



Annual Report 2005

The FCC Group
Areas of activity
Corporate responsibility
Corporate governance
Financial statements



Annual Report

2005



Contents

Letter from the Chairman	2
Letter from the Managing Director	4
Governing Bodies	7
Strategy	9
The FCC Group in Figures: Consolidated Figures	11
The FCC Group's areas of activity	19
Services	21
Construction	43
Cement	77
Real estate	85
Other sectors	90
Corporate responsibility	93
Corporate governance	187
Financial statements, Management reports and Auditor's report	241
Executive Personnel	393

Letter from the Chairman



Dear shareholders,

This year's notes on the accounts and annual report that you hold in your hands include a great new feature, the 2005 **Corporate Responsibility Report**, the first such report FCC has ever given. It was prepared according to the 2002 Guide put out by the Global Reporting Initiative (GRI) and gives a balanced, reasonable presentation of our company's economic, environmental and social endeavours.

Our point in publishing this report is stress the commitment and values that guide the people who work at FCC, in the shape of specific actions and programmes reaching throughout all our activities.

This commitment is not the product of any new practices, but of the entire organisation's complete conviction that a commitment to corporate responsibility is overwhelmingly important to a developed, socially and environmentally engaged society, and that, in addition, it is intrinsically a source of greater value for shareholders.

I am sure the Corporate Responsibility Report will be fleshed out in the years to come with more and better information, because the well-staffed team in charge of writing it bring to their task enthusiasm and professionalism to spare.

This year the accounts have been prepared for the first time in accordance with the **International Financial Reporting Standards (IFRS)**, in accordance with European rules and Spanish law. The adaptation process went quite smoothly, as FCC began the change in October 2002 and all the company's business units have been involved.

This volume also includes the **Annual Corporate Governance Report**, which was approved by the Board of Directors at its meeting of 31 March and duly reported to the Spanish Securities Market Commission. The Corporate Governance Report reviews the company's shareholder structure and the functions of each of the delegated committees of the Board of Directors: the Executive Committee, the Strategy Committee, the Audit and Control Committee and the Appointments and Retributions Committee.

This is the third Corporate Governance Report the Board of Directors has prepared in its ongoing drive to attain greater company transparency, competitiveness and efficiency.

As you can see, FCC seamlessly blends a management line that becomes more effective and profitable each year with evolution in its structures and methods of work.

None of this could be done if we did not have our exemplary employees, and on behalf of the Board of Directors I would like to thank them for their hard work and loyalty.

Marcelino Oreja Aguirre
Chairman

Letter from the Managing Director

Dear shareholders,



Fiscal year 2005 marks a turning point in FCC's long, successful business history. After many years of fundamentally organic growth, FCC has now embarked on a period that combines organic development with a policy of corporate investments in the company's traditional strategic areas, with the goal of doubling the turnover and the gross operating results (Ebitda) in three years. This strategy obeys a basic premise: to maintain the company's sound financial structure so that FCC continues to boast one of the lowest leveraging rates in its sector.

From the time the **new strategic** plan was got underway to the end of the fiscal year, six investment operations were run, focusing on the services and cement areas and worth a total of over one thousand million euros. The wisdom of these investments will, I am sure, have a positive reflection in the income statements and on the balance sheets of upcoming years.

The consolidated **turnover** in 2005 came to 7,090 million euros and hardly felt the effect of the investments made during the year, which were only partly consolidated. This turnover figure is 12% higher than that of the previous fiscal year and easily double the turnover earned in fiscal year 1998. In addition, we expanded our end-of-the-year construction and services backlog by 25% to 20,497 million euros, which is a new record for FCC.

FCC's three major strategic pillars performed extremely well in 2005. In the different **service** activities, contracting passed the 4,000-million-euro mark. Foremost among the most significant landmark events were the renewal of practically all the urban sanitation contracts that were put out to bid, such as the contracts for Valencia, Oviedo and Bilbao; the first full-service water management contract made in Italy; and Cemusa's win of the tender for New York City's street furniture, which this FCC subsidiary will soon begin managing. The turnover in these sectors came to 2,800 million euros, with an annual growth rate of 19%.

