

Annual
Report

2004

The FCC Group • Areas of activity • Social report
Corporate governance • Financial Statements

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	41
Cement	71
Real estate	75
Other sectors	81
Social report	83
Corporate governance	97
Financial Statements, Management reports and Auditor's report	147
Executive personnel	263



Letter from the Chairman



Dear shareholders,

The Notes to the Financial Statements and the Annual Report presented here, like a shop window on the company which displays our best work and our published annual accounts, is also a clear indicator of the progress made by FCC in recent years.

While employees have worked to ensure the continuous improvement of the company's financial statements and balance sheet every year, the company has implemented some profound changes to its corporate governance structure and internal code of conduct to make FCC a more modern, efficient and transparent company. With these decisions, we have also brought the company into compliance with the new corporate governance regulations established by the competent authorities.

For the second year in a row we have prepared the Annual Corporate Governance Report which is published along with the Notes to the Financial Statements and the Annual Report. The Regulations of the Board of Directors and the General Meeting of Shareholders have been updated and we have also created an Audit and Control Committee and an Appointments and Remunerations Committee which report to the Board of Directors, along with the Strategy Committee set up in 2005.

All of these rules, regulations and committees have been notified to the National Securities Market Commission and are available to the public on the company's website.

FCC's accounts have also been adapted to comply with the International Financial Reporting Standards and we have noted that their impact on the Group's financial statements had little relevance, and consequently will not have any repercussion on our dividend policy. A report on the impact of this adaptation was submitted to the CNMV and can be consulted on the CNMV or FCC website.

In short, our company is up to date, which is a magnificent reality and ideal foundation upon which to continue building our future. It is an exciting task to which more than 67,000 people devote themselves every day, highly motivated by and identified with the objectives set by the main shareholders. I would like to express my most sincere gratitude to them for their dedication.

Marcelino Oreja Aguirre
Chairman



Letter from the Managing Director



Dear shareholders,

After a long career spent almost entirely at FCC, I am proud to write my first letter to you to present these Notes to the Financial Statements and Annual Report, especially since these documents unequivocally show that the 2004 fiscal year has been fully satisfactory for the FCC Group, with considerable progress in all of our economic variables which will enable us to face the future with optimism, which is also the fruit of the Group's sound shareholder stability.

The **consolidated turnover** was 6,286 million euros, which represents a 3.9% increase. If we consider that sales in 1998 were 3,303 million euros, the average annual increase rate for the period is 11.3%.

This increase in sales was achieved almost exclusively through the organic growth of the Group's strategic areas: services, construction and cement.

With regard to the geographical breakdown, domestic sales in Spain rose by 4.3%, while international sales were down, accounting for only 10.2% of turnover when the year before they had accounted for 10.5%. This decline is due, in a large extent, to the depreciation of the dollar with respect to the euro.

As a result of the Group's efforts to win new contracts, at the end of the year the construction and services backlog reached a record amount of 16,405 million euros, or 6.2% higher than the year before.

The **net profit** attributable to the parent company grew by 25.8% to 388 million euros. This increase represents an improvement of more than one point of net margin on sales, which was 6.2%, clearly demonstrating the level of efficiency achieved by the company. If we compare 2004 profits with those recorded in 1998, we see that they are seven times higher.

Given these excellent results, the Board of Directors will submit to the General Meeting of Shareholders for its approval a proposal to pay a **dividend** of 1.36 euros per share, 27.5% higher than the year before. In 1998, a dividend of 0.17 euros per share was paid, which means that over the last seven years the dividend has increased eightfold.

The dividend for fiscal year 2004 represents a **yield** of close to 4%, one of the highest percentages among Spanish publicly-traded companies. This high rate was achieved despite the fact that over the last two years the quoted price of FCC shares has increased by 65.6%.

With the increase in company share value, there has accordingly been an increase in capitalisation, which has gone up from 2,426 million euros at the close of fiscal year 2002 to 4,626 million at the close of 2004, a 90% increase. Furthermore, in the last few months of 2005 FCC shares have continued to hit historical highs in a clear show of the market's confidence in our company.

This fiscal year marks the end of a cycle in the company's long history in which the company's growth has basically been organic. A **new period** is beginning in which we intend to make a qualitative and quantitative leap, backed by the necessary financial resources and management staff. The goal is to duplicate the turnover

figure over the next three years to between 10,000 and 12,000 million euros, and to bring the gross operating profits (Ebitda) to a total of 1,400 to 1,600 million euros.

All without significantly impairing the company's financial capacity, which will continue to maintain one of the sector's lowest leveraging rates.

The achievements attained to date and the goals we have set for the future would not be possible without the active commitment of all **FCC employees**, who are 63,000 strong at this time. Employee training is one of the highest priorities the Group's executives are entrusted with pursuing.

This **training** is intended to provide employees with new knowledge and skills, adapt and update the skills they already possess and increase job safety. During the last fiscal year there were 3,313 training activities which were attended by 37,387 employees for a total of 492,230 instructional hours.

I would like to thank all of the Group's employees from here for their collaboration as well as the shareholders for placing their trust in me.

Rafael Montes Sánchez
Managing Director





Governing Bodies

Board of Directors

Marcelino Oreja Aguirre	Chairman Nominee Director		
Rafael Montes Sánchez	Managing Director Executive Director	Francisco Mas Sardá Casanelles	Independent Director
B 1998, S.L.	Representative: Esther Koplowitz Romero de Juseu Nominee Director	Robert Peugeot Cartera Deva, S.A.	Nominee Director Representative: José Aguinaga Cárdenas Nominee Director
Dominum Desga, S.A.	Representative: Esther Alcocer Koplowitz Nominee Director	Ibersuizas Alfa, S.L.	Representative: Luis Chicharro Ortega Nominee Director
Dominum Dirección y Gestión, S.A.	Representative: Alicia Alcocer Koplowitz Nominee Director	Ibersuizas Holdings, S.L.	Representative: Pedro Agustín del Castillo Machado Nominee Director
EAC Inversiones Corporativas, S.L.	Representative: Carmen Alcocer Koplowitz Nominee Director	Larranza XXI, S.L.	Representative: Lourdes Martínez Zabala Nominee Director
Fernando Falcó y Fernández de Córdova	Nominee Director	Antonio Pérez Colmenero	Corporate Human Resources Manager Executive Director
Gonzalo Anes y Álvarez de Castrillón	Independent Director	Francisco Vicent Chuliá	Secretary (non-member)
Juan Castells Masana	Nominee Director		
Felipe Bernabé García Pérez	General Secretary Executive Director		

Executive Committee

Chairman	Rafael Montes Sánchez
Members	Dominum Desga, S.A. represented by Esther Alcocer Koplowitz Fernando Falcó y Fernández de Córdova Cartera Deva, S.A. represented by José Aguinaga Cárdenas Juan Castells Masana
Secretary (non-member)	José Eugenio Trueba Gutiérrez

Audit and Control Committee

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

Appointments and Retributions Committee

Members	Esther Alcocer Koplowitz, of Dominum Desga, S.A. Fernando Falcó y Fernández de Córdova Rafael Montes Sánchez José Aguinaga Cárdenas, on behalf of Cartera Deva, S.A. Robert Peugeot
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Strategy Committee

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

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



Strategy



growing

Founded in 1900, the FCC Group has been, practically since its origins, more than a construction company. Its strategy has always been to create a business consortium striking just the right balance between construction and services.

This strategy has enabled the Group to celebrate its 100-year anniversary in excellent financial health and to face the challenges of the future with optimism.

The FCC Group currently rests on three basic strategic pillars: public services, construction and cement, all of which have afforded it solid business stability and a notable presence in other sectors such as real estate, a generator of significant resources.

In recent years, the Group's growth has been almost exclusively organic, without resorting to wide-scale corporate operations. However, over the last five fiscal years the net turnover has gone from 3.829 million euros to 6.286 million, an increase of 64%. But growth has never been an obsession for FCC; rather, it has always gone hand in hand, inescapably, with profitability. Consequently, during the same period the net profits increased by almost 119%, from 177 million euros in 1999 to 388 million in 2004.

FCC's objective at this time is to combine the development of strategic areas with that of corporate operations. It is able to do so thanks to its investment potential and its proven administrative abilities. An example of this is seen on the Group's balance sheet, which shows net indebtedness of 250 million euros, or in other words, leverage of 9.3% of total resources.

This corporate growth policy will focus exclusively on acquisitions in our strategic areas, continuing with the process of gradually increasing the weight of service activities.

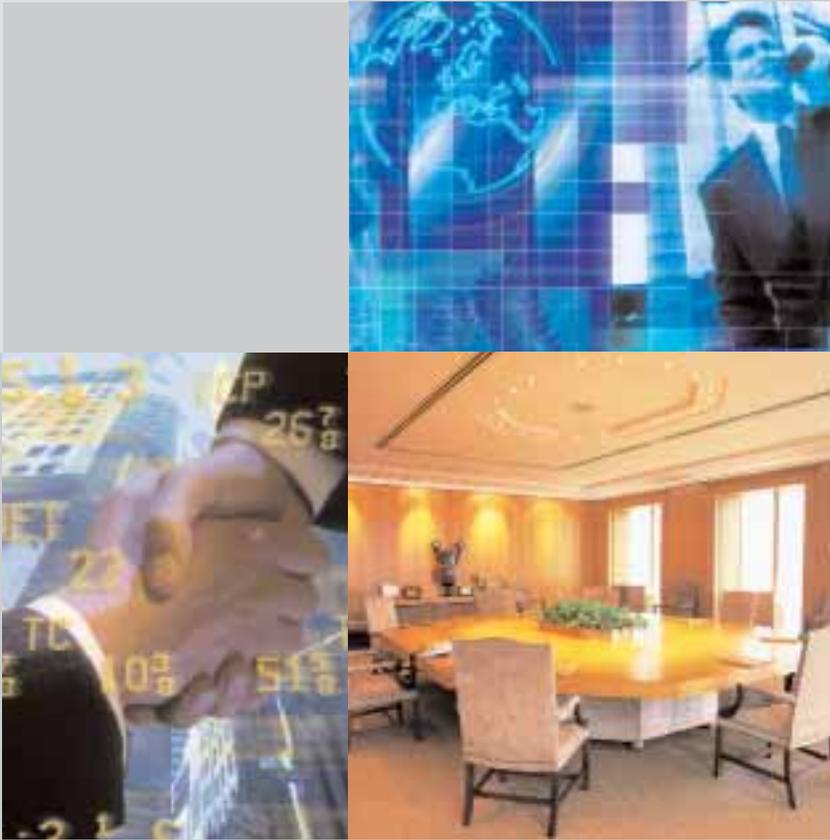
To do so, has already allocated the equipment and resources needed to identify, analyse, negotiate and, if necessary, formalise any investment alternative that fits in with its strategic objectives.

The objective is to double turnover within the next three years, bringing it to a total of 10,000 to 12,000 million euros; to increase the Group's international presence to the point where it accounts for 35% to 40% of consolidated turnover and to double the gross operating results (Ebitda) to between 1,400 and 1,600 million euros.

The idea is to achieve this growth in sales and profits without exceeding a leveraging rate of 50% and keeping the debt/Ebitda ratio -which is currently 0.3- under 2.5, thereby maintaining the Group's financial solvency.



The FCC Group in Figures

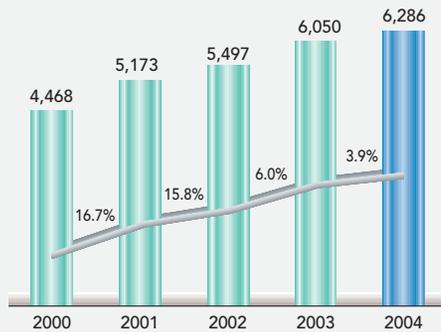




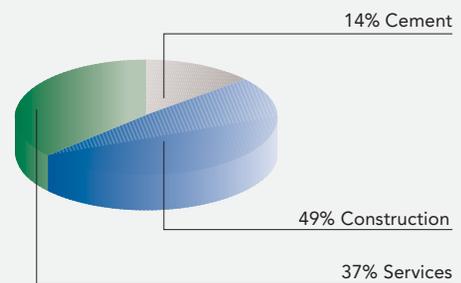
The FCC Group in Figures

Turnover

Millions of euros

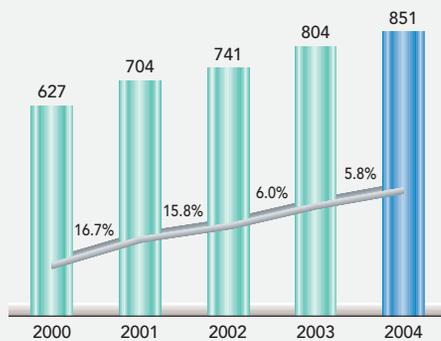


Breakdown by activity



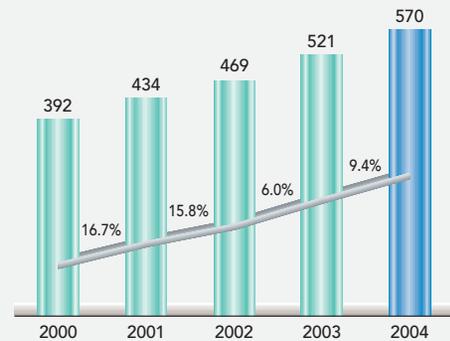
Gross operating profit (Ebitda)

Millions of euros



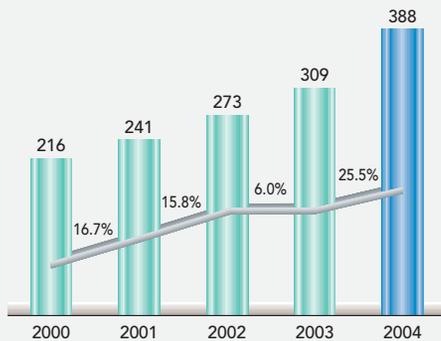
Profits from ordinary activities

Millions of euros



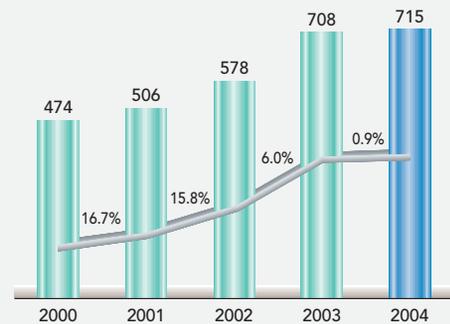
Net profit attributed to the parent company

Millions of euros



Cash flow

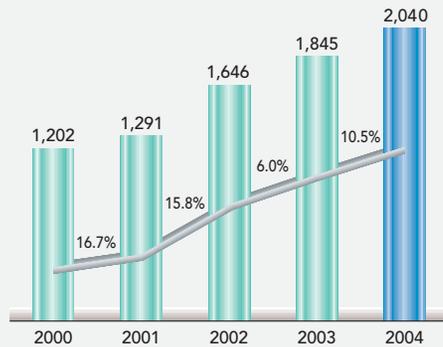
Millions of euros



Consolidated Figures

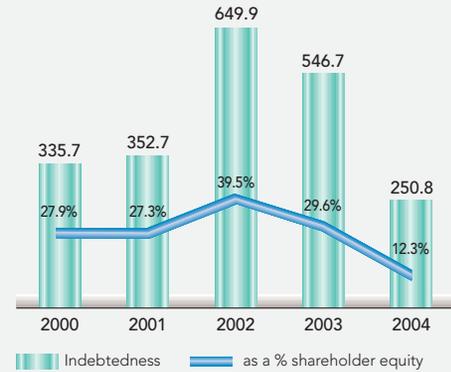
Shareholder equity

Millions of euros



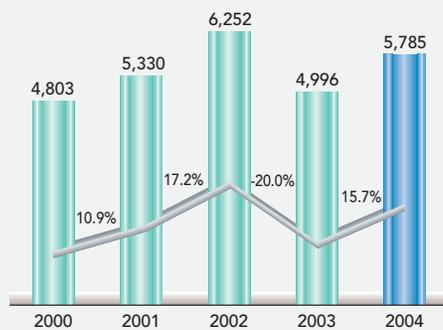
Indebtedness and indebtedness as a % shareholder equity

Millions of euros



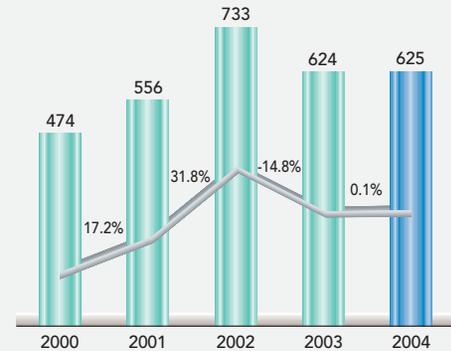
Services and construction work contracted

Millions of euros



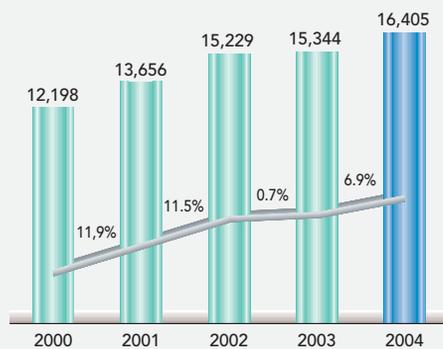
Investments

Millions of euros



Construction and services backlog

Millions of euros





Evolution of stock prices

Fomento de Construcciones y Contratas, S.A. stock closed the year at 35.43 € per share, which represents an increase of 21.17% over the year before and a significantly better performance level than the selective Ibex 35 which ended the year up by 17.0%.

2004 Capitalisation

Based on the quoted price at the end of fiscal year 2004, the stock market capitalisation was 4,626 million euros.

Trading

Based on the quoted price at the end of fiscal year 2004, the stock market capitalisation was 4,626 million euros.

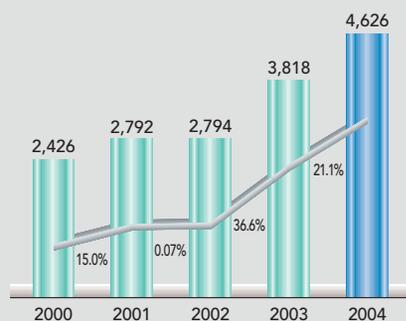
Dividends

If the proposal submitted to the General Meeting of Shareholders in the month of June is approved, the total dividend paid against fiscal year 2004 profits will be 1.36 €/share. This amount will be divided into a gross interim dividend of 0.68 € per share paid on 10 January 2005 and a complementary dividend to be paid in the month of July 2005.

The dividend paid on fiscal year 2004 profits represents an increase of 27.5% over the year before an a payout of 48.8% of the net profits earned after deducting extraordinary results and taxes.

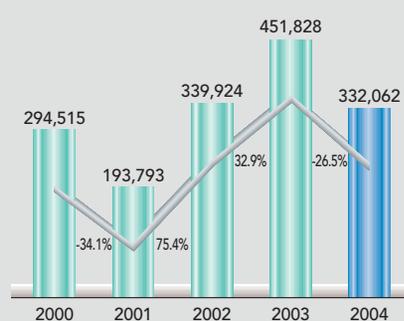
Stock market capitalisation

Millions of euros



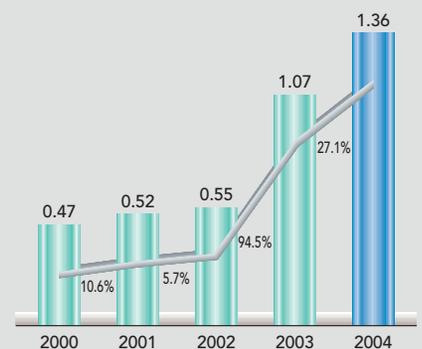
Volume traded

Average daily shareholders



Dividend per share

Euros



Treasury stock

There were no operations with treasury stock in 2004. Consequently, the number of treasury stock shares continued to be 750,420, equivalent to 0.57% of the company's stock.

Shareholders

FCC, S.A.'s shares use the book entry system and are listed on the four Spanish stock exchanges.

According to the information filed with the Spanish Stock Exchange Commission, the company's most relevant shareholders are as follows:

Name	Number of shares	Percentage
B 1998, S.L.	59,871,719	45.855%
Acciona, S.A.	19,657,500	15.055%
Azate, S.L.	8,654,013	6.628%

As of 31 December 2004, the Board of Directors possessed, directly or indirectly, a total of 68,605,842 shares, which represents 52.54% of the total. Of those, 68,525,732 shares are held by B 1998, S.L. and its wholly-owned subsidiary, Azate, S.L. and the rest by different board members, none of whom possesses individually more than 0.06% of the shares in circulation.

