundation in A Coruña (Galicia).
- New refrigerated slaughterhouse in the El Pozo factory.
- Construction of the new fish market building in Aviles Port (Asturias).
- World Trade Center office and conference building, in Zaragoza.
- Excavation, foundations and structure of the Aragonia Project, in Zaragoza.
- New courts building of the judicial district of Arrecife (Lanzarote, Islas Canarias).
- New courts building of Murcia. 1<sup>st</sup> Phase.
- Construction of the court complex in Castellón.
- Works of the Puerto III penitentiary centre in Puerto de Santa Maria (Cadiz).

In **residential building**, the Group continues carrying out projects for the leading developers of Spain in the construction of residential buildings and complexes throughout the country.



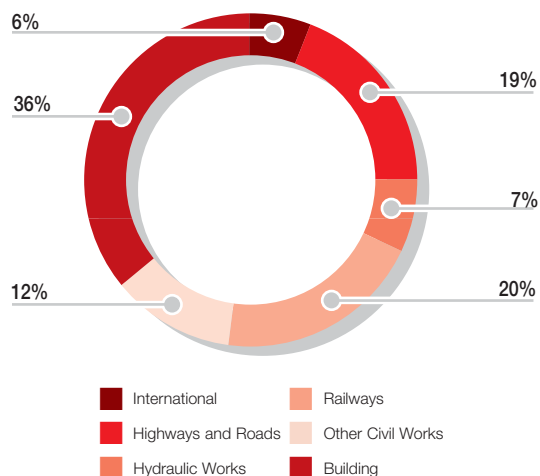
### Contracts awarded in 2005

In 2005, the volume of contracts awarded rose to 6.6 billion euros, reaching at the end of the year an order book of 9.4 billion euros, growing by 9.9% from the previous year, with the following contracts being of particular interest:

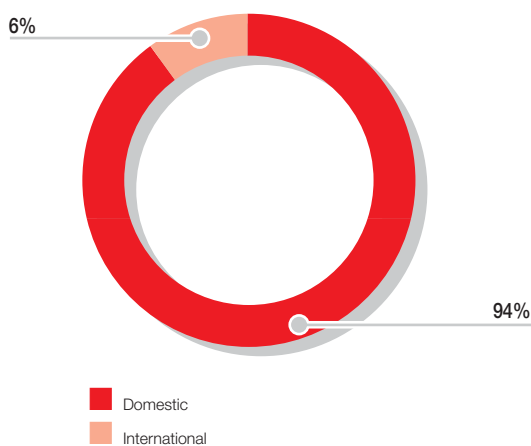
Millions of Euros

Main contracts awarded in 2005	Type of project	Awarded contract budget
Renovation of the section of the M-30 between Puente de Segovia and Paseo Marqués de Monistrol, in Madrid	Roads	371.7
Construction of the M-30 urban highway, in Madrid	Roads	223.1
Rehabilitation and maintenance of the railway infrastructure in the centre zone of Chile	Railways	141.7
New tunnel in the Glorieta Embajadores of Madrid for the renovation of the M-30	Roads	133.1
Valladolid - Cuellar highway	Roads	119.7
Puerta de hierro – Majadahonda hospital, in Madrid	Non-Residential Building	116.4
Plaza de Castilla Interchanger, in Madrid	Non-Residential Building	89.6
638 dwellings in Hellín (Albacete)	Residential Building	83.4
Supplementary section nº1 of line 7 of the Madrid subway	Railways	76.9
Tormentas Arroyofresno reservoir	Hydraulic Works	74.4
Arenes shopping and leisure centre (Barcelona)	Non-Residential Building	69.6
Bypass of the Sueca N-332 national road (Valencia)	Roads	65.1
Santiago-Brión AG-56 highway (Galicia)	Roads	64.2
3 <sup>rd</sup> phase of the 1st operation in the green sea wall in the Cádiz port	Hydraulic Works	62.2
Supply of Figueres-Perpignion voussoirs	Railways	60.1
Extension of Gijón port	Hydraulic Works	57.9
Central police station in Barcelona	Non-Residential Building	54.8
Port installations in Langosteira (A Coruña)	Hydraulic Works	53.6
Puerto III penitentiary centre in El Puerto de Santa Maria (Cádiz)	Non-Residential Building	53.6

Order book breakdown by type of project



Order book breakdown by market





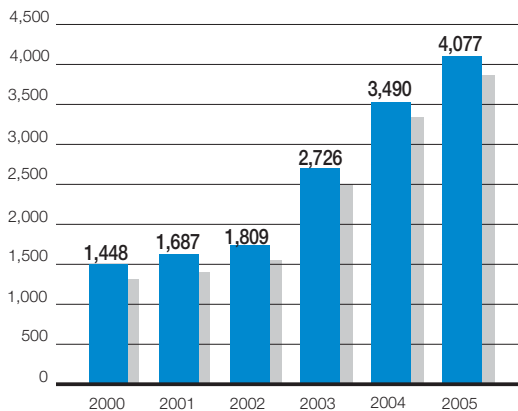
# 1.2

## Industrial Services

With a turnover of 4.077 billion euros in 2005 and an order book of 4.269 billion euros, which in both cases means having multiplied the figures for 2000 by 2.8, the Industrial Services area of the ACS Group is the sector leader in Spain, one of the top companies in Europe and a world reference in the activities that it carries out.

### Turnover evolution

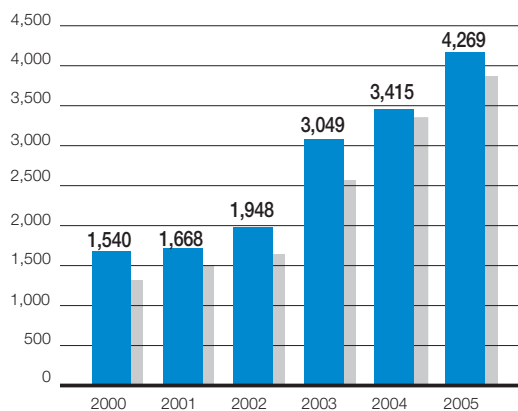
Millions of Euros



Note: 2004 and 2005 data according to IFRSs

### Order book evolution

Millions of Euros



Note: 2004 and 2005 data according to IFRSs

In these activities the ACS Group has acquired broad and varied experience over the course of more than 75 years covering the entire value chain of this type of services, from the development, applied engineering and construction of new projects to the maintenance of industrial infrastructures in the energy, communications and control system sectors on the Iberian Peninsula and in more than 25 countries, consolidating itself as a worldwide reference due to its positioning as:

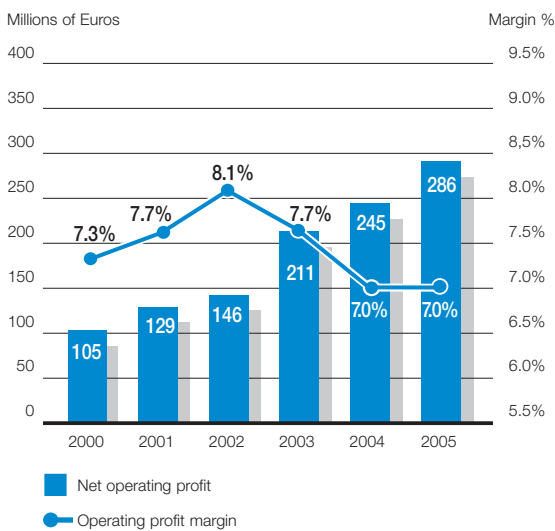
- Leading supplier to water, gas and electricity companies in the development and maintenance of their generation and distribution installations.
- Leading name in the development and maintenance of specialized installations, such as thermodynamic and mechanical installations, electrical installations, railway installations (both conventional and high-speed) and telecommunication installations.
- One of the leading competitors worldwide in the development of large projects for the gas and oil industries, from the construction of offshore platforms and modules to turnkey projects of refineries and petrochemical plants.
- Leading company in energy power projects, such as combined cycle power plants, regasification plants and renewable energy.
- And the leading domestic company in the development and maintenance of technological systems related to telecommunications, roadway and railway traffic, public lighting and industrial control.

This area promotes its commercial development by product and by client through a decentralised structure that fosters productive efficiency and the search for new business opportunities.

The broad range of services leads to a rate of recurrence in income of around 60%, resulting in high visibility of the activity combined with sustained profitability.

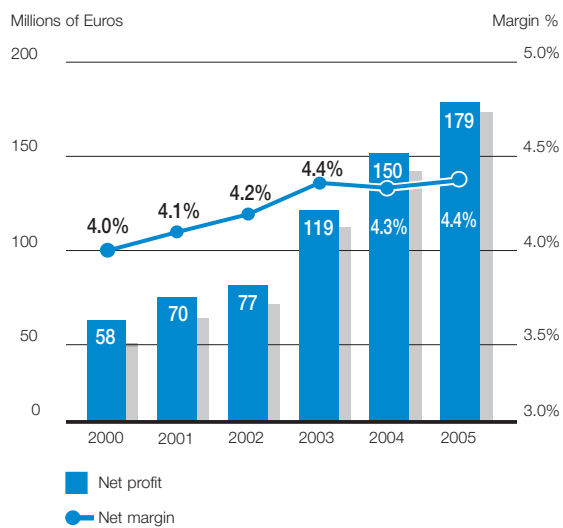


### Operating profit evolution



Note: 2004 and 2005 data according to IFRSs

### Net profit evolution



Note: 2004 and 2005 data according to IFRSs

The Industrial Services of the ACS Group can be broken down into four lines of business:

- **Networks:** this maintenance activity of electrical, gas and water distribution networks is based on over 60 years of experience. Over this time, the Group has developed in-depth knowledge of the business, high quality in the service provided and a high degree of specialization by product and geographical area. These competitive advantages have made the ACS Group a clear leader in this business, particularly in its constant innovation in assembly techniques and in the incorporation of specialized machinery, which in many cases is designed and manufactured by the company itself.