The turnover for **construction** rose by 7.2% to 3,347 million euros, displaying continuous acceleration throughout the fiscal year and even putting on a last-quarter growth spurt thanks to the fast pace of execution on major projects. During 2005 FCC Construcción contracted for 3,954 million euros' worth of construction, including such significant jobs as running the southern section of the M-30 underground, enlarging El Musel harbour in Gijón and building the Siete Aguas-Buñol section of the Madrid-Levante high-speed railway line.

Cementos Portland Valderrivas wound up the fiscal year with a turnover of 978.4 million euros, up 10.3% from the year before, thanks to the strength of the Spanish market and the recovery of activity in the United States. In late 2005 it launched a takeover bid on Cementos Lemona which concluded most successfully in 2006 with over 96% of the shares in the company.

The **gross operating results (Ebitda)** approached one thousand million euros (988.9 million, to be exact), which represents a margin of 13.9% of the turnover. Of the total, 45.9% can be traced to services, 31.6% to cement and 19.4% to construction.

The **net profit attributed to the parent company** has grown at an annual rate of 16.3% to 421.4 million euros. The evolution of both profit levels over the last five-year period is highly satisfactory, inasmuch as they have grown at an accumulated annual rate of 9.54% and 14.28%, respectively.

At the same time that FCC has been achieving these results, the introduction of a new model of economic and financial information dubbed the **Integra Project** has been proceeding as well. The Integra Project will provide integrated support for all the Group's economic and financial processes in order to simplify them, improve management and produce standardised, more reliable information.

In this volume of the Annual Report, you will find our first **Corporate Responsibility Report**, which FCC submits to draw attention to the value of our service commitment to society. This report has been drawn up following the leading international standards and in it there have participated all the Group's business units, which established the foundations of a common corporate responsibility strategy.

If the **dividend** proposal to be submitted to the Shareholders' Meeting for approval is accepted, a complementary dividend of 0.848 euros will be paid out, which, added to the interim payment made in January last, will make a total dividend of 1.614 euros per share, i.e., 50% of the attributed net profit.

At the end of 2005 the FCC Group had 67,562 employees, having increased the **number of jobs** by 3,960 in one year. Issues related with the training of our personnel, to enhance both their professional knowledge and their occupational safety, are an ongoing concern for us, since we believe that only if we can rely on good staff professionals can we achieve a company that is efficient and constantly engaged in development.

I would like to thank all our employees for their work and also thank our shareholders for the constant shows of support and confidence with which they honour me.

Rafael Montes Sánchez
Managing Director

Governing Bodies



FCC Corporate office. Barcelona

Board of Directors

Marcelino Oreja Aguirre

Chairman
Nominee Director

Rafael Montes Sánchez

Managing Director
Executive Director

B 1998, S.L.

Representative:

Esther Koplowitz Romero de Juseu

Nominee Director

Dominum Desga, S.A.

Representative:

Esther Alcocer Koplowitz

Nominee Director

Dominum Dirección y Gestión, S.A.

Representative:

Alicia Alcocer Koplowitz

Nominee Director

EAC Inversiones Corporativas, S.L.

Representative:

Carmen Alcocer Koplowitz

Nominee Director

**Fernando Falcó y Fernández
de Córdoba**

Nominee Director

Gonzalo Anes y Álvarez de Castrillón

Independent Director

Juan Castells Masana

Nominee Director

Felipe Bernabé García Pérez

General Secretary

Executive Director

Francisco Mas Sardá Casanelles

Independent Director

Antonio Pérez Colmenero

Corporate Human Resources

Manager

Executive Director

Robert Peugeot

Nominee Director

Cartera Deva, S.A.

Representative:

José Aguinaga Cárdenas

Nominee Director

Ibersuizas Alfa, S.L.

Representative:

Luis Chicharro Ortega

Nominee Director

Ibersuizas Holdings, S.L.

Representative:

**Pedro Agustín del Castillo
Machado**

Nominee Director

Larranza XXI, S.L.