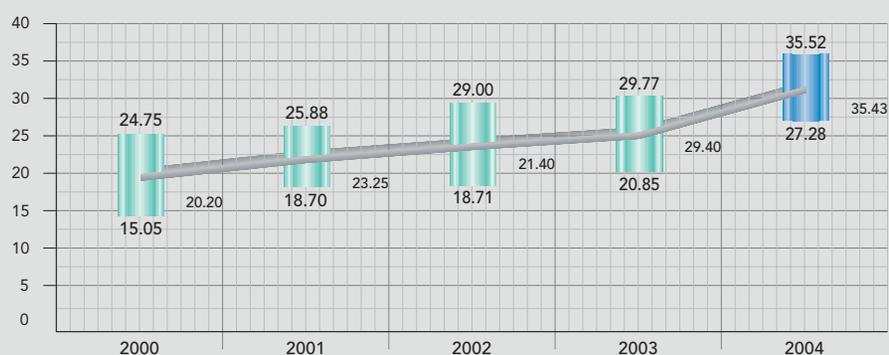
Share dividend yield

Calculated using the quotation at the close of the fiscal year



FCC share quotations: high, low and at year's closing

Euros





Brief history of financial figures

ASSETS	2004	2003	2002	2001	2000
Millions of euros					
Due from shareholders for uncalled capital	–	–	–	–	1
Fixed and other noncurrent assets	3,192	2,977	2,874	2,488	2,236
Intangible assets	585	585	598	410	313
Tangible fixed assets	1,869	1,731	1,596	1,415	1,266
Financial instruments	715	639	661	625	617
Parent company shares	11	11	3	25	24
Start-up expenses	12	11	16	13	16
Goodwill in consolidation	185	191	255	368	421
Deferred charges	35	39	42	34	18
Current assets	4,219	3,833	3,630	3,254	2,913
Stocks	372	429	429	356	325
Accounts receivable	2,960	2,705	2,481	2,106	1,915
Temporary financial investments	612	391	427	466	402
Short-term parent company shares	–	–	–	–	2
Cash	256	293	276	307	252
Prepayments	19	15	17	19	17
TOTAL ASSETS	7,631	7,040	6,801	6,144	5,589
LIABILITIES					
Millions of euros					
Shareholders' equity	2,040	1,846	1,646	1,291	1,202
Share capital	131	131	131	120	120
Issue premium	242	242	242	130	130
Reserves	440	429	384	393	358
Consolidation reserves	999	846	695	434	401
Gains/(losses) on conversion	(72)	(63)	(40)	7	7
Income for the year	388	309	273	241	216
Interim dividend	(88)	(48)	(39)	(34)	(30)
Minority interests	412	388	392	624	574
Negative consolidation differences	36	36	37	37	37
Deferred revenues	58	47	46	41	40
Provisions for contingencies and expenses	314	238	238	245	282
Long-term debt	607	749	757	774	762
Issues of bonds and other negotiable securities	43	46	–	–	–
Payable to financial institutions	326	445	464	581	572
Other payables	196	232	286	189	178
Share disbursements outstanding	42	26	7	4	12
Current liabilities	4,164	3,736	3,685	3,132	2,692
Payable to financial institutions	629	590	770	480	347
Payable to Group and associated companies	38	13	20	28	30
Trade accounts payable	2,600	2,379	2,183	1,848	1,604
Other non-trade payables	798	667	601	637	578
Operating provisions	96	86	110	138	132
Accruals	3	1	1	1	1
TOTAL LIABILITIES	7,631	7,040	6,801	6,144	5,589

STATEMENT OF INCOME	2004	%	2003	%	2002	%	2001	%	2000	%
Millions of euros										
+ Net revenues	6,286	100.0	6,050	100.0	5,497	100.0	5,173	100.0	4,468	100.0
+ Other income and fixed asset improvement	136	2.2	145	2.4	161	2.9	111	2.1	106	2.4
- Change in stocks, finished goods, work in progress	21	0.3	(8)	(0.1)	(6)	(0.1)	(27)	(0.5)	(12)	(0.3)
= Total production value	6,401	101.8	6,203	102.5	5,664	103.0	5,311	102.7	4,586	102.6
- Supplies and other expenses	3,835	61.0	3,773	62.4	3,448	62.7	3,221	62.3	2,690	60.2
- Personnel costs	1,715	27.3	1,626	26.9	1,475	26.8	1,386	26.8	1,269	28.4
= Gross operating income	851	13.5	804	13.3	741	13.5	704	13.6	627	14.0
- Depreciation of fixed assets and sinking fund	287	4.6	269	4.4	234	4.3	210	4.1	189	4.2
- Change in working capital provisions	21	0.3	16	0.3	9	0.2	18	0.3	4	0.1
= Net operating income	543	8.6	519	8.6	498	9.1	476	9.2	434	9.7
+ Financial income	66	1.0	65	1.1	59	1.1	50	1.0	61	1.4
- Financial expenses	87	1.4	105	1.7	107	1.9	95	1.8	103	2.3
- Change in financial investment provisions	8	0.1	5	0.1	3	0.1	6	0.1	2	0.0
- Goodwill amortisation	20	0.3	19	0.3	20	0.4	28	0.5	37	0.8
+ Income from equity-accounted holdings	76	1.2	66	1.1	42	0.8	37	0.7	39	0.9
= Ordinary income/(loss)	570	9.1	521	8.6	469	8.5	434	8.4	392	8.8
+ Extraordinary income/(loss)	33	0.5	(25)	(0.4)	(14)	(0.2)	36	0.7	55	1.2
= Profit/(loss) before taxes	603	9.6	496	8.2	455	8.3	470	9.1	447	10.0
- Corporate income tax	159	2.5	126	2.1	128	2.3	150	2.9	140	3.1
= Profit/(loss) after taxes	444	7.1	370	6.1	327	6.0	320	6.2	307	6.9
- Profit/(loss) of minority interests	56	0.9	61	1.0	54	1.0	79	1.5	91	2.0
= Net profit/(loss) of parent company	388	6.2	309	5.1	273	5.0	241	4.7	216	4.8



The FCC Group's areas of activities







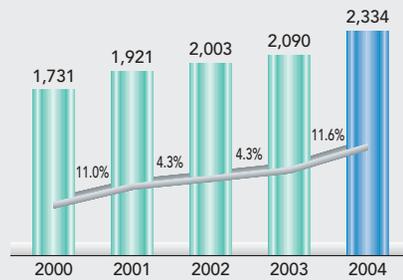
Services

The FCC Group, which has been active in the services area since 1911, operates in numerous European, African and American countries. In Spain it operates through the companies Fomento de Construcciones y Contratas, S.A., FCC Medio Ambiente, S.A., Aqualia, S.A., FCC Versia, S.A. and under the *Ámbito* name, while in Latin America the city sanitation business (street cleaning, trash collection and treatment of solid urban waste) and water management business are handled by Proactiva Medio Ambiente, S.A., a company which is owned equally by FCC and Veolia Environnement, S.A.

At the end of the fiscal year, its services backlog totalled 12,043 million euros, 5% higher than the same date the year before.

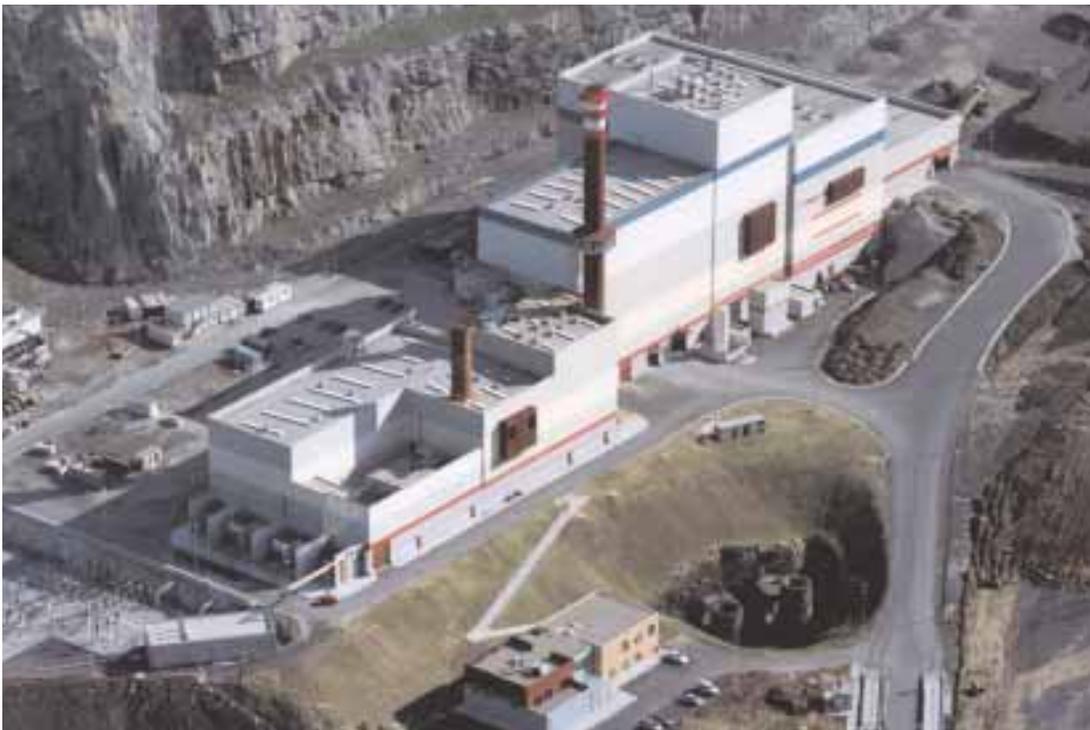
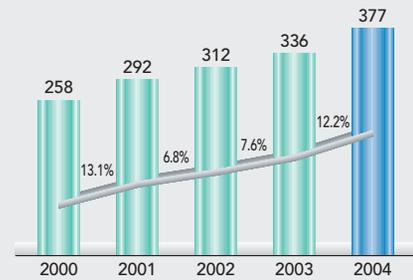
Turnover

Millions of euros



Gross operating profit (Ebitda)

Millions of euros



■ Solid waste treatment plant in Zabalgarbi, Vizcaya

City sanitation

Analysis of the sector

Last year, 333 contracts were put out to bid for the collection and treatment of solid urban waste, street cleaning and sewer system maintenance, which represents a very considerable increase over the year before (217). This increase was due to the fact that 2003 was an election year, in which the number of contracts put out to bid by municipalities traditionally decreases. The total annual consignment in connection with these tenders was 470 million euros, which represents more than double the annual consignment for the year before.

The activity in the subsectors of building cleaning and maintenance and the maintenance and conservation of parks and gardens, where bids were submitted on contracts valued at 437 million euros annually, was also much higher than the year before (245), with 429 contracts put out to tender, well above the previous year's figure (367).

The forecasts for 2005 are similar to last year's.

FCC's activity

Turnover
1,251.6 million euros.



The FCC Group is the leader in Spain and one of the largest operators in Latin America in city sanitation, which includes collection of solid urban waste, street cleaning, treatment and/or elimination of waste, sewer cleaning, park and garden maintenance, cleaning of public buildings and other complementary services.

At this time, companies of the FCC Group provide city sanitation services in 2,619 municipalities in Spain with a combined population of more than 22 million inhabitants. It is also a company of references in the UK, Portugal, Argentina, Venezuela, Mexico, Colombia, Chile, Brazil and Egypt. Altogether, FCC provides services for over 44 million inhabitants residing in some 3,500 cities and towns.

In 2004, in Spain alone the Group won 134 new contracts and renewed 267 existing ones. In all, these contract awards and renewals were valued at 982 million euros.



■ Street cleaning service in Reus. Tarragona



■ Beach cleaning in Palma de Mallorca

■ Street cleaning at the recinto Ferial Juan Carlos I. Madrid





■ City garbage collection in Baruta, Caracas. Venezuela

The most significant contract awards were:

Albacete. Eight-year contract to maintain and conserve parks and gardens.

Badalona (Barcelona). Public service concession to clean the city's sewer system for eight years. The city has a population of 214,874.

Barcelona. Eight-year contract to inspect and clean the city's sewer system and to clean and maintain the coastline. The city has a population of 1,582,738. The total length of the system is 1,508,434.74 ml. As a technical innovation, the Group will use vehicles which operate on compressed natural gas.

Bilbao. Two-year contract to clean and maintain the sewer system. The city of Bilbao has a population of 400,000 inhabitants. In connection with this contract, the Group will use a geographic information system using a network behaviour mathematical model. The network is approximately 633 kilometres long.

Caracas (Venezuela). Concession for the provision of city sanitation services in the municipality of Bolivariano Libertador in the capital area. The contractual term is 10 years but may be extended for 5 more. The area in question has 686,756 inhabitants who produce 297,000 Tm of trash each year.

Derby Dales (United Kingdom). Street cleaning and park maintenance in this city of 69,500 inhabitants. Four-year contract renewal.

San Sebastián. The service includes cleaning of the municipal sewer system, minor repairs, video inspection and serving private citizens. Number of inhabitants: 182,644. Network in kilometres: 602.

Granada. 20-year contract to handle debris removal from construction sites. In order to treat the 877,000 of debris generated each year, the Group will build and operate seven plants and 33 dumps.

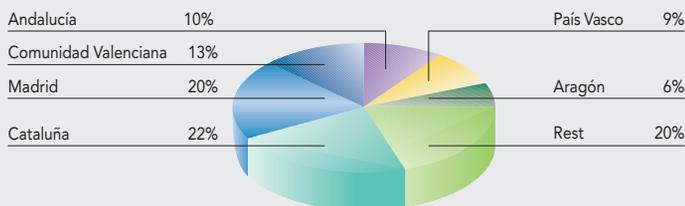
Gran Canaria. Four-year public service contract for comprehensive waste management at the Salto del Negro environmental complex. 80% of the island's waste will be treated at this environmental complex which serves 633,080 inhabitants.

Las Palmas de Gran Canaria. Eight-year contract to provide residential solid urban waste collection services in different areas of the city. The trash is collected from containers using side-loading lorries and rear-loading mechanisms for commercial establishments.

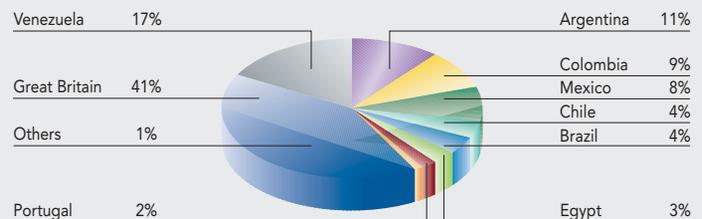
Madrid. Eight-year street cleaning contract for new neighbourhoods (Carabanchel extension and Montecarmelo). Serving a population of 60,664 inhabitants, a total of 6,124,592 m² of street will be cleaned.

Geographic area

Contracts in Spain



Contracts abroad



Madrid. Cleaning of the Juan Carlos I Fairgrounds and the events and activities organised by the Madrid Trade Fair Institution. This is a two-year contract. The size of the area in question is 972,485 m².

Mallorca. Two-year contract for the deployment of boats to provide prevention and cleaning services of beaches on the Island of Mallorca.

Mancomunidad de la Comarca de Pamplona. Seven-year contract for the collection and transportation of solid urban waste. The community is composed of 45 municipalities, with a total population of 313,000 people.

Mancomunitat Intermunicipal Penedès- Garraf (Barcelona). Five-year contract for the collection and removal of solid urban waste. The total population is 150,000.

Mancomunidad de San Marcos (Guipúzcoa). Five-year public service contract for the collection of waste generated by the users of industrial estates, technological parks, and businesses located in the Community (municipalities of Astigarraga, Hernani, Lasarte-Oria, Lezo, Oiartzu, Pasajes, Rentería, San Sebastián, Urnieta y Usúrbil). A total of 265,046 will be served and a total of 9,500 Tm of waste will be treated annually.

Mancomunidad de San Marcos (Guipúzcoa). Five-year for street cleaning and waste collection and removal services for Irún and Hondarribia. A total of 43,571 tons of waste will be treated annually.

Mirandela (Portugal). Construction and operation of a lixivate treatment plant which will treat 10,000 m³ of lixivates annually. The term of the contract is 13 years.

Montcada I Reixac (Barcelona). Selective collection and removal of solid urban waste and street cleaning services. The main innovation here is that the containers for the five different types of waste (waste, organic matter, glass, paper and containers) will be buried in 106 different locations with five containers each. The term of the contract is eight years.

Telford&Wrekin (United Kingdom). Recycling. A population of 80,000 inhabitants will be service and more than 5,000 tm of recyclable waste will be collected. Contract awarded for seven years.

Terraquente, Terrafria and Douro Superior (Portugal). Selective collection at voluntary deposit points, clean points and triage. A total population of 170,000 inhabitants will be served during the seven year term of the contract.

Torrejón de Ardoz (Madrid). Five-year public service contract for street cleaning and solid urban waste collection.

Valladolid. Four-year contract for the selective collection of paper and cardboard. A total of 6,500 Tm/year will be collected.

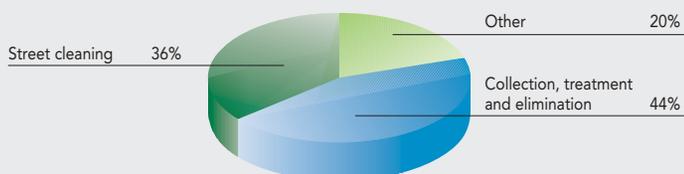
Zaragoza. One-year contract to provide conservation and maintenance services for parks and gardens. The total surface area involved is 3,211,982 m².



■ Park and garden cleaning and maintenance in Las Palmas de Gran Canaria

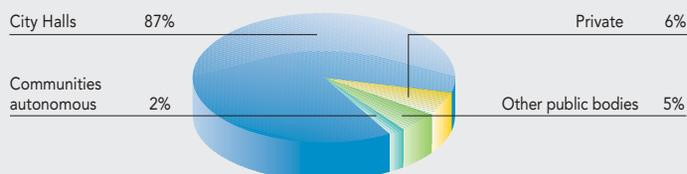
Breakdown by service type

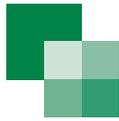
Contracts in Spain



Breakdown by client type

Contracts in Spain





Technological innovation

New natural gas engine

In keeping with FCC's commitment to use alternative energies in city sanitation services, the Group has made an important technological stride with the incorporation of a new natural gas engine.

Up to now, FCC had only a 260 CV natural gas engine for heavy vehicles and a 115 CV for complementary services. In the intermediate power range, i.e., vehicles from 6 to 19 Tm, there were no lorries with natural gas engines. With the development of this engine, it is now possible to devise special collection and by extension street cleaning industries with this fuel with very low contaminating emission levels.

The new 200 CV engine can be fitted to 12 and 18 Tm chassis and used to perform all trash collection, street cleaning and even sewer cleaning services using natural gas powered vehicle.

6.50 m³ wide vehicle reduced to 1.80 metres

The use of these natural gas engines entails defining and building on vehicles of an exceptional width (1.8 and 2 metres) all of the transmission elements, gas infrastructure, tanks, etc., all of which must necessarily offer the same features as a diesel engine.

A great deal of research went into the design of these reduced size vehicles to ensure the same autonomy as a diesel vehicle. By installing special tanks of compressed gas with very small widths and lengths on chassis structure it was possible to maintain the exceptional manoeuvrability conditions of these vehicles designed and built exclusively for FCC.

By way of example and as a basic reference to the emission levels attained, the reduction of emission levels exceed EEC requirements by between 82% and 98%.

■ Natural gas-powered city garbage trucks



The reduced size vehicle, which is 1.8 wide, makes it possible for this gas-powered vehicle to get into the very tight spots which are commonly found in the centres of Spanish cities. This vehicle, which is about as wide as many private cars, loads and compacts almost 4 tm of trash, which is the equivalent of collecting the waste generated by almost 4,000 residents on each trip.

The volume of the body is 6.50 cubic metres and the chassis is conceived and approved for a maximum weight of 12 Tm.

The vehicle transfers its load quickly and cleanly, enabling it to service some 15,000 in a single days by saving on the time that would be used to go back and forth to the dump.

This vehicle has a new body, also designed by FCC, to obtain the highest chassis performance and improve those which were put into service five years ago on a diesel chassis. The degree of compacting is 600 kg/m³, which represents a 20% increase over the previous version and allows the final size of the equipment to be reduced even further.

The new body was designed for a vehicle that runs on natural gas. In other words, the structure was designed in such a way as to accommodate four tanks of compressed gas compatible with the vehicle's width and with the mechanism for lifting containers.

11 m³ wide vehicle reduced to 2 m

The width of the other newly designed vehicle has also been reduced (2 m) and is equipped with the same 200 CV natural gas engine.

This vehicle has a body of 11 m³ and is approved for a maximum weight of 18 Tm. Its compacting capacity is very high and it reaches densities of more than 700 kg/m³, i.e., almost 40% more than conventional vehicles, which means that on each trip it can collect the waste of almost 8,000 inhabitants.

FCC has more than 100 units in service, some of which are being used for contracts in South America. It is used on routes that are difficult to access and manoeuvre in: not only historical city centres but also on narrow streets where it is difficult for traditional garbage trucks to get through.



■ Drive axles



Its versatility, manoeuvrability, performance and loading capacity make it very competitive and facilitate route planning by reducing manoeuvring times and generally lowering the cost of providing the service.

The vehicle has the same autonomy as a diesel engine vehicle, with six bottles of compressed natural gas located on both sides of the chassis, with a total capacity of almost 500 litres.

Stabilisation of the biodegradable fraction of solid urban waste

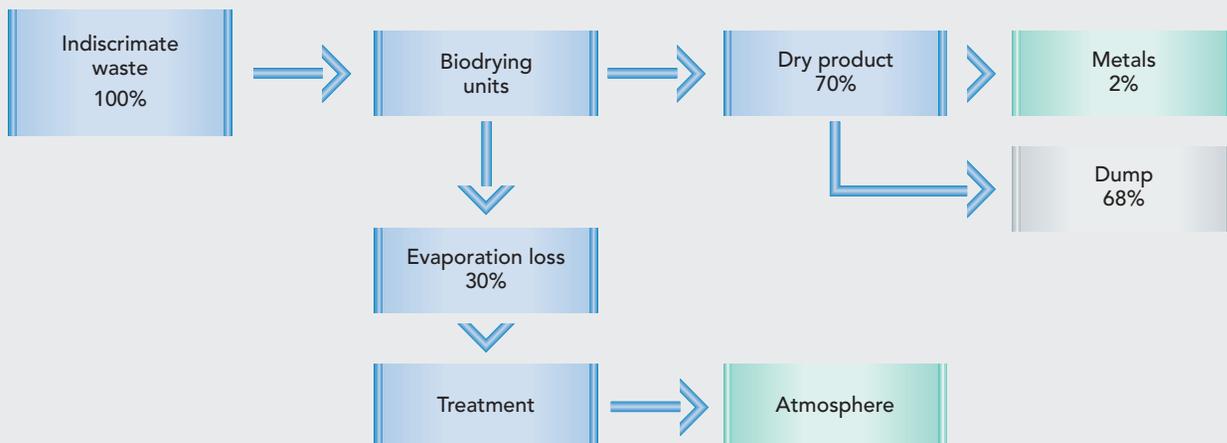
The legal framework relative to the elimination of solid urban waste (SUW) at controlled dumps defines the following objectives: Before 16 July 2006, the total amount (in weight) of biodegradable urban waste sent to dumps will not exceed 75% of the total biodegradable urban waste generated in 1995. By 16 July 2009, the percentage will be 50% and by 16 July 2016 the percentage will be 35%.

Furthermore, the lack of space and social response have made it increasingly difficult to open new controlled dumps. As a result, waste manager must implement new

treatment technologies that meet the legal requirements and prolong the useful life of existing controlled dumps.

Within this context, FCC has developed a new SUW treatment technology which stabilises the organic fraction of SUW biologically, significantly lowering the humidity level and thus reducing the volume of waste sent to controlled dumps.

Solid urban waste treatment process developed by FCC



Water management



■ Drinking water and sanitation in Alcalá de Henares. Madrid

■ Aqualia Contact offices, Customer Service Centre



Analysis of the sector

The full-service water management sector is maturing, but still generates a great deal of demand, as demonstrated by the number of contracts put out bid each year and which account for a significant portion of the backlog of contracts. This tendency is expected to be maintained or to improve in fiscal year 2005.

Of the different areas in the water management sector, the most intensive development will take place in the fields of desalination, water treatment and water recycling, which will bring with it a period of numerous tenders that will entail investments in and the operation of large hydraulic infrastructures. Also in the industrial sector, greater awareness and legal requirements combined with improvements to industrial production processes make this sector a very interesting growth option.

FCC's activity

Turnover
460.8 million euros.