- **Specialized Installations:** combines the activities of construction, installation and maintenance of high-voltage electrical networks, telecommunications systems, railway installations, electrical installations, mechanical assemblies and climate control systems.

- In the area of **high-voltage power lines**, the Group maintains a leading position in the sector, carrying out the engineering, supply, assembly, start-up and maintenance works of high-voltage transmission lines and substations. It is also a pioneer and leader in integral electrical maintenance in transmission and distribution lines and substations with voltage, as well as in substations in all voltage steps.

- The **telecommunications** area includes all projects related to the engineering, development, implementation and maintenance of networks and technical equipment used in landline, wireless and cordless telephony for the local loop and fibre-optics, as well as radio links, microwave systems and custom-made telecommunications systems, amongst others.



- In the **railways** area, the Group handles the design, engineering, assembly, start-up and maintenance of railway systems, in specialized areas such as electrification, signalling, railway security systems, communications, ancillary services related to access controls, automatic dispatch, escalators, wiring, ventilation and climate control.
- The ACS Group provides the **integrated management of electrical and mechanical installations in industry and building**. This activity comprises one-off projects requiring a certain specialization, such as industrial refrigeration and industrial climate control systems, mechanical and structural systems.
- **Integrated Projects:** The Group offers a variety of turnkey projects for a range of applications, from engineering to commercial operation. In these kinds of projects, experience, know-how, credibility and technical capability are fundamental. The projects may be broken down into the following groups:
  - **Energy projects:** this includes the execution of large-scale projects such as combined-cycle power plants, conventional thermal plants or desalination plants, as well as high-power electrical installations such as substations and transformers for the transmission and distribution of energy and solutions for large-scale consumers.
  - **Renewable energies:** through the promotion, turnkey construction and operation of wind farms. In 2005, the Group had fourteen wind farms in operation with an installed power of 430 MW, a further eight under construction totalling 193 MW, with nine farms currently being processed (seven in promotion and two in financing) and thirty three wind farms under development, amounting to a total installed power of over 2,281 MW. In addition to this, it develops renewable-energy projects for third parties.



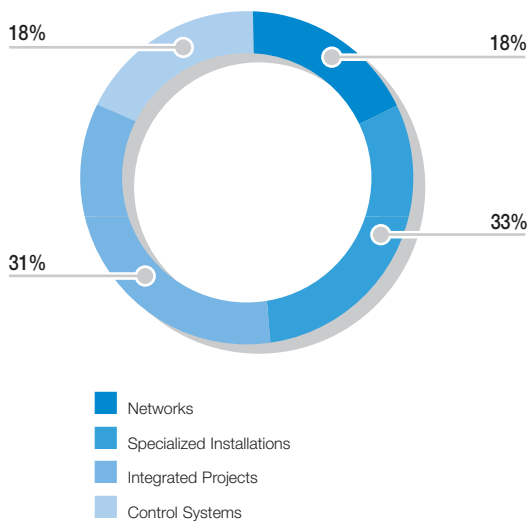


- **Industrial projects:** With over 40 years of solid experience, the Group is highly specialized in the management of turnkey projects. Newly developed management tools are used, which enable it to execute large-scale projects in the international arena. This activity integrates applied-engineering services such as installation, construction and transformation in industrial plants, tankers, refineries, petrochemical plants, cement manufacturers, etc.
- **Oil and gas extraction platforms:** Dragados Offshore began to construct oil and gas platforms in 1972. Since then, it has gone on to become one of the worldwide industry leaders. Its business groups together the construction of platforms, installations and floating systems in its own yards in Cádiz and Tampico (Mexico). It also carries out modular constructions for refineries, processing plants, loading and unloading terminals, and equipment such as port cranes, sluice gates and lock gates, receptacles, tanks, etc.
- **High-speed railway systems:** design, engineering, assembly, start-up and maintenance of installations for high-speed lines. Highly specialized in electrification, signalling, railway security installations, communications and other ancillary services involved in global projects.
- **Control Systems:** The Group has become the leading provider of engineering, installation and operation of control systems for industry and urban services.
  - **Traffic and transport control systems:** characterized by a highly technological profile and constant requirements of new technological developments, this activity includes integrated solutions for the control and regulation of urban and interurban traffic, technology used in public transport through the management of operating-assistance resources, the control of access to toll roads and parking facilities, the design and installation of new dynamic toll systems for motorways, and the installation and maintenance of lighting systems along public roads.
  - The integral **maintenance of public infrastructures** encompasses services that are highly specialized and flexible: signalling and integrated conservation of roads; carrying out of vertical, horizontal and containment-control signalling operations; services associated with hydraulic infrastructures, both in terms of distribution and draining systems, purification and information system networks; electrical and fluid systems for ornamental fountains; intelligent management systems and automation centres in the integral maintenance of public buildings, and treatments used in forestry.

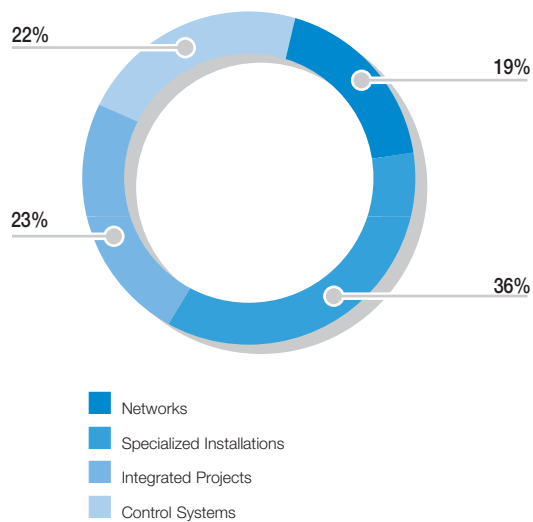




Turnover breakdown by activity



Order book breakdown by activity



## Sector prospects

The wide-ranging supply of services of this activity along with the business dynamism of the ACS Group constitute a solid base for seizing the sector's future growth opportunities, both domestically and internationally, where the Group has extensive geographical implementation and substantial experience.

This growth will be firmly backed by the investment needs in the energy sector, faced with the constant growth in the resident and floating population, whose demand increases and forces supply and additional installed capacity to be able to meet it. Furthermore, this new demand requires a suitable combination of energy sources that maintains a competitive price level while assuming the guidelines of the Kyoto Protocol.

- In the electrical energy sector, construction of new generation plants is expected to continue, mainly combined-cycle plants and renewable energies, as well as the installation and maintenance of high- and low-voltage power lines.

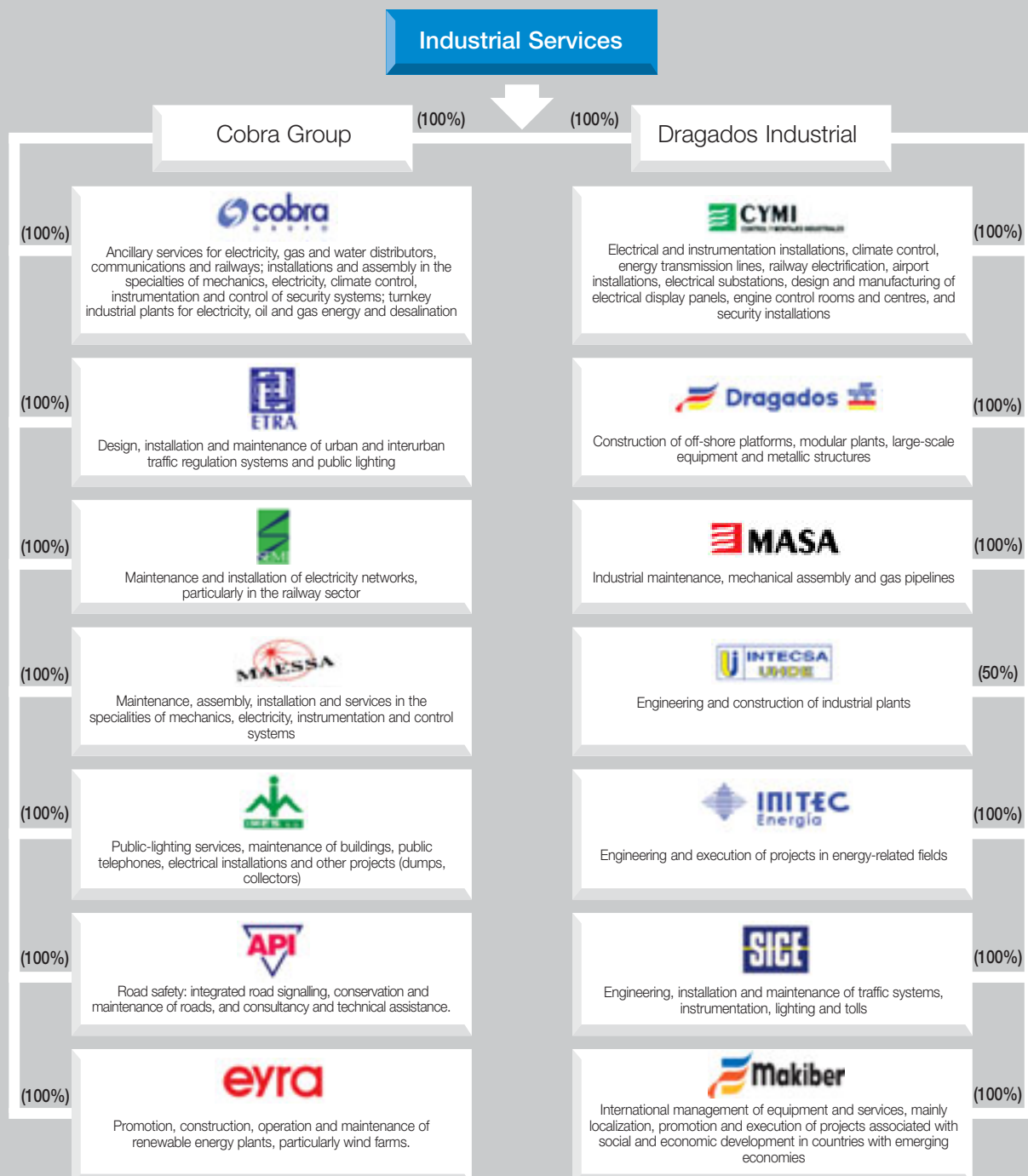
- In the oil and gas sectors, the main operations focus on the construction of installations for the extraction, storage and refining of crude oil, which at its current and increasing prices makes them attractive and profitable projects, as well as on the development and expansion of gas transmission and distribution networks, and on alternative energy sources.

