

**REPORT OF THE MANAGING DIRECTOR**

**FCC, S.A. GENERAL MEETING OF  
SHAREHOLDERS**

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## **REPORT OF THE MANAGING DIRECTOR**

Ladies and gentleman:

It gives me great pleasure to stand before you for the first time to report on the company's progress and, what is even more important in my opinion, to explain the company's plans for the immediate future which promises to be full of business successes that will most certainly translate into the creation of value for our shareholders.

In this, my first appearance before you which holds such special meaning for me, allow me to begin by expressing some very deep personal feelings.

I have devoted my entire professional career, absolutely and uninterruptedly, to the FCC Group. You can therefore imagine how grateful I am to the shareholders of reference for having had enough confidence in me to entrust me with leading the executive staff of this magnificent company.

I would particularly like to express my gratitude to Esther Koplowitz, the person responsible for my appointment as the Managing Director.

Thank you, Esther. We've known each other for many years and you know that my fondness and admiration for you have only grown with the passage of time. Your decisions regarding FCC have always

been dictated not only by your business sense but also by your boundless generosity in order to preserve and expand the legacy left by your elders and to safeguard the unity of the company and its nearly 64,000 jobs which grow stronger year after year.

With the disappearance of Veolia as a shareholder last year, you demonstrated once again your courage, generosity and love for the company by once more assuming a considerable risk that many would most certainly have declined.

And as far as I am concerned, I am indebted to you and can only hope that I have the time to repay you for your faith in me with loyalty, dedication and efficacy.

You've chosen several new partners who have made a commitment to a stable investment and have joined the Board of Directors of FCC. From here, I would like to express my most sincere acknowledgement for their confidence in the Group. I am referring here to Inversiones Ibersuizas, represented by Luis Chicharro; to José Llorens, Robert Peugeot, Familia Aguinaga, represented by José Aguinaga, Pedro Agustín del Castillo and to Bodegas Faustino, represented by Lourdes Martínez, in addition to Banco de Negocios EBN, a company specialising in private banking composed of a series of prestigious financial institutions.

I can assure you that these new partners are in complete harmony with the Group and that they have expressed their full support of and confidence in its executive management staff.

This introduction would not be complete without dedicating a few words to Marcelino Oreja, the Executive Chairman of FCC since December 1999.

I am truly grateful to have had the opportunity to work very closely and productively with him for nearly six years.

Marcelino Oreja joined FCC as its Chairman and CEO at the end of 1999. Over the years we have become friends and during that time he has left me the legacy of his experience, his talent for keeping harmony and his impeccable management style. Many thanks on behalf of the entire Group for his work, often under very difficult circumstances.

And now, with your permission, I will begin the Management Report for the FCC Group for financial year 2004. I will try not to be too long-winded, starting with a few brushstrokes of the macroeconomic framework in which events unfolded last year.

## **THE SPANISH ECONOMY IN 2004**

According to the new National Accounting Standards, the Spanish economy experienced a certain acceleration last year with a growth rate of 3.1%, two-tenths more than in 2003 and the highest figure since 2001 when the economy grew by 3.5%. In the twelve countries of the euro zone, the gross domestic product grew by 2.1% and Spain was third in terms of growth, behind Greece and Finland, and above France with 2.3% and Germany 1.7%. The GDP in the United States was 4.4%.

As of the forecasts calculated last April, the European Commission estimates that the economy in the euro zone will only grow by 1.6% in 2005 and 2% in the European Union as a whole, thanks to the new member companies who started out at less developed levels. For Spain, the European Union foresees growth of 2.7%, while the government places it at 2.9% and the OECD above 3%.

According to the National Statistics Institute, during the first quarter of this year the Spanish economy grew at a year-on-year rate of 3.3%, compared to 1.4% for the euro zone. Also during the first quarter, the construction sector grew by 5.6%.

## **THE FCC GROUP IN FIGURES**

FCC's **consolidated turnover** was 6,286,000,000 euros, 4% higher than the year before. This increase was possible thanks to the positive evolution of all of the Group's strategic areas: Services-

Versia (+35%), Environmental Services (+6.5%), Construction (+4.7%) and Cement (+1.8%).