Aqualia, gestión integral del agua, S.A. is the umbrella company of the Group under which all of the partially owned companies operating in this sector in Spain are grouped. Turnover increased by 8% over 2003. Growth was notable, following the prevailing trend of recent years, despite the fact that the water management market is becoming highly concentrated in Spain.

The Company's portfolio of clients as of December 2004 was valued at 5,155 million euros, serving a population of more than 7.5 million residents in 735 communities.

During the last fiscal year, Aqualia won contract awards valued at 440.9 million euros and contract renewals valued at 166.7 million.

In 2004 the company developed and implemented Aqualia Contact, a nation-wide Customer Care Centre (CCC) which required a considerable investment in technology and resources. This constitutes a considerable advance in its activities which, in addition to its policy of ongoing improvement to processes, positions the company as a leader in its sector thanks to the quality of its customer service.

In its efforts to grow, Aqualia continued with its diversification process and with the incorporation of the company Servicios y Procesos Ambientales, S.A., which was transferred from FCC Construcción, S.A. to Aqualia, thereby placing it in a privileged position in the design, construction and operation of water treatment and processing plants and in the field of desalination. It has also entered the industrial water market with the acquisition of numerous

specialised companies which enable it to offer solutions, equipment and maintenance of specific industrial installations.

The most important contracts awarded in 2004 were:

Water management

- Adra (Almería):** Distribution of drinking water and sewers: 25 years.
- Alboraya (Valencia):** Distribution of drinking water and sewers: 25 years.
- Alcalá de Henares, Madrid:** Distribution of drinking water and sewers: 25 years.
- Calasparra (Murcia):** Distribution of drinking water and sewers: 20 years.
- Chipiona (Cádiz):** Distribution of drinking water and sewers: 25 years.
- La Solana (Ciudad Real):** Comprehensive management: 35 years.
- Moaña (Pontevedra):** Distribution of drinking water and wastewater treatment: 25 years.

Desalination

- Sant Antoni de Portmany (Balearic Islands) :** Maintenance and conservation of desalination plant: two years.
- Santa Eulalia des Rius (Balearic Islands):** Maintenance and conservation of desalination plant: 15 years.

Treatment

- Arahal (Sevilla):** Maintenance of wastewater treatment plant: 20 years.
- Guadalajara:** Maintenance of wastewater treatment plant: two years.
- Medina del Campo (Valladolid):** Maintenance of wastewater treatment plant: 10 years.
- Alboraya (Valencia):** Maintenance of wastewater treatment plant: 2.5 years.

Irrigation

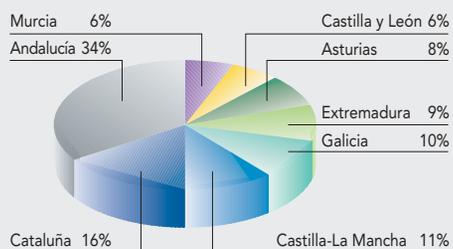
- Sociedad Estatal de Infraestructuras Agrarias:** Modernisation of the installations of the Community of Irrigators of las Vegas Alta y Media del Segura.
- Sociedad Estatal de Infraestructuras Agrarias:** Construction of the irrigation installations of the Community of Irrigators of the left bank of the Segura.



■ Wyeth treatment plant, San Sebastián de los Reyes. Madrid

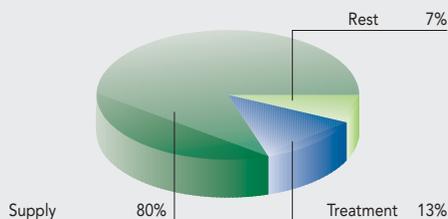
Geographic area

Contracts in Spain



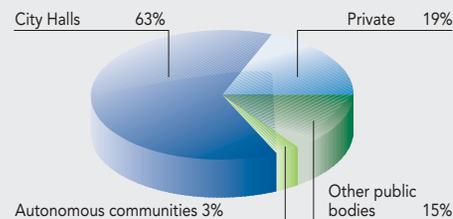
Breakdown by service type

Contracts in Spain



Breakdown by client type

Contracts in Spain





Industrial waste



Turnover
107 million euros.

The Group's activities in this sector are related to the treatment of the waste generated by basic industry (primary sector), the transformation industry (secondary sector) and the consumer industry (tertiary sector).

It works with both private clients and public administrations managing the following types of waste: hazardous, non-hazardous, treatment of contaminated soil and industrial clean-up.

Industrial waste services always include collection, transport, recycling, energy recovery and treatment.

In 2004, FCC continued to grow and expand in this sector, recording a 28.7% increase in its turnover compared to the year before.

Ámbito, the brand under which all of the industrial waste management activities of the FCC Group are carried out, has all of the installations needed for the treatment of this industrial waste including transfer plants, inertization centres, energy recovery centres and waste depots, constituting the largest network of installations in this sector in Spain. 910,000 Tm of industrial waste were handled last year, which represents a 26% increase over the year before.

■ Industrial waste treatment plant in Valdebebas. Madrid



FCC also treated a total of 420,000 m³ of contaminated soil last year. Some of the most notable projects in this field included:

- San Juan de Aznalfarache (Sevilla): 60,000 m³.
- Cartagena (Murcia): 150,000 m³.

■ Industrial dump, Bisbieta. Bilbao



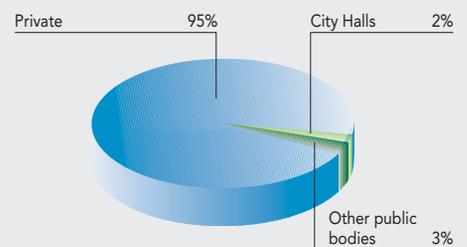
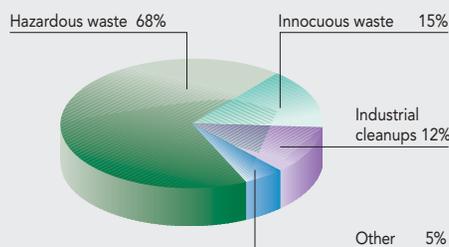
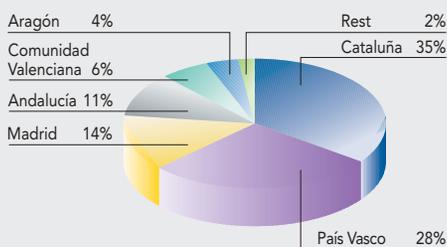


■ Industrial waste treatment plant in Constati, Tarragona

Other points of interest in fiscal 2004 included:

- **Alfus:** Industrial cleaning in Bedia (Vizcaya).
- **Tedes:** Hazardous waste treatment plant in Astillero (Cantabria).
- **Sigfito:** Collection and treatment of contaminated containers in various Autonomous Communities.
- **Cemex:** 8-year contract for the supply of alternative fuel for its factory in Buñol (Valencia).

Geographic area	Breakdown by service type	Breakdown by client type
Contracts in Spain	Contracts in Spain	Contracts in Spain





FCC Versia, S.A. operates in the following activities: handling, logistics, urban furniture, conservation and systems, parking, technical vehicle inspections and transportation.

Its turnover in 2004 was 514.5 million euros with an increase of 35% compared to the year before. Part of this growth was due to changes in its consolidation perimeter, without which its sales would have increased by 10.4%.

Its gross operating profit was 91.8 million euros with a sales margin of 17.8%.



Airport handling



Turnover
152 million euros.

Flightcare, S.L. is the group company that specialises in airport ramp, passenger and cargo handling. In Spain, it renders passenger and ramp handling services at the Barcelona, Bilbao, Fuerteventura, Lanzarote, Las Palmas, Málaga, Santiago de Compostela, Seville and Valencia airports.

Throughout the fiscal year it continued to developed its cargo handling activity with the commencement of operations

in Valencia. In addition to Valencia, it has bases of operation in Barcelona, Bilbao, Brussels, Lanzarote and Madrid.

After renewing its operating licence in the month of March for the next seven years, Flightcare, S.L. is the undisputed handling leader at the Brussels airport through its subsidiary BGS. This contract is valued at an estimated 700 million euros.

It was also awarded a contract to provide ramp, passenger and cargo handling services as the second operator at the Ostende-Brujas airport.

During the fiscal year the company provided services to more than 120 airline companies, served 38 million passengers, 175,000 flights and handled more than 205,000 tons of cargo.

■ Handling services at the airport in Brussels. Belgium



Logistics

Turnover 109 million euros.

The FCC Group provides logistics services in Spain and Portugal to companies in diverse sectors such as the auto industry, the household item-perfume industry, cosmetics, personal care items, home appliances, pharmaceuticals, and the optical and technological industries. To do so, it has multiple operating centres from which it manages the supply chain.

A particularly relevant event was the acquisition of the Grupo Logístico Santos at the beginning of 2005. With this acquisition, the FCC Group is the leader in Spain in operations on the free market with an estimated turnover for fiscal year 2005 in excess of 300 million euros.

Also in 2004 a corporate reorganisation process took place with the merger of the Aitena and Loacsa subsidiaries. As a result, the automobile sector is now serviced by Logística Navarra, S.A. while the rest of the logistics activity is handled by Aitena, S.A.

The following are noteworthy among the activities of Logística Navarra in 2004:

- Start-up of new centres dedicated to Nissan Motor Ibérica for its factories in Zona Franca and Montcada in Barcelona.
- New contract with General Motors España for the supply of materials and extraction of finished products from the chassis building at the factory in Figueruelas (Zaragoza).
- Four-year extension of the contract of the Portuguese subsidiary LNP Logística, Lda with General Motors Portugal, after the Portuguese factory received an excellent evaluation of its materials management system according to General Motor standards.



Aitena, S.A. continued the process of expanding, renovating and improving its infrastructures. A new logistics platform was implemented in Valladolid (to replace the old one) and the platforms in Tenerife and Gran Canaria were enlarged. It will soon inaugurate a new 30,000 m² warehouse in Alovera (Guadalajara) for the home appliances sector, which will enable it to ratify its leadership in this segment on the Iberian Peninsula.

The new facilities at the Alovera location dedicated to the pharmaceuticals sectors were inaugurated, with a surface area of 12,000 m² expandable to 30,000 m². These facilities are equipped with special temperature and humidity controls, refrigeration chambers, and special high security and surveillance systems. Aitena was authorised as a "Marketing laboratory and partial drug manufacturer", further establishing itself as the leading logistics operator for the pharmaceutical sector in Spain and Portugal.

In 2004, Aitena reached a historical record in terms of contracts awarded, reaching agreements with the following companies, among others:

■ Alovera logistics centre. Guadalajara

AITENA

S Santos

- **Ufesa**: crossdocking distribution operations.
- **Nivea**: factory pickup and distribution to Madrid and Sevilla in crossdocking.
- **Famosa**: storage, order preparation and distribution from warehouses in Madrid and Lisbon.
- **Seb Group**: storage, order preparation and distribution from warehouses in Madrid and Lisbon.
- **Pfizer**: storage, order preparation and distribution from warehouses in Alovera and Lisbon.
- **Sanofi-Aventis**: exclusive logistics provider in Portugal for storage, order preparation and distribution.
- **United Biscuits**: storage, order preparation and distribution in Portugal from warehouse in Lisbon.

Urban furniture and advertising



Turnover
81 million euros.

Cemusa Corporación Europea de Mobiliario Urbano, S.A. (Cemusa), is the Group company that stands at the centre of the design, manufacture, installation and maintenance (with or without advertising operation services) of the widest range of site furniture and outdoor advertising structures, such as hoardings at bus stops, information panels and columns, bookstalls, time-and-temperature pillars, automatic lavatories, selective refuse collection bins, electronic panels, super-size panels and indoor information pillars.

It has over 104,000 items and advertising structures installed in over 120 cities in 11 countries of Europe and America.

On the domestic market, the most important contract awards were:

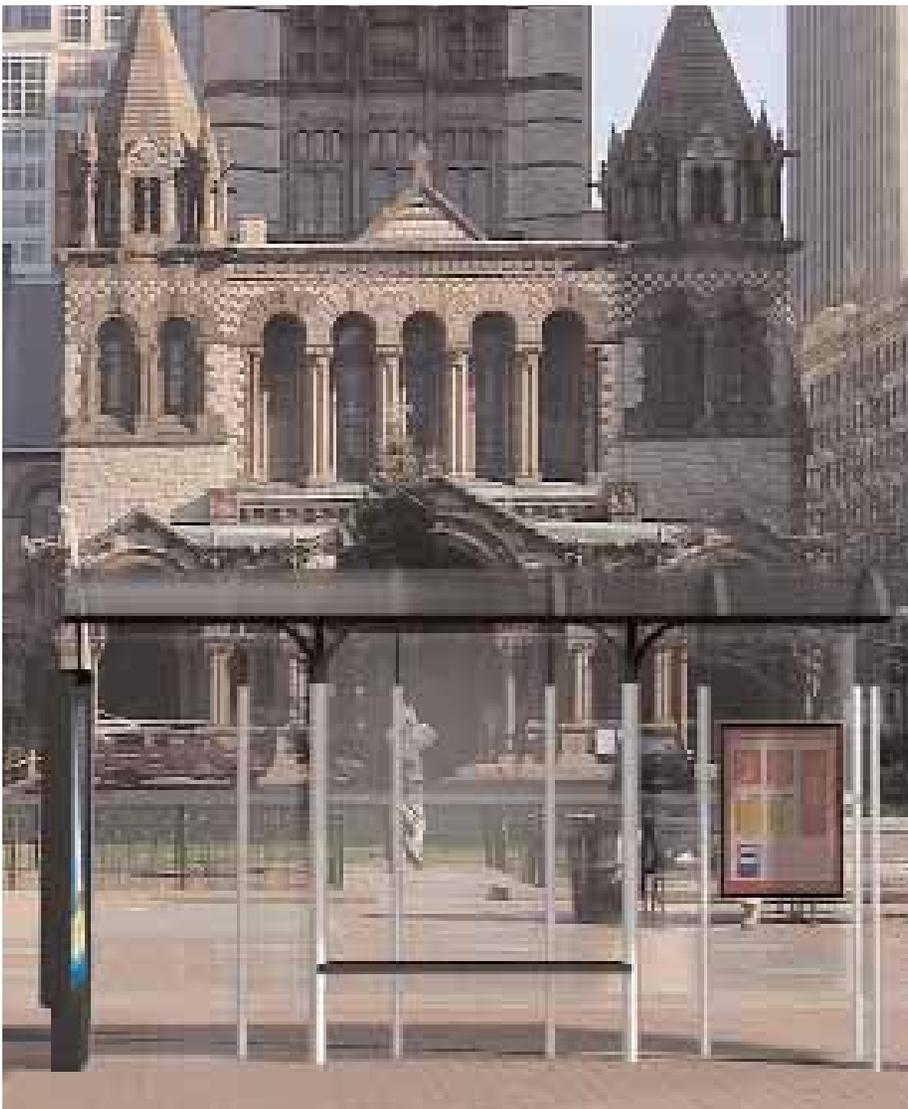
- **Vitoria:** urban furniture tender (bus stop hoardings, posts, informational supports and time-temperature supports, among others). With this contract award, Cemusa has intensified its presence in the Basque Country, providing a balanced commercial offering which includes the cities of Bilbao, Basauri and Leioa in Vizcaya and San Sebastián and Hondarribia in Guipúzcoa.
- **Madrid:** contract to install 400 clock-thermometers at the city's bus stops. This constitutes the incorporation of a new public utility, in addition to the traditional ones of protection and communication, or other more recent ones such as the installation of battery recycling containers.
- **Príncipe Pío Shopping Centre (Madrid):** informational posts. With this contract, Cemusa operates the advertising supports for seven shopping centres in Madrid and 18 in Spain, thus enabling it to offer networks for very specialised clients operating in this area.

■ Time-temperature hoardings and battery recycling container in Madrid



On the international front, Cemusa won the following contract awards:

- **Boston (USA):** tender award for bus stop hoardings in the city of Boston (Massachusetts) and different parts of the greater metropolitan area such as Cambridge, Harvard University and others. This city of 3,400,000 inhabitants, the fifth largest advertising market in the US, is added to the contracts already secured in Miami (Florida) and San Antonio (Texas) as part of Cemusa's efforts to expand in North America.
- **San Antonio (US):** contract award for the installation, maintenance and operation of advertising supports at the "Rivercenter" shopping centre, the most prominent shopping centre in the city of San Antonio (Texas).
- **Lisbon (Portugal):** contract to replace the stationary advertising panels with rotating panels in the city of Lisbon. This will enable Cemusa to consolidate its presence in the neighbouring country's capital and notably improve its commercial offering.



■ Solar hoardings in Miami. USA

■ Bus stop in the city of Boston, Massachusetts. USA

Conservation and systems

Turnover
51 million euros.

Conservación y Sistemas, S.A. is a company dedicated to the maintenance of urban infrastructures and the development and operation of traffic management systems. Notable events in 2004:



Most important projects

- Traffic management on the Ruta de Pantanos, M-501 and M-511, in Madrid.
- Safety and control systems in the Brañaviella-Niévares tunnels (Asturias)
- Urban development and improvement work on several streets and roads for the city governments of Madrid, Alcobendas, Boadilla del Monte, Móstoles and San Lorenzo de El Escorial.
- Renovation and betterment of the water system for Canal Isabel II in Madrid.
- Civil work for Iberdrola and Unión Fenosa.

Most significant contract awards

- Operation of shadow toll system and Perdón tunnel on the Camino dual carriageway (Pamplona-Logroño) in Navarra.
- Safety and control system in the Cuatro Caminos tunnel in Madrid.
- Control equipment for the Machico-Caniçal dual carriageway in Madeira (Portugal).
- Traffic management on various motorways in Madrid: M-100, M-110, M-111 and A-10.
- Conservation and maintenance of hydraulic infrastructures for irrigation networks in several districts for the City of Madrid.





Passenger transport



Turnover
25 million euros.

FCC-Connex Corporación, S.L., a company which is owned in equal shares by Cgt Corporación General de Transportes, S.A., a company of the FCC Group, and by Connex, a subsidiary of Veolia Environnement, is dedicated to in-city and intercity passenger transport by bus (Corporación Española de Transporte, S.A. CTSA) and by tram and train (Detren Compañía General de Servicios Ferroviarios, S.L).

The new streetcar system in Barcelona became operational in the months of April and May. The system links avenida Diagonal with Baix Llobregat and Sant Martí with Besòs. In the latter of these, one of the two lines which

serviced the Forum of Cultures is in operation and work continues on the Badalona line which includes an underground segment under the Gran Vía.

As of the end of the year, more than 7,600,000 passengers had been transported, slightly exceeding the forecasts for the first months of operation. The two networks combined cover an area of 31 kilometres and have 37 trams.

In the company's first experience in this sector in Portugal, CTSA last year started to provide urban transportation services in the Portuguese city of Vila Real de Trás os Montes, with a population of 60,000.

Furthermore, in keeping with the business development objectives of Automóviles Portillo, the trade number under which CTSA operates its transportation services on the Costa del Sol, the company has become a member of the Málaga Metropolitan Area Transportation Consortium after a process of adapting its lines, vehicles and information systems. The integration affects the 20 lines and 49 vehicles running between the communities of Málaga, Benalmádena, Mijas, Rincón de la Victoria, Alhaurín de la Torre, Alhaurín el Grande, Cártama and Churriana.

The fleet consists of 340 buses, which last year transported more than 45 million passengers and travelled some 27 million kilometres.



Streetcars in Barcelona



City passenger transport, Terrassa. Barcelona



Technical vehicle inspection

Turnover
37.4 million euros.

In 2004, more than 1,900,000 inspections were carried out at the 52 vehicle inspection stations operated by the companies of the FCC Group in Spain and Argentina. In both countries, the number of inspections performed rose in comparison to 2003.

A notable event in this area was the inauguration of a station in Las Palmas de Gran Canaria, bringing the number

of stations operated by the FCC Group in the community of the Canary Islands to a total of 10.

Work commenced this year on the construction of a new station in Liria (Valencia) and negotiations are underway for the construction of four more in the Community of Aragón which will bring the number of stations in operation to a total of 57.



■ Auto inspection stations





Parking facilities

Turnover
59 million euros.



The specialised companies of the Group manage approximately 110,000 on-street regulated parking spaces and 12,000 spaces in underground parking garages located in more than 90 cities. These companies also provide removal services for illegally parked vehicles in 30 cities.

The new contracts awarded in 2004 were:

Regulated on-street parking

- **Gros-Atotxa neighbourhood in San Sebastián** (Guipúzcoa): 2,300 parking space for a five-year period.
- **Vila-seca** (Tarragona): 722 parking space for a ten-year period.
- **Expansion of the La Guindalera** (2nd phase), El Viso, Hispanoamérica, and Nueva España neighbourhoods in Madrid: 12,305 parking spaces for a ten-year period.
- **Medina del Campo** (Valladolid): 1,105 parking spaces for an eight-year period.
- **Tárrega** (Lleida); 322 spaces, 30-year contract.

Construction and operation of underground parking facilities

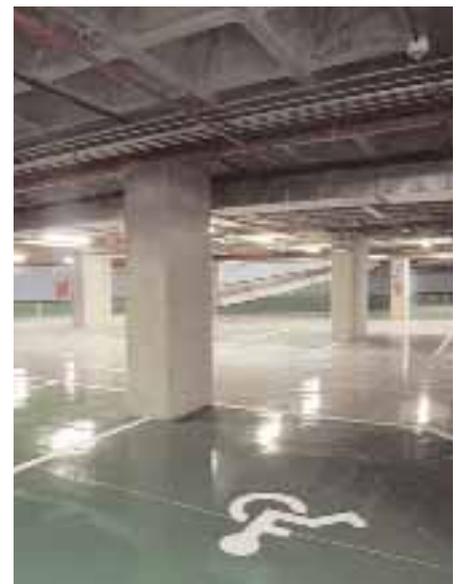
- **Fundación Lleida Basket**: 210 parking spaces for a 25-year period.
- **Hospital General Universitario de Murcia**: 1,019 parking spaces for a seven-year period.
- **Tárrega** (Lleida): 191 parking spaces for a 30-year period.