Furthermore, and as a consequence of this development, demand is also growing for installation operation and maintenance services, largely from public service companies and industrial corporations, as well as from public administrations:

- Many industrial companies are attempting to increase their productivity in order to be able to compete in increasingly liberalized sectors while offering greater flexibility in order to increase efficiency and promote expansion in new activities on domestic and international markets.
- Public administrations are attempting to optimize expenditure in order to meet growing social demands by improving existing public services and developing new products and technologies that improve their quality.



### Organizational structure





## Strategic objectives

The solid bases of growth enable profitability to be optimized by applying strict selection criteria to new projects according to their potential creation of value. To this end, clearly defined objectives have been established in order to attain selective, sustained and profitable growth, which consist of:

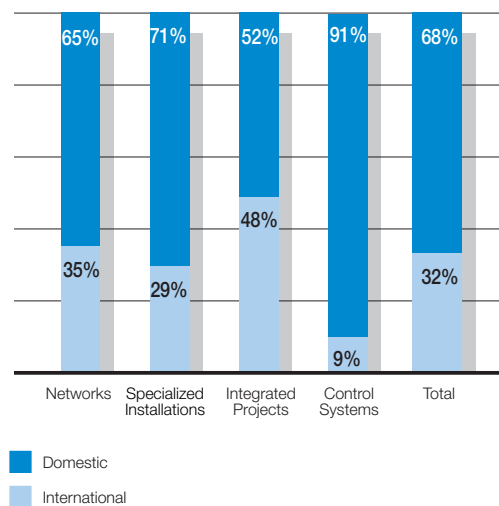
- Continuing to lead future growth in the sector.
- Continuing to promote recurrent services, such as the integral maintenance of installations.
- Increasing the average profitability of the activity by strengthening the businesses with the greatest added value, such as turnkey projects, while maintaining a strict cost control policy.
- Promoting new lines of business through investment in projects associated with renewable energies (both wind power and solar energy), and in traffic and transport control systems.
- Applying a policy of geographical expansion, meeting rigorous profitability and stability criteria.

## Activity in 2005

Worthy of mention is the performance of Integrated Projects, which represents 31% of the activity carried out in the financial year, and which as a consequence of its high added value provides other activities with future income through the maintenance of installations.

The wide range of services supplied by the activity guarantees continuous sustained growth and geographical diversification provides growth opportunities in markets with growing development needs. In 2005, sales abroad accounted for 32% of the total.

## Turnover breakdown by market



Standout projects undertaken in 2005 in the maintenance of distribution **network** installations include the following:

- Framework contract for the construction of low and medium-pressure natural gas networks and connections, repairs and sealing for Gas Natural in several locations.
- 132/6 kV transformer substation for the supply of energy to the pumping stations in Tierra de Tábara (Zamora).
- Live maintenance of distribution and transmission networks up to 132 kV in oil fields for Saudi Arabian Texaco Inc. & Kuwait Oil Co. in Kuwait.
- Integral maintenance of the Rota Naval Base in Cádiz for the United States Navy.
- Maintenance of the sewage network of Zone IV, Butarque, in Madrid.
- Electrical substations Virgen de Rocio (Sevilla), and Bessons and Valldurgent (Palma de Mallorca), for Endesa.
- Enlargement of the Itahue - Alto substations in Punta Cortés (Chile) for Transelec.



- Commercialization, installation and start-up of 7,800 gas receiver installations, 13,500 community receivers and 2,300 heating systems in various locations for Gas Natural.
- Rerouting of the Atazar Canal and Alto Canal piping (diameter 2,200 mm and diameter 1,800 mm - Helical welded steel) in Colmenar Viejo (Madrid), for Comsa.
- Construction of several sections of high-pressure gas pipeline in steel, with a total of 37 kilometres, in Cataluña, Andalucía, Castilla-León and Galicia, for Gas Natural.
- Improvement in adduction, 1<sup>st</sup> and 2<sup>nd</sup> Phase (diameters 400 - 450 mm) for the Isabel II Canal in El Boalo (Madrid).

Amongst **specialized installations**, in the area of high-voltage electrical networks the following projects are highlighted:

- 525 kV transmission line between Londrina and Ivaiporá, in Brazil, for the Uirapurú concessionaire.
- 400 kV transmission line in Rivera Maya (160 km) between the Valladolid - Nizuc y Valladolid - Playa del Carmen substations in Mexico, for CFE.
- Construction of a high-voltage power line and transformer substations for REE on a domestic level
- Underground and overhead lines of the 2<sup>nd</sup>, 3<sup>rd</sup> and 4<sup>th</sup> Phase of the Alborada Sevillana-Endesa Plan in Sevilla for Endesa.
- Construction of the 225 kV high-voltage evacuation line of the Essaouira wind farm (Morocco) for One.

In **telecommunications**, amongst the projects undertaken in 2005 the following deserve special mention:

- Mobile telephony infrastructure for PT Comunicações in Portugal and for Telefónica Móviles in Mexico and Chile.
- Mobile telephony infrastructure on a domestic level for Vodafone, Telefónica Móviles and Amena.

In **railways** the following High Speed line projects were carried out for the Spanish administrator of railway infrastructures, ADIF:

- Project and works for the electrification of bypasses at the north head of La Sagra station in La Sagra - Toledo section. New High-Speed rail access to Toledo.

- Project, works and maintenance of the overhead contact line and associated systems for the Madrid - Zaragoza - Barcelona - French Border line, in the Lleida - Barcelona section, in the provinces of Lleida, Tarragona and Barcelona.
- Maintenance of the signalling systems, train protection systems, basic operation and safety supervision systems, supplementary surveillance and supervision systems, energy systems and technical buildings of the Madrid - Zaragoza - Barcelona - French Border line, in the Madrid - Puigverd de Lleida section.
- Project, works and maintenance of installations of the overhead contact line and associated systems for the Córdoba - Málaga line, in phase I: Almodóvar del Río - Bobadilla; in phase II: Bobadilla - Los Prados; and in phase III: Los Prados - Málaga station.

In **energy projects**, work has been done in the construction of the combined-cycle thermal power plants of Castelnou (Teruel), Amorebieta (Vizcaya), Cartagena (Murcia), Cristóbal Colón (Huelva), Santurce (Vizcaya), Nubaria I and II (Egypt), Cairo North I and II (Egypt) and New Talkha (Egypt). The following projects were also undertaken:

- Integration of an existing 80 MW turbogas unit into the El Encino combined cycle plant in Chihuahua (Mexico).
- Inverse osmosis desalination plant of 3,000 m<sup>3</sup>/d brackish water in Alicante.
- Several seawater inverse osmosis desalination plants in the United Arab Emirates for Pal Technology.
- Turnkey project for the construction of a chlorine / caustic soda plant and another plant for the concentration, flaking and conditioning of caustic soda for ENIP in Skikda (Algeria).
- Retarded coking project for BP Oil Castellón, which consists of new processing units: Naptha pre-treater unit; sulphur recovery unit; amine treating unit IV; sour water stripper unit; restoration and modification of LVN HF and other items.
- Benzene plant of 190,000 mt/year in Tarragona, for Repsol YPF, with hydrosulfurization and morfilane processing units, off sites, interconnections and ancillary services.





In **renewable energies**, there is the operation of fourteen wind farms with a total installed power of 429.8 MW, and work has been done on the construction of eight wind farms. Additionally, a further nine farms are currently being processed for financing or are in promotion. In addition, prior works have begun for the construction of the first solar plant in Spain, in Granada.

Wind farms in operation	Location	Power Mw
Perul	Burgos	49.6
Lastra (same company as El Perul)	Burgos	11.2
Chumillas	Cuenca	49.3
Barrigoso (Miniparque)	La Coruña	3.0
Monte da barda (Miniparque)	La Coruña	3.0
Novo	La Coruña	18.8
Outes	La Coruña	35.0
Requeixo	La Coruña	11.7
Somozas	La Coruña	48.0
Vimianzo	La Coruña	49.9
Raposeiras	La Rioja	39.0
Sierra de Utrera	Málaga	33.4
L'Enderrocada - SEESA	Tarragona	29.9
Tortosa	Tarragona	48.1
<b>TOTAL</b>		<b>429.8</b>

Note: The average stake in these wind farms is 63.5%

Wind farms under construction	Location	Power Mw
Lodoso	Burgos	49.9
Marmellar	Burgos	49.4
Touriñan IV	La Coruña	24.7
Arruda I	Portugal	6.0
Sobral II	Portugal	14.0
Pó	Portugal	9.1
Penamacor 1	Portugal	20.0
Penamacor 3A	Portugal	20.0
<b>TOTAL</b>		<b>193.1</b>

Wind farms in promotion / financing	Location	Power Mw
La Lora 1	Burgos	49.9
La Lora 2	Burgos	49.9
Penamacor 2	Portugal	20.0
Penamacor 3B	Portugal	20.0
Sabugal	Portugal	40.0
Cabeço das Pedras	Portugal	8.0
Sº João 1	Portugal	10.0
Sº João 2	Portugal	20.0
Alrota	Portugal	3.6
<b>TOTAL</b>		<b>221.4</b>



In **industrial projects**, related to the petrochemical industry, upstream, refining, petrochemical and fertilizer projects are carried out, including the following operations in 2005:

- Turnkey project for the construction of a new naphtha splitting plant, renovation of the existing one and a new 850 m torch line, for Repsol-YPF in La Plata refinery in Argentina.
- Minatitlán Project III, consisting of the extension of the Lázaro Cárdenas refinery of Pemex in Minatitlán, in the State of Veracruz (Mexico). It includes the engineering, supply of equipment and materials, construction, start-up and performance tests of the combined plant, the diesel hydrosulfurization plant of 34,000 bpd and of the FCC Catalytic plant number 2 of 42,000 bpd.
- Construction of the new Phenol III, Cumene II and Hydrogenation II plants, renovation of alphasstyrene and ancillary services associated to the factory in Huelva for Ertisa.