Since 1998, when the Group had sales of 3,303,000,000 euros, the cumulative mean annual growth rate has been 11.3%, basically through organic growth, which gives you an idea of the management team's strength and competitiveness.

In 1998, construction business accounted for 56% of net turnover; services for 30% and cement 10%. In the years that followed, this x-ray has changed considerably, with services playing a more important role to the extent that last year construction represented 49%, services 37% and cement 14%.

However, if we consider that some of FCC's activities recorded under construction are actually services, as in the case of infrastructure management, for example, and that they account for 3% of business, then the revenues from construction last year were 46% and from services 40%.

As far as the **geographical distribution** of sales is concerned, business in Spain continued to grow steadily at a rate of 4.3%, while the international area grew by only 0.5%, its contribution to turnover decreasing to 10.2% of the total. This relatively low level of international activity was due fundamentally to lower cement prices in the United States, the depreciation of the dollar compared to the euro and Group's policy of prudence in Latin America.

The **gross operating profit (EBITDA)** was 851,000,000 euros, up by 5.9%. This growth represents an increase in the sales margin of 0.2 points, to 13.5%.

The contribution of the different activities to the Group's turnover was as follows: Services (44%), Cement (31%), Construction (19%), Torre Picasso (2%) and others (4%).

The **profits from ordinary activities** were 570,000,000 euros, with an annual increase of 9.4%, which represents a margin of 9.1% on the Group's total sales.

If we incorporate into the ordinary profits the income from extraordinary operations, which last year amounted to 33 million euros, basically generated by the reorganisation of the Group's insurance activities and the sale of 10% of Safei, the **before tax profits** were 603 million euros, up 21.6% over the year before.

The **profits earned by the parent company**, after deducting the corporate income tax which was 26.4% last year and the profits earned by minority shareholders, were more than 388 million euros. Not only does this represent a 26% increase over the year before, but also an improved profit margin which was 6.2% compared to 5.1% the year before.

The contribution to profits by the parent company continues to be led by Cement (29.9%), Services (24.3%) and Construction (20.1%).

At this point I'd like to mention that Realia, our real estate company, contributed 14.7% to the parent company's profit last year.

This excellent evolution of our profits, combined with what we are allocating to fixed asset depreciation, translates into the generation of cash-flow in the amount of 715.1 million euros.

Last year the Group invested a total of 624.6 million euros, a figure which is practically equal to that invested the year before. From a comparison of cash flows and investments, we see that those investments were fully financed with the cash generated, after which the surplus cash-flow balance was still more than 90 million euros.

The Group's net indebtedness as of 31 December was 250.8 million euros, when just the year before it had been 546.7 million. This means that the leveraging ratio was 9.3%, while in 2003 this percentage was 19.7%. The indebtedness ratios we are talking about here are the lowest of any of the construction companies quoted on the stock Exchange.

And to conclude our discussion of the Group's basic parameters, we should note the portfolio of outstanding construction and services. 2004 ended with 16,405,000,000 euros, a new record compared to previous financial years.

If we update these data to May 2005, the figure would be 18,409,000,000 euros, which represents an increase of 12.20%, at the mid-year point, over the end of financial year 2004.

Having concluded this brief summary of the Group's economic variables for the 2004 financial year, I will now summarise the most notable events in the sectors where we do business.

## **SERVICES**

As you know, FCC's service business is divided into two main groups: environmental services and those handled by Versia.

### **ENVIRONMENTAL SERVICES**

The first block includes city sanitation, water management and industrial waste treatment.

- In **city sanitation** services we are the undisputed leaders in Spain with a solid presence in other European countries such as Great Britain and Africa. All told, we provide services to more than 44 million people in 3,500 municipalities.

Last year in Spain alone we were awarded 134 new contracts and renewed 267 existing ones in street cleaning, building cleaning, parks and gardens maintenance and waste collection and treatment.