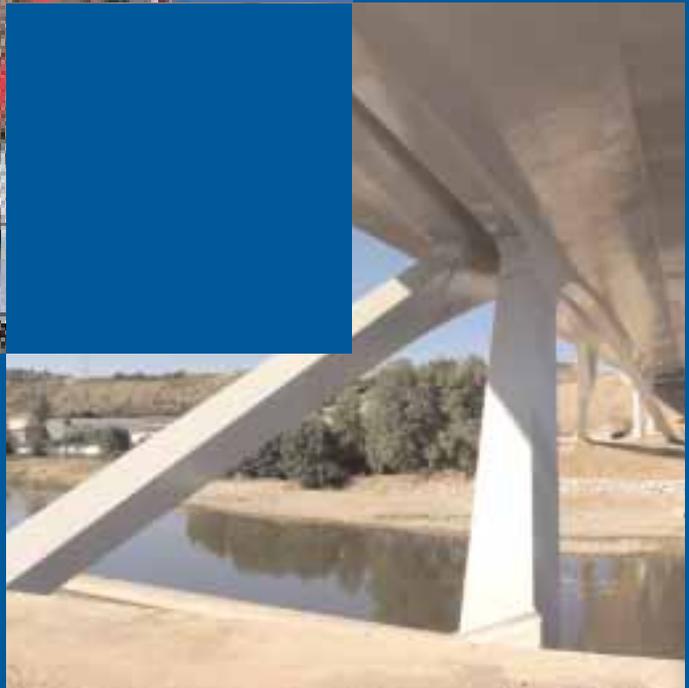
Vehicle Towing and Depot

- **Burgos**: two-year contract.
- **Pozuelo de Alarcón** (Madrid); four-year contract.
- **Almuñecar** (Granada); two-year contract.

Electronic recording and issuing of traffic violations

The contract awarded by the City of Madrid for a period of two years includes the supply and maintenance of 790 portable units for electronically recording and issuing traffic violations. It also includes the supply and maintenance of the computer applications developed by FCC. This is the first contract of its kind signed in Spain.







Construction

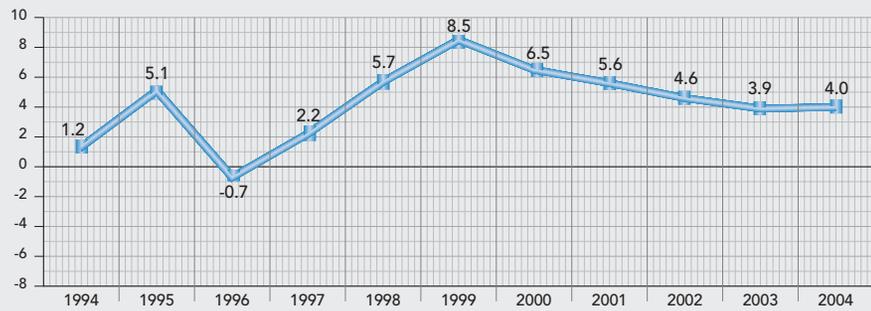
Analysis of the sector

In 2004 the sector grew by 4%, which represents a 1.4% increase over the evolution of the Gross Domestic Product (GDP). The principal reasons behind this evolution can be found in the considerable number of new housing starts and the progressive use of extra-budget methods in the provision of infrastructures.

Annual construction activity variation rates

In constant terms

Source: Seopan

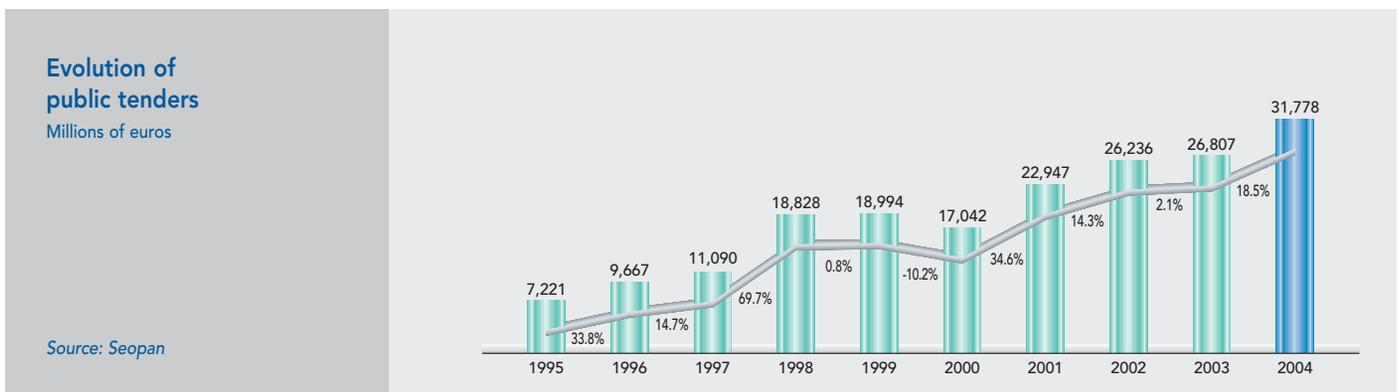


■ A-381 dual carriageway. Jerez-Los Barrios

For the seventh year in a row, all subsectors recorded positive growth:

- **Residential construction**, which accounted for 33% of the total, grew by 5%, maintaining its position as the most important subsector in the construction segment. There were 675,000 new housing starts, which represents a year-on-year increase of 7%.
- **Rehabilitation and building maintenance**, which accounts for 25% of the total, grew by 2.5%.
- **Civil work** represented 24% of the total production for the sector, with a year-on-year increase of 6%, down slightly from the growth recorded in 2003.
- **Non-residential construction** accounted for 18% of the Group's activity, up by 1%.

The **tenders** awarded by the public administration were valued at 31,778 million euros, an 18.5% over the year before, which constitutes a considerable acceleration in relation to the figures of 2003, due primarily to the efforts of some Autonomous Communities such as Madrid, the Balearic Islands, Asturias, the Basque Country and La Rioja and some local governments. The contracts referred for the most part to work on ports, subway systems and Madrid's road network.



At the end of the fiscal year 2,014,000 million **people were employed** in the construction sector, representing 12% of the Spanish workforce, with a 5.6% increase in the number of Social Security registration.

The **forecasts for 2005** call for a similar or slightly higher level of growth than in 2004, with a rise in the sector's overall production of between 3.5% and 4.5%, in constant terms, continuing the expansion cycle which began in 1997.

FCC's activity



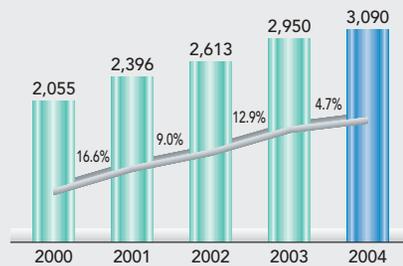
All of the construction activity of the FCC Group is channelled through FCC Construcción, S.A., which also leads the group of companies involved in related activities.

During the fiscal year, new contracts amounting to a total of 3,442.9 million euros were awarded (13.9% more than the year before) resulting at the end of the fiscal year in a construction backlog valued at more than 4,351.2 million euros, an increase of 18.9% over the year before.

Turnover rose by 4.7%, a higher than average increase for the sector overall.

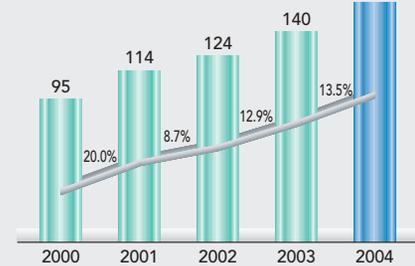
Turnover

Millions of euros

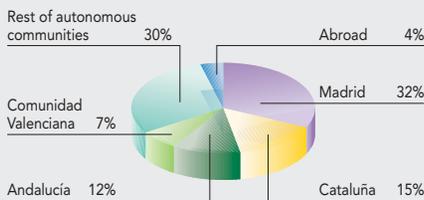


Gross operating profit (Ebitda)

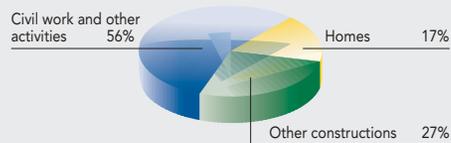
Millions of euros



Production by geographic area



Production by job type



Production by client type



Technological innovation

In order to provide its clients with as much added value as possible, FCC Construcción does not hold back on acquiring the most modern and technologically advanced production resources or developing new construction systems.

The company, directly and through its subsidiaries, progressively augments the range of proprietary construction and production elements and systems offered to its clients.

Here are some examples:

Underground work

FCC Construcción has made a considerable investment in the acquisition of tunnel-boring machinery for its new contracts.

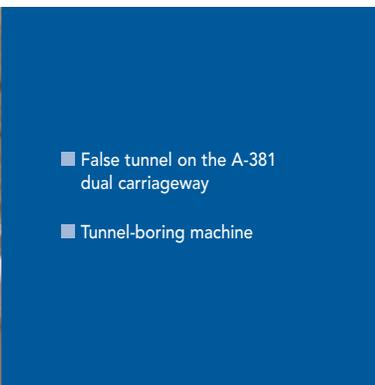
- The world's largest tunnel-boring machine, with a 15 m excavation diameter, for the by-pass of the M-20 Sur in Madrid, in a joint venture with another company.
- Two TBM for rock with 10 m excavation diameters, also in a joint venture with another company, for the Pajares tunnels for the high speed train, with an expected excavation length of 15.3 km.
- A tunnel-boring machine measuring 9.40 in diameter, in a joint venture with other companies, for the Barcelona Metro (Line 9).
- A tunnel-boring machine measuring 9.40 m in diameter, for the extension of line 3 of the Madrid Metro.

The excavation work for the Guadarrama tunnel on the Madrid-Valladolid high speed train, awarded to FCC Construcción in a joint venture with other companies, was completed during the fiscal year. The total length of the tunnel was 28.4 kilometres and it was dug at a rate of 36.3 metres per day by two tunnel-boring machines.

Bridges and special structures

In order to increase its ability to execute special work using its own resources, FCC Construcción has created the company BBR Pretensados y Técnicas Especiales (BBR PTE) which is dedicated to operating the BBR prestressed systems licence and developing special construction systems.

It used the first of these systems to build a cement silo at the Cementos Portland Valderrivas factory in Alcalá de Guadaira (Sevilla). The silo measures 20 m in diameter and 64 m high. The inside pillars were installed and the roof raised simultaneously with the walls.



The second system was used to push a 24 wide 53 long caisson at the Soto de Henares development and 26 wide 26 long for the prolongation of the calle Venisquero de la Condesa in Madrid.

FCC Construcción has started work on the Torre Repsol in Madrid. The tower will stand 250 m above ground level and 270 m above its foundations. For this construction project the company has acquired a fixed 1,400 m/ton tower crane, the largest ever used on a construction site in Spain, and two 340 m/ton cranes.

Hydraulic works

The subsidiary Prefabricados Delta has perfected and commenced the production of a polyester pipe reinforced with glass fibre on a production line using a continuous mandrel system. It can manufacture pipes with diameters ranging from 300 mm to 2,600 mm with nominal pressures up to 25 bar.

Research and development

The European Construction Technology Platform was created. This is an initiative with more than 300 participating organisations (industries, universities, research centres, European administrations, etc.) whose objectives are to define the 2030 vision and the Strategic Research Agenda for the Sector through the development of macroprojects with mixed public and private financing.

FCC Construcción is a member of the Board of Directors of this platform and a head up, along with another company, the Underground Construction strategic line and also participates on the Buildings and Cities and Sustainable Construction Committees.

A Spanish platform has also been created, which shares the same objectives as its European counterpart but at the national level. It has more than 150 member organisations of the same type as the members of the European platform. FCC Construcción also plays a leading role on this platform.

Some of the most noteworthy activities in the area of internal I+D+I during the fiscal year included the following:

- Low reflection maritime caissons. The Group worked together with Cedex to design low reflections surfaces for both docks and piers. In view of the excellent results, the papers have been filed to patent the invention, the rights to which are already reserved.
- The Logro Project. Work continued on optimising construction debris, in collaboration with the Cataluña Technological Institute and a private construction machinery company.
- Shotec. Automation of concrete casting techniques and improvements to mixes for casting concrete.
- Concrete with fibres for assembled sections used to clad tunnels.

These projects are partially financed with public funding through the Profit programme sponsored by the Ministry of Industry, Tourism and Trade.

At the European level, work commenced on the two construction projects approved by the European Commission as part of the Sixth Framework Programme.



Freeways, highways and roads

This continues to be the most active subsector and that with the highest specific weight. If all construction activities, in terms of both the turnover it generates and the backlog pending completion.

The most noteworthy contracts awarded were:

- 36-year contract to build and operate the Cartagena-Vera (Murcia-Almería) toll road. The project consists of 98 km of motorway between these two cities and a 16 km toll-free ring road around Cartagena.
- Construction and operation of a toll road through the San José-San Ramón corridor in Costa Rica, the most heavily-travelled thoroughfare through the Central American country which provides access to the San José International Airport and the

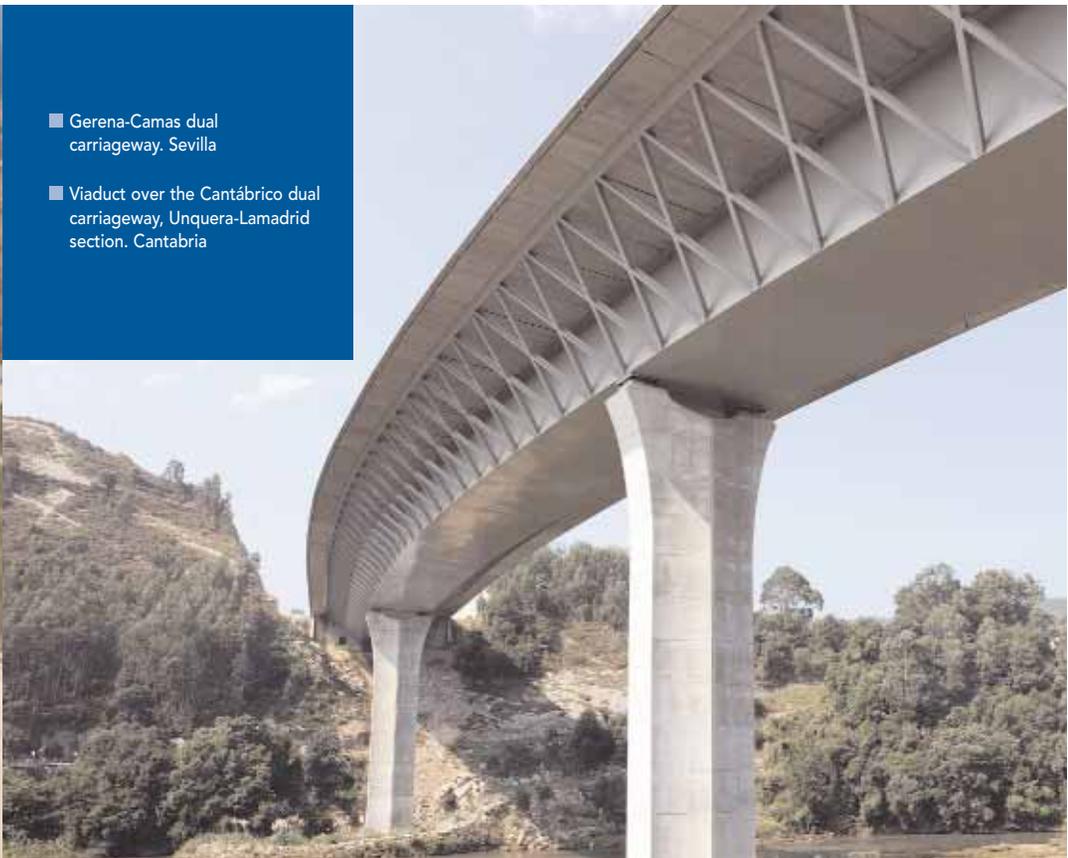
Santa Ana-Río Segundo arterial road. The motorway is 60 km long and the arterial road is 7.5 km long. The term of the concession is 25 years.

- Corregado junction near the Tajo and Lisbon which links the A-1 and A-10 motorways. Includes the construction of a viaduct with prefabricated beams 1,237 m long and two other viaducts to be built on site, measuring a total of 2,506 m.
- Section: Reinante-Ribadeo (Lugo) of the A-8 autovía del Cantábrico. This is the first section of this Galician motorway put out to tender. It links the Cantabrian coast with the Autovía del Noroeste. It is 10.6 km long.
- New road at the Despeñaperros port: Venta de Cárdenas-Santa Elena (Ciudad Real-Jaén) section. The road is 8.9 km long with two lanes for south-north traffic.



■ Gerena-Camas dual carriageway, Sevilla

■ Viaduct over the Cantábrico dual carriageway, Unquera-Lamadrid section, Cantabria





■ Viaduct over the Escudo River.
Cantábrico dual carriageway

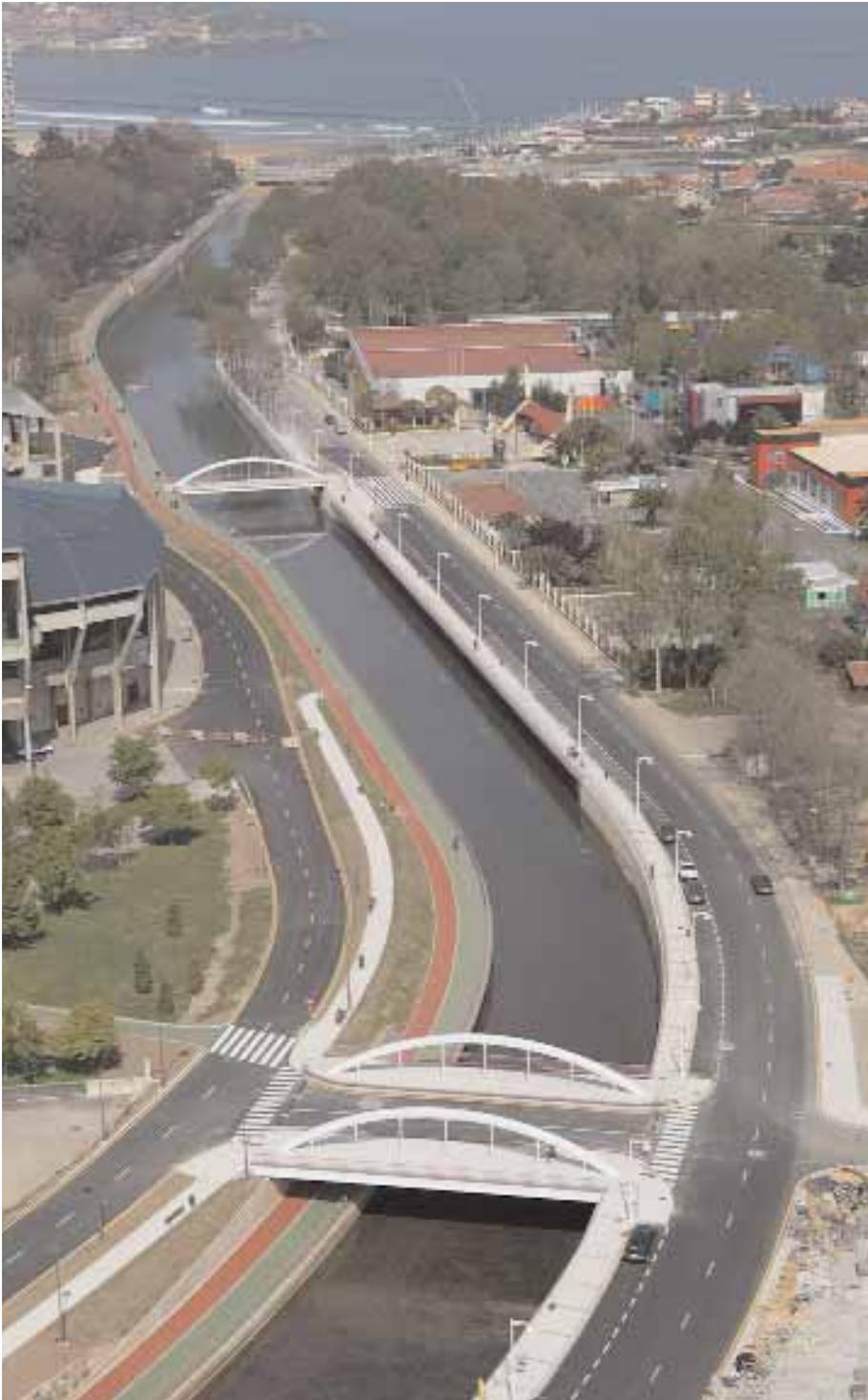
■ Brañaviella tunnel. Barcelona

- 30-year concession (construction and operation) of an underwater tunnel in Coatzacoalcos in the state of Veracruz (México). It is 2,200 m long. Its central and most unique span is composed of six bicellular reinforced concrete caissons 120 m long, each one of the cells with two lanes.
- Section running between Luko (Álava) and the boundary of the province of Guipúzcoa of the A1 motorway between Vitoria and Eibar. It is a 6.7 km long section of motorway involving the construction of two parallel tunnels, one on each side of the road, each 620 m long, as well as three viaducts, four overpasses and five underpasses.
- Southern by-pass on the M-30 ring road in Madrid, tunnel between Santa María de la Cabeza and the N-III. This 4.2 km tunnel will be built with a tunnel-boring machine and prefabricated segments with an interior diameter of 15 m and three lanes in each direction.
- Rehabilitation of 30 km of the Cluj a Livada road (Romania) for the Romanian National Highway Administration.



Last year the La Algaba-Camas subsection of the La Plata motorway and section IV between Majaplata and La Palmosa of the A-381 Jerez-Los Barrios motorway which runs through the Los Alcornocales Nature Park was opened to traffic. This project won the prestigious Global Road Achievement Award given by the International Road Federation in the environmental protection category. It also received the 2004 Quality Award for the Best Construction Work of the year in the civil work category.

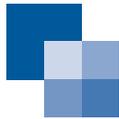
Hydraulic works



■ Conditioning the Piles River. Gijón

The most relevant contract awards were as follows:

- Modernisation of the irrigation systems of the Vegas Alta y Media del Segura (Murcia) Irrigation Community in a joint venture with Aqualia.
- Water supply to Santander. Includes 50 km of steel pipes measuring from 600 to 1,000 mm in diameter and several pump. This will enable the water to be carried from the Ebro reservoir to the Besaya reservoir from which Santander is supplied.
- Channelling of water from Navalcarnero to Campo de Pozos de Batres (Madrid). The section consists of 19.2 km of welded steel pipes, most of which are 800 mm in diameter.
- Modernisation of the irrigation system on the left bank of the Najerilla Canal (La Rioja) which covers an area measuring 9,107 Ha. Includes the construction of three pools with capacities ranging between 150 and 260,000 m³ each, a 250 km irrigation network with pipe diameters between 400 and 1,000 mm, and tertiary or plot pipes in PVC measuring between 160 and 200 mm.



