

## **ACS GROUP'S NET PROFIT ROSE BY 30% IN THE FIRST NINE MONTHS OF FINANCIAL YEAR 2005**

ACS Group had a net profit of €440 million at the end of the third quarter of 2005, 30% more than in the same period one year back.

The excellent performance of operational activities, both in the construction and service divisions, the significant increase in earnings from undertakings, and the sound financial situation of the Group are behind this outcome.

The consolidated turnover in the first nine months of the year amounted to €8,891 million, representing a 12% increase over the cumulative sales through September 2004. Sales abroad grew by a strong 27%, while demand in the domestic market remained steady, with growth in excess of 9%.

Gross operating profit (Ebitda) from January to September totalled €785 million, an 11.6% increase over the comparable figure for the first nine months of the year before. Meanwhile, the net operating profit (Ebit) through September totalled €596 million, 15.3% more than in the same period of 2004. These favourable operating results and the increase in the earnings of the companies carried by the equity method, which rose by 43.1%, allowed ACS Group's profit before taxes in the period to grow by 27.2% to a total €598 million.

### **Results by business areas.**

The significant increase in production during the third quarter allowed the Construction division to attain sales of €4,174 million at the end of the quarter, 7.9% more than the previous year. Net operating profit amounted to €261 million, which represents an 8.5% increase over the year before and a growth in sales by 6.3%.

Works contracting during the quarter also developed positively, taking the works portfolio to a historical high of €9,028 million, the equivalent of nearly 20 months of activity. Among the most significant projects awarded recently, there stand out the works to improve the M-30 thoroughfare in Madrid, the construction of new stretches of motorways in Catalonia, Castile-Leon, Castile-La Mancha and Galicia, the works for the enlargement of the underground in Madrid, Valencia and Palma de Mallorca, the construction of pier no. 9 at the Malaga harbour, the enlargement of the parking area at the Valencia airport, the erection of the police headquarters for the *Mossos d'Esquadra* in Catalonia, the construction of the new criminal investigation police headquarters in Canillas (Madrid), and the new courts in La Laguna (Tenerife).

The Industrial Services division prolonged the excellent performance shown throughout the year, with a 19.3% rise in sales to €3,010 million, supported by the substantial increase in international business (+29%), accounting for nearly one third of its activity. This significant increase has gone in hand with an

increase of the operating margin, which allowed the net operating profit to rise by 20% to €209 million, equal to 7% of sales.

Meanwhile, sales activity in the division kept up a high rate of contracting, mainly on the international front, as shown by an annual increase of the portfolio by over 23%, which took it to a high of €4,064 million (30% abroad), the equivalent of 12 months of sales. The current high price of oil and the strong energy demand across the world have sped up the investment of production capacity among the main companies in the industry, which include both oil and gas companies and electric power generation and distribution companies.

ACS Group is building on its experience and high-degree of technical expertise to expand internationally, as attested by the recent award of contracts for the construction of a desalinisation plant in Tlemencer, Algeria, the Lázaro Cárdenas Minatitlán III oil refinery in Mexico, the railway signalling systems in Chile, and transportation and distribution lines in Portugal, Brazil, Mexico, Panama and Zimbabwe.

There is likewise a strong demand in the electric power industry in the Spanish market, where the Group has been awarded a number of contracts for the construction and maintenance of combined cycle generation plants, such as the Cristóbal Colón plant in Huelva for Endesa, the Sabon plant for Unión Fenosa, and the Cartagena plant for AES.

The Services and Concessions division had a turnover of €1,786 million, 8.6% more than a year before, and a net operating profit of €149 million, which represents a 21.1% increase. These figures show a substantial improvement of the operating margin, which in the event of the net operating profit rose by 90 basis points to 8.3% of sales. Meanwhile, the contribution to the Group profit of infrastructure concessions carried by the equity method amounted to €60 million, representing an increase of over 35%.

One of the most important projects is that of the project, construction, financing and operation of the urban waste treatment plant of Greater Marseille, servicing over one million people. The Group's international growth has continued with the recent 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, ACS Group has been awarded contracts to clean and gather urban waste in Santiago de Compostela, Madrid, Santa Cruz de Tenerife, Almeria, Merida and Toledo, as well as comprehensive maintenance contracts in a number of hospitals in several Self-governing Communities. The total portfolio at the end of September amounted to €12,457 million, 11.3% more than 12 months back and the equivalent of over five years of activity.

### **Cash flow.**

During the first nine months of the year, ACS Group generated funds from its operating activities totalling €774 million, nearly three times the cash flow in the same period one year earlier. This strong capacity to generate operating cash

flow has enabled the Group to continue to pursue its ambitious investment policy, aimed at guaranteeing profitable growth over the coming years.

### **Investments.**

The Group's total investments during the nine-month period amounted to €3,482 million, of which €2,219 million correspond to the acquisition of a 22.07% stake in Unión Fenosa. The remaining €1,263 million went to net investments during the first nine months of the year, including €252 million invested in the industrial services division, mainly in assets related to the generation, transportation and distribution of energy, €118 million in assets for environmental, harbour and logistical services, and over €750 million in the field of transportation infrastructure concessions. In addition to the above, €65 million have been invested in the acquisition of specialised equipment, for the construction business, mainly tunnel boring machines.

### **Borrowing.**

Net borrowing, without considering project finance, amounted to €1,380 million at the end of September 2005, 17.2% lower than 12 months back. Aside from this, project finance amounted to €579 million, 68.8% more than in September 2004, as a result of investments in projects with financing structures that do not tap shareholder funds.