Representative:

Lourdes Martínez Zabala

Nominee Director

Francisco Vicent Chuliá

Secretary (non-member)

Executive Committee

Chairman

Rafael Montes Sánchez

Members

Esther Alcocer Koplowitz represented
by Dominum Desga, S.A.

Fernando Falcó y Fernández de Córdoba

José Aguinaga Cárdenas represented
by Cartera Deva, S.A.

Juan Castells Masana

Secretary (non-member)

José Eugenio Trueba Gutiérrez

Audit and Control Committee

Chairman	Fernando Falcó y Fernández de Córdova
Members	Francisco Mas Sardá Casanelles Juan Castells Masana Pedro Agustín del Castillo Machado, represented by Ibersuizas Holdings, S.L. Luis Chicharro Ortega, represented by Ibersuizas Alfa, S.L.
Secretary (non-member)	José María Verdú Ramos

Appointments and Retributions Committee

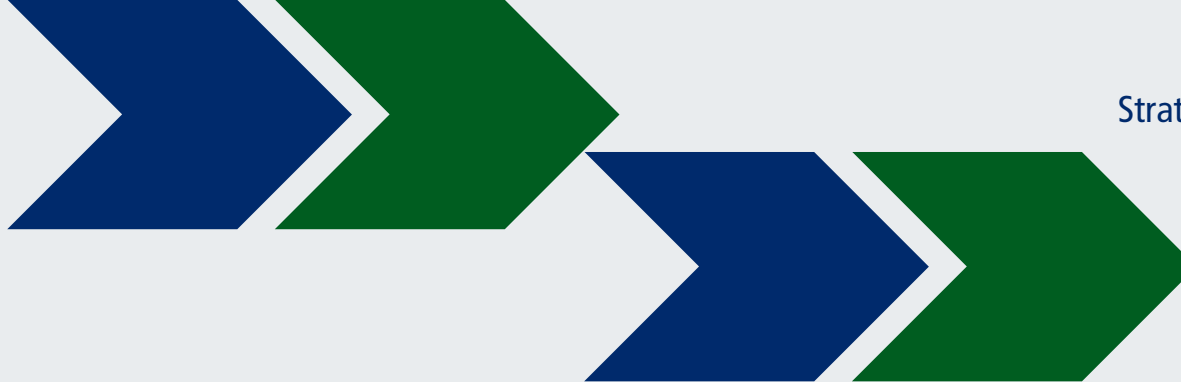
Chairman	Esther Alcocer Koplowitz, represented by Dominum Desga, S.A.
Members	Fernando Falcó y Fernández de Córdova Rafael Montes Sánchez Antonio Pérez Colmenero José Aguinaga Cárdenas, represented by Cartera Deva, S.A. Robert Peugeot
Secretary (non-member)	José María Verdú Ramos

Strategy Committee

Chairman	Esther Koplowitz Romero de Juseu, represented by B 1998, S.L.
Members	Esther Alcocer Koplowitz, represented by Dominum Desga, S.A. Fernando Falcó y Fernández de Córdova José Aguinaga Cárdenas, represented by Cartera Deva, S.A. Luis Chicharro Ortega, represented by Ibersuizas Alfa, S.L. Pedro Agustín del Castillo Machado, represented by Ibersuizas Holdings, S.L. Lourdes Martínez Zabala represented by Larranza XXI, S.L. Robert Peugeot

Steering Committee

Chairman	Rafael Montes Sánchez
Members	Fernando Falcó y Fernández de Córdova Ignacio Bayón Marín José Luis de la Torre Sánchez Antonio Gómez Ciria José Ignacio Martínez-Ynzenga y Cánovas del Castillo José Mayor Oreja Antonio Pérez Colmenero José Eugenio Trueba Gutiérrez José Luis Vasco Hernando
Secretary (member)	Felipe Bernabé García Pérez



Strategy

In April 2004 FCC presented its Strategic Plan, which was based on combining organic growth with corporate growth to get the most out of its strong investment potential. The Strategic Plan rested on three basic pillars, Construction, Services and Cement.