In Latin America, the city sanitation and water treatment services are handled by Proactiva Medio Ambiente, a company owned in equal parts by FCC and Veolia Environnement. The economic situation on this continent has improved considerably in recent months, which has

consequently redounded to an improvement of our situation and a promising outlook for the future.

Allow me under the heading of city sanitation in general to stop briefly to highlight the efforts being made by our technical services to enable us to continue to be pioneers in the research and development of new cleaning and trash collection equipment. We have the most versatile, least polluting and quietest vehicles on the market, which gives us a significant competitive edge over our competitors in the tenders in which we take part.

- In **water management**, which is handled under the trademark **AQUALIA**, we serve a population of 7.5 million people residing in 735 municipalities. This is a branch of our business we can be truly proud of, where in just 15 years we have gone from having no contracts to being the second Spanish company in this sector, with a portfolio of more than 5,000,000,000 euros with a market share of 36% in the privatised sector.

In 2004, the company Servicios y Procesos Ambientales (SPA), which specialises in the design and construction of drinking water, wastewater treatment and desalination plants, became part of Aqualia in order to foster the development of this activity to the maximum.

- In the treatment of **industrial waste**, where we operate under the **ÁMBITO** name, turnover rose by nearly 30%. In this area we are taking maximum advantage of the opportunities offered

by the new European directives, with special attention on private clients. We were recently awarded a contract for the first plant for the treatment of industrial and hazardous waste in Portugal.

## **VERSIA**

The rest of the service activities fall under the common umbrella of FCC Versia.

- **Airport handling** is the responsibility of the company **FLIGHTCARE**, which in 2004 became the leading Spanish third party handling company, excluding self-handling by airline companies. It has won contracts in Belgium valued at more than 700 million euros, specifically at the Brussels and Brujas-Ostende airports.
- **Logistics** services have experienced a boost with the purchase in 2005 of the **GRUPO LOGÍSTICO SANTOS** which, along with **AITENA**, make us the leaders in this activity on the free Spanish market, with the exclusion of Logista which handles logistics services for Altadis. We have 650,000 square metres of storage capacity spread out over 64 operating centres in Spain and Portugal and more than 1,700 vehicles for transporting goods.
- **Cemusa**, the Group company which manages advertising, primarily on urban furniture supports, continues its international expansion. A good example of this is the recent

contract for the management of urban furniture in Boston (US), which is added to those previously awarded in Miami, San Antonio (Texas), Genoa and Parma and most recently Bologna.

In Spain, Cemusa continues to be the undisputed leader and was recently awarded a contract in Vitoria.

It currently manages 104,000 advertising supports and elements in 120 cities in Europe and America.

- **Conservación y Sistemas**, which specialises in the conservation of urban infrastructures and traffic control, is becoming more heavily involved the installation of highway toll systems for both traditional and shadow toll arrangements.
- In **parking spaces**, we manage 110,000 on-street and 12,500 underground regulated parking spaces. During the last financial year, the city of Madrid chose the subsidiary **ESTACIONAMIENTOS Y SERVICIOS** to manage 12,300 new on-street parking spaces.
- We have 52 **ITV (technical vehicle inspection) locations** in Spain and Argentina which will soon be increased to 57 with the inauguration of five more in the communities of Aragon and Valencia.
- The most significant event in **passenger transport** last year was the inauguration of the Barcelona streetcar system which in just seven months was used by more than seven and a half million travellers and has been very well received by users.

The recent concession award for the Málaga metro will further strengthen this activity.

## **CONSTRUCTION**

The construction sector continues to grow in Spain in a cycle which began in 1997 and which is now the longest running cycle in recent history. Last year, construction activity grew by 4% and the figure for the year in progress is expected to be very similar.

One of the determining factors when analysing this sector's progress is the future performance of public tenders. Last year, the contracts put out to tender by local and regional governments and autonomous communities rose by 18%.

Within this framework, **FCC CONSTRUCCIÓN** performed admirably in all subsectors. While in the rest of the construction companies quoted on the stock market this activity declined by 5.5%, FCC's turnover in the construction sector increased by 4.7% to a total of 3,090,000,000 euros. This clearly demonstrates the skill of this subsidiary's management staff.