In **extraction platforms**, the following projects in execution in 2005 are of particular interest:

- Snøhvit project, consisting of the construction of a gas liquefaction plant in Cádiz for its subsequent transfer to the Isle of Melkøya (North of Norway), for Statoil.
- KU-A2 Project turnkey contract for the construction of a production platform in the Tampico yard (Mexico) and subsequent transfer to the KU-MALOOB-ZAP field in Campeche (Gulf of Mexico), for Pemex.
- Buzzard Project, which consists of the construction in Cádiz of a stabilised platform for crude production, with a production capacity of more than 200,000 barrels of crude and 100 MMSCF of associated gas per day, and its subsequent transfer to the British sector of the North Sea, for Nexen.
- EPC-60 Project turnkey contract for the rehabilitation of two perforation platforms and the construction of a production platform, for Pemex. The rehabilitation is carried out in the Ciudad del Carmen yard and the new platform is constructed in the Tampico yard, both in Mexico. The final location will be in Campo Cantarell (Gulf of Mexico).

In **control systems**, the contracts carried out in 2005 include:

- A 35-year contract for the integrated conservation of the Madrid M-30.
- Management of the regulated parking facility service and conservation of Madrid's blue and green parking municipal zones.
- Management tasks and integrated operation of the control system and traffic regulation in the city of Madrid, Zones 1 and 3.
- Maintenance of infrastructures and civil engineering, as well as the cleaning and renovation of green zones in Retiro Park, in Madrid.
- Integrated operation service of traffic-light signalling and maintenance of the traffic management system installations of several Spanish cities.
- Maintenance, replacement and improvement of lighting installations on public roads, fountains and monuments for several Spanish city councils.
- Integral maintenance of several sections of the main roads in Spain.
- Preventative and corrective maintenance of handling equipment for several clients.



## Contracts awarded in 2005

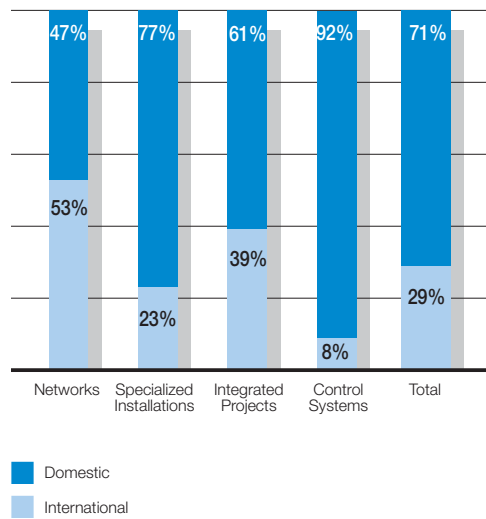
The Industrial Services area of the ACS Group has been awarded contracts in 2005 worth 4.934 billion euros, leaving the order book at the close of the financial year at an all-time high of 4.269 billion euros. The main contracts awarded were the following:

Millions of Euros

Main contracts awarded in 2005	Type of activity	Awarded Contract Budget
Minatitlán III combined plant. Preliminary phase of the Lázaro Cardenas refinery in Minatitlán, in the State of Veracruz (Mexico), for Pemex	Integrated Projects	430.4
Construction of the new Bid Boland 2 gas treatment plant in Behbahan (Iran)	Integrated Projects	420.0
6 smoke desulphurization installations in coal thermal plants	Integrated Projects	163.1
Construction and operation of a desalination plant in Tlemencer (Algeria)	Integrated Projects	140.0
Signalling, electrification and connection systems of railway lines in Chile	Control Systems	140.0
Blue zone regulated parking service in Madrid	Integral maintenance of public infrastructures	138.5
Extension of the initial contract of the Shnovit project, for the construction of a gas liquefaction plant in Cádiz and its subsequent transfer by sea to Hammersfest (Norway)	Integrated Projects	137.4
Recurrent integral maintenance contracts for Repsol YPF, Cepsa and other clients	Networks	121.5
Gas storage and transport terminals in Tuxpan and Atotonilco (Pacific coast of Mexico)	Integrated Projects	78.0
Sabón combined cycle turnkey contract	Integrated Projects	75.0
Cumene production plant for Ertisa in Spain	Integrated Projects	72.9
Itumbiara-Cuiaba 500 kV HV line and 5 substations (Brazil)	Integrated Projects	68.6
Tucuruí-Vila do Conde 500 kV HV line (Brazil)	Integrated Projects	67.0
Production and maintenance of the sinter minerals park, high kilns and rolling in the Veriña Factory	Specialized Installations	64.8
Cristóbal Colón combined-cycle project for Endesa	Integrated Projects	61.0



Order book breakdown by market



# 1.3

## Services and Concessions

In the Services and Concessions area activities are carried out related to the conservation and improvement of the environment, the outsourcing of the facility maintenance of buildings, the management of port terminals and services, logistics and passenger transport, along with the promotion, development and management of transport infrastructure concessions, both domestically and abroad. In this set of activities, the ACS Group achieved net sales of 2.420 billion euros in 2005, which consolidates both its leading position and its multinational supply.

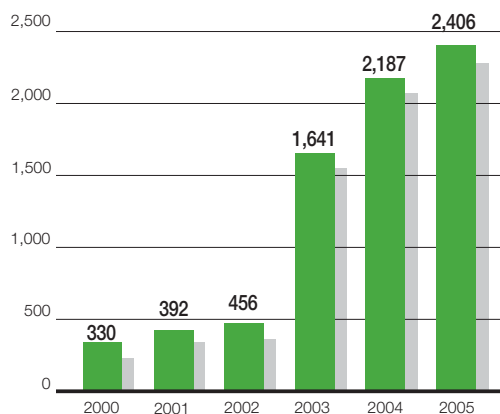
### 1.3.1. Services

The sales of the ACS Group in the Services area in 2005 amounted to 2.406 billion euros, 7.3 times higher than in 2000. Likewise the order book has reached an all-time high of 13.230 billion euros, which means it has been multiplied 8.6 times over the last five years.



### Turnover evolution

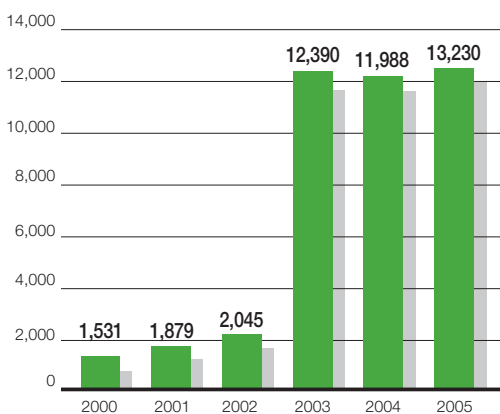
Millions of Euros



Note: 2004 and 2005 data according to IFRSs

### Order book evolution

Millions of Euros

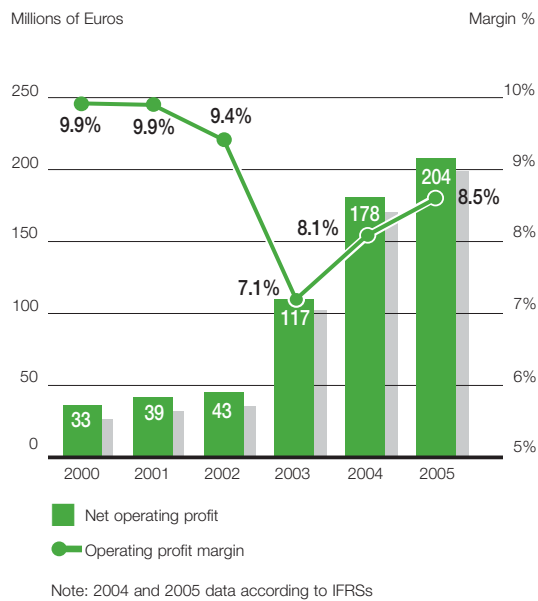


Note: 2004 and 2005 data according to IFRSs

The business of the Services area is greatly capital intensive, highly recurrent and very long term, which provides the Group with stability in revenues. The critical mass and geographical scope of the business favour the obtaining of economies of scale, with the resulting consistent improvements in profitability.