Maritime works

The most noteworthy contracts awarded were:

- New accesses to the Port of Sevilla (Phase I). The work consists of building a new 434 m long lock with the capacity to house tugged vessels. The gates of the lock are 42 m wide, 20.3 m high and six thick and the distance between the inside faces of the doors is 253 m.
- Communication channel linking the interior dock with the ocean and transversal link at the Port of Valencia. Consists of the construction of a communication channel measuring 600 m long, 80 m wide and 7 m deep connecting the interior dock with the ocean. This is one of the first projects undertaken in preparation for the 2007 America Cup.
- First phase of the Azucenas wharf for the enlargement of the Port of Motril (Granada). Includes the construction of 9 caissons and 330,000 m³ of dredging.
- Enlargement of the southern esplanade of the commercial wharfs at the Port of Palma de Mallorca. Consists of prolonging the current wharf by 188 m using reinforced concrete caissons and the formation of 68,000 m² of esplanade.
- First phase of the cruise ship wharf at the Port of Rosario (Fuerteventura). Consists of the construction of a 300-metre-long wharf for docking cruise liners, with an area of 100,000 m².



- Cambulloneros Wharf. Tenerife
- Arrecife Port in Lanzarote
- Front of the Chapela Port in Redondela. Pontevedra





Airports

The most noteworthy contract awards last year were:

- Complementary land movement project at the Madrid-Barajas Airport.
- Manoeuvres area at the San Javier (Murcia) air force base. Basically consists of building a new 2,000 m long runway parallel to the existing one with a taxi strip.

Continuation of work on the New Area Terminal (NAT) and the Rail Area 2 at the Barcelona Airport measuring 417,000 m²

and at the Castellón Airport, which consists of a 2,700 m long landing strip, passenger terminal, control tower and service building.

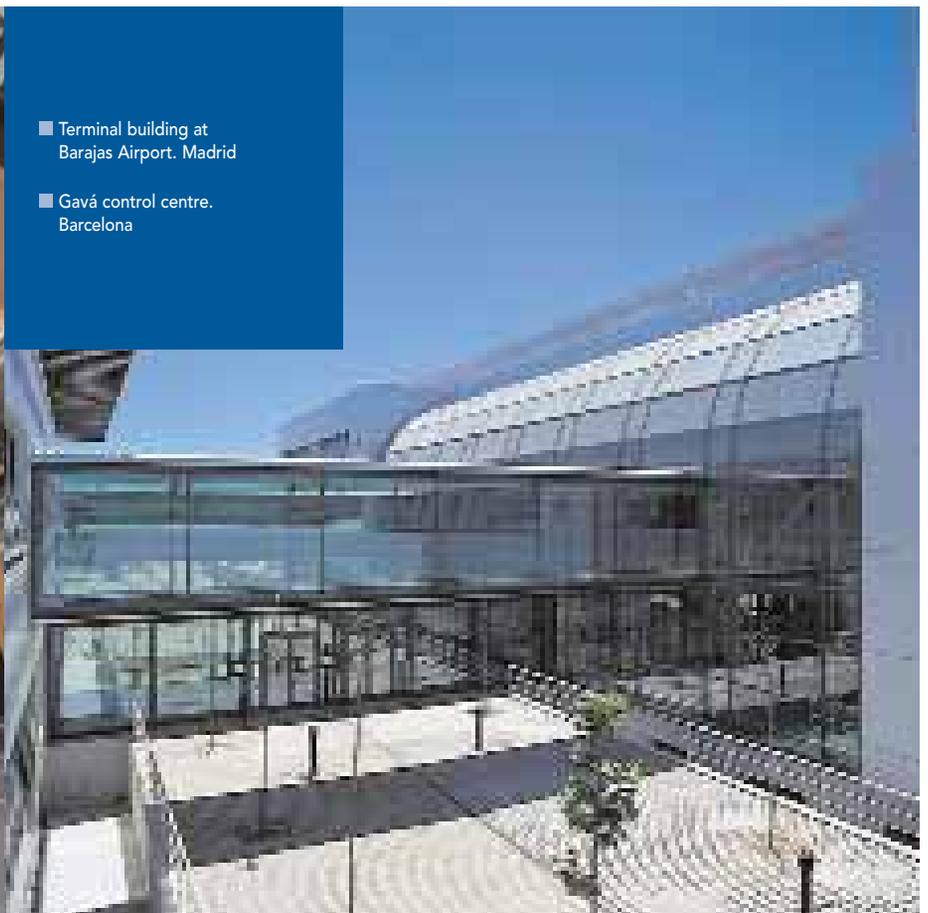
The new terminal at the Madrid-Barajas Airport, the largest construction project ever undertaken in Europe, with a constructed area of 500,000 m², will soon become operational.

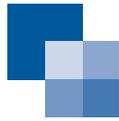
The new air traffic control centre in Gavá, Barcelona, won the 2004 Quality Award for the Best Work of the Year in the building category.



■ Terminal building at Barajas Airport, Madrid

■ Gavá control centre, Barcelona





Railroad infrastructures

The activity in this subsector continues to be lively thanks to the plans to extend the high speed train system between Madrid and Barcelona, Madrid-Asturias and Madrid-Northeast.

The following contracts were awarded for **high speed and conventional railways**:

- Amoeiro-Carballiño section of the Orense-Santiago de Compostela railroad. Consists of the construction of a 12.1 km long platform, 3,400 m of which are in the form of a viaduct.
- High speed line: Puerto de Santa María (Cádiz) subsection. Duplication of the 11 m of tracks to enable trains to travel at 220 km/h.
- Connection of the Ortuella station and the Port of Bilbao through the 4.8 km long Serantes Tunnel. This will free up the left bank of the Ría de Bilbao from the cargo-carrying train traffic travelling to and from the port.
- Renovation of the Villarreal de Huerva-Cariñena (Zaragoza) section of the railway in the Sagunto-Teruel-Zaragoza tunnel. Consists of the construction of a tunnel which will be clad with prefabricated segments.
- Burial of 1,400 m of the Palma-Inca railway. The railway is buried by means of a false tunnel made of cut-off walls with reinforced concrete slabs.

Barcelona streetcar





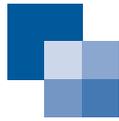
■ Guadarrama tunnels. Madrid

The following contracts were awarded for **metropolitan rail** systems:

- Garage and depot for the Santa Cruz de Tenerife-La Laguna metro for moving stock and offices for the new line between the two cities.
- Final section of Line 9 of the Barcelona Metro. The total length is 3.1 km, of which 2.85 will be built using a tunnel-boring machine.
- Accesses to the rail triangle, infrastructures and stations of Line 9 of the Barcelona Metro.
- Widening Line 3 platforms at the Puerta del Sol station of the Madrid Metro. Consists of extending the length of the station from 60 to 90 m in order to accommodate the larger capacity modern 3,000 series trains. Includes a new access to calle Preciados.
- Prolongation of Line 3 of the Madrid Metro. Section: Legazpi- San Cristóbal de los Ángeles. The work consists of 5,701 m of underground tracks, five new stations and the adaptation of the Legazpi station, increasing the length and improving the connections with Line 6.
- 2,8 km long section of the San Cristóbal de los Ángeles-Villaverde Alto line.
- Adaptation to regulations and improved access to stations for Line 3 of the Barcelona Metro. The work includes improving access for the disabled to 14 stations by installing lifts from ground level, moving toll lines, raised paving for detection by the blind and other general improvements to the facilities.
- 35-year contract for the construction and operation of lines 1 and 2 of the Málaga Metro. The length of the lines is 7.2+4.4 Km, with 12+7 stations and an estimated initial traffic level of 17 million per year. It is expected to become operational in February 2009.



In late December the boring work for the Guadarrama tunnels was completed. These tunnels are part of the Soto del Real-Segovia section of the high speed train line. The work consisted of a 28.4 km stretch with an interior diameter of 8.5 m.



Urban development

The most noteworthy contract awards last year were:

- Urbanisation of the Fuente Lucha development in Alcobendas (Madrid). With more than 65 Ha for residential use and 357,000 m² of developable land, a total of 4,000 homes will be built, 3,000 of which will be subsidised.
- Urbanisation of the Vega Baja area in the city of Toledo. More than 40 Ha, 30 on the right bank and 10 on the left bank of the Tajo River, including access roads. Includes one footbridge with a 102 m span and two others with a tilted metallic arch with spans of 14 m.
- Urbanisation of the Massanes (Girona) industrial development zone.
- Urbanisation of the South Sector in Foios (Valencia).
- Parking area for the San Rafael hospital in La Coruña.



■ Urbanization of the Costa Teguisse esplanade. Lanzarote

■ Parque del Oeste. Oviedo





Residential

During the past fiscal year, FCC delivered 5,231 finished homes, a total of 810,537 m² in floor space.

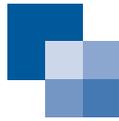
The contract awards were valued at 579 million euros. The most significant contracts awarded during the fiscal year were for:

- 629 homes in Montecarmelo. Madrid.
- 948 homes in Las Tablas. Madrid.
- 322 apartments on Isla Canela. Huelva.
- 164 flats and apartments in Denia. Alicante.
- 120 homes and garages in the Getafe Norte development in Getafe. Madrid.
- 141 tourist apartments in Venta Melchor in La Línea de la Concepción. Cádiz.
- 216 homes (50 semi-detached homes and 166 flats) for the Dehesa Nova development in San Sebastián de los Reyes. Madrid.
- 116 homes in Dehesa Vieja de San Sebastián de los Reyes. Madrid.
- 100 homes in Valdemoro. Madrid.
- 221 semi-detached single-family homes in Las Margas Golf. Sabiñánigo. Huesca.
- 208 homes, garages and commercial spaces for a eastern residential complex in eastern Parla. Madrid.
- 402 homes in Fuenlabrada. Madrid.
- 263 homes in Parla. Madrid:
- 132 apartments in Cerrado del Águila, Mijas. Málaga.



- Homes in Sotogrande. Cádiz
- Homes in Txurdinaga. Bilbao
- Cedro Azul homes. Mirasierra. Madrid
Architecture, Urban Development and Public Works award of the Madrid City Council





Non-residential

This section includes the construction of different types of buildings: administrative buildings, schools, cultural buildings, sports complexes, commercial buildings, hotels and industrial buildings.

The most significant contract awards were:

Government centres and office buildings

- Several phases of the service building at the City of Communications in Las Tablas (Madrid), which will house the numerous offices of Telefónica currently located in Madrid. This is a complex composed of 12 buildings, one corporate building, a common service building and three buildings for social services (clinic, gym and nursery school) occupying an area of more than 200,000 m².
- New headquarters of the Castilla y León parliament. The building, with a constructed area of 28,000 m²,

consists of a underground parking and warehouse level, a ground floor and four upper floors.

- New municipal offices for the Badalona City Council (Barcelona).
- Civil work for the Torre Repsol located in the former Real Madrid Sport Complex on Paseo de la Castellana de Madrid, designed by the British architect Norman Foster. It will be 250 m high with a reception area measuring 15.3 m high, 35 floors of offices space and 3 floors of installations in three vertical blocks.

Work continued at a brisk pace on the City of Justice near Plaza Cerdá in the cities of Barcelona and L'Hospitalet de Llobregat. The complex comprises 11 buildings occupying 280,000 m². The complex was designed by the British architect, David Chipperfield and by B720 Arquitectura.

- Mail processing centre in Palma Mallorca
- Parador Nacional Bernardo de Fresneda. Santo Domingo de la Calzada. La Rioja



Teaching centres

- Residence hall for students of the Universidad Complutense on calle Ramiro de Maeztu in Madrid. The work consists of four underground levels and six above-ground levels with 211 rooms and common areas.
- Classrooms and underground parking area with 450 parking spaces in Portaceli (Sevilla). The project consists of the construction of 15 primary school classrooms on two floors. The parking area will be built using 0.80 m thick cut-off walls and reinforced concrete slab foundations.

- Valdecilla Hospital. Santander
- MUSAC. Museo de Arte Contemporáneo de Castilla y León
- Fairgrounds. Valencia



Hospitals

- Centre for the handicapped in Llanos de Aridane (Isla de La Palma).
- Hospital de La Moraleja (Madrid) for Sanitas.
- Nostra Casa Vall de la Ballestera Residence, donated to the City of Valencia by the Foundation for the Disabled presided over by Esther Koplowitz. The residence occupies some 4,500 square metres and will be used to assist persons with serious mental disabilities and other physical and sensorial disorders. The building can accommodate 60 residents and 40 non-residents.
- Refurbishment and enlargement of the Alcázar de San Juan Hospital (Ciudad Real).

Cultural, sports and entertainment centres

- Galicia City of Culture Museum of History in Santiago de Compostela. One of the six buildings forming the City of Culture complex designed by Peter Eisenman. It is a very complex project in terms of the design geometry. The complex, occupying a total of 18,000 m², blends into the hillside on which it sits, with





■ Community of Madrid
Sports Palace

visible quartzite roofing and aluminium-magnesium panels which are alternated on the facade with glass and stainless steel cladding.

Shopping centres, fairgrounds and convention centres

- Construction of the structure of the new Alameda Shopping Centre (Málaga) for El Corte Inglés.
- Structure for building 5 and adjacent parking area for the enlargement of the FIRA 2000 fairground on la Gran Vía de L'Hospitalet (Barcelona), including land movement and foundations.
- Vila Nova de Gaia Shopping Centre (Portugal) for El Corte Inglés through the subsidiary Ramalho Rosa Cobetar.

Inauguration of the new El Corte Inglés shopping centre in Valencia near the City of the Arts. FCC Construcción was responsible for the structure, masonry, flooring, walls and general urbanisation for this project. The total constructed area is 152,000 m², 40,000 of which are commercial space.

Rehabilitation and maintenance

- Renovation of the former V.2 workshop building in Sagunto (Valencia). Includes the construction of an auxiliary building to the former workshop building at the Port which is being converted into a theatre.
- Renovation of a building in the Isdabe Complex in Estepona (Málaga). The size of the area in question is 18,000 m². The structure and siding

of the existing building will be maintained, while the interior will be completely remodelled throughout.

The renovated Palacio de Camposagrado de Avilés was inaugurated last year. This is a beautiful seventeenth century building which has been completely restored.



■ Camposagrado Palace. Avilés



Water treatment

The most notable contract awards were as follows:

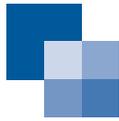
- Tertiary treatment at the Baix de Llobregat wastewater treatment plan in El Prat, Barcelona. Consists of the installations needed to reuse the treated water for irrigation purposes and contribute an ecological flow to the Llobregat River. The nominal flow rate is 3.5 m³/s.
- San Pantaleón en Santoña wastewater treatment plant (Cantabria) for the general cleanup of the Santoña marshlands (Cantabria). It serves a population of 325,000 inhabitants with an average flow in summer of 4,700 m³/hour. The treated water is pumped into an underwater outfall. The digestion biogas will be used to generate energy and the sludge area will be deodorised with active carbon.



■ Chiclana treatment plant. Cádiz



■ Depurbaix wastewater treatment plant. Barcelona



Electricity



Especialidades Eléctricas, S.,A. (Espelsa) is the company of the FCC Group that specialises in designing and installing electrical wiring, construction and maintenance of distribution networks and transformation substations and the engineering of advanced computer systems for command, control and simulation through its specialised divisions.

Its most noteworthy activities in 2004 included:

Electrical facility design and execution

- New financial campus for SCH. (Madrid).
- Sports Palace for the Community of Madrid.
- San Lorenzo del Escorial Theatre (Madrid).
- Sanitas Hospital (Madrid).
- Enlargement of the Santiago Bernabeu Stadium (Madrid).
- School of Law (Madrid).
- City of Communications (Madrid).
- Almería Sports Palace.
- Arona Courts (Tenerife).
- Lighting and affected services on the Radial 3 arterial road (Madrid).

Maintenance

- Sogecable building (Madrid).
- National Library (Madrid).
- Reina Sofía Art Museum (Madrid).

The company also handled the construction and maintenance of the distribution systems, substations and transformer centres of the electrical companies Endesa, Iberdrola, S.A. and Unión Fenosa, S.A., in Barcelona, Madrid and Castilla-La Mancha.

Advanced computer systems engineering

- Mission Planning and Briefing (MPB) for the EFA-2000 Typhoon European fighter plane.
- Mission planning for the P-3 ORION maritime patrol plane.
- Mission Planning and Debriefing for the EF-18 fighter and Mistral portable missile simulator.



■ Collserola médium voltage line. Barcelona



■ Lighting of the R-3 arterial road. Madrid



Heating and air conditioning

Internacional Tecair, S.A. is the subsidiary devoted to designing and installing equipment and systems for heating and cooling, mechanical equipment and systems, fire protection equipment and systems and facility management equipment for all kinds of buildings.

During the last fiscal year it won contract awards to provide heating and air conditioning systems to the following hotels and offices:

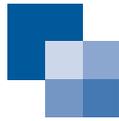
Hotels

- Puerta América, Madrid (****).
- Hilton Diagonal Mar, Barcelona (****).
- Hilton Palacio de Congressos, Valencia (****).
- NH Sorolla Palace, Valencia (****).
- Guadalpin Banus, Málaga (****).

Offices

- HP2 Bami office complex in Las Rozas, Madrid.
- Laboratorios Abbott, Madrid.
- Edificio Génova 27, Madrid.





Infrastructure conservation

The FCC Group operates in this sector through its affiliate Mantenimiento de Infraestructuras, S.A. (Matinsa) in the following areas:

Roads and highways

Maintenance of more than 1,000 Km of dual carriageways and 2,500 Km of roads pertaining to the conventional road system.



The following contracts were renewed last year:

- More than 200 Km of various sections of the Madrid-Alicante N-301, N-430 and A-31 roads in the province of Albacete.
- N-611 from Palencia to L.P. de Cantabria CN-120 in the province of Palencia.

The following contracts were awarded:

- 168 Km of the N-120 and A-62 roads in the province of Burgos.

Maintenance of hydraulic infrastructures

Work is underway on the expansion of an automated hydrological information system for the Confederación Hidrográfica del Júcar to include the Tous, Escalona, Bellús and Algar reservoirs to the system.

In 2004, a contract was signed for the maintenance of the automated hydrological information system for the Confederación Hidrográfica del Sur.

Forestry work

The Group provides forest replanting services, forest treatments, forestation of farmlands and restoration of the natural environment in areas affected by infrastructure work and auxiliary forest work in the autonomous communities of Andalucía, Castilla y León, Castilla-La Mancha, Extremadura, Galicia, Madrid and Comunidad Valenciana.

Forest fire prevention and extinguishing services for the Sierra Norte in Madrid. Consists of 145 operators which rises to 228 in the summer, broken down into 14 groups, with five heavy and nine lightweight fire-fighting assemblies and four forestry engineers.





Engineering

PROSER

Proyectos y Servicios, S.A. (Proser) provides engineering studies and designs. The following are among the contracts awarded to the company last year:

Roads and highways

- Access to the port of Málaga (phase 2). Section: N-340 (A) thermal power plant.
- Public tender for the A41/IC24- Picoto (IC2) motorway/Ermida junction (C25), included in the Douro Litoral Concession (Portugal).
- Construction of the Medina-Sidonia (Cádiz) relief road. Includes a 4.5 m long section of road between the A-381 motorway and the A-390 road to Chiclana, and a 5.5 km long section of road between the A-390 and the A-393.
- Informational study on the widening of the C-17 between Les Masies de Voltregà (Barcelona) and Ripoll (Girona).

Railways and metros

- Bed for the new high-speed Levante railway access. Madrid-Castilla La Mancha-Comunidad Valenciana-Región de Murcia. Section: La Alcoraya-Alicante.
- Bed for the north-north-east high speed corridor. Artery: Ourense-Santiago. Section: Lalín-Santiago. Subsection: Boqueixón-Santiago.
- Modification of local train lines C-3 and C-4 in Madrid at the access to the Atocha train station.
- Construction of new light metro line Pinar de Chamartín-Sanchinarro-Las Tablas, Sections 1 and 2.
- Enlargement of depot for line 4 of the Madrid Metro in Hortaleza and new depot and workshops for the Pinar de Chamartín-Sanchinarro-Las Tablas light metro.
- Viability study for the Badalona Centro-Can Ruti Light Metro in Barcelona.
- Viability study for the prolongation of Line 1 of the Sevilla Metro to Alcalá de Guadaíra.

■ A-11 Duero dual carriageway.
El Burgo de Osma relief road.
Viaduct over the Ucero River



Hydraulic works

- Improvement of the lateral channel of the AP-2 on the Llobregat River.
- Comprehensive reorganisation of Tomelloso and Argamasilla de Alba (Ciudad Real).
- Reform work on the Albaida (Valencia) wastewater treatment plant for a flow rate of 5,000 m³/day.

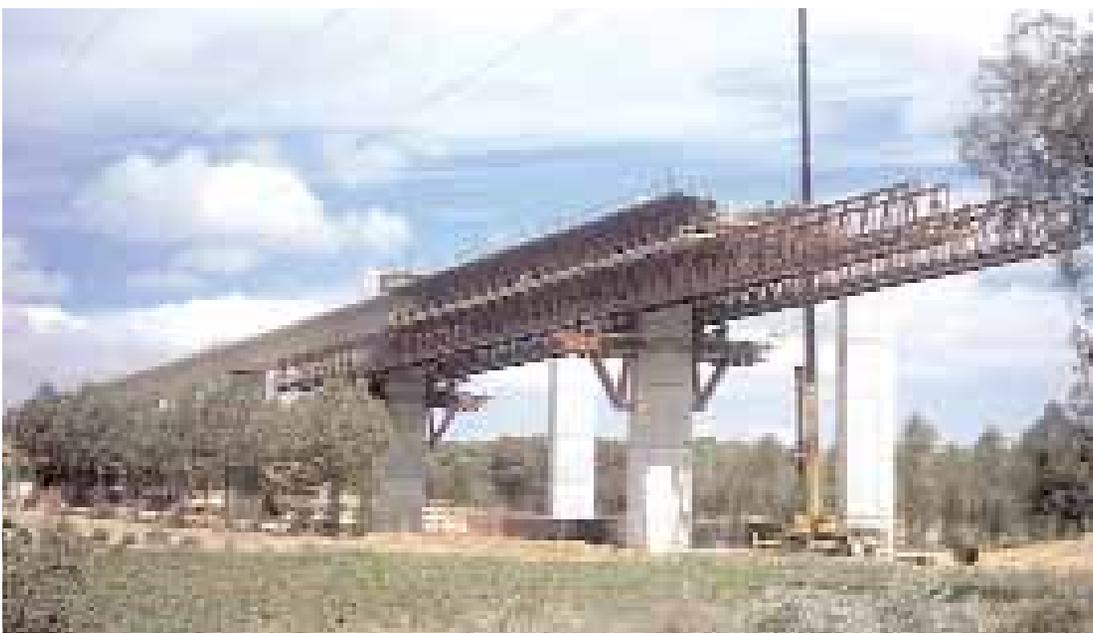
Construction management technical assistance

- Inspection, control and coordination of occupational health and safety issues for the redesign of the junction of the M-30 and Avda. de América A-2, and for the project to improve the junction between the N-100-O'Donnell and the M-30 in Madrid.
- Inspection and supervision of the construction of the infrastructure for the prolongation of Line 7 of the Madrid Metro to Coslada and San Fernando de Henares. Section 3: Coslada-San Fernando de Henares.
- Direction of the work on the Palau Solità i Plegamans relief road C-59 road. Section: Santa Perpetua de Mogoda-Palau Solità i Plegamans (Barcelona).