The objective was to double turnover to between 10,000 and 12,000 million euros in three years, to increase the Group's international presence to the point where 35 or 40% of the turnover came from outside Spain and also to double the gross operating results (Ebitda) to the neighbourhood of 1,500 million euros.

At the presentation of the Plan, it was underlined that this upward climb in turnover and profits was to be achieved without overstepping a 50% leveraging rate, so as to maintain the Group's financial solvency.

At the close of fiscal year 2005 the Plan was fully underway. Between late 2005 and early 2006 1,012 million euros had been invested in six operations, 53% in Services and 47% in Cement.

These corporate investments were as follows: Grupo Logístico Santos (128 million euros), Cementos Portland Valderrivas (157 million euros), Marepa (50 million euros), Entemanser (65 million euros), Abfall Service AG (ASA) (279 million euros) and Cementos Lemona (333 million euros).

All these investments were made after searching analysis, with the horizon always being to pursue assets that offer future profitability and complement the company's traditional businesses.

After these investments, thanks to the high cash flow thus generated (981.1), FCC's net indebtedness has shown hardly any substantial change, rising from 270 million euros at the end of fiscal year 2004 to 403 million euros at the finish of 2005. The same, logically, has happened with the leveraging rate, which has risen from 9.9% in 2004 to 13.4% at the end of 2005. These figures speak for the still very high investment capacity the FCC Group has available.

There are other transactions that have already been examined and are expected to be concluded in the upcoming months.

In parallel with these acquisitions, the company is making a deep-reaching effort to modernise its organisational structures by taking steps such as introducing a new model of economic and financial management; updating the information technology structure, with considerable investments; resolutely applying the good corporate governance recommendations and introducing throughout the Group a model of sustainable development that has been crafted using the best practices in corporate responsibility.

All these initiatives will help reach the goal of placing FCC in the vanguard of the best in company management, and this policy will help create value for shareholders and for the community in general.



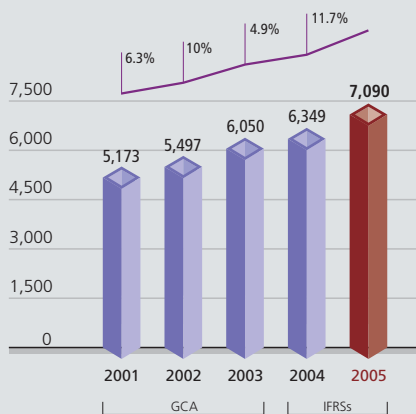


The FCC Group in Figures

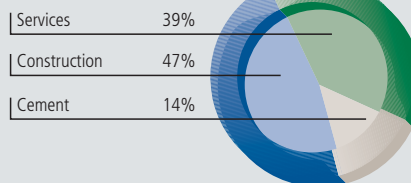
The FCC Group in Figures:

Turnover

Millions of euros

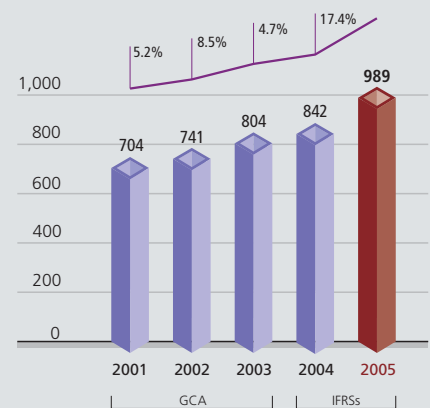


Breakdown by activity



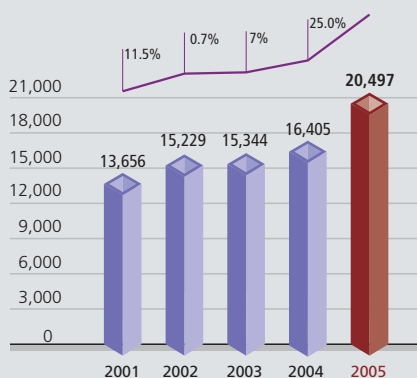
Gross operating profit (Ebitda)