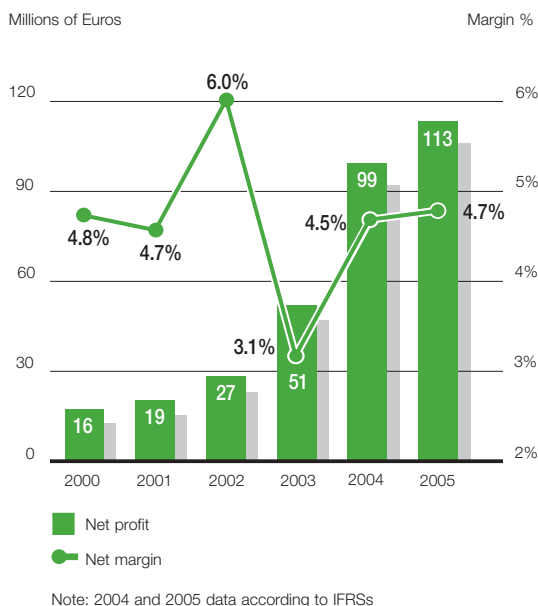
### Operating profit evolution



The supply of services is grouped around four business lines:

- Environmental services:** area specializing in waste management and treatment. It carries out street cleaning, the collection and transport of urban waste (“clean point” installations and transfer stations) and the treatment of urban waste by means of various kinds of processes: packaging plants, sorting and composting plants, biomethanization of the organic fraction, energy recovery with electrical energy generation (both from biogas coming from dumps and from biomethanization, and from the rejection fraction from the sorting plants), elimination of waste in controlled urban and industrial waste dumps, management of special waste (oils, hospital and industrial waste), integrated management of the water cycle and urban gardening.
- Integrated services:** these encompass the services necessary for the optimum running of public or private use properties (facility management, cleaning or ancillary services), green market-related activities (gardening, reforestation and environmental recovery), care services for social collectives in situations of dependence, airport services, and the management of advertising spaces in large installations and transport systems.
- Port and logistics services:** comprising port management and handling, maritime agency and transit activity, dry-dock management, combined transport and logistics.
- Passenger transport services** in the form of regular long-distance, commuter and urban passenger transport, as well as the operating of stations and transport interchangers. The four principal geographical zones of the peninsula are currently covered: the Madrid area, Northern Spain, Catalonia and Andalusia.

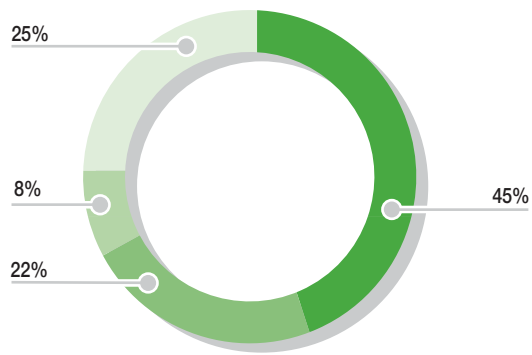
### Net profit evolution



The Services area reaffirms its position of leadership in the sectors in which it carries out its activity; the growth of the Port and logistics services area is noteworthy, thanks to the start-up of new terminals and due to the increase of maritime agency and transit activity, as well as the important contracts awarded in the solid urban waste treatment plant segment and the significant increase of integrated services activities.



Turnover breakdown by activity



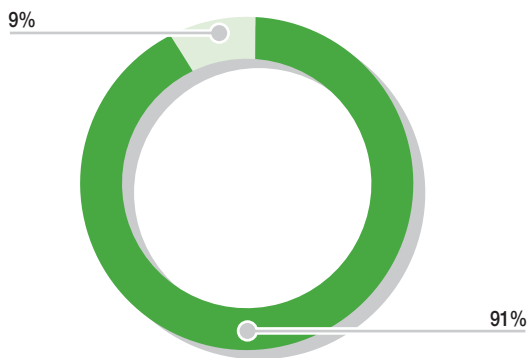
- Environment
- Port and Logistics Services
- Passenger Transport
- Integrated Services

Order book breakdown by activity



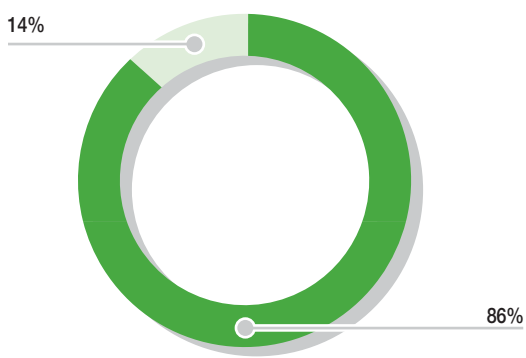
- Environment
- Port and Logistics Services
- Passenger Transport
- Integrated Services

Turnover breakdown by market



- Domestic
- International

Order book breakdown by market



- Domestic
- International



### Sector prospects

The rising population in Spain, particularly due to the significant increase in immigration, and tourism favour the Services sector, as a consequence of having to care for a greater number of people, improving the quality of benefits and their efficiency.

Spanish tourism is one of the international leaders in the sector. According to the World Tourism Organisation (WTO), Spain occupies second position in the world ranking both in terms of visitors and in terms of tourism revenue, with a 7% share in both variables.

Tourism constitutes one of the main sectors of the Spanish economy, directly contributing 11% to GDP according to the Tourism Satellite Account (TSA) and generating a similar percentage of direct employment.

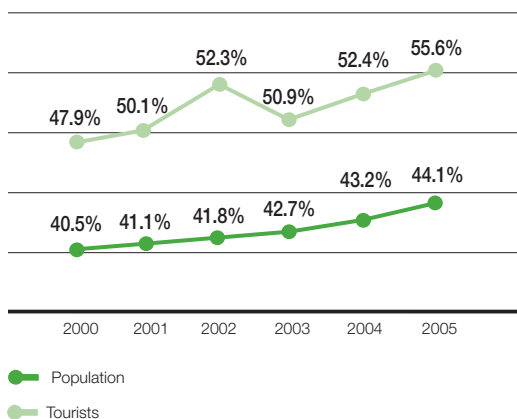
### Environmental Services

Concern for the environment and the need to optimise public expenditure mean that Public Administrations increasingly tend to outsource tasks involving the management of urban waste. Over the last ten years, with the help of the European Union, a large number of waste treatment and sorting plants have been constructed in Spain (almost one per population centre of more than 100,000 inhabitants), most of which are equipped with composting and/or biomethanization processes, where the organic fraction of urban waste is treated. Nonetheless, there is still significant growth potential in this activity in Spain and in the rest of Europe as a consequence of the demands of European directives concerning waste and environmental management.

The Kyoto Protocol has fostered this type of activities in order to reduce the emission of gases generated naturally in solid urban waste dumps (carbon anhydride and methane), which produce the greenhouse effect; the said treaty has also paved the way for other future businesses related to the emission of CO<sub>2</sub>.

### Evolution of Spanish population and tourist influx

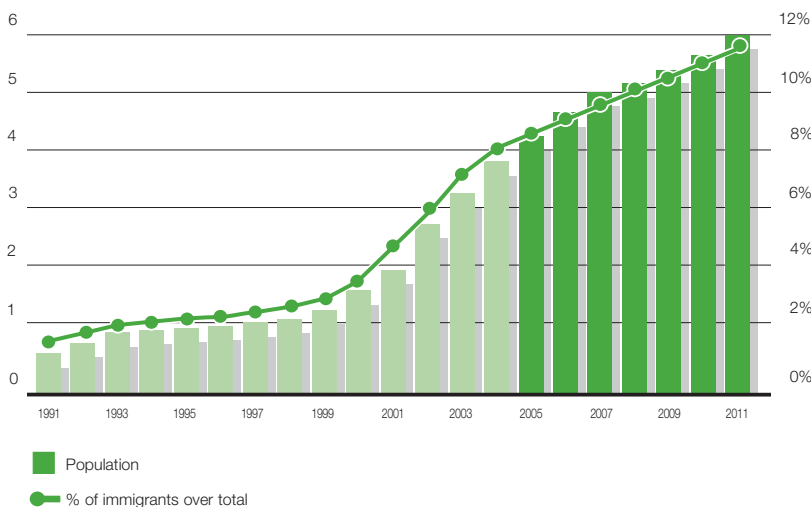
Millions of people



Source: Spanish Statistics Institute and Institute for Tourism Studies

### Evolution of immigrant population

Millions of people



Source: Spanish Statistics Institute





### Integrated Services

The market in which Clece operates also offers clear opportunities for development. On the one hand, the facility management of properties has registered sustained growth over the last few years that will be maintained in the future due to the increasing trend towards outsourcing, which enables own resources to be reduced and specialization to be increased in order to be able to respond to the increasing complexity of equipment and methodologies. This growth, together with clients' demand for the market to present a more concentrated and structured supply, suggests very positive perspectives for this activity.

On the other hand, the ageing population and increased life expectancy suppose an increase in the coverage needs of care services for social collectives in a situation of dependence. The practical application of the law regarding the aforementioned collectives promises a clear development of this activity.

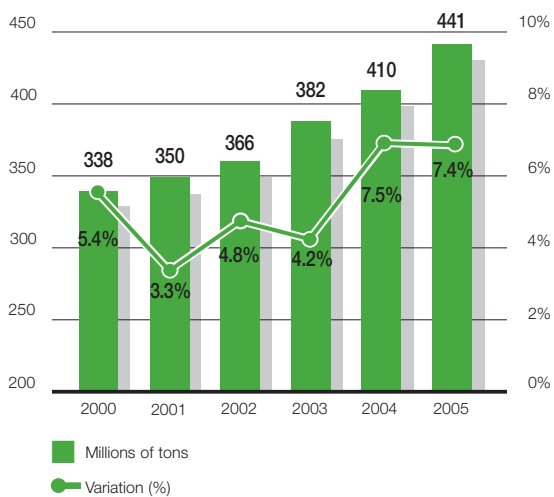
Furthermore, and as a consequence of the positive performance of tourism in Spain, air traffic is undergoing significant growth, of 9.1% in 2005, which increasingly leads airport installations and airlines to outsource higher quality services.