- Technical assistance with the direction of the conditioning work on the A-455 road from Constantina to Lora del Río (Sevilla).
- Technical assistance, supervision and control of the design and execution of the work on the drinking water treatment plant in Griñón (Madrid) for a flow rate of 1.20 m³/sec.
- Technical assistance in connection with the construction of a new drainpipe for the Janda lagoon in Barbate (Cádiz).



■ Connection of the M-50 with the A-1 relief road. Algete junction. Madrid



■ A-11 Duero dual carriageway. Toro-Zamora section. Viaduct over the Adalia Stream



Corporate image



The implementation of corporate images for large corporations is handled by Megaplas, S.A. which operates under the same name in Spain, Portugal, France, the UK, Greece, Belgium and Holland.

Megaplas develops and produces electronic circuits for use in the corporate image sector.

During the last fiscal year it installed corporate image elements at some 900 services stations and auto dealerships in the European Union.



Environmental restoration



Naturaleza, Urbanismo y Medio Ambiente, S.A. (Naturmas) is a company dedicated to environmental conservation through forestry services, gardening and landscaping and the restoration of areas affected by construction work.

It has two nurseries of its own occupying a total of 11 Ha and the capacity to produce up to seven million plants.

The following are among its most notable projects in 2004:

Forestry work

- 11 contracts for forest fire prevention and extinction in 11 regions for the Castilla y León government.
- Reforestation of 168 Ha in Espinosa de los Monteros (Burgos).

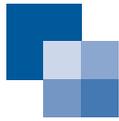
Landscaping

- Installation of a watering system for the City of Boecillo (Valladolid).
- Construction of gardens for the enlargement of the San Cristóbal Development (Valladolid).

Restoration of areas affected by infrastructures

- Plantations and hydroseeding along the Segovia-Garcillán section of the AVE (high speed train).





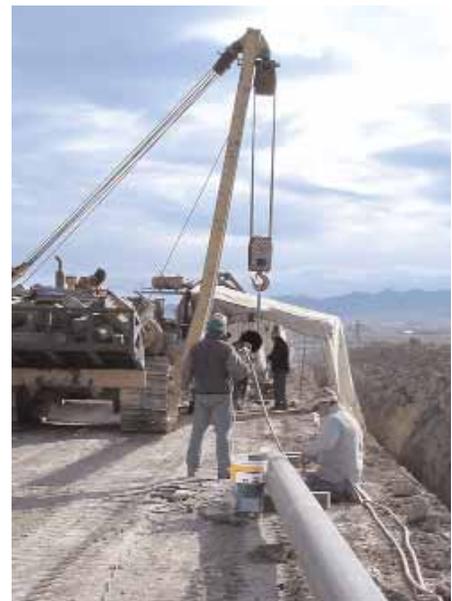
Pipelines and gas pipelines

Auxiliar de Pipelines, S.A., is a company specialising in the construction and assembly of pipelines for the transport all types of fluid, heating distribution networks, hot water and refrigeration.

APL was the company awarded the bid for the assembly of the primary transport gas pipelines measuring 7.5 Km and Ø 30", for the connection of the Regasification Plant at Sagunto, to the main Enagas network. It has also begun work on the gas pipeline Cartagena-Lorca phase II, Totana-Murcia branch, comprising 52.3 Km of 10" Ø steel pipelines.

During the year the following Works contracts have been carried out:

- Enlargement to the heating, hot water, and refrigeration networks of the Forum 2004 (Barcelona), for Marina Premiá. Two 3.3 Km steel pipelines with diameters of 6" and 12" respectively.
- Extension to the civil works at the Forum 2004. An enlargement was carried out on Calle Taulat using four steel pipelines of 460 m long and diameters of 20" and 30".





Precast



In addition to their normal activity of manufacturing concrete pipes with metal sleeves and prestressed monoblock sleepers for railways, during 2004, Prefabricados Delta, S.A., have started to manufacture at new facilities in Humanes de Madrid, polyester pipes reinforced with glass fibre. During 2004 this unit has supplied more than 20 Km of pipeline to the following contact works:

- 10 Km of pipeline with a nominal diameter of 500 mm to enable Irrigation Union Groups to improve irrigation in Campo de Níjar (Almería).
- 5.8 Km of pipeline with a nominal diameter of 800 mm for the Irrigation Union Groups from Cota 220, in Castellón.

- 5.8 Km of pipeline with a nominal diameter of 600 mm and 500 mm for the Irrigation Union Groups from La Torreta (Valencia).

In addition, manufacturing has begun on a pipeline to improve the irrigation network of the Irrigation Union Groups from Chinchón (Madrid) consisting of a total of 39 km of pipeline with diameters ranging between 500 and 1,200 mm.

With regard to metal sleeved concrete pipelines, the following have been supplied:

- 3,835 m, with an internal diameter of 1,600 mm for the Laverné dam for Aguas de la Cuenca del Ebro.

- 8,400 m of different diameters for the sewage treatment plant at Baix Llobregat.

266,000 sleepers have been manufactured for various authorities from the public sector: Adif, Renfe and The Ministry of development.

Ctc-Construcción S.A., a company in which Prefabricados Delta S.A. have shareholdings. They are involved in the prefabrication of structures for industrial construction and have doubled their activity this financial year.



■ Humanes factory. Madrid



Repairs and reforms

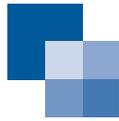


Reparalia, S.A. has established a firm reputation as a benchmark in the sector of repairs and reforms in the home, shops, offices and property owners' associations, with a sizeable increase in the number of new clients and the volume of services to regular clients.

In the insurance sector, in addition to an increase in turnover with clients such as BBVA Seguros, Preventiva and Caser,

Reparalia has established new agreements with SegurCaixa, Mutua de Propietarios and Cahispa Seguros.

Agreements have been signed with major companies such as Alcampo and Iberdrola for breakdown repair. Repairs have also been made to commercial premises owned by companies who have a commercial network throughout Spain.



Infrastructure awards

The FCC group has a stake in the share capital of the following companies who are in possession of government concessions:

Accesos de Madrid Concesionaria Española, S.A.

Company awarded the construction and the operation under a toll regime of the R-3 motorway (M-40-Arganda del Rey) and the R-5 motorway (M-40-Navalcarnero), as well as the construction and conservation of the M-50 (West stretch), with a total length of more than 90 Km, over a period of 50 years. The average daily traffic in 2004 was 10,279 vehicles on the R-3 and 7,953 on the R-5.

Concesiones Aeroportuarias, S.A.

Company awarded the construction and the operation of the Airport at Castellón, which is situated between Benlloch and Villanueva de Alcolea, a privileged place, at less than 50 Km from any point of the province.

Autopista Central Gallega Española, S.A.

This company holds a 75-year concession to build and operate a 56.8 km stretch of the Santiago de Compostela–Alto de Santo Domingo toll road. The section from Silleda to Lalín is open to traffic. The average daily traffic was 4,436 vehicles.

Autovía del Camino, S.A.

Company awarded the construction and the operation of the dual-carriageway Pamplona-Logroño using the shadow toll regime. This stretch is divided into five completion phases with a total of 62.4 Km. Currently undergoing execution. In September 2004, stretch II corresponding to the Puente La Reina bypass, 5.2 Km long, was opened to traffic.

Cedinsa

This concession holder was awarded the construction and operation using the toll shadow regime on the road between Berga and Puig-Reig (Barcelona), as well as the conservation and the maintenance





of the stretch S. Fruitós de Bages-Puig-Reig, all of which is part of the C-16 (Llobregat artery). Currently undergoing execution.

Compañía Concesionaria del Túnel de Sóller, S.A.

Three kilometres toll tunnel which crosses the Alfabia mountain range in the Palma de Mallorca to Sóller corridor. During the last year the average daily traffic was 7,233 vehicles, with an annual increase of 7.1%.

Concesiones de Madrid, S.A.

Company awarded the construction and the operation of the stretch of dual carriage ring road around the Madrid M-45 taking in the O'Donnell artery and the N II, with a total length of 14.1 Km, for a period of 25 years, under the shadow toll regime. The average daily use during 2004 was 64,517 vehicles.

Marina Port Vell, S.A.

Government concession for the Barcelona Port Authorities, with capacity for 413 large ships and 4,800 m² of commercial premises. The port was fully occupied this year.

Nàutic Tarragona, S.A.

This marina has 417 moorings, 85% of which are either rented or sold, plus 8,000 m² of commercial premises, which are all sold.

Parque Temático de Madrid, S.A.

Title holder of the Warner Bros theme park at San Martín de la Vega (Madrid), inaugurated in 2002, and with an influx of visitors of 1,028,000 in 2004.

Port Torredembarra, S.A.

Of a total of 820 moorings, 90% were occupied last year, while the entire 4,000 m² that make up the commercial premises were rented.

This company is responsible for the construction, conservation and management-for 25 years-of the so-called "Reservoir Route" which consists of doubling a 21.8 km section of roadway on the M-511 and M-501 between the M-40 and the M-522 to facilitate access to Madrid from the west. The average daily traffic in fiscal 2004 was 33,288 vehicles.

Scutvias, Autoestradas da Beira Interior, S.A.

2004 saw the motorway complete its first year in operation. On 1 January 2005 the shadow toll regime of the concession began and will finalise in 2029.

S.C.L. Terminal Aéreo de Santiago, S.A.

Manage the Arturo Merino Benítez international airport, in Santiago de Chile. 2004 saw a modification of the contract being approved that enabled the deadline of the same to be extended

to January 2020. Traffic initiated in 2003 has continued to pick up, after a slight decrease that was felt between 2000 and 2002, mainly due the crisis in Argentina and the consequence of the events of 9/11.

Autopistas del Valle, S. A.

FCC Construcción, as part of an international consortium, was awarded a 25-year concession in June 2004 for the construction and operation of the 60 km San José-San Ramón motorway in Costa Rica. Work is scheduled to begin in the second half of 2005 and the road is expected to be opened to traffic in 2008.

Concesionaria Túnel de Coatzacoalcos, S.A. de C.V.

An international consortium led by FCC Construcción, awarded in September 2004 the concession for the construction and operation for 30 years, and under the toll regime, the underground tunnel at Coatzacoalcos, in the state of Veracruz (Mexico). This is a 2,200 m tunnel 1,200 m of which are submerged, constructed using six shields of prestressed concrete manufactured in a dry dock. The works will commence during 2005 and it will come into operation in 2009.

Terminal Polivalente de Castellón, S.A.

Company awarded the construction and the operation of the 9.5 hectare terminal at the Port of Castellón for the handling of containers and merchandise in general. January 2005 saw the work come to an end, investments have been completed on cranes and machinery and the operation of the Terminal has begun.

Tramvia Metropolitana, S.A.

Company awarded the construction and the operation for 25 years, of a transport infrastructure that links the south of Barcelona with the population of the Baix Llobregat area. It has been in service since April 2004 and has been used by 5,733,520 passengers.

Tramvia Metropolitana del Besòs, S.A.

This company was awarded a contract for the construction, operation and maintenance of the tram that links the Estación del Norte and the Villa Olímpica in Barcelona with Sant Adrià del Besòs and Badalona. It is more than 15

kilometres long. Since going into service last year it has carried more than 1,825,689 passengers.

Transportes Ferroviarios de Madrid, S.A.

Concession holder for 30 years of the extension to line 9 of the Madrid Metro, between Vicálvaro and Arganda, comprising a stretch of 20 km and three intermediate stations. During this year more than 5,675,820 passengers used the service meaning an increase of 8.24% with respect to the previous year.

Túnel d'Envalira, S.A.

Operates the three kilometre long tunnel that links Grau Roig, the winter resort Pas de la Casa, and joins the communication network between Andorra and France on the Barcelona-Toulouse artery. During 2004 the tunnel was used by an average of 1,682 vehicles daily.

World Trade Center Barcelona, S.A.

Has the concession for 50 years to operate the buildings at the World Trade Center, at The Port of Barcelona, comprising a surface area of 36,000 m² of offices and commercial premises, 6,000 m² of conference space and meeting rooms and a 280 bed hotel. Occupancy rates of over 95%.

Parc Tecnologic World Trade Center Cornellà, S.A.

This company is carrying out the execution of a complex consisting of several office buildings, a commercial area and a 27 floor aparthotel. Work has been carried out on the first phase, consisting of three buildings and a constructed area of 37,500 m², an underground carpark for 500 vehicles and a 10,000 m² landscaped square.

Urbicsa

Company awarded the concession for the public Works for the construction, maintenance, and operation of the buildings and installations of the Ciudad de la Justicia project in Barcelona and Hospitalet de Llobregat. The Project comprises buildings reserved for the use of the Generalitat (210,000 m²) and other complementary offices and premises (25,000 m²) and a 44,000 m² car park able to hold 1,750 vehicles. The works are in the execution stage.

Autopista de la Costa Cálida

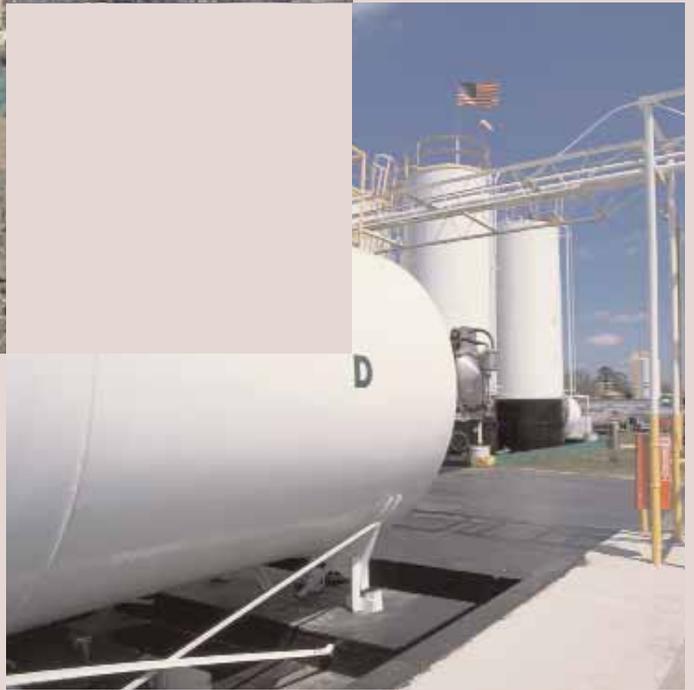
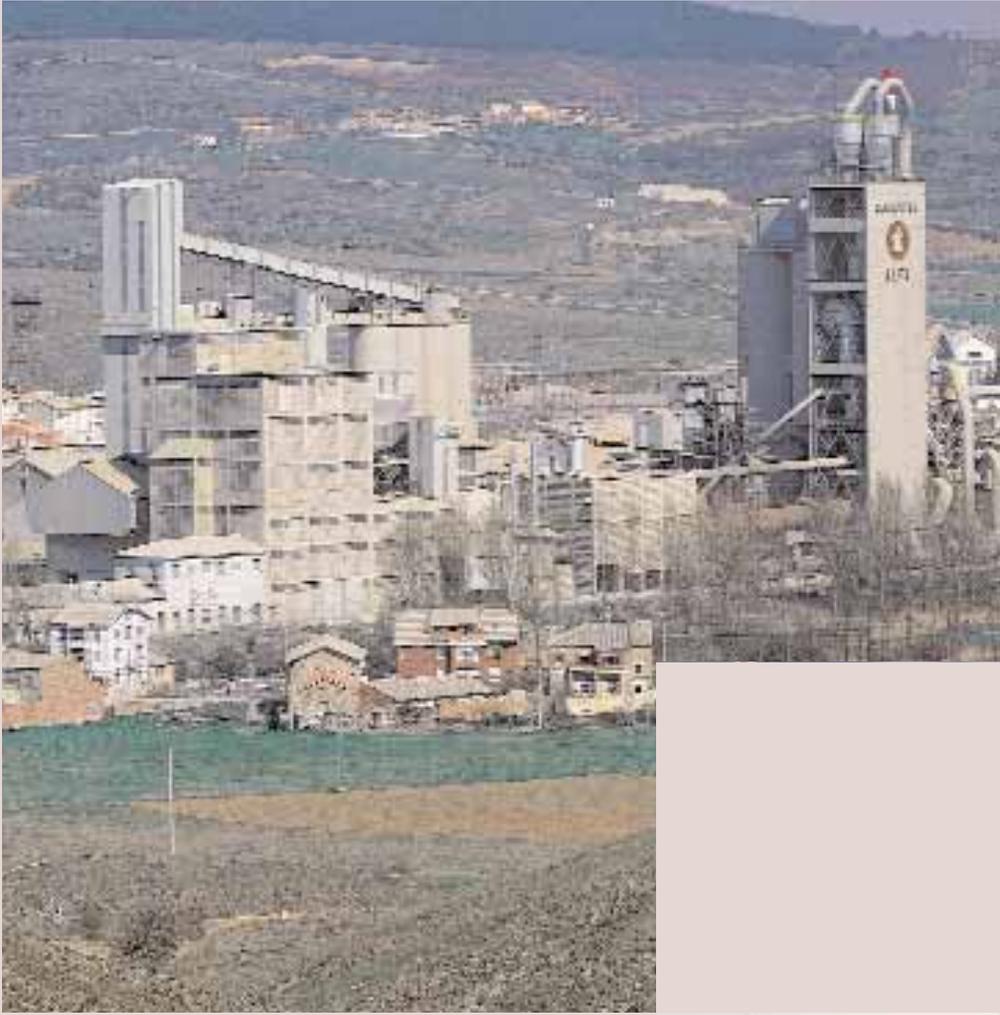
Company awarded the government concession for 36 years for the construction, operation and the maintenance of the 98 Km long toll motorway, Cartagena-Vera and the

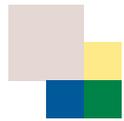
16 km. stretch of the Cartagena toll free dual carriageway for internal bypass traffic. Currently undergoing execution.

Metro de Málaga

Concession holder for 35 years for the Project, construction, rolling material supply and operation of lines 1 and 2 of the Málaga Metro. Covering a total length of 13.5 Km, some 71% of which is underground. Nineteen stations will be constructed along the route. Work is expected to begin in June 2005.







Cement

Analysis of the sector

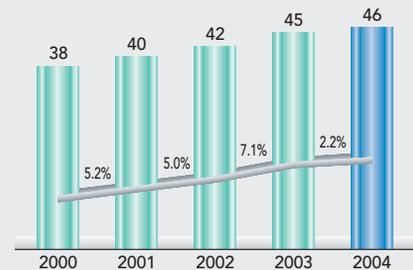
In the year 2004, the domestic consumption of cement in Spain was 48 million tons, a record high for the eighth consecutive year. Cement and clinker imports have been on the rise since 1997. In 2004, a total of 8.2 million tons were imported, with a year-on-year growth of only 0.5%, while exports of 1.5 million tons were up by 21,8% compared to the year before.

In the United States, domestic consumption was 116.7 million tons, up by 7.2% over the year before. Imports and exports of cement and clinker were 25.10 and 0.6 million tons, respectively, with increases of 2.1% and 1.2%, over the year before, respectively.

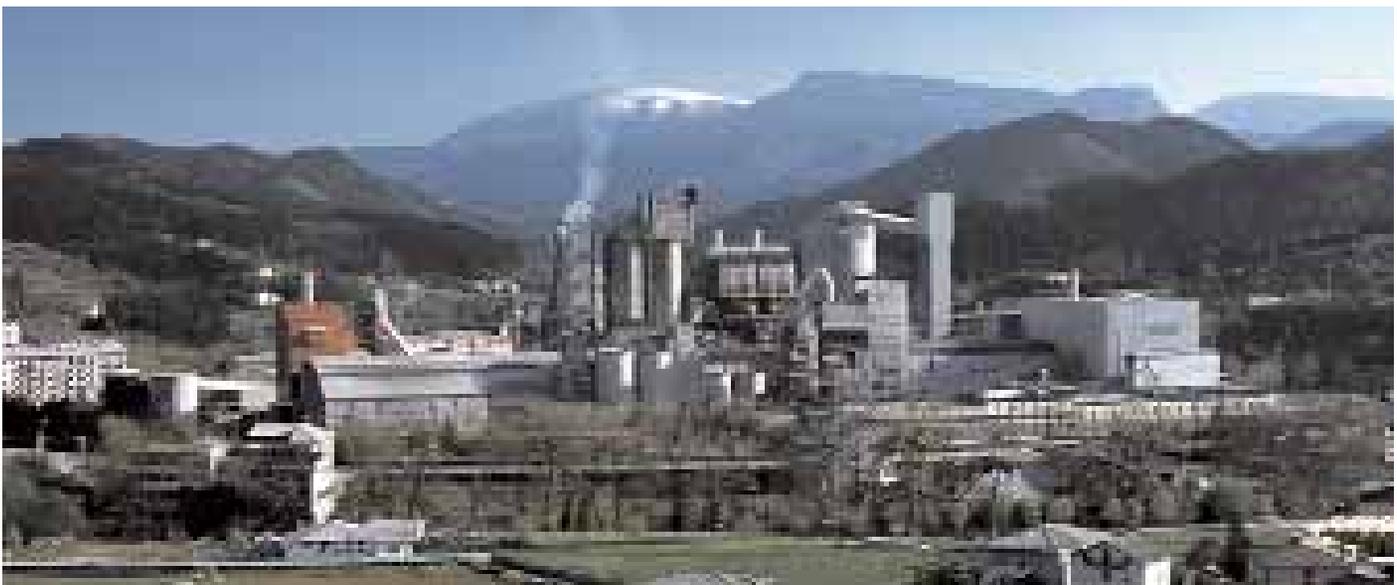
Cement production in Spain

Millions of tons

Source: Oficemen



■ Cement factory in Lemona. Vizcaya



Cementos Portland Valderrivas, S.A.



The Cementos Portland Valderrivas Group operates a total of nine cement factories, six of which are located in Spain: El Alto (Madrid), Olazagutía (Navarra), Hontoria (Palencia), Alcalá de Guadaira (Sevilla), Mataporquera (Cantabria) and Lemona (Vizcaya). In the United States it has three factories located in Maine, Pennsylvania and South Carolina.

It is present throughout the sector's entire industrial cycle with 113 concrete plants, 46 aggregate quarries, eight dry mortar plants, two industrial waste treatment plants, eight terrestrial terminals and eight maritime terminals.

In 2004 the Group once again hit a new record high in cement and clinker sales with 10.2 million tons sold, an increase of 2.2% over the year before. Moreover, sales of concrete and aggregates, which were 5.2 million cubic metres and 18.8 million tons, respectively, reflect year-on-year growth of 1.4% and 5.3%, respectively. The figures for dry mortar and transport are positive compared to the year before, at 714,000 tons and 3.4 million tons transported, exceeding the previous year's figures by 10.2% and 3.4%, respectively.

The Giant factory in Harleyville (South Carolina) and CDN in Thomaston (Maine), both in the United States, have converted their wet clinker manufacturing furnaces into dry furnaces. The first started the implementation process at the end of 2004.

This conversion will have a very significant effect on production costs which will be reflected on the income statements.

In 2004, the Giant cement holding (USA) completed the disinvestment process of its business lines which manufactured and sold "light aggregates" and "concrete blocks". The proceeds from the sales of the assets of these lines, which were not part of the Group's core business, totalled 19.9 million dollars and a staff reduction of 149 employees.



■ Cement factory in Keystone. USA

Turnover

Millions of euros



Gross operating profit (Ebitda)

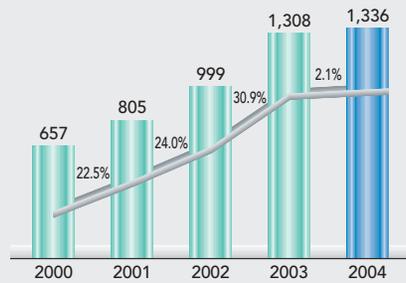
Millions of euros



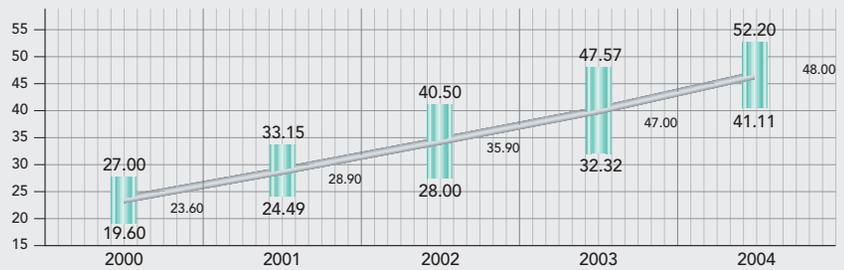
Stock market analysis

During 2004, Cementos Portland Valderrivas, S.A. stock was quoted 246 days out of the Continuous Market's 250 business days, with trading of 4,708,161 shares which represents 16.9% of the capital in circulation. The quoted price ranged between a low of 42 euros and a high of 52.20 euros in February. On 30 December 2004 the price was 48 euros which means that the stock market capitalisation was 1,336 million euros and a PER of 11.5 times.

Stock market capitalisation at 31 december. Millions of euros



Annual high, low and average price of Cementos Portland Valderrivas shares. Euros



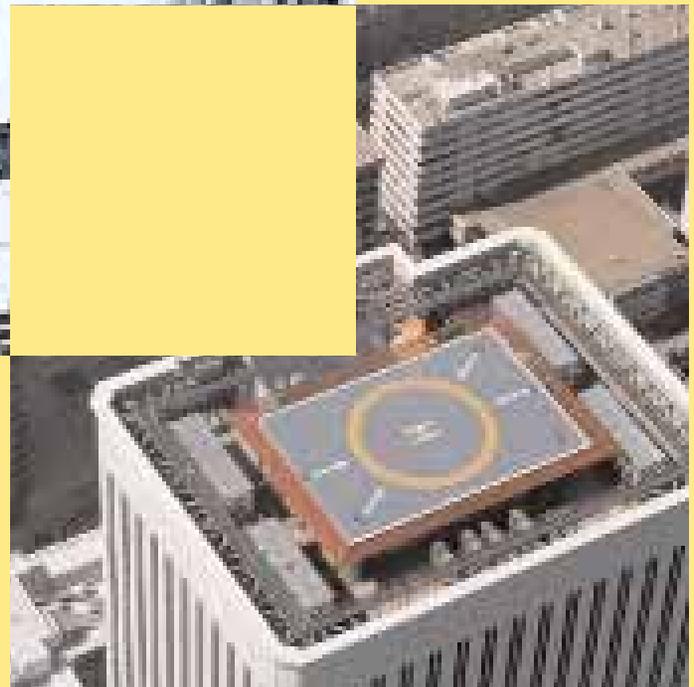
■ Cement factory in Olazagutía. Navarra



■ Wastewater treatment plant in South Carolina. USA.



■ Dry mortar plant in Álcala de Guadaira. Sevilla



Real estate

Analysis of the sector

The real estate market remained strong and stable last year. The construction segment was noticeably dynamic and consolidated its position as the driving force behind economic growth. For example, residential construction now accounts for 33% of the construction sector as a whole, and the sector rose from accounting for 14% of the GDP to providing 18%.

Residential construction displayed brisk activity. In 2004 hit a record high for the fourth year in a row, with 675,000 new housing units begun, 7% more than the year before according to Seopan, the association of large construction companies. Twenty-one percent of the 22.5 million existing homes in Spain have been built in just the last 10 years.

Heavy immigration and other socio-economic factors continued to bolster demand and prices in a country where 2.5 new households were created between 1995 and 2004 and which had three million registered immigrants at the end of last year.

According to the Bank of Spain, real estate purchases by foreign individuals and companies showed signs of being contained, although the outlook is still good. Such purchases are based on the quality and high level of services offered by Spanish coastal locations. The latest reports indicate that the flow of buyers, especially from other European countries, seeking locations with beaches and sunny climates for their second home has slowed somewhat since 2003.

■ Residential complex in Marbella-Estepona. Málaga



The evolution of the office market has run parallel to that of the housing market and remains healthy. One of its primary characteristics has been the execution of large operations, some featuring international companies, in the centre of large Spanish cities and on the outskirts, where businesses are attracted by improved access routes.

Shopping centre construction activity slowed in 2004. In all, 33 new shopping centres opened their doors last year, which represents a decrease of 21.4% in comparison to 2003, when the inauguration of new shopping areas reached a record high for the second year in a row, with a total of 44. The forecasts call for this trend to continue over the next few years as a consequence of a number of moratoria and legal restrictions imposed by some autonomous communities.

A total of 1,900 million euros was invested in the development of the 33 new shopping centres opened in 2004. The amount of the investment in this type of construction project has also risen in recent years due to greater investment in the architectural and aesthetic features of shopping centres.

It is calculated that over the next four years some 65 new projects of this kind will be inaugurated. At the end of 2004, Spain had 460 shopping centres, or 7.7% more than the 427 registered in 2003. All told, they occupied some 9.96 million square metres of space.

New housing starts

Thousands of units



Source: Seopan

■ Nervión Plaza shopping centre, Sevilla





Realia



FCC's activity

Realia Business, S.A., a company which is co-owned in equal shares by FCC and Caja Madrid, put the opportunities offered by the real estate sector in 2004 to good use, reaching a turnover of 574 million euros, 22% more than in 2003.

Business activity was intense throughout the year in the area of residential sales, building rentals and leasing of shopping centres owned by the company. FCC's activities are not limited to Spain. In fact,

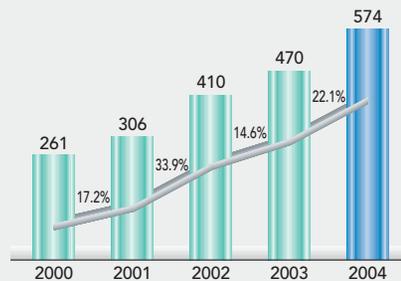
the Group has reinforced its plans to expand in Portugal and Poland, where the company is busy undertaking ambitious new projects.

Investment business

The company's investment activity is focused on the operation of office buildings and shopping centres owned by it. Realia currently has more than 500,000 m² of property located in the business areas of leading Spanish cities, with more than 40 unique buildings, whose occupancy levels exceed 97%.

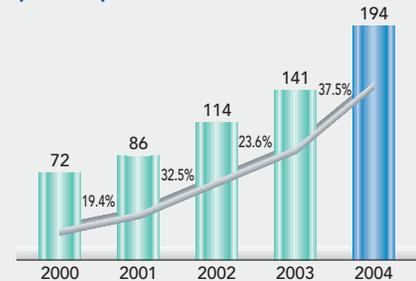
Turnover

Millions of euros



Gross operating profit (Ebitda)

Millions of euros



Los Cubos building. Madrid



Last year, it increased its assets with an investment valued at 93 million euros. One of the year's hallmark acquisitions was the Los Cubos building, whose avant-garde design makes it a must-see spot on the M-30 in Madrid. The company also purchased a number of plots, the most notable of which include 100,000 m² of industrial land in Agoncillo (Logroño) and 103,000 m² of land for tertiary use in Murcia, of which 30,000 square metres are zoned for development.

By the end of 2004, the Group's investment activity generated 82.4 million euros in income, 14% more than the year before.

Real estate development

In the real estate development sector, Realia works with residential and commercial properties, offices and garages. The management of more than 100 promotions comprising more than 8,000 residences makes this group the leader in the primary residential and residential tourism sector.

Land holdings

At this time, Realia Business has over 10 million square metres of undeveloped land holdings on which more than 30,000 homes and 50,000 complementary products can be built.

Last year the company made a hefty investment of over 200 million euros in purchases of new land in strategic

locations in Madrid, Sevilla, Ibiza, Almería and the Costa Brava.

In keeping with this tendency, the Group has reinforced its presence in Portugal, a country where it has been operating since 2000, and where it owns more than 85,000 m² of developable land, making it one of the leading Spanish real estate firms operating in the Portuguese market.

At the same time, the company has strengthened its plans to expand beyond our borders with the creation of a company in Poland, Realia Polska Investycje (wholly owned by Realia), to work in residential real estate.

Main land acquisitions in 2004

• **Playa de la Serena, Roquetas de Mar** (Almería): 16,654 m² of land zoned for building.

- **Villanueva del Pítamo** (Sevilla): 168,700 m² of land zoned for building.
- **Garrigoles** (Gerona): 61,750 m² of land zoned for building.
- **Sabadell**: 13,007 m² of land zoned for building.
- **Sant Feliu de Guixols**: 32,809 m² of land zoned for building.
- **Valdebebas** (Madrid): 16,100 m² of land zoned for building.
- **Pinto** (Madrid): 11,973 m² of land zoned for building.
- **Navalcarnero** (Madrid): 10,776 m² of land zoned for building.
- **Castellón**: 5,050 m² of land zoned for building.
- **Ibiza**: 86,674 m² of land zoned for building.
- **Agoncillo** (Logroño): 100,000 m² of empty industrial land.
- **Murcia**: 30,000 m² of developable land for tertiary use.





Torre Picasso



Since its inauguration in 1989, Torre Picasso has become Madrid's most emblematic building, and its image is now a symbol to the 5,000 people who go to work there every day, as well as for the rest of the residents of Madrid. At 157 metres high, it is one of the tallest buildings in the country. The building design, based on cutting-edge technology, makes Torre Picasso one of the most comfortable, most efficient and safest smart buildings in Europe.

Torre Picasso has a constructed area of 121,000 square metres. It is equipped with the most highly advanced installations and equipment, and a strict maintenance programme is run each year. The building's average occupancy rate in 2004 was 94%. Sales rose during the fiscal year by 3.9% over the same period the year before, for a total of 21.5 million euros.

FCC holds 80% of the joint ownership of Torre Picasso.

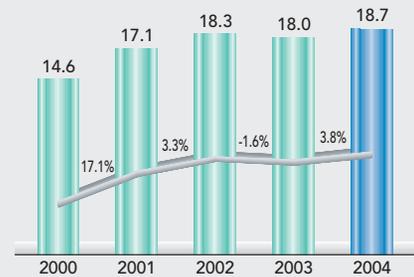
Turnover

Millions of euros



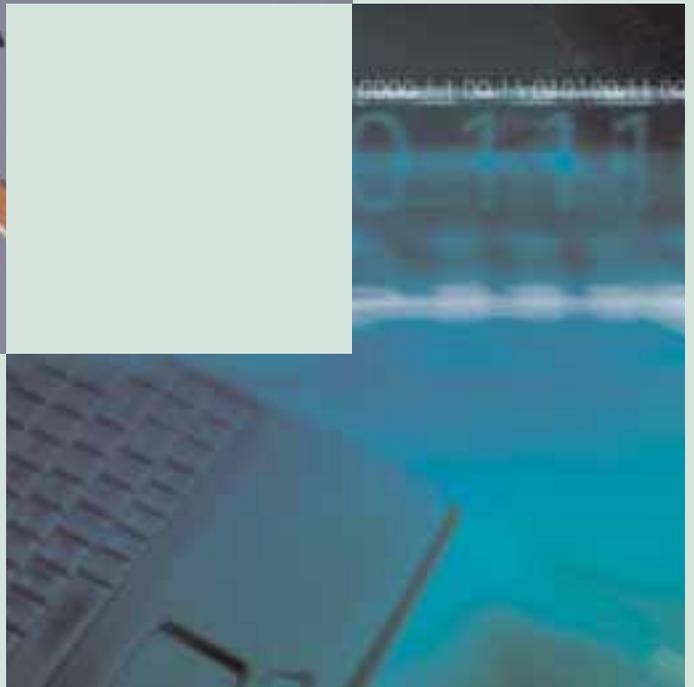
Gross operating profit (Ebitda)

Millions of euros



FCC holds 80% of the joint ownership of Torre Picasso.







Other sectors



Mobile telephony

FCC increased its stake in Xfera's capital, from 7.47% to 8.26%, due to the pro-rata corresponding to the Vodafone stake and the departure of the Vivendi Telecom International Group.

Late in June 2004, the Ministry of Industry, Tourism and Commerce authorised the modification of the conditions contained

in the licence issued in 2000 to Xfera Móviles, S.A. This modification mainly made the original conditions more flexible regarding the network deployment and reduced the licensing guarantees.

FCC has provisioned 100% of its investment in Xfera.



Internet activities

Shopnet Brokers, S.A.

The company's main activity is run through the Segurosbroker.com web page, aimed at private clients who purchase their insurance online. It also markets its technological platform to financial institutions, brokers, and insurance agents.

Shopnet Brokers, which is 15.54% owned by FCC, runs the information web page milenari.com, a website focussing the insurance sector.

Arts Capital Investment, S.A.

This company has a portfolio of holdings in internet companies.

On 25 March 2004, this company reached an agreement with Yahoo, Inc., to sell 100% of the capital in Kelkoo, S.A., the European leader in on-line price

comparison, in which Arts Capital held 12.49%, for 475 million euros. Following this operation, Arts Capital's portfolio is now limited to Portalgolf, S.L.

FCC holds 10.83% of Arts Capital, which is merely a financial holding.



Vehicle sales and technical assistance

The subsidiary specialising in this business is Sistemas y Vehículos de Alta Tecnología, S.A. (SVAT), which also offers after-sales service.

Last summer, 65 SVAT-owned vessels cleaned the coastal waters of Catalonia and the Balearic Islands of floating solids.

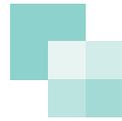
In March the delivery of 18 Piraña 8x8 vehicles to the Spanish Naval Infantry was completed. Some of these units have already been deployed in Bosnia and Haiti on peace and humanitarian missions.



■ Ravo street sweeper

Social report





Environmental management



Services

The initiatives undertaken over the last three years to promote and develop databases through the use of specific IT applications enabled the company to meet its projected targets for 2004, aimed at giving the company the ideal support tools to reinforce its commercial capacity and, at the same time, identify the relevant variables and indicators that would allow it to pursue a policy of progress and sustainable management.

By strengthening and reconciling the possibilities offered by the corporate Intranet and the internet, FCC has run an exhaustive internal analysis, including an integrated systematic annual update, of the Spanish **urban sanitation** market, its distribution in the private sector and

the area that is still municipally run, in order to establish FCC's strategic guidelines for sustainable development in the medium and long terms.

At the same time, FCC has extended its research and development initiatives to environmental fields that cover an ever wider range of priorities in the various areas affected, directly or indirectly, by its activities, such as the reduction of energy and raw material consumption, emission control, and increased recovery and recycling.

The new research projects FCC has carried out have received recognition from national institutions (the Ministry of Industry, Tourism and Commerce's Profit Funds), autonomous communities and the Centre for Industrial Technology Development, which have given their support to FCC by contributing aid in funding.

Furthermore, in a meeting held in June, the European Union's Eureka Programme Commission lent its seal of approval to the research project "Definition of Environmental Variables and Indicators in the Collective Treatment of Solid Urban Waste". This certification came in recognition of the originality of the project, the scientific quality of its research programme and the interest it has inspired in Europe as a possible basis for the improvement of understanding in the field of solid urban waste treatment processes.

The work done here focussed on finding indicators and standards of measurement, as well as identifying and describing intangible initiatives.



- Street cleaning
- Emergency cleaning service

As a whole, these essential elements will constitute the foundations on which FCC Medio Ambiente expects to base its Social and Environmental Responsibility Report.

In line with its policy of establishing management systems for all activities that fall into the environmental field, FCC has put quality and environmental management systems into operation in two new activities:

- Coastal water cleaning.
- Fountain cleaning and maintenance.

The follow-up audits carried out by AENOR, on the Environmental Management System in June and on the Quality System in November, were included this year in the process of company certification for both management systems.

In March 2004 FCC passed the Quality and Environmental Management Certification audits run by Castellana de Servicios, S.A., and was conferred ER-0554/2004 and CGM-04/133 certification dated 7 April 2004.

In the **water management** area, the documentation for the Quality Management System was revised afresh to include the requirements of UNE-EN ISO/IEC 17025:2000, General requirements for the competence of testing and calibration laboratories, in pursuit of having a laboratory certified for each zone.

In May and December of 2004, FCC passed the corresponding follow-up audits of the management systems, conducted by Aenor.



■ Beach cleaning

Over the last year, FCC's Department of Quality and Environmental Management has been engaged in work on the following:

- Collaboration in the installation of management systems in new contracts.
- Internal audits and follow-ups.
- Support for zones, offices and contracts in external audits.
- Collaboration in training activities in both management areas.

Following an external audit by NQA of the British subsidiary Focsa Services (UK) LTD., performed in December 2004 and January 2005 at the Central Office and in the Calderdale and Derbyshire Dales contracts, the company was

recommended for approval in the Registry of Companies as complying with ISO-14001 as of January 2005.

Versia is on the road to leadership. In November 1995 the subsidiary specialising in **handling**, Flightcare, S.L., had its quality management system certified pursuant to the requirements of ISO 9001 and became the first certified handling agent in Spain.

Flightcare, S.L.'s environmental management system has been certified since November 2002 in those areas of its activity where aspects have been identified as having a significant environmental impact, pursuant to the requirements of ISO 14001.

This company keeps management programmes and environmental monitoring plans up to date. It sets targets and goals for those aspects whose evaluated impact proves significant or, if not significant, that are considered indispensable, and whose control is evidence of the company's environmental commitment.

The major areas of action lie along three lines:

- 1 Atmospheric emissions, through close control of machinery, equipment and installation acquisition, as well as through preventative maintenance.
- 2 Waste management, both hazardous and non-hazardous, after proper sorting and identification, to ensure that the waste is given appropriate final treatment by authorised waste managers. Specific requirements regulated in each of the various autonomous communities of Spain are also met.
- 3 Control over the company's own operating consumption.

In December 2003, Aenor certified **Logística Navarra's** environmental management system under ISO 14001, and the 2004 audit revision concluded with highly satisfactory results.

Cemusa, the subsidiary that manages **urban furniture** advertising operations, regards the sustainable maintenance of the environment to be a fundamental part of its business. This environmental awareness covers four areas:

- Designing components to facilitate waste recycling by the general public. The two leading examples of this are:
 - The installation and maintenance of battery-recycling containers in the hoardings at Madrid bus stop shelters and advertising boards at various locations in Portugal, which led to the collection and recycling of 120 tons of batteries in 2004.
 - Categorised recycling containers installed in Genoa (Italy).
- Manufacturing components using mainly 100% recyclable materials (stainless steel, extruded aluminium and glass) of the highest quality, durability, resistance and, above all, environmental stability, to avoid any decay during the component's useful life.
- Selecting and using the most ecological products in daily urban furniture maintenance and sanitation.
- Optimising power consumption for component lighting:
 - A system of new luminescent components and diffusion panels

is under development, which will allow savings of close to 50% off current electricity consumption.

- The finest example of efficient use of natural energy sources was featured in the contract for urban furniture in Miami, which included the installation of solar panels at bus stop shelters. This avoided burdening the city with an additional energy cost.

In 2002 companies operating in **car park management** decided to take the first steps towards certifying their Environmental Management systems pursuant to ISO 14001. The conclusion of the process, culminating with the implementation of all the measures thereby entailed, is expected in 2005.

Between 2000 and 2002, the FCC Group completed the full refitting of its vehicle inspection stations to include the necessary facilities and equipment to meter pollutant emissions from both diesel and petrol vehicles. This is all a result of the incorporation of different European directives on the matter into national legislation.

Vehicle inspection stations in Valencia began checking vehicle noise emissions in August 2004, a pioneering move in Spain. This has necessitated a refitting of the facilities.



General de Servicios ITV, S.A., was issued with accreditation from ENAC (Entidad Nacional de Acreditación) under UNE-EN-45004 this year. For years the company was certified pursuant to ISO 9002. This new technical accreditation, which is oriented towards inspection companies, recognises the suitability of a company to obtain future authorisations, guaranteeing compliance with the growing technical demands of Spain's autonomous communities.

All Argentinean subsidiaries have been issued Quality Assurance Certificates under UNE-EN ISO 9001-2000.

Since 1992, the company Corporación Española de Transporte, S.A. (CTSA), which operates road **transport services**, has pioneered the use of biodiesel fuel in the urban transport network of Mataró (Barcelona). This fuel is obtained from vegetable oils and greases. A mixture of biodiesel and normal diesel oil is used, in a proportion that is now up to 30% biodiesel and 70% diesel oil.

The experience has led to significant reductions of CO₂ (-24%) and SO₂ (-30%) emissions and emissions of other substances, such as CO and hydrocarbons, while the consumption rate remains practically the same as with normal diesel oil.

There are also other, generic advantages, such as contributing to energy diversification in the transport sector, reducing dependence on petrol, and reusing non-biodegradable wastes, such as recovered oil, which results in a less-polluting fuel.

Preparations to apply for ISO14001 certification for the environmental management system of the Trambaix and Trambesos trams are well into advanced stages, in compliance with the new ISO 14001:2004 standard published last November. The company hopes to ask AENOR to carry out the audit in time to receive the certification in the early months of 2005.



Construction

Environmental management is not an isolated event within the activities at FCC Construcción; in fact, it fits into a wider framework of sustainability, because that's the way it's got to be if sustainability is really going to make sense. Time has taught us that our actions must suit our surroundings, but that our surroundings are made up of the natural environment and the social environment.

The environmental policy at FCC Construcción has searched thoroughly for a balance between the desirable and the possible, to attain the maximum guarantee of permanence in time, with quality services of interest to society. We have continued to move forward in

the integration of our Best Practices within our building methods, Best Practices that address environmental factors that are key to our activity, yet within a criterion of overall profitability (both economic and ecological).

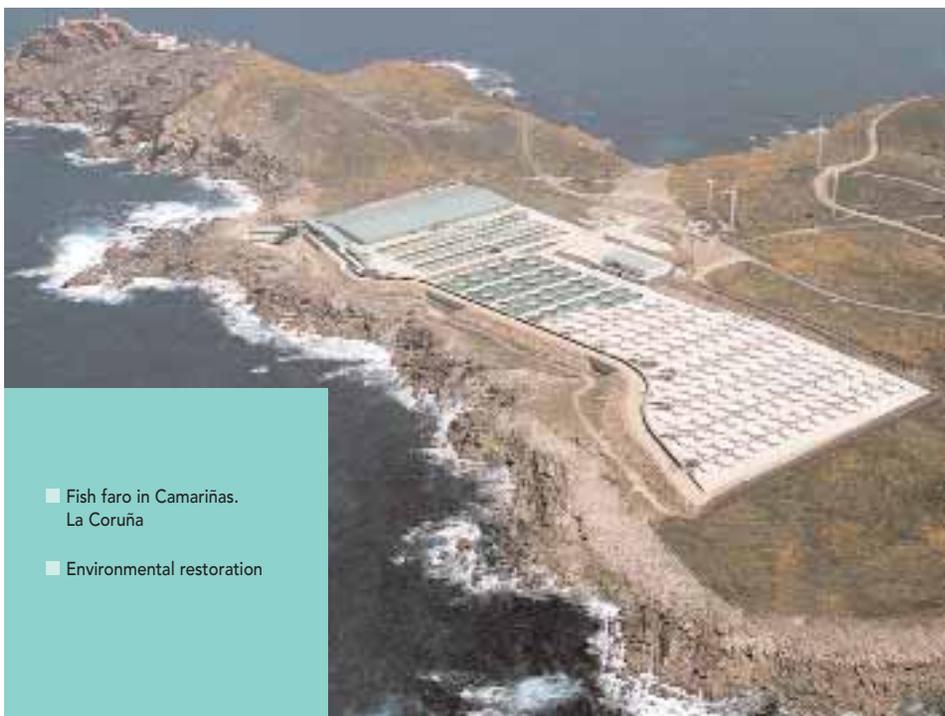
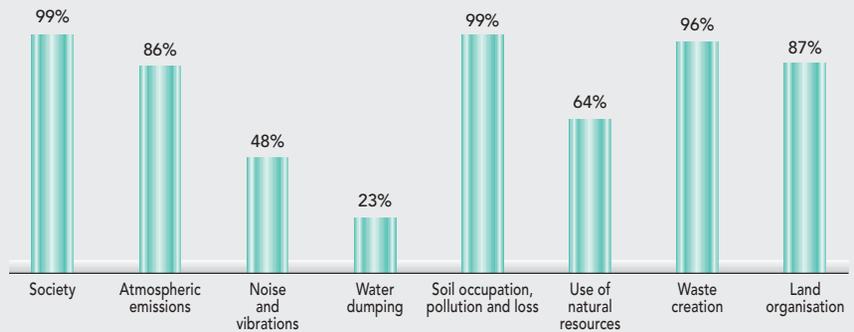
These Best Practices concern issues such as water, emissions, noise and the quality and use of soil, but they do not stop at natural aspects alone; they also include social aspects and the relationship between stakeholders.

During 2004 the objective at all the sites and centres of FCC Construcción has been to generalise the adoption of Best Practices beyond what might be required in a predetermined measure,

Sites with Best Practices introduced in the different environmental spheres

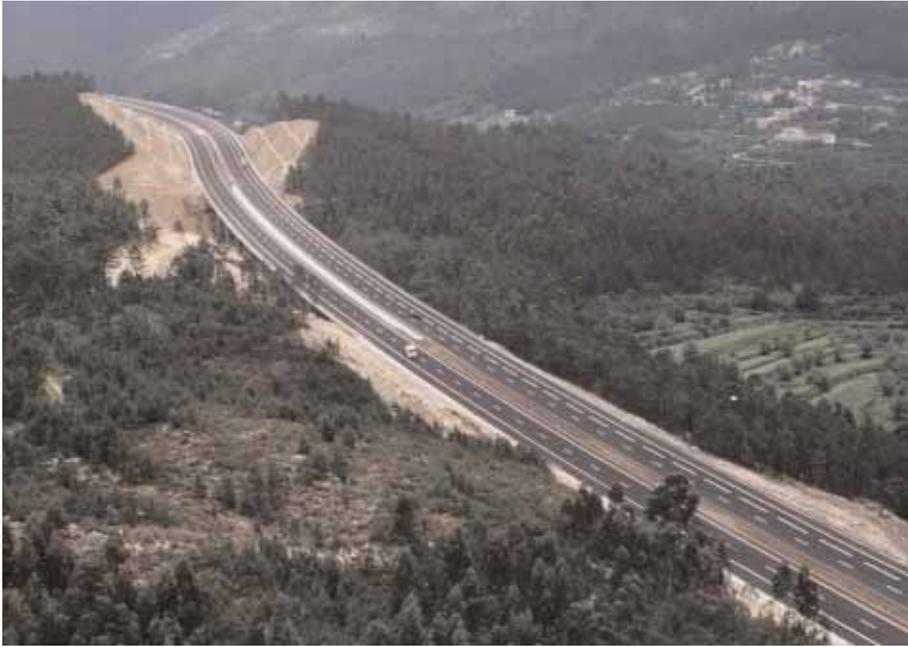
% of sites

Environmental sphere



- Fish farm in Camariñas. La Coruña
- Environmental restoration





and in accordance with assessment criteria defined in advance according to the importance and difficulty of the action.

Best Practices have been established within the following spheres:

- Society (training/behaviour of people, communication and recognition).
- Atmospheric emissions.
- Generation of noise and vibration.
- Water discharge.
- Soil use, pollution and loss.
- Natural resource use.
- Waste generation.
- Land planning (biological diversity, urban environment).

The set of Best Practices and their associated indicators moreover constitute a valuable source of environmental information, and of sustainability in general, that the company makes available to all of society through its Environmental Communications and Sustainability Reports.

Social aspects

Leading among the main social aspects are those on which a large construction company has a direct influence, yet there are also many aspects that in one way or another have a direct influence on

society. Our system for identifying and evaluating environmental aspects precludes possible omissions in the consideration of significant elements, but it also introduces economics and society (or highest acceptability) as criteria in the planning process, through the Best Practice selection mechanism that is associated with it.

This approach more seriously underscores the importance of necessary training, to enable the company's personnel to do their job more effectively while maintaining maximum respect for the environment. Discussion with stakeholders has been strongly encouraged, through mechanisms for spreading information about all the facets of our business and the application of new computer modules providing access to this information and its interpretation. A stronger emphasis has been put on incorporating subcontractors into the dynamics of environmental protection, giving them responsibilities, training them (subcontractors have been included on a widespread basis in on-site training) and making them aware of the role they can and should play. Currently, the company is involved in an exhaustive training process for all site supervisors that is almost completed and will be finished during the present year.

Control of potentially polluting activities

In search of more effective control over construction-related factors that may influence the environment, FCC Construcción has made a stronger effort in areas such as controlling water discharge, the generation of noise and vibration, and atmospheric emissions, improving its results, and increasing the implementation of Best Practices regarding these issues. This is a classic case of the heaviest impacts associated with construction, with the exception of resource use and waste generation, which is why initiatives are being applied that help optimise the management of the risks associated with these activities.

■ Water

Construction calls for water consumption, water discharge, the rerouting of riverbeds, the alteration of hydrological systems, the occupation of embankments and other modifications. It is on these impacts that the Best Practices are centred: on treating the effluents generated by construction and minimising how water quality is affected by discharges, striving for greater sensitisation at the site and more efficient ecological practice in the management of water and construction-related discharges.

■ Generation of Noise and Vibration

Efforts centre on the development of practices that indirectly lead to lower sound levels or indirectly result in less inconvenience for those affected, factoring in timetables, other nearby activities, and the habits and customs of the affected area. Best Practices of this sort are often very difficult to apply, as well as bearing a high economic cost, although numerous steps are being taken in this area. Some of the ways being used to reduce the inevitable noise produced by construction work include carefully choosing the sites for the noisiest activities, scheduling work considerately, planning in terms of time and space, using less-noisy construction techniques, and fitting machinery with silencers whenever possible.

■ Atmospheric emissions

In the foremost of the Best Practices in the process of being generalised in this field, practically 80% of all FCC Construcción sites practice road watering and have collection sites for the reduction of dust released into the Atmosphere due to machinery transit or works on the site itself.

A strong effort has been made to generalise the implementation of Best Practices, even though we do sometimes come across low application rates, which can be explained by the fact that many

of the practices mentioned are not applicable at many types of sites (geotextiles on blasting surfaces in building sites, for example).

Intensity in resource use

Correct resource use is a commitment that FCC Construcción has made to society and systematically integrated on a widespread basis in its performance guidelines, with a trend towards ever-increasing implementation. Soil pollution and loss, natural resource use, waste generation and land planning issues with respect to the protection of biological diversity or urban environments are all areas influenced by this approach, which involves a new, more respectful way of building, where environmental protection is desirable.

Environmental soil management

Soil is an element with which a number of environmental quality indicators are associated. Animal diversity, the landscape, vegetation and biodiversity are often expressed in terms of soil quality. And construction is an area that has an immediate, direct impact on this resource in a very primary, intense way. This is why we must centre our attention on our behaviour in this field and undertake actions to protect, preserve and develop soil. All proposed practices

are therefore applied in varying degrees in the immense majority of projects. The foremost practice, because it is so widespread, is the restoration of areas affected by provisional construction installations.

Natural resource use and waste management

Construction generates and consumes an extraordinary volume of inert materials that are used on site and can carry a very significant impact if the right measures are not taken. FCC Construcción has decided to take a step beyond the strict exigencies already in place and establish minimisation objectives for both resource use and waste generation.

Because waste generation is closely related with the use of inert materials, it forms one of the key points in reduction. This is why FCC Construcción has incorporated among its objectives the reduction of waste at its centres and sites, a move that will have the double effect of minimising the dump volume needed and reducing final needs in terms of resource use.

It is an effort to hold a single, consistent focus on waste and resource management, but it is an effort that offers very good results. The flow from





one category to another is a desirable solution both economically and ecologically (eco-efficiency), and this is where FCC Construcción sites have intensified their efforts.

Considerable achievements have been made in reducing the amount of soil that goes to dumps. The soil actually lost to dumps was 30% less than anticipated as it has been used at the site itself or at other sites near by, thanks to good waste and resource management.

Closely related to the previous point, there has been a remarkable increase in earth taken from other sites or shifted at its original site so as to avoid having to dig borrowing pits. This has reduced the amount of earth that has had to be borrowed by over three million square metres.

These figures have been successfully attained as a result of different procedures, such as using lime to stabilise clay soil that would otherwise have to be dumped so that additional earth need not be borrowed, changing gradients for a higher compensation of materials, and use of materials excavated

in digging reservoirs to form the body of dams. These measures are all good examples of sustainability, in the balance between economic profitability, the search for environmental solutions and the satisfaction of society's demands.

Furthermore, it is worth noting that, at FCC Construcción, proper hazardous waste management is standard practice at all sites. The company has completely consolidated its procedures for identifying, labelling and classifying the kinds of wastes commonly handled in construction, in order to avoid possible mishandling due to ignorance. A handbook has been developed, the "Basic Guide to Waste Management", where the guidelines to follow in the management of hazardous waste are explained, and these guidelines are used on-site as orientation. Waste is classified according to international codes, separated into the proper fractions and dealt with according to current laws, through authorised shippers and administrators.

Among some of the innovative projects in which the company participates, there are a couple in this area that

deserve to be emphasized. They are "Waste Management Optimisation in the Construction Industry" (in the building area) and "Reduction of the Effects Construction Sites Have on the Land" (in civil construction). These are pioneering experiences that aim to define waste management processes that will lead to minimum generation as well as maximum benefits from the waste that is generated.

Construction and land

A number of Best Practices have been established under the heading of land planning that are linked with biodiversity or the problems that affect neighbouring communities. Inconvenience to pedestrians, the cleanliness of streets and factors that may alter the population's normal activity are taken into account in defining these Best Practices.

Some more unusual activities are also envisaged and included in the planning guidelines for our sites, such as protection of certain valuable species, the transplanting of tree species and the moving of nests, burrows, or valuable or endangered individuals.

Sustainability as a path

In 1997 FCC Construcción, S.A., introduced its Environmental Management System (certified by Aenor in 1998) as the company's first step down the path that would later lead it further in its commitment to society and its dedication to remaining at the head of the sector as the natural leader.

Since then, the system has kept growing and getting stronger, extending its sphere to a wider concept than that of the environment alone, taking its action deeper, making larger commitments and improving the quality of what it does for its own satisfaction and the satisfaction of the community around it. Envisioning persistence in terms of sustainability. Adding its strength to the ranks of those who believe that growth must be achieved through sustainable development. Development is a process through which an organisation can release its potential and eventually reach its full natural form, its maturity. Development is, then, not a state; it is a process. Making the journey is the entire point. And FCC Construcción is on its way.

In its dedication to transparency and its ties with society, FCC Construcción has already prepared three Environmental Communications containing full, specific information on its waste management, the implementation of Best Environmental Practices at its sites, and the accomplishment of its environmental objectives.

FCC Construcción has published its first Sustainability Report in its desire to provide regular information on its social, environmental and economic engagement, in line with the indicators set by the Global Reporting Initiative (GRI). It has also subscribed to the principles of the Global Compact.

This report throws a new focus on how the company communicates the challenges it is facing, as well as the specific policies and actions it has implemented to respond properly to those challenges.

This is the construction sector's first Sustainability Report in accordance with GRI's criteria, both for Spain and internationally.



Cement

All the activities carried out by Cementos Portland Valderrivas at its cement factories are supported by management systems, which are effective tools for achieving industrial efficiency in the cement-making industry. This vision started to take hold in the nineties. It was in 1996 when work began on the definition, development, and implementation of a system of environmental management for cement factories.

After that, the company began to plan for certification by an ENAC-accredited agency. The process began by obtaining environmental management certification for the Palencia factory in 2001, followed by Madrid and Navarra in 2002 and 2003, culminating with the most recent certification of the Environmental Management System at the factory in Alcalá de Guadaira (Sevilla) in July 2004.

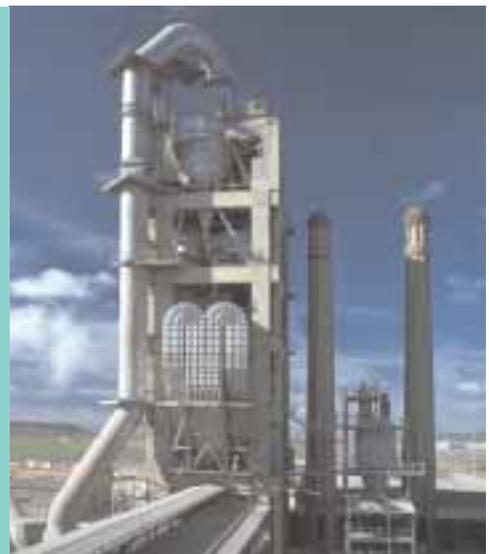
The commitment of Cementos Portland Valderrivas to the environment and the application of continuous improvement in its activities requires that the company must continue forward in the application of increasingly stringent regulations intended to guarantee environmental protection and contribute to sustainable development. Cementos Portland Valderrivas is therefore planning to comply with Regulation 761/2001 of the European Parliament and of the Council, known as the Eco-management and Audit Scheme, which is accepted by all as the quintessential guarantee of good environmental conduct.

In addition, these efforts to improve are supplemented and consolidated with voluntary agreements and sector-specific agreements establishing clear environmental objectives, such as preventing, reducing, and controlling the pollution caused by cement-making activities and the use of alternative fuels to partly replace conventional fossil fuels.

In this regard, a voluntary agreement was signed with the Community of Madrid in 2003, followed by voluntary agreements with the Comunidad Foral Navarra and the Junta de Andalucía, signed in January and February 2004, respectively, to prevent, reduce, and control the pollution caused by the cement factories in Olazagutía (Navarra) and Alcalá de Guadaira (Sevilla).

In a display of its natural leadership, Cementos Portland Valderrivas has complied early with the requirements for mandatory adaptation to Law 16/2002, known as IPPC. It has got an early start at its cement factories and begun its application for Integrated Environmental Authorisation by submitting the necessary documents for the Alcalá de Guadaira factory to the Department of the Environment at the Junta de Andalucía in December 2004. It is expected that the application for the rest of the factories will be submitted in the first quarter of 2005. The company is therefore moving the application process up two years ahead of the legal deadline.

The Council of Ministers definitively approved the National Carbon Dioxide Assignment Plan for the 2005-2007 period, assigning to all the factories of Cementos Portland Valderrivas, CO₂ emission rights for 2005 that were 8% lower than originally requested. Based on the Group's own estimates, the possible effect on the 2005 income statement will be practically nil in view of the efficiency of the Group's installations.



Personnel



As of 31st December of last year, there were 63,602 employees on the FCC Group's payroll, which means there has been a net workforce increase of 1,812, or 2.93%. The Group's personnel is distributed as follows:

By function

Office and business personnel: 3,193
 Production personnel: 60,409

By category

Executive, technical and clerical: 11,173
 Foremen and supervisors: 4,223
 Other personnel: 48,206

By employer/employee relationship

Permanent payroll: 11,191
 Temporary: 8,026
 Subcontracted: 44,385

The number of Group employees holding university degrees rose to 3,983 last year, which represents an annual increase of 6.07%.

The FCC Group is particularly concerned with **safety in the workplace** and considers prevention one of the most important activities in all of its production areas. Each year it increases the human and material resources dedicated to this function.

Accident rates in the construction sector

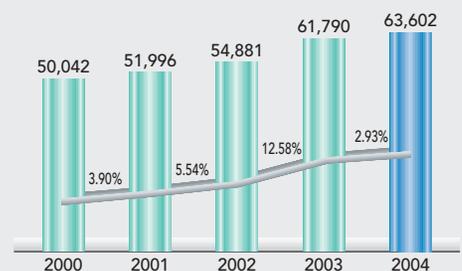
In this regard, the following is worth noting:

- In the Construction area, and continuing what had been started the year before, safety workshops were held in Santa Cruz de Tenerife and attended by more than 100 company technicians and technicians from collaborating companies that work in the Autonomous Community of the Canary Islands. The workshops were closed by the Director General of Labour of the Canary Island Government and by the Deputy Corporate Manager of FCC Construcción, S.A. Furthermore, the internal regulations on prevention were revised and updated. To facilitate the dissemination of these rules, a page devoted to occupational risk prevention has been set up on the company's Intranet where the rules can be consulted. Efforts have also been made to facilitate collaboration between the safety officers of the different companies that work with the Group.
- In the Services area, the Occupational Risk Prevention System has been adapted, updated and improved.



Staff

Data as at 31 December



	Construction sector	Seopan companies	FCC
Frequency rate	97.4	39.21	27.51
Seriousness	2.18	1.05	0.72

Frequency rate: No. of accidents with leave x 1,000,000 hours worked.
Seriousness: No. of workdays lost due to accident x 1,000 hours worked

Separate prevention guides and manuals have been drafted and published on waste collection, treatment plants, street cleaning, park and garden maintenance, etc., for distribution to the employees in an effort to create safe working habits.

- The Group has continued its educational efforts in all of these areas through courses, seminars and talks designed to minimise as far as possible the risks involved in the company's production activities.

Continuing its magnificent therapeutic and preventive work with the Group's staff, the **Medical Services** attended 36,652 times, conducted 17,202 medical check-ups, performed 32,251 clinical analyses and gave 23,482 hearing and other tests.

With regard to **labour relations**, 302 collective agreements were negotiated and signed regulating the working conditions of 37,520 employees, and there was also active participation in the negotiation of other provincial and nationwide agreements and accords.

In fiscal 2004 the Group maintained a lively interest in **employee training**, especially aimed at acquiring new skills and techniques, adjusting and updating present skills, and improving accident prevention and occupational safety. In this regard, 3,313 training activities were held, attended by 37,387 employees, with a total of 492,230 instructional hours. These activities, which touched on all areas of the Group, focused fundamentally on:

- Occupational risk prevention and occupational safety courses.

- Courses for Construction technicians.
- Courses for Environmental technicians.
- Technical and professional specialisation in urban services.
- Hydraulic engineering and water treatment.
- Quality assurance.
- Urban and industrial waste treatment techniques.
- Airport handling techniques.
- Languages.
- Computers.
- Communications.

The Group continued working with universities whose students aspire to professions related with the Group's businesses, so that, through scholarships and the Group's sponsorship of courses and seminars, students can gain a better grasp of how companies work and thus facilitate their incorporation as employees later on.



Social and cultural activities

The FCC Group's sponsorship and patronage activities have always been part of the idea known today as corporate social responsibility.

We will attempt to give no quantitative estimate of the volume of the contributions made by the Group until the concepts, often overlapping and therefore impossible to itemise, are clarified.

In Europe there is no standardised legislation applicable to EU countries, not even in the terminology used.

The social and cultural activities FCC engages in may be grouped as follows:

- 78.8% Culture.
- 17.7% Sports.
- 1.4% Social development.
- 1.3% Sickness, disabilities, health care.
- 0.8% Rehabilitation.

Some examples of cultural sponsorship in 2004 include the sponsorship of the Prince of Asturias Foundation, the Festival de Peralada, the Palau de la Música Catalana de Barcelona and the Teatro Real de Madrid.

There were numerous sponsorships of sport-related events and teams: Copa del Rey in handball, Alcalá de Guadaíra (Sevilla) football team, Pórtland San Antonio (Pamplona) handball team, Fuenlabrada (Madrid) Basketball Club, Fundación Madrid 2012, etc, and numerous smaller teams located in different parts of the country.

Other noteworthy sponsorship and patronage activities included the Programa Catalunya Hoy and the Spanish Federation of Municipalities and Provinces, which held a conference in Vitoria to celebrate the 25th anniversary of democratic city councils. The Group sponsored a wide variety of other activities that are not itemised here.