In addition, the contracting efforts were compensated with new construction work valued at 3,422,000,000 euros, 14% more than in 2003. With these new contract awards and despite the volume of construction work completed, on 31 December FCC Construcción marked a new historical record with more than 4,351,000,000 euros of work on order, 19% more than the same date the year before.

The company's competitiveness has translated into nearly 150 new contracts running the entire gamut of this activity line.

To conclude my comments on the Construction area, I would like to touch on the **El Carmel**, the unfortunate accident that occurred in this Barcelona neighbourhood last January when the metro tunnel being built by FCC Construcción in a joint venture with two other Catalán companies collapsed.

First of all I would like to lament this unfortunate event, while at the same time celebrating the fact that no one was physically injured.

Having said this, I would like you to know that I am fully convinced that our personnel acted at all times with their characteristic professionalism and abided by the most stringent construction and safety rules existing for this type of work.

With all due respect for the court's impending decision, I believe that the accident was due to a fault in the terrain and that the joint venture, with the information available from the geological studies previously conducted, could not have avoided or prevented the collapse.

From the very beginning, FCC Construcción made itself available to local authorities to palliate, to the extent possible, the damages and to prevent any further collapses in the area. In this regard I would like to note the company's close and full collaboration with the authorities at all times.

## **CEMENT**

And now I'd like to talk about a company that is very close to my heart: **CEMENTOS PORTLAND VALDERRIVAS**, which operates in two privileged markets: Spain, the world's largest per capital consumer of cement and the United States, the world's third largest cement consumer whose market is clearly expanding.

In Spain, Cementos Portland Valderrivas has six cement factories (Olazagutía, Mataporquera, Lemona, Hontoria, Morata de Tajuña y Alcalá de Guadaira) and it is the second cement manufacturer in terms of market share, with 17%. In the United States it has three factories and occupies a prominent position on the country's east coast (Carolina, Virginia, Pennsylvania and Maine, as well as a terminal in Norfolk).

In addition to its cement factories, Cementos Portland Valderrivas has 113 concrete factories, 46 aggregate quarries and eight dry mortar plants. In the year 2005 it has acquired 19 concrete factories in Spain from the British company Hanson. The volume of sales of these new assets is 1.2 million cubic metres per year.

With this operation, Cementos Portland Valderrivas has reinforced its position in the concrete market. Its catchment area in Spain encompasses 20 provinces. Its 570 concrete mixers cover an average of 45,000 kilometres each day to satisfy customers' needs.

In 2004, Cementos Portland Valderrivas surpassed its own record for annual cement and clinker sales with 10.2 million tons, which represents an increase of 2.2%.

The net turnover was 882 million euros. This means that the average annual increase since the year 2000 was 7%, despite the constant depreciation of the dollar against the euro, which has had a negative impact on revenues from the United States. In 2004, the company's EBITDA was 265 million euros.

The renovation of two factories in the United State to convert their clinker furnaces from wet to dry systems has just been completed. This will improve productivity considerably. This, combined with the recovery of prices in that market, should boost profits to the point where the difference can be seen in this financial year. Just last week a new plant was inaugurated at our facility in Harleyville (South Carolina), where we have invested 108 million euros in a new dry system furnace that will produce a million tons annually at highly competitive prices.

## **REAL ESTATE**

FCC is present in the real estate sector through the Torre Picasso, the largest office building in Spain in which the Group holds an 80% stake and through Realia Business, a company which is owned equally by FCC and Caja Madrid.

## **REALIA**

Realia closed the last financial year with turnover of 574 million euros, which represents an increase of 22%, and net profits of 129 million euros, 15% more than the year before.

As part of its real estate development business, in 2004 the company started the construction of 2,058 new homes and proceeded to purchase land in different parts of Spain. At this time it has land reserves of more than 10 million square metres on which more than 30,000 homes could be built in the future.

It also has 500,000 square metres of assets in the form of office space and shopping centres located in the business districts of Spain's largest cities, with more than 40 unique buildings where the mean occupancy remains steady at 97%.