### Port and Logistics Services

The considerable increase in container traffic on the domestic and international market generates opportunities in the management of port terminals, as well as the liberalisation of market of rail transport of goods in Spain, which will foster the increase of our activity in the inter-modal transport sector.

In respect of the provision of added value and logistics services to industry, basically the automotive industry, business opportunities continue to arise thanks to the factories installed in Spain, which are complemented by imports, which continue to grow, and also as a result of the expected industrial development in emerging countries both in terms of manufacturing and consumption.

### Port transport evolution in Spain



Source: Statistics Department of the Office for the Planning and Management Control of Public Ports

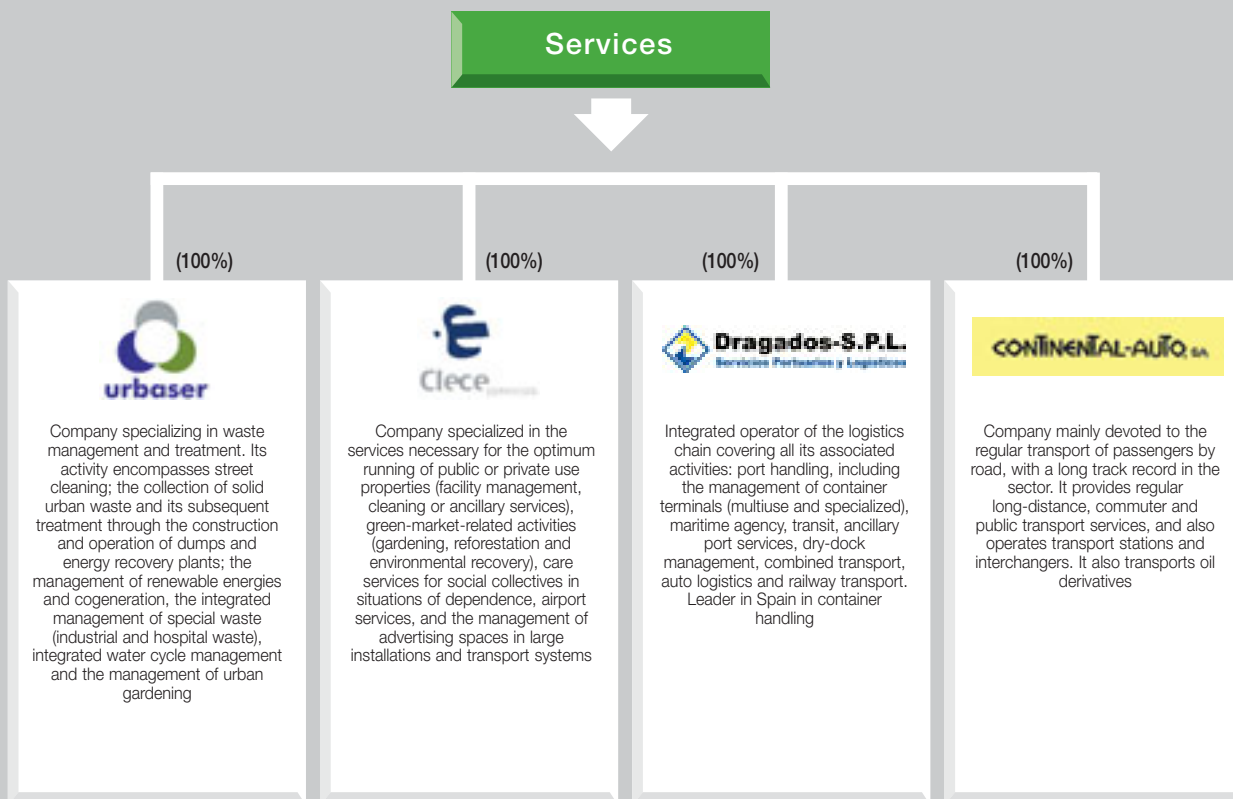
### Passenger Transport by Road

Passenger transport by road is also being favoured by the increasing population, by the immigration phenomenon and by the increase in tourism. The excessive atomization and regionalisation of the road transport sector in Spain positions it as one of the most fragmented in Europe, which will lead to processes of concentration and business alliances for its consolidation on a European level.

The growth perspectives offered by the liberalization process of railway concessions, in which Continental Rail obtained the classification of railway operator in 2005 from the Spanish Administrator of Railway Infrastructures, ADIF, together with Continental Auto's management and operation of interchangers, trams and light trains, make it a global operator, which in turn is strongly supported by the Strategic Plan for Infrastructures and Transport, PEIT, in its wish to optimise the complementarity of all modes of transport.



### Organizational structure





## Strategic objectives

In these activities, the ACS group maintains its focus on sustainable and profitable growth. This can be summarized as follows:

- To grow in the international field, particularly in urban and port services, organically and through acquisitions.
- To remain at the technological cutting edge of solid urban waste treatment plants and to continue to lead this sector.
- To develop new services aimed at collectives with care needs and retired Spanish and foreign nationals.
- To develop the management of interchangers.
- To improve the operational efficiency of all the companies.

## Activity in 2005

### Environmental Services

The ACS Group, through its company Urbaser, S.A., is the leader in the management of solid urban waste treatment plants in Spain. It currently manages 63 plants, with an installed capacity of 9.52 million tons (42% of the solid urban waste generated in Spain), which have treated 7.3 million tons and have generated a saving in CO<sub>2</sub> emissions of more than 3.6 million tons. The following stand out amongst the plants managed:

- Three plants in the environmental complex of Valdemingómez in Madrid.
- Three ecoparks in Barcelona
- Treatment and biomethanization plant of León.
- Integrated plant with energy recovery of Meruelo (Cantabria).
- Treatment and biomethanization plant of Zaragoza.
- Environmental complex of Mallorca (Tirme).

Energy recovery plants are managed with total installed power of 177 MW, which produced 591 GWh in 2005.

Included amongst the most important contracts for street cleaning and the collection of solid urban waste are the Madrid neighbourhoods of Argüelles, Latina-Carabanchel, Salamanca, Arganzuela, Puente de Vallecas, Chamberí, Moncloa and

Distrito Centro; those of the Northern Zone of Barcelona; and those of the cities of Alcalá de Henares, Almería, Cádiz, Denia, Elche, Jerez de la Frontera, León, Logroño, Málaga, Orense, Palencia, Santa Cruz de Tenerife, San Cristóbal de la Laguna, Santiago de Compostela and Toledo.

### Port and Logistics Services

In 2005, the ACS Group maintained its position as leading operator of container terminals in Spain, handling nearly 3.5 million TEUs. Worth special mention is its activity in the ports of Valencia, Las Palmas de Gran Canaria, Bilbao, Málaga and Caucedo (Dominican Republic) and the development of Terminales del Sudeste (Málaga), doubling the number of TEUs handled the previous year.

- In bulk materials, over 11 million tons were handled. Its activity in the ports of Santander, A Coruña, Valencia and Castellón deserve special mention.
- In other types of cargo, over four million tons were handled, mainly in the ports of Sagunto, A Coruña, Castellón, Valencia and Iquique (Chile).
- 1,100,000 vehicles have been transported, almost 500,000 of them handled through the ports of Barcelona and Santander, and activity has begun in Málaga port.

Likewise, in 2005, construction began of the terminal for solid bulk mineral materials in Santander port, for which the group had been awarded a 25-year contract, and operations in the container terminal of Jing-Tang port in China were consolidated.

### Integrated Services

In *indoor cleaning*, the following contracts in execution in 2005 are of particular interest:

- Cleaning of the premises of the Civil Guard and National Police.
- Cleaning of the installations and mobile material of the Madrid subway.
- Cleaning of La Paz Hospital, in Madrid.
- Cleaning of Carlos Haya Hospital, in Málaga.
- Cleaning of several Madrid universities.



In *social healthcare services*, the following contracts are of particular interest:

- At-home assistance in San Sebastian.
- Catering of Bellvitge Hospital.
- At-home assistance in Seville.

*Integral maintenance services* are provided for the following installations:

- Maintenance of the BSCH Financial City, in Boadilla del Monte (Madrid).
- Maintenance of several properties of the Directorate General of the National Police.
- Maintenance of the Dr. Negrín hospital, in Las Palmas de Gran Canaria.

In *gardening and environmental services*, the following deserve special mention:

- Maintenance of the motorways of the Mediterranean.
- Gardening maintenance of the city of Malaga.
- Tree pruning of Valencia.
- Protection of slopes in the Pyrenees axis.
- Correction of the environmental impact of the extension of Barajas airport (Madrid).
- Dune regeneration and environmental restoration of the Caño in marshland of Sancti Petri (Cádiz).

In *management of advertising spaces*, the activity carried out in several Spanish airports is worthy of mention, along with that of the Madrid and Barcelona subways, in RENFE (National Rail Company of Spain) and in the Ifema trade fair complex, in Madrid.

### Passenger Transport by Road

The most representative figures of the Continental Auto Group for 2005 are the following:

	2004	2005	Change
Turnover (Millions of Euros)	178	190	6.7%
Passengers transported (Millions)	58	62	6.9%
Tons transported (Millions)	2	2	-
Vehicles (Fleet)	978	1,029	5.2%
Kilometres driven (Millions)	110	115	4.5%
Employees	2,177	2,217	1.8%

In respect of goods transport, Continental Auto operates as a distributor of oil derivatives for Repsol in the areas of Burgos, Tarragona, Málaga, Granada, Motril, Córdoba, Sevilla, Cádiz and Almería.