Millions of euros



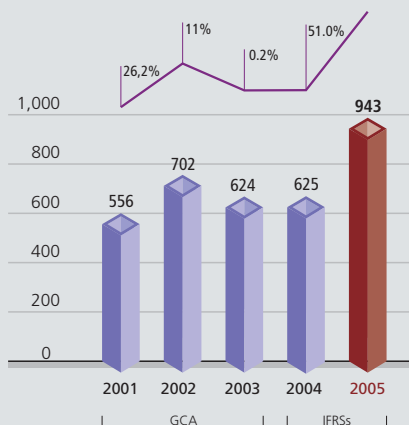
Construction and services backlog

Millions of euros



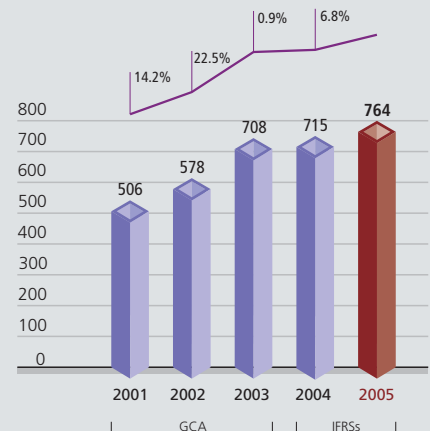
Investments

Millions of euros



Cash flow after taxes

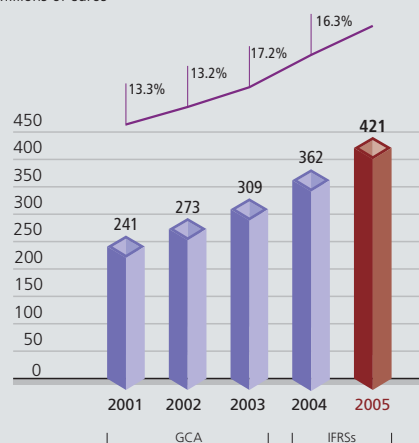
Millions of euros



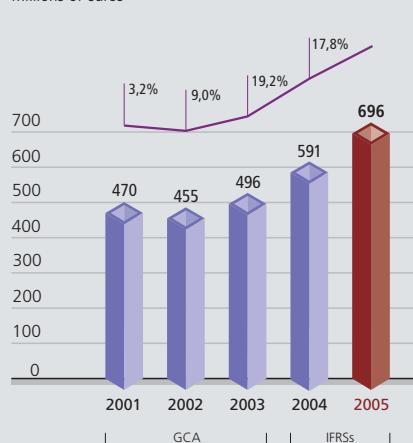
Consolidated Figures

GCA: Date according to General Chart of Accounts rules
IFRSs: International Financial Reporting Standards

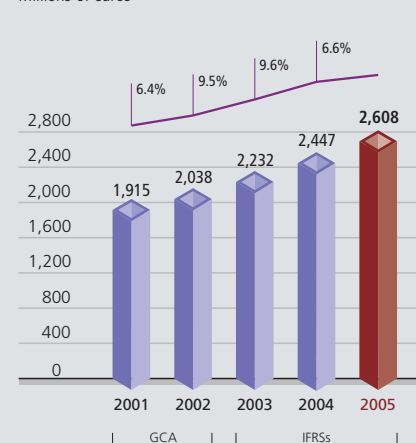
Net profit attributed to the parent company
Millions of euros



Pre-tax profits
Millions of euros



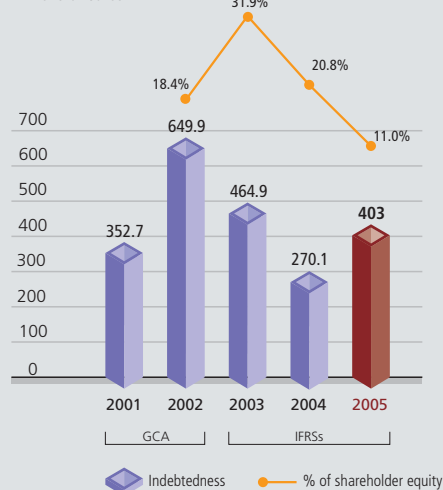
Net wealth
Millions of euros



Construction work and services contracted
Millions of euros



Financial indebtedness and % of Net wealth
Millions of euros



Indebtedness % of shareholder equity

Evolution of share prices

FCC ended the fiscal year quoted at 47.9 euros/share, which meant a 35.2% increase over the year before and substantially better performance than the IBEX 35, which closed the year up by 18.2%.