In 2004 the company consolidated its activities in Portugal where it owns more than 85,000 square metres of developable land, and in Poland with the creation of a residential real estate development company.

In conclusion, we can only emphasise our satisfaction with Realia's performance and the good relationship with Caja Madrid, our partner in this business.

### **TORRE PICASSO**

FCC's other real estate asset is Torre Picasso, Spain's largest office building located in the AZCA area near the Paseo de la Castellana in Madrid with a constructed surface area of 121,000 square metres.

FCC owns an 80% stake in the ownership condominium of this unique building, which in 2004 took in revenues of 21.5 million euros and had EBITDA of 18.7 million euros and an average occupancy rate of 94%.

## **THE FUTURE: FCC IN GROWTH**

So far I have explained to you briefly the company's performance during 2004. What I would like to focus on now is the future and our plans to make FCC an even larger and more profitable company.

What I am going to explain to you now is a synthesis of our Strategic Plan for the next three years which has been approved by the Board of Directors and which we have announced to the media and to the domestic and international markets.

Over the last six years, FCC's growth has been fundamentally organic; in other words, we have grown thanks to the increased volume of business, to our competitiveness and to the market shares we control in our fields of activity, without any active acquisition policy to speak of. But the shareholder structure of the majority shareholder, B-1998, S.L., has changed with the disappearance of Veolia Environnement and the entrance of new partners. We are presently on the threshold of a new age marked by a conscious decision to give FCC a strong push toward further growth which will be based, as it has been to date, on internal development as well as new investments in the Group's strategic areas.

Our Group is in a unique position to achieve these objectives: position of reference in our strategic activities; demonstrated management efficiency and indebtedness capacity. At the end of 2004, our debt was barely 250 million euros, which is a mere 0.3

times the Group's EBITDA and 9.3% of the leveraging ratio, understood as the ratio between net indebtedness and total available funds (shareholders' equity + debt). As you can easily deduce from this, our investment capabilities are notable, but we will proceed with caution so as not to jeopardise the Group's financial stability at any time.

In the pursuit of these objectives we are backed by the firm commitment and support of our shareholders of reference.

The acquisitions, valued at approximately 3,000,000,000 euros, will focus exclusively on the services, construction and cement areas and the process of gradually increasing the importance of services will continue.

We have already assigned the staff and allocated the resources needed to identify, analyse, negotiate and conclude any investment alternatives that fit in with our strategic objectives.

I must tell you that this new policy has already commenced with the purchase last February of the Grupo Logístico Santos which I referred to briefly above.

The specific goals we have set for ourselves are as follows:

- Within the next three years, reaching a sales volume of 10,000,000,000 to 12,000,000,000 euros.

- Heightening the Group's international presence to the point where international business accounts for 35% to 40% of the consolidated turnover.
- Increasing gross operating profits to between 1,400,000,000 and 1,600,000,000 euros.

Our goal is to attain these objective without exceeding a leveraging rate of 50% of shareholders' equity and maintaining a debt to EBITDA ratio of less than 2.5 times, with the prudent intention, as indicated above, of not jeopardising the Group's financial stability at any time.

These ratios, if they can be maintained, will not alter our balance sheet in any substantial way and will be below the average for our competitors, who have leveraging rates of 56% and net debt to EBITDA ratios of 4.5.

On a closer horizon, for 2005, taking only organic growth into account until the investments begin to materialise in a professional and prudent manner, the forecasts call for an increase of 4% to 6% in our turnover and an increase in gross operating profits between 8% and 10%.

We are fully convinced that we will achieve our goals, because in addition to the favourable circumstances that I have explained to you above, there is one more very important one: enthusiasm. We are faced with an exciting challenge and I can assure you that the excitement has spread through the Group's entire executive staff, as I had the chance to see for myself at a meeting of 300 executive

when I broke the news to them firsthand of the strategy we had designed for the Company's future. The entire staff of FCC is very excited about the new horizon stretching out before us and I can assure you that we will make the most of this opportunity.

Allow me at this point to remind all of you of a special group of employees who are one of our most important assets: the FCC staff, those departments that are not located directly on any production line but which are indispensable nonetheless.