## Contracts awarded in 2005

The Services order book of the ACS Group reached an all-time high in 2005, amounting to 13.230 billion euros, 10.4% more than for the previous financial year, with contracts awarded over the year amounting to 3.649 billion euros. The main contracts awarded were the following:

Millions of Euros

Main contracts awarded in 2005	Amount
Construction and operation of the SUW treatment plant in Marseille (France)	1,000.0
Cleaning and collection of SUW of Almería	160.0
Cleaning and collection of SUW of Santa Cruz de Tenerife	130.0
Operation of Verennes Jarcy treatment plant (Paris, France)	65.0
Cleaning service of the properties of the National Police and Civil Guard	63.2
Cleaning and collection of SUW of Santiago de Compostela	63.0
Conservation of municipal green zones of Madrid, in zone 3	40.0
Cleaning and collection of SUW of Denia	39.0
Construction of 3 composting plants in Valence (France)	38.7
Operation of the SUW of Merida	30.0
Cleaning and collection of SUW of the Vallecas PAU	29.0
Management of the luggage trolley distribution system of Madrid – Barajas airport	27.7
Collection of SUW of Miranda	26.0
Cargo transport from new terminals in Madrid – Barajas airport	25.0
Street cleaning and gardening in Chiclana de la Frontera	24.0
Collection of SUW of Vicente López (Argentina)	23.0
Extension of La Paloma treatment plant (Madrid)	21.9
Cleaning service of the centres dependent upon the ministry of health of the Regional Government of Valencia	19.0
Management of water of Navalmoral de la Mata	19.0
Collection of SUW of Móstoles	19.0
Cleaning and collection of SUW of Navalmoral de la Mata	18.2
Cleaning and conservation of green zones of Móstoles	16.5

In the Port and logistics services area, it is worth highlighting that since September 2005, Dragados SPL has been operating the new MSC terminal in Valencia, located in Muelle de Fangos, moving approximately 650,000 TEUs per year. Furthermore, an agreement has been signed with the Fangcheng Port Authority, in Guangxi Province (China), in order to operate the container terminal of that port.



## 1.3.2. Concessions

The Concessions area carries out activities encompassing project identification, bid preparation, the contracting of awarded projects, their financing, the setting up of the corresponding concessionaire, and the management and operation of transport infrastructure concessions, both domestically and worldwide.

With a proven track record both due to its pioneering role in the development of these kinds of contracts and thanks to the number of them that have been rolled out successfully in

a variety of countries, Dragados Concesiones de Infraestructuras, S.A. has been the world leader in the promotion, financing, construction, management and start-up of new transport infrastructures since 1994, according to the prestigious specialized magazine “Public Works Financing” (PWF).

In 2005 it was involved in various countries through 4 airport concessionaires who manage 15 airports, providing service to 30 million passengers; 3 railway concessionaires, currently at the investment phase, with more than 1,500 Km of track layout in total and 18 toll road concessionaires active in Spain, Chile, Ireland, Portugal, United Kingdom and South Africa.

Millions of Euros

Concession - Description	Stake		Country	Status	Km <sup>(4)</sup>	Expiry date	Managed investment	ACS <sup>(5)</sup> contribution
A8 - Bidelan Guipuzkoako Autobideak	50.0%	E.A. <sup>(1)</sup>	Spain	Operation	78	2013	54	3
AP1 - Bidelan	50.0%	E.A. <sup>(1)</sup>	Spain	Operation	46	2015	3	1
La Mancha highway	66.7%	Global <sup>(3)</sup>	Spain	Operation	52	2033	130	18
Alicante ring road	50.0%	E.A. <sup>(1)</sup>	Spain	Construction	147	2043	440	38
Trunk road 2 (R2 y M50) - Infraestructuras y radiales	35.0%	E.A. <sup>(1)</sup>	Spain	Operation	80	2028	499	44
Trunk roads R3/R5 y M50 - Accesos Madrid	23.6%	E.A. <sup>(1)</sup>	Spain	Operation	92	2049	1,075	156
Reus-Alcover	85.0%	Global <sup>(3)</sup>	Spain	Awarded	10	2038	54	9
Ruta de los Pantanos	25.0%	E.A. <sup>(1)</sup>	Spain	Operation	22	2024	96	4
Santiago Brión	70.0%	Global <sup>(3)</sup>	Spain	Construction	16	2035	109	14
Valladolid-Cuéllar	53.3%	Global <sup>(3)</sup>	Spain	Awarded	44	2041	97	7
Américo Vespucio Norte	45.9%	E.A. <sup>(1)</sup>	Chile	Operation	29	2032	630	92
Autopista Central (North-South Urban System)	48.0%	E.A. <sup>(1)</sup>	Chile	Operation	62	2031	828	151
Santiago Valparaíso (Ruta del Pacífico)	50.0%	E.A. <sup>(1)</sup>	Chile	Operation	129	2025	409	54
San Cristóbal Express (El Salto Kennedy)	50.0%	E.A. <sup>(1)</sup>	Chile	Construction	4	2035	82	15
Dundalk - Celtic - Northlink M1	33.3%	E.A. <sup>(1)</sup>	Ireland	Operation	54	2034	126	13
N25 Waterford ByPass	33.3%	E.A. <sup>(1)</sup>	Ireland	Awarded	24	2042	300	20
Scut da Beira Interior - Ramalho	25.0%	E.A. <sup>(1)</sup>	Portugal	Operation	187	2029	839	18
A1 Darrington-Dishforth	25.0%	E.A. <sup>(1)</sup>	United Kingdom	Constr. / Operat.	53	2036	349	7
A13 Thames Gateway	25.0%	E.A. <sup>(1)</sup>	United Kingdom	Operation	22	2030	364	9
Platinum Project – Bakwena – PT Operational Services	25.0%	E.A. <sup>(1)</sup>	South Africa	Operation	381	2031	356	16
<b>Motorways</b>					<b>1,532</b>		<b>6,840</b>	<b>689</b>
SCL	14.8%	N.C. <sup>(2)</sup>	Chile	Operation	1	2018	187	5
Aerocali	33.3%	E.A. <sup>(1)</sup>	Colombia	Operation	1	2019	16	3
Montego Bay	35.0%	E.A. <sup>(1)</sup>	Jamaica	Constr. / Operat.	1	2033	150	9
AMP (Aeropuertos Mexicanos del Pacífico)	28.2%	E.A. <sup>(1)</sup>	Mexico	Operation	12	2014 ( prorr. 2049)	179	91
<b>Airports</b>					<b>15</b>		<b>532</b>	<b>109</b>
Figueras Perpignan - TP Ferro	50.0%	E.A. <sup>(1)</sup>	Spain - Fr	Construction	45	2054	1,087	51
Metro de Sevilla (Guadalmetro)	31.1%	E.A. <sup>(1)</sup>	Spain	Construction	19	2038	478	29
Fenoco <sup>(6)</sup>	70.6%	Global <sup>(3)</sup>	Colombia	Constr. / Operat.	1,484	2030	300	29
<b>Railways</b>					<b>1,548</b>		<b>1,865</b>	<b>110</b>
<b>TOTAL</b>							<b>9,236</b>	<b>907</b>

<sup>(1)</sup> Equity accounting method

<sup>(4)</sup> Units for airports

<sup>(2)</sup> No consolidation

<sup>(5)</sup> Contributions made and pledged up to December 31<sup>st</sup> 2005

<sup>(3)</sup> Global consolidation

<sup>(6)</sup> Sold in March 2006



In 2005 the company was awarded 5 new concession contracts that are currently in their initial phase. The experience, human resources, technical capability and financial solidity of the company enable it to deal with any project regardless of its complexity or size.

The capabilities of the ACS Group have enabled it over the course of 2005 to start up, successfully, interoperable free flow toll concessions, with Dragados Concesiones thus placing itself at the forefront of the application of the latest techniques in communication, traffic and toll management.

The ACS Group furthermore has a stake in Albertis as principal industrial partner with a 24.8% stake at the close of the 2005 financial year.

## Strategic objectives

The creation of value through the promotion and development of concessions is carried out by means of the competitive use of the capabilities of the ACS Group's various areas, carrying out the said development selectively in accordance with the following objectives:

- To create value and improve profitability.
- To diversify projects in different markets.
- To foster synergies with the capabilities and activity of other companies of the Group.
- To play a leading role in the development of projects and the application of technologies.

## Activity in 2005

2005 was the year of reactivation of concessions in Spain, particularly due to the bidding processes of regional and local administrations, following a year of transition in which new bidding processes were practically non-existent. The ACS Group has been awarded the following contracts:

- 30-year concession of the Santiago - Brión shadow toll highway, in Galicia, stretching 16 Km. It is the first section of the future Santiago - Noia highway. The investment amounts to 110 million euros.
- Management of the operation and maintenance of the AP1 Eibar-Vitoria motorway, which starts from the A-8 (Bilbao-Behovia) and ends at Vitoria, for a 10-year period, with a possible extension to 15 years.
- Concession of the Waterford ring road, the N 25 motorway, in Ireland, for a period of 30 years. It is 24 Km long and includes a 400 m cable-stayed bridge that crosses the estuary. The investment amounts to 300 million euros.
- Concession for the construction and operation of the Reus - Alcover highway, in Cataluña, for a 33-year period. The operation of the highway will be carried out by means of the shadow toll method. The total anticipated investment amounts to 54 million euros. It is 10.2 Km long.
- Concession for the construction and operation of the Valladolid - Cuéllar highway for a period of 35 years. The operation of the highway will be carried out by means of the shadow toll method. The total anticipated investment amounts to 103 million euros. It is 43.5 Km long.



The following operations were completed over the course of 2005 in respect of the financing of the concessionary projects:

- Financing contract with Caja Madrid, La Caixa and Banco del Espíritu Santo for the amount of 268 million euros and an approximate period of 28 years for the Alicante ring road (Ciralsa).
- Cross Currency Swap (CCS) operation of Autopista Central in Santiago de Chile in order to eliminate the exchange rate risk entailed by servicing the debt in dollars. With this operation, the debt of 250 million USD has been exchanged for a certain flow in UF (Chilean monetary unit). The operation is guaranteed by MBIA by means of issuing a policy to the Official Credit Institute (ICO), which is the counterpart of the operation.
- CCS operation of Santiago de Chile Airport in order to eliminate the exchange rate risk entailed by the servicing of the debt in dollars. With this operation, the debt of 108 million USD has been exchanged for a certain flow in UF (Chilean monetary unit).