Stock market capitalisation

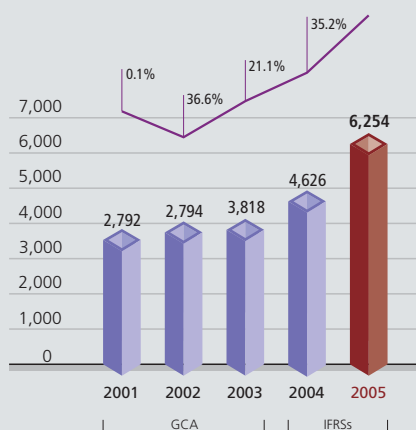
The stock market capitalisation at the close of the fiscal year was 6,254 million euros, as compared to 4,626 million euros in 2004.

Trading

The volume of shares traded during the year was 80.8 million, with a daily average of 317,079 shares. The average number of shares traded per session came to 13.6 million euros, which is a 36% increase over the figure for the preceding fiscal year.

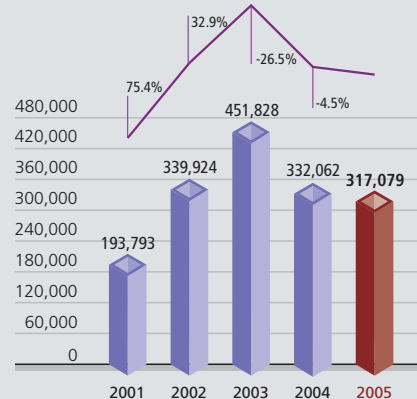
Stock market capitalisation

Millions of euros



Trading volume

Number of shares, daily average



Dividends

If the proposal submitted to the General Meeting of Shareholders is approved, the total dividend will be 1.614 euros per share. This amount will be paid out in an interim dividend of 0.766 euros/share on 9 January 2006 and a complementary dividend of 0.848 euros/share to be settled in the month of July.

The total amount of the dividend paid on fiscal year 2005 profits represents a pay-out of 50.0% and an increase of 18.6% with respect to last year.

Treasury stock

In 2005 the company increased its treasury stock by 343,537 shares, representing 0.26% of its total capital. The final position as of 31 December came to 1,094,342 shares, or 0.838% of the share capital.

Shareholders

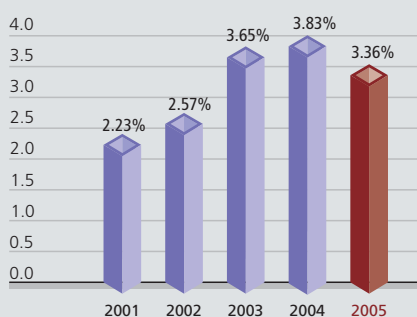
FCC, S.A., issues shares under the book entry system. Those shares are listed on the four Spanish stock exchanges. According to the information on file in the records of the Spanish Securities Market Commission, the company's most relevant shareholders are as follows:

B 1998, S.L.	59,871,785	45.855%
Acciona, S.A.	19,657,500	15.055%
Azate, S.L.	8,654,815	6.628%

As of December 31, 2005, the Board of Directors possessed, directly or indirectly, 68,688,095 shares, which represents 52.61% of the total. Of those, 68,526,600 shares are held by B 1998, S.L., and its wholly-owned subsidiary Azate, S.L. The rest are distributed among the different board members, none of whom individually possesses more than 0.03% of the company's share capital.

