### Financial Highlights (Millions of euros)

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2005</th>
<th>2004</th>
<th>% 06/05</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net turnover</td>
<td>4,485</td>
<td>4,177</td>
<td>3,523</td>
<td>12.2%</td>
</tr>
<tr>
<td>EBITDA</td>
<td>1,566</td>
<td>924</td>
<td>605</td>
<td>51.4%</td>
</tr>
<tr>
<td>Income before taxes</td>
<td>723</td>
<td>614</td>
<td>342</td>
<td>17.7%</td>
</tr>
<tr>
<td>Net attributable income</td>
<td>342</td>
<td>413</td>
<td>282</td>
<td>31.2%</td>
</tr>
<tr>
<td>Net cash-flow</td>
<td>345</td>
<td>752</td>
<td>474</td>
<td>8.7%</td>
</tr>
<tr>
<td>Assets</td>
<td>27,327</td>
<td>14,307</td>
<td>12,627</td>
<td>88.6%</td>
</tr>
<tr>
<td>Capital and reserves</td>
<td>3,109</td>
<td>1,985</td>
<td>1,957</td>
<td>32.0%</td>
</tr>
<tr>
<td>Net corporate debt</td>
<td>1,893</td>
<td>823</td>
<td>963</td>
<td>105.1%</td>
</tr>
<tr>
<td>Shale (€/€)</td>
<td>62.9%</td>
<td>48.1%</td>
<td>62.5%</td>
<td>34.9%</td>
</tr>
<tr>
<td>EPS (€/€)</td>
<td>1.50</td>
<td>1.32</td>
<td>1.59</td>
<td>25.3%</td>
</tr>
</tbody>
</table>

### Stock Market Highlights

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2005</th>
<th>2004</th>
<th>% 06/05</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market cap (€)</td>
<td>12,809</td>
<td>5,644</td>
<td>3,234</td>
<td>126.5%</td>
</tr>
<tr>
<td>Ordinary dividend per share (€)</td>
<td>0.30</td>
<td>0.22</td>
<td>0.36</td>
<td>39.0%</td>
</tr>
<tr>
<td>Total gross extraordinary dividend (€)</td>
<td>341</td>
<td>114</td>
<td>95</td>
<td>23.7%</td>
</tr>
<tr>
<td>Share price at year end (€)</td>
<td>45.00</td>
<td>10.36</td>
<td>11.36</td>
<td>126.5%</td>
</tr>
<tr>
<td>Annual gain</td>
<td>246.6%</td>
<td>44.8%</td>
<td>19.3%</td>
<td></td>
</tr>
<tr>
<td>Mr. Shares at year end</td>
<td>284,898,213</td>
<td>274,470,634</td>
<td>266,153,343</td>
<td></td>
</tr>
</tbody>
</table>

* Adjusted in 2004 and 2005 for the bonus rights issue carried out in July 2005 (1x32) and June (1x27).