- Closing of the financing of the second phase of Montego Bay Airport, in Jamaica, for the amount of 35 million euros with the World Bank.
- Closing of the financing of the Santiago - Brión shadow toll highway for the amount of 54 million euros in the EIB section and 36 million euros in the commercial banking section, plus a VAT credit of 8 million euros.

Over the course of the 2005 year the following concessions have opened for traffic or start-up:

- The whole North-South axis of Autopista Central of Santiago de Chile, which crosses the entire city. The first section opened in 2004. It is the first urban motorway in Latin America and the third worldwide to use the TAG system, which avoids vehicle build-up, since there is no toll barrier, and invoices vehicle owners automatically.
- Shadow toll motorway from Toledo to Consuegra, 52 Km long.
- First phase of Montego Bay Airport, in Jamaica.





# 1.4

## Strategic Investments

The ACS Group actively participates in key sectors of the economy both directly and indirectly through its stakes as the reference industrial partner in Abertis, Unión Fenosa and Urbis. In 2005 it invested more than 3.326 billion euros in increasing its shareholding stake in these three companies.

### 1.4.1. Abertis

Abertis is the most important infrastructures company in Europe in terms of market capitalization and number of projects. Its main mission is the management of assets such as motorways, airports, car parkings, telecommunications infrastructures and logistics services.

Its results for the 2005 financial year show an increase in sales of 23% climbing to 1.906 billion euros and total net profit of 511 million euros, close to 5% above the previous year.

During this financial year the achievement of one of the most important operations in Abertis's history is worthy of mention: leading the consortium that has acquired Sanef, the French concessionaire. For Abertis this operation means:

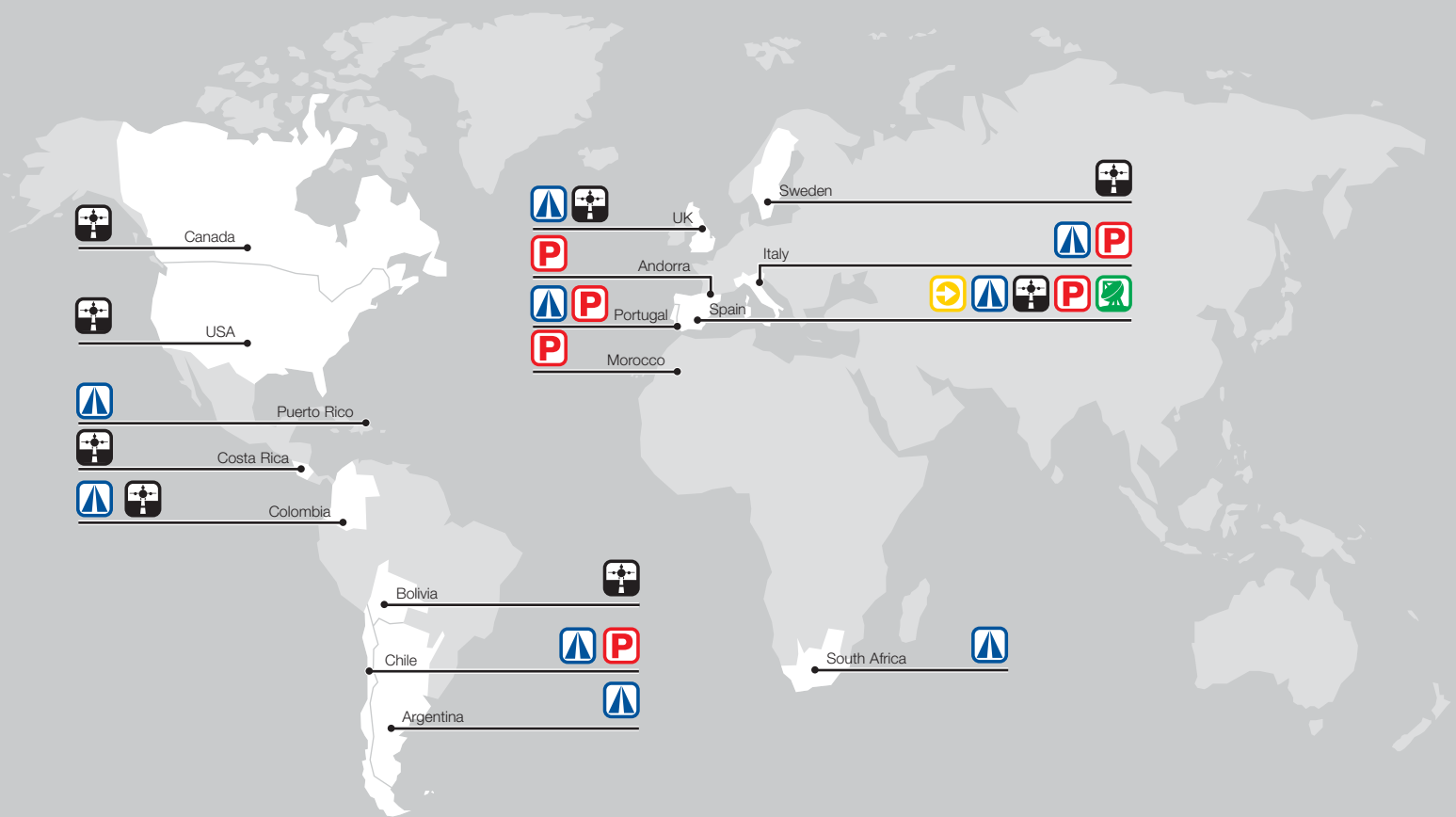
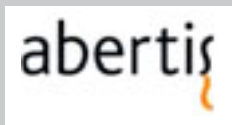
- Doubling the kilometres managed.
- Increasing the final horizon of the concessions.
- Increasing financial leverage.






The ACS Group invested 834 million euros in Abertis in 2005, which at the close of the financial year meant a stake amounting to 24.8% of the company.

As such, the ACS Group, through its presence in Abertis, participates in the operation and management of infrastructures within the value chain of the concessions business.

- It is an investment which has contributed 93 million euros to the results of the ACS Group in 2005 and which in turn has generated latent capital gains of around 1.3 billion euros.
- The Group promotes and supports the strategy of Abertis, which operates mature concessions and with a long concession horizon, with a stable and predictable cash flow.
- Abertis presents growth perspectives based on its financial solidity, a high number of opportunities on the market and its selective investment strategy.





-  Motorways
-  Airports
-  Car parking
-  Telecommunications infrastructure
-  Logistics services



## 1.4.2. Unión Fenosa

Unión Fenosa is the third Spanish electrical company, highlighting its position in 2005 as:

- The only energy company in Spain integrated within the gas and electricity sectors.
- It maintains a 13% share of the Spanish production market and 17% of the distribution market, mainly in Galicia and the central zone.
- It operates on the domestic market and in 11 countries in Europe and South America.

Energy	Power Installed	Production	Distribution*	Invoiced Gas	Clients (Thousands)
Spain	7,198 MW	28,774 GWh	33,000 GWh	19,227 GWh	3,460
International	2,723 MW	12,616 GWh	16,960 GWh	0 GWh	5,035
<b>Total</b>	<b>9,921 MW</b>	<b>41,390 GWh</b>	<b>49,960 GWh</b>	<b>19,227 GWh</b>	<b>8,495</b>

\* The international distribution figure refers to invoiced energy

Its results in 2005 have been very positive, registering growth of 36%, exceeding 6.075 billion euros, with net profit of 815 million euros, 114% more than in 2004.

The ACS Group became the company's main shareholder in September 2005 on acquiring 22.1% of the shares of the Santander Group, a stake that it has increased, reaching 34.5% of the shares. The total investment<sup>(1)</sup> amounts to 3.428 billion euros, 75% of which was financed through a non-recourse credit facility that is backed up by the acquired packet of shares itself.

Its contribution to the results of the ACS Group in the last quarter of 2005 has amounted to 11 million euros.

The ACS Group's strategy in Unión Fenosa is basically focused on:

- Using and sharing the knowledge of the electricity market which the Industrial Services area has developed over the course of more than 70 years of activity.
- Supporting the company in its domestic and international expansion, in both the gas and electricity sectors.
- Reinforcing the industrial nature of Unión Fenosa in its activities in the medium and long term.

## 1.4.3. Urbis

Urbis is one of the principal real estate companies in Spain, leader in managed assets and with a very significant presence in the businesses of real estate development, sale and leasing. It is currently in possession of:

- A land reserve of 4 million m<sup>2</sup> suitable for building that accumulates 1.280 billion euros of latent capital gains.
- Assets for leasing amounting to 650,000 m<sup>2</sup>.

After reaching a revenue of 889 million euros in 2005 and 148 million euros of net profit, in the period stretching from 1997 to 2005, Urbis has multiplied its revenue by 7 and its profits by 38, all accompanied by double-digit returns and a solid financial position.

The ACS Group has invested more than 69 million euros in 2005, with its stake climbing to 24.4%. This investment has contributed 30.5 million euros to the Group's profit in this financial year.

For the ACS Group, Urbis provides the possibility of investing in the real estate sector, which has undergone exceptional growth in Spain over the last few years and which presents stable and profitable future perspectives. This circumstance, together with the confidence that the Group has in the company's management team, strengthens the strategic nature of the ACS Group's stake.

<sup>(1)</sup>Includes 1.005 billion euros of investment in order to acquire an additional 10% of Unión Fenosa, through the Takeover Bid that it completed in March 2006.