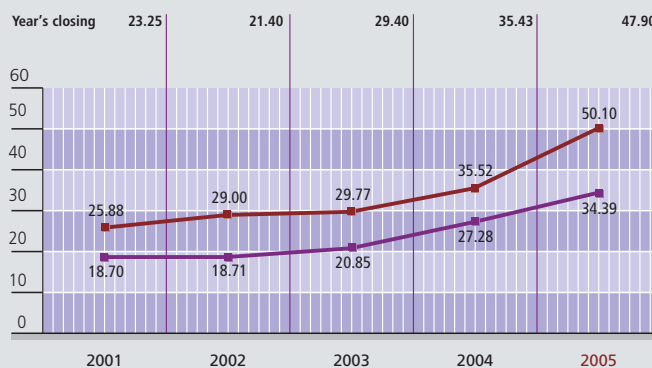
Dividend yield

Calculated with the closing quote



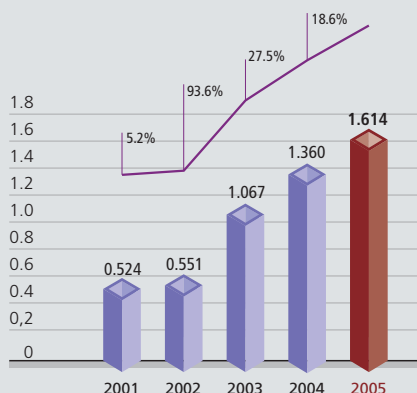
Annual high, low and closing price of shares

Euros



Dividend per share

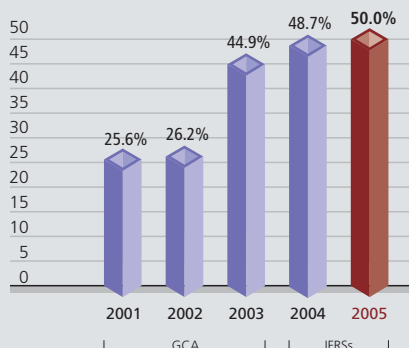
Euros



% Pay-out

(Dividend as % of parent company result)

Millions of euros



GCA: Date according to General Chart of Accounts rules
IFRSs: International Financial Reporting Standards



Brief History of Financial Figures

ASSETS (Millions of euros)	2005	2004
NON-CURRENT ASSETS	4,201	3,506
Tangible fixed assets	2,182	1,929
Intangible assets	956	654
Investments in associated companies	512	472
Non-current long-term assets	184	155
Other non-current assets	367	296
CURRENT ASSETS	4,739	3,958
Inventories	509	373
Accounts receivable	3,121	2,715
Other current long-term investments	67	121
Cash and cash equivalents	1,042	749
TOTAL ASSETS	8,940	7,464

LIABILITIES (Millions of euros)	2005	2004
NET WEALTH	2,608	2,447
Wealth attrib. shareholders in parent co.	2,232	2,031
Share capital	131	131
Accum. income and other reserves	1,780	1,626
Income for the year	421	363
Interim dividend	(100)	(89)
Minority interests	376	416
NON-CURRENT LIABILITIES	1,547	1,017
Payable financial institutions and other non-current financial liabilities	811	493
Non-current provisions	415	331
Other non-current liabilities	321	193
CURRENT LIABILITIES	4,785	4,000
Payable financial institutions and other current financial liabilities	832	762
Trade accnts payable and other curr. liab. corrientes	3,922	3,211
Current provisions	31	27
TOTAL LIABILITIES	8,940	7,464

Dates According to International Financial Reporting Standards (IFRSs)

ASSETS (Millions of euros)	2003	2002	2001
Due from shareholders for uncalled capital	—	—	—
Fixed and other noncurrent assets	2,977	2,874	2,488
Intangible assets	585	598	410
Tangible fixed assets	1,731	1,596	1,415
Financial instruments	639	661	625
Parent company shares	11	3	25
Start-up expenses	11	16	13
Goodwill in consolidation	191	255	368
Deferred charges	39	42	34
Current assets	3,833	3,630	3,254
Stocks	429	429	356
Accounts receivable	2,705	2,481	2,106
Temporary financial investments	391	427	466
Cash	293	276	307
Prepayments	15	17	19
TOTAL ASSETS	7.040	6.801	6.144