I am referring to Administration and Finance, Personnel and Resources, the Secretary General's Office, Legal Affairs, Communications and Corporate image, and the recently reinforced Internal Audit Division.

I can assure you that this is a magnificent group of people in whom I have come to place my trust over the course of my extensive career with the company and who will provide us with invaluable support in the attainment of our goals.

## **FCC: AN ENVIRONMENTALLY MINDED COMPANY**

Because of our position and responsibility as a leader in the urban sanitation services sector, we are committed to promoting, anticipating and investigating all of the environmental protection requirements applicable to our work.

But this concern is not limited to services. Each and every one of the FCC Group's activities involves special concerns in terms of sustainable development, this being understood not as Utopia but rather as an achievable goal.

In the **Services Area** we have made a very important and decisive commitment to invest in numerous R+D projects which have enabled us to develop our own technology in order to improve our operations and efficiency.

Among the many initiatives we have undertaken is the creation of a "business competence team" composed of fourteen highly qualified engineers assisted by an auxiliary staff who develop the different projects, all with a view toward implementing them "in situ" and on the proper industrial scale to guarantee their practical application.

This group has signed and developed collaboration agreements with twenty-two organisations and entities relation to applied technological innovation. Allow me to mention just two of them:

The GESCON application which is the cornerstone of a system that is used to consolidate, integrate and utilise all available data for calculating sustainability indicators.

With this system, implemented in April 2002, we are able to keep exhaustive information on all of the parameters and services we manage permanent up to date: population serves, production metric, elimination process, recycling, etc.

The other project involves the use of compressed natural gas a fuel for our trucks as an alternative to diesel fuel.

At this time, hundreds of our vehicles use gas as a fuel. To make this possible we have had to adapt the engines and the filling and control plants, all designed by our staff. The objective: to reduce noise pollution considerably and drastically reduce emissions of CO<sub>2</sub> and SO<sub>2</sub>, two gases that are directly related to the greenhouse effect.

And this policy has yielded some very gratifying results. I'll give you just one example: Did you know that the garbage trucks driving through the streets of Paris use FCC's compressed natural gas technology?

Let me assure that for all of us and particularly for our research staff, this is a source of deep satisfaction.

With regard to **construction**, the efforts and the concerns are the same in this area. Evidence of this can be seen in the fact that last

year FCC Construcción published its first Sustainability Report which is the culmination of a progressive modernisation process of its management systems which has converted it into an increasingly efficient and increasingly responsible organisation from a social and environmental point of view.

The document was drafted following the recommendations of the 2002 Global Reporting Initiative (GRI) and is available to the public on the FCC Construcción website.

As indicated in the Sustainability Report, FCC Construcción has an Environmental Management System implemented on all job sites and at all locations where its activities can have an impact on the environment. On this point I would like to offer you just one piece of information: on 90% of the company's job sites the volume of inert waste transported to dumps has been reduced by more than 20%.

And now let's talk briefly about **Cement** and its commitment to the environment.

We are obviously a company that makes cement but we are also a company that has managed to strike a balance between industrial production and environmental protection.

We have made considerable efforts in this regard, with visible results.

I'll share some of our achievements with you: the SIGEMA (Environmental Management) system is recognised as the best tool

for preventing pollution and contributing to sustainable development. We began in 1996 with the goal of implementing this system in all of our facilities and obtaining certification by the official accreditation organisation.

The first factory to achieve this goal was the one in Hontoria (Palencia) in 2001, followed by El Alto (Madrid) and Olazagutía (Navarra) in 2002 and 2003, and finally the one in Alcalá de Guadaira (Sevilla) In July 2004.

On a different but equally relevant front, the Kyoto Protocol which limits the atmospheric emissions of polluting gases has been the object of special attention by Cementos Pórtland, which has set for itself the goal of not only attaining but also bettering the permitted emission levels by using alternatives to fossil fuels and modernising the filters and control systems at its facilities.