### Operating Highlights

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2005</th>
<th>2004</th>
<th>% 06/05</th>
</tr>
</thead>
<tbody>
<tr>
<td>Order backlog</td>
<td>5,638</td>
<td>4,500</td>
<td>3,752</td>
<td>21.6%</td>
</tr>
<tr>
<td>Months of activity</td>
<td>25.8</td>
<td>23.7</td>
<td>20.6</td>
<td>8.9%</td>
</tr>
<tr>
<td>Residential Development</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land position (Thous. of m2)</td>
<td>4,203</td>
<td>4,510</td>
<td>4,852</td>
<td>17.7%</td>
</tr>
<tr>
<td>Sold but not closed</td>
<td>1,654</td>
<td>1,530</td>
<td>1,343</td>
<td>8.1%</td>
</tr>
<tr>
<td>Contracted backlog</td>
<td>2,446</td>
<td>2,024</td>
<td>1,496</td>
<td>20.8%</td>
</tr>
<tr>
<td>Value of real estate assets</td>
<td>7,850</td>
<td>6,110</td>
<td>4,825</td>
<td>27.2%</td>
</tr>
<tr>
<td>Unrecovered gains</td>
<td>1,359</td>
<td>2,314</td>
<td>1,586</td>
<td>44.5%</td>
</tr>
<tr>
<td>Property</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Area under lease (m2)</td>
<td>1,542,789</td>
<td>1,422,700</td>
<td>1,372,000</td>
<td>8.4%</td>
</tr>
<tr>
<td>Occupancy rate (%)</td>
<td>97.9</td>
<td>97.3</td>
<td>96.3</td>
<td>0.6%</td>
</tr>
<tr>
<td>Financial backlog</td>
<td>4,262</td>
<td>2,712</td>
<td>2,413</td>
<td>22.3%</td>
</tr>
<tr>
<td>Value of property assets</td>
<td>4,392</td>
<td>3,460</td>
<td>3,100</td>
<td>31.9%</td>
</tr>
<tr>
<td>Unrecovered gains</td>
<td>1,532</td>
<td>1,169</td>
<td>837</td>
<td>31.1%</td>
</tr>
<tr>
<td>Infrastructure concessions</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue backlog</td>
<td>35,824</td>
<td>16,725</td>
<td>9,270</td>
<td>266.6%</td>
</tr>
<tr>
<td>Kms of highways under concession contracts</td>
<td>3,583</td>
<td>3,340</td>
<td>2,825</td>
<td>23.3%</td>
</tr>
<tr>
<td>Gross investment in PPE</td>
<td>6,239</td>
<td>5,484</td>
<td>4,763</td>
<td>24.2%</td>
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<tr>
<td>Services</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue backlog</td>
<td>9,890</td>
<td>6,898</td>
<td>3,399</td>
<td>44.0%</td>
</tr>
<tr>
<td>Inhabitants served potable water (Millions)</td>
<td>2.58</td>
<td>2.37</td>
<td>1.34</td>
<td>0.3%</td>
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</tr>
</tbody>
</table>
Luis del Rivero
CHAIRMAN OF SACYR VALLEHERMOSO
Dear Shareholders:

I have the pleasure of presenting the annual report for business year 2006, which was a year of special importance for our Group.

This year we hit record highs in:

- Net revenue: 4,684.7 million euros (12.15% more than in 2005).
- EBITDA: 1,065.7 million euros (15.4% more than in 2005).
- Net income: 542.2 million euros (31.2% more than in the preceding year).
- Market capitalization: 12,808.6 million euros.
- Investment: 11,739 million euros.

The year was marked by three major transactions:

- The purchase at the beginning of the year of a 32.61% stake in the French construction and concessions group Eiffage, which makes Sacyr Vallehermoso its major shareholder.
- In 2006 Eiffage obtained net revenue totalling 10,745 million euros, 27.4% more than in 2005. Of total sales, 9,199 million comes from France (85.6%) and 1,421 million from the rest of Europe. In 2006 once again, Sacyr Vallehermoso proved to be one of the soundest, most profitable companies in its sector, on both a national and a European scale. Moreover, this was corroborated by investors who backed our company and made it the second most profitable company on Spain’s selective Ibex 35 index in 2006. With annual appreciation of 118.5% and market capitalization of 12,808.6 million euros, the Group became the second construction company in Spain and the fourth in Europe. Sacyr Vallehermoso ended 2006 at a price of 45 euros per share, giving Earnings per Share (EPS) of 1.95 euros per share, as compared to the 1.52 euros of 2005, an increase of 28.3%.
- The take-over bid, launched in conjunction with the Basque savings banks BBK, Kutxa and Caja Vital, for the motorway contractor Europistas, where we now have a joint holding of 91.21%, and finally.

The investment in Repsol YPF stems from the Sacyr Vallehermoso Group’s diversification and growth strategy and aims to complement the other divisions by taking part in a long-term business with sustained profitability, which will provide the Group with higher margins and results. Last year Repsol YPF obtained 53,092 million euros in net revenues, up 6% on the 2005 figure. Its EBITDA amounted to 9,053 million euros and attributed income rose to 3,124 million euros.

Repsol YPF is the leader in chemical products in Spain and Portugal with over two thousand five hundred products and the world leader in plastics for agriculture. It has holdings in the energy companies Gas Natural and Compañía Logística de Hidrocarburos CLH, with stakes of 30.85% and 25% respectively.

The acquisition of 20.01% of the company Repsol YPF, which makes us the major shareholder in the largest Spanish company in terms of net revenue.

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In 2006, Itinere won the following contracts:

- The shadow toll on the stretch of the Valladolid-Segovia "Autovía del Eresma" motorway between the towns of Segovia and Cuéllar.
- The 35-year contract for the new Moncloa transport interchange station (Madrid).
- The shadow toll road between Padrón and Santa Uxía de Ribeira, in the province of La Coruña, known as the "Autovía del Barbanza".
- The "Autopista del Sol" toll motorway between San José and Caldera in Costa Rica.
- The AP-46 "Alto de Las Pedrizas-Málaga" toll motorway, the biggest contract awarded the Ministry of Public Works in 2006, with a foreseen total investment of 367 million euros and a contract length of 36 years, extendible to 40.

Apart from these contracts won, as I mentioned earlier, Itinere played a leading role in 2006 because of the take-over bid for Europistas. After the success of the bid, the target now is simply to develop a long-term project, through the merger of Europistas and Itinere, the head company in the Sacyr Vallehermoso’s concession division. The merger is expected to take place in 2007 and this will mean that the new company will be trading on the Spanish Stock Market at a value of nearly 6 billion euros, strengthening Itinere’s current position as one of the world leaders in the infrastructure contracting business.

The Sacyr Vallehermoso Group once again had an exceptional economic year, one to be taken as a reference in all the activities it conducts through the different divisions: Construction (with Sacyr and Somague at the head); Infrastructure Contracting (with Itinere); Real Estate Development (with Vallehermoso); Property (with Testa) and Services (with Valoriza). This contributed to the record highs mentioned earlier.

In the construction business, Sacyr had its twentieth birthday in 2006. In this period of time, Sacyr has gone from being a small civil works company to becoming a global leader in construction at every level in Europe and Latin America, because of its strategy of meeting deadlines, maximum works quality, customer care, prudence in accounting, prevention of labour risks, respect for the environment and maximum profitability.

In 2006, Sacyr consolidated its presence in Spain, Chile and Italy by carrying out an increasing number of more and more complex projects. Moreover, it is also present in the construction markets in Portugal and Brazil through Somague Engenharia. In 2006 the construction business brought in total revenue of 2,620.8 million euros, 15% more than in the preceding year. At the end of the year, it had backlog orders worth 5,638.4 million euros, which guarantees the growth of this activity in the coming years.

In the concession business, Itinere is one of the leading infrastructure managers worldwide. In 2006, the concession group obtained 411.6 million euros in net revenue, up 13.4% on the 2005 figure, thanks to the positive performance of traffic in almost all its concessions.
The services business, with the company Valoriza at the head, had a good economic year in 2006, with revenue of 512.1 million euros, 39.3% more than in 2005. The growth and diversification strategy followed by this branch of activity, based on different businesses – environment, water, energy and multi-services – is guaranteed for the coming years by its backlog orders, which were worth 9,890.4 million euros as of 31 December 2006, a 44% increase on the preceding year.

The dividends proposed amount to 141,257,202.5 euros, equivalent to 0.50 euros per share.

On 5 May 2006, the Group’s General Shareholders’ Meeting was held in Madrid. At the event, apart from examining and approving the Annual Financial Statements for 2005, a rights issue for 10,165,579 euros was agreed to, through the issue of 10,165,579 shares, each with a par value of one euro, charged to unrestricted reserves, and in the proportion of one new share for every twenty-six old ones. This transaction was conducted to offset the loss of purchasing power in the payment to the shareholder stemming from the rise on the Consumer Price Index (CPI) in 2005. After this issue, our company’s share capital comprised 284,636,313 shares, each with a par value of one euro, a figure that has remained unchanged to date. The new shares started trading on 10 July 2006.

On 5 May 2006, the Group’s General Shareholders’ Meeting also approved the appointment of Mr Juan Miguel Sanjuán Jover (Grupo Satocán, S.A.), and Mr Francisco Javier Pérez Gracia as new directors, for a period of five years. The number of Board members was established at fifteen, below the limit of eighteen members contemplated in the by-laws.
On 4 October 2006, Sacyr Vallehermoso’s Board of Directors appointed Mr Carlos Cutillas Cordón as a company director in representation of Compañía Aseguradora Mutua Madrileña, one of our company’s significant shareholders.

Lastly, I would like to thank our customers and suppliers for the confidence they show every day and also our shareholders for unconditionally supporting our strategy. And, of course, each and every one of the people working at Sacyr Vallehermoso and its subsidiaries, since without their effort, dedication and professionalism the success we achieve year after year would not be possible. Their desire to always do better is what drives Sacyr Vallehermoso and what makes us proud of our company.

Luis del Rivero
Chairman of Sacyr Vallehermoso Group

I hope that next year we will once again be able to give you good news as Sacyr Vallehermoso draws nearer and nearer to its strategic target of becoming a benchmark in the construction sector in Spain and in Europe.
Luis del Rivero

Background

Significant events in the year
Sacyr Vallehermoso operates in 5 business areas:

- Construction, undertaken by Sacyr in Spain, Somague in Portugal, and SIS in Italy.
- Real estate development, undertaken by Vallehermoso throughout the Spanish mainland and its islands.
- Transport infrastructure concessions, managed by Itinere, with operations in Spain, Portugal, Ireland, Bulgaria, Chile, Costa Rica, and Brazil.
- Property under lease, managed by Testa, with offices and shopping malls in the Madrid, Barcelona, Paris and Miami markets, among others.
- Services, including integrated water cycle management, alternative energies, environmental, and others.

In June 2003, the merger of Sacyr – a construction group established in 1986 which began to diversify into the concession business in 1996 - with Vallehermoso – a real estate group operating in the residential real estate and property management markets since 1953 - gave rise to the Sacyr Vallehermoso Group (SyV).

This group, which operates in the construction sector, is one of the most important in both the domestic and European markets. As a result of its drive and dynamism the Group is now the second largest by market capitalization in Spain and the fifth in Europe.

In recent years the Group’s business activities have expanded as a result of corporate transactions involving companies such as Somague, Ena, Sufi, Eiffage and Europistas, among others.
Significant events in the year

JANUARY

• Sacyr Vallehermoso announced that it had bought 12,113,908 shares of Itinere Infrastructures from Corporación Caixa Galicia at a cost of 119,750,000 euros. This represented 8.62% of Itinere Infrastructures’ share capital.

• Testa Inmuebles en Renta, a subsidiary of Sacyr Vallehermoso, signed an agreement granting an exclusive right to buy an office building in Miami (United States), worth 51 million euros.

FEBRUARY

• Sacyr Vallehermoso announced that it had sold all its treasury stock to Corporación Caixa Galicia, a total of 2,518,068 shares representing 0.91% of the share capital at 26.45 euros per share.

MARCH

• Sacyr Vallehermoso announced that it had exceeded the 10% voting rights threshold in Eiffage. The total amount of this investment is 426.64 million euros.

• Testa Inmuebles en Renta closed an agreement to acquire a 55,000 square meter, fully leased office tower in Paris for 600 million euros.
JULY

- Sacyr Vallehermoso and Eiffage decided to form a Coordination Group to discuss future prospects, possible cooperation projects, and strategy; this Group will also analyze Eiffage’s activity and results.

AUGUST

- Sacyr Vallehermoso Participaciones and Telekutxa submitted a bid (Public Acquisition Offer) for all the shares of Europistas. The offer price was 6.13 euros per share, to be paid wholly in cash.

SEPTEMBER

- The Spanish Competition Defense Service (SDC) notified the Bidders for Europistas that the Deputy Prime Minister and Minister of Economy and Finance decided not to refer the transaction.
to the Competition Defense Tribunal, which was a tacit admission that the Government did not oppose the proposed transaction.

• The Company announced the sale of 8,069,738 treasury shares to Mutua Madrileña Automovilística at a price of 32.72 euros per share.

OCTOBER

• Sacyr Vallehermoso and Telekutxa obtained a 58.82% stake in Europistas after the takeover bid launched for the company. Added to the 32.61% stake the Basque savings bank holding company already owned, Sacyr Vallehermoso’s and Telekutxa’s combined shareholding now totaled 91.43%.

NOVEMBER

• Sacyr Vallehermoso announced the sale of 8,069,738 treasury shares to Mutua Madrileña Automovilística at a price of 32.72 euros per share.

• The Company announced its intention to raise its stake in Repsol YPF to 20%.

DECEMBER

• Sacyr Vallehermoso announced that it bought a 9.23624% stake in Repsol YPF, divided between a direct purchase of 5.00465% of Repsol YPF by Sacyr Vallehermoso Participaciones Mobiliarias (100% owned by SyV) and through hedging agreements with financial institutions for the remaining 4.23158% stake.

• The Company announced that Sacyr Vallehermoso Participaciones Mobiliarias, a company which is wholly controlled by Sacyr Vallehermoso, acquired a direct 6.884% stake in Repsol YPF, after settling return swaps with Citigroup and hedges signed with Banco Santander. Sacyr Vallehermoso’s stake in Repsol YPF now accounts for 20.01%.
Luis del Rivero
PRESIDENTE DE SACYR VALLEHERMOSO

Transport infrastructure concessions
ITINERE-EUROPISTAS

Residential development VALLEHERMOSO
Transport infrastructure concessions ITINERE-EUROPISTAS
Property TESTA Services VALORIZA
The Sacyr Vallehermoso Group is the leader in Europe in terms of profitability in the construction sector. Year after year the Group substantially increases both its turnover and its order book, a guarantee of the future growth of the business.

The Group operates in Spain, where Sacyr ranks fifth in the sector by sales; in Portugal, where since 1974 Somague has been one of the market leaders; in Chile, where Sacyr Chile is the second ranked construction group in concessions; and in Italy, where its subsidiary SIS has obtained contracts worth more than 1,545 million euros. In Costa Rica and Ireland, construction is starting on toll highways under concession contracts awarded to the Group.

As for the sort of projects the Company carries out, in Spain and Portugal the Group works on all types of infrastructure programs (high speed rail lines, subways, airports, freeways, toll highways, etc.) and has a strong presence in both the public and private construction industries. In Italy, SIS is bidding for contracts stemming from the infrastructure plan, and already has road and railway projects. In Chile, Costa Rica, and Ireland, its business is centered on the construction of toll highways operated by the Group.

**Strategy**

Sacyr Vallehermoso’s strategy in the construction area is based on:

a) Operation through locally implemented structures – hence the different companies operating in the area - managed by local teams.
and 5,638 million euros in sales, a record high for the Company. In 2006, jobs worth 3,500 million euros were contracted. In Spain, Sacyr, as part of a consortium led by Itinere and other companies, was awarded the concession contract for the Malaga-Las Pedrizas toll highway, the only contract of its type to be put out to tender by the Spanish Ministry of Development in 2006. In Portugal, Somague succeeded in becoming the leading public works contractor in the country while increasing its profitability. Projects in European Union countries make up 94.7% of the Group’s order book.

b) The maximization of intra-group synergies among the various areas in order to create a platform for growth. The expansion experienced by Vallehermoso, Testa and Itinere gave rise to significant growth opportunities in both volume of business and geographic diversity, and helped the Group increase its customer base.

c) Our work is based on strict compliance with delivery deadlines, the application of advanced technological solutions, the prevention of workplace accidents, and ongoing customer service.

Revenue

In 2006 revenue rose by 15% compared to 2005, to 2,620.8 million euros. Revenue breakdown by activity is shown in the following table:

<table>
<thead>
<tr>
<th>Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Order book</td>
</tr>
</tbody>
</table>

Our order book increased significantly in 2006, by 25.3%, representing 25.8 months of activity.
Annual Report 2006

**TURNOVER (Millions of euros)**

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2005</th>
<th>2004</th>
<th>% 06/05</th>
</tr>
</thead>
<tbody>
<tr>
<td>Civil works</td>
<td>1,698.1</td>
<td>1,625.3</td>
<td>1,565.4</td>
<td>4.5%</td>
</tr>
<tr>
<td>Building construction</td>
<td>922.7</td>
<td>653.3</td>
<td>612.9</td>
<td>41.2%</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>2,620.8</strong></td>
<td><strong>2,278.6</strong></td>
<td><strong>2,178.3</strong></td>
<td><strong>15.0%</strong></td>
</tr>
</tbody>
</table>

**TURNOVER BY GEOGRAPHIC AREA (%)**

- Spain: 68%
- Portugal: 28%
- Chile: 2%
- Italy: 1%
- Other countries: 1%

Sor Ángela de la Cruz tunnel (Madrid)
Civil works

In this area the Group develops infrastructure for roads (toll highways, freeways, and highways), railways (high-speed lines, conventional lines, subway lines), water (dams, canals, water treatment plants, desalination plants, pipes and conduits, etc.), airports and ports, and real estate.

Civil works in 2006 accounted for 64.8% of annual revenue, or 1,698.1 million euros, 4.5% more than in 2005.

In 2006 progress was made on building the following projects, among others:

- Roads:
  - Junction of the M-30 (Madrid Inner Beltway) with the A-3 (Autovía del Mediterráneo) in Madrid. This job was completed and delivered to the Madrid City Council earlier than the planned 24 months.
  - Avenida de Portugal in Madrid. Connection between the M-30 and the A-5 via a 1,500 meter long tunnel, which created a new ground level green space and boulevard.
  - Connection of the Tetuán district of Madrid with the M-30 via a 1,350 meter tunnel.
  - Shadow toll road on the AS-18 between Oviedo and Porceyo and on the AS-17 between Lugones and Bobes, with a length of 25 km., which created a new link between Oviedo and Gijón.
  - Shadow toll road on the CV-35 between Valencia and Losa del Obispo and on the CV-50 in Benaguasil, with a total length of 53 km.
- Shadow toll highway between Palma de Mallorca and Manacor, 41 kilometers in length. 2 km of spur roads where the Puertollano highway joins the freeway.

- Puente Europa in Coimbra, 1,505 meters in length. It is a symmetrical suspension bridge with a single support and central span of 180 meters. Via Exterior de Santa Cruz freeway on the island of La Palma. A three-lane freeway with a total length of 3.8 kilometers. It includes 5 tunnels with carefully designed environmental and landscape integration measures due to the fact that it passes through a biosphere reserve.

- A1 toll highway between Aveiro and Santarem: a 22-kilometer section between Lisbon and Oporto where a third lane is being built. Freeway section of the A-7 between Vandellós and Hospitalet del Infant with a length of 7,700 m.

- Plaza Elíptica transport interchange in Madrid. It will have three levels for the entry and exit of intercity and long-distance buses and a connection with the subway network. To be delivered in early 2007. Connection between lines 1 and 4 of the Madrid subway. Construction of 4.5 km of tunnels and four stations. Carried out by tunnel borer and traditional methods. Delivered to the Madrid Community in 2007.

- Freeway between Argamasilla and Puertollano (Ciudad Real), part of the A-43 from Levante to Extremadura, with a length of 10.2 km and Plaza Elíptica transport interchange (Madrid)
Prolongation of line 7 of the Madrid subway, includes the excavation of a one-kilometer-long cut-and-cover tunnel and the construction of the La Peineta station, built to receive heavy passenger traffic.

Line 9 of the Barcelona subway system, Aeroport-Parc Logistic section. This subsection is 4.5 kilometers long and has three stations, two of which are located in the Barcelona Airport.

AVE (High-Speed Train) Madrid-Levante, Sax-Elda and Alzira-Algemesí stretches, parts of the high-speed line between Madrid and Alicante.

AVE Madrid-Barcelona-French border, Llinars-Sant Celoni (4.7 kilometers), Massana-Massanet (5.2 kilometers), Sils-Riudellots (7