LIABILITIES (Millions of euros)	2003	2002	2001
Shareholders' equity	1,846	1,646	1,291
Share capital	131	131	120
Issue premium	242	242	130
Reserves	429	384	393
Consolidation reserves	846	695	434
Gains/(losses) on conversion	(63)	(40)	7
Income for the year	309	273	241
Interim dividend	(48)	(39)	(34)
Minority interests	388	392	624
Negative consolidation differences	36	37	37
Deferred revenues	47	46	41
Provisions for contingencies and expenses	238	238	245
Long-term debt	749	757	77
Issues of bonds and other negotiable securities	46	—	—
Payable to financial institutions	445	464	581
Other payables	232	286	189
Share disbursements outstanding	26	7	4
Current liabilities	3,736	3,685	3,132
Payable to financial institutions	590	770	480
Payable to Group and associated companies	13	20	28
Trade accounts payable	2,379	2,183	1,848
Other non-trade payables	667	601	637
Operating provisions	86	110	138
Accruals	1	1	1
TOTAL LIABILITIES	7,040	6,801	6,144

Dates according to General Chart of Accounts rules (GCA)

INCOME STATEMENT (Millions of euros)	2005	2004
OPERATING REVENUES	7,154	6,411
Net sales	7,090	6,349
Other revenues	64	62
OPERATING EXPENSES	(6,498)	(5,846)
Variation finished goods and work-in-process inventories	44	(21)
Supplies and other external expenses	(4,346)	(3,832)
Personnel expenses	(1,863)	(1,716)
Depreciation and amortization expense	(319)	(272)
(Allocation)/Reinvestment of operating allowances	(14)	(5)
OPERATING INCOME	656	565
Financial revenue	41	48
Financial expenses	(81)	(70)
Translation differences	6	(5)
Income/(loss) variations in value of financial instruments	6	(2)
FINANCIAL RESULT (LOSS)	(28)	(29)
Share in income of associated companies	78	72
Result (Deterioration)/Reinvest. tang. and int. fixed a.	(12)	(21)
Other profit or (loss)	2	4
INCOME BEFORE TAXES ON CONTINUED ACTIVITIES	696	591
Corporate income tax expense	(217)	(167)
Minority interests	(58)	(61)
INCOME ATTRIBUTED TO THE PARENT COMPANY	421	363

Dates according to International Financial Reporting Standards (IFRSs)

STATEMENT OF INCOME (Millions of euros)	2003	%	2002	%	2001	%
+ Net revenues	6,050	100.0	5,497	100.0	5,173	100.0
+ Other income and fixed asset improvement	145	2.4	161	2.9	111	2.1
+ Change in stocks, finished goods, work in progress	8	0.1	6	0.1	27	0.5
= Total production value	6,203	102.5	5,664	103.0	5,311	102.7
– Supplies and other expenses	3,773	62.4	3,448	62.7	3,221	62.3
– Personnel costs	1,626	26.9	1,475	26.8	1,386	26.8
= Gross operating income	804	13.3	741	13.5	704	13.6
– Depreciation of fixed assets and sinking fund	269	4.4	234	4.3	210	4.1
– Change in working capital provisions	16	0.3	9	0.2	18	0.3
= Net operating income	519	8.6	498	9.1	476	9.2
+ Financial income	65	1.1	59	1.1	50	1.0
– Financial expenses	105	1.7	107	1.9	95	1.8
– Change in financial investment provisions	5	0.1	3	0.1	6	0.1
– Goodwill amortisation	19	0.3	20	0.4	28	0.5
+ Income from equity-accounted holdings	66	1.1	42	0.8	37	0.7
= Ordinary income/(loss)	521	8.6	469	8.5	434	8.4
+ Extraordinary income/(loss)	(25)	(0.4)	(14)	(0.2)	36	0.7
= Profit/(loss) before taxes	496	8.2	455	8.3	470	9.1
– Corporate income tax	126	2.1	128	2.3	150	2.9
= Profit/(loss) after taxes	370	6.1	327	6.0	320	6.2
– Profit/(loss) of minority interests	61	1.0	54	1.0	79	1.5
= Net profit/(loss) of parent company	309	5.1	273	5.0	241	4.7

Dates according to General Chart of Accounts rules (GCA)