And to conclude our discussion of environmental concerns, **Realia**, the flagship name of our real estate business, has also assumed its responsibility for environmental protection. Each one of its real estate development projects includes a specific environmental management plan and an energy efficiency program as well as a waste treatment plan which spans recycling through elimination. Finally all of its installations are designed with water and energy savings in mind.

## **EMPLOYEES: THE KEY TO OUR SUCCESS**

I'd like to talk about the employees now, without whose collaboration it would have been impossible to get where we are today, not to mention the impossibility of achieving the ambitious objectives I have just outlined for you.

At the end of last year there were 63,602 of us. This figure means that 1,812 jobs were created last year. To give you an idea of the growth in the number of employees, suffice it to say that at the end of 2000 there were 50,042 and as of May 2005 that figure had grown to 68,000. We are proud of each and every one of them and would like to extend our sincere thanks to them from here for their enthusiasm and professionalism.

One of the main concerns of the Board of Directors and the Group's management staff is ongoing employee **training** and occupational health and safety.

Here are some very telling figures: In 2004, some 3,313 training courses were offered, attended by 37,387 employees, for a total of 492,230 classroom hours. These courses were intended to raise the level of occupational risk prevention and improve the students' technical and professional skill levels.

The efforts devoted to **occupational risk prevention** have yielded the desired results. We can be proud of the fact that the incidence and seriousness of our occupational accidents are three times lower than the average for the construction sector. However, we are well aware that regardless of the energy invested it will not be enough if

we must lament even one tragedy caused by a serious occupational accident.

Last year, the Group's magnificent **medical services** took more than 100,000 health-related actions intended to improve our employees' health and prevent diseases.

In a Group with more than 68,000 employees pertaining to a variety of production sectors, **labour relations** are very important. These relations have always been guided by a spirit of negotiation and collaboration, as evidenced by the 302 collective bargaining agreements signed which regulate the working conditions of 37,520 employees, which gives you an idea of our excellent relations with the different labour unions and the exceptional skills of our Human Resources department

## **STOCK MARKET EVOLUTION**

With regard to the evolution of our stock, I must say that FCC's stocks have been performing very well for several years now. The Group's stock closed the year at 35.43 euros per share, which represents an increase of 21.17% over the year before, while the IBEX 35 ended up by 17.30%.

But this increase in 2004 was preceded by an even greater increase in 2003 of 36.6% and yesterday, as the Chairman mentioned earlier, our stock closed as ....., which represents an increase of .... so far this year. We can therefore be very satisfied with the performance of our company's stock and we will continue working to create value for the Group, which is undoubtedly the best policy for our shareholders.

## **DIVIDENDS**

If you approve the proposal to be decided by vote, the total dividend paid out against 2004 profits would be 1.36 € per share. This amount is divided into an interim payment of 0.68 € per share on 10 January 2005 and a complementary payment in the same amount to be paid in July.

This dividend is 27.5% higher than last year's, which in turn had increased by 93.7% over the previous year and a payout of approximately 50% of the net profit after deducting extraordinary profits and the tax effects. It also represents a yield of close to 4% on the price of the shares at the end of the financial year, despite the appreciation of recent years. This yield is one of the highest of all companies quoted on the stock exchange.

To give you an idea of the dividend we are proposing for your approval, we must compare it to those of previous years. For example, the dividend paid against 1999 profits was 0.29€ per share, which means that in the last five years the dividend has multiplied by 4.7.

It is the intention of the Board of Directors to keep the payout at around 50%, which provides our shareholders with a fair remuneration without having an impact on our financial situation and without posing an obstacle to the expansion plans outlined above.

In closing, we can affirm that 2004 was a good year for the FCC Group, with very satisfactory growth of all indicators, considering

that those increases were achieved almost exclusively through organic growth.

We have set some ambitious goals for ourselves for the future, which we are confident can be achieved through efficient management and an active acquisition policy with the support of our shareholders of reference through their representatives on the Board.

Our intention is to lay the groundwork for a new era at FCC, an era of growth, stability and the creation of value.

Finally, I would like to thank you all for attending this Assembly and for your support of our proposals and objectives for the future.

Thank you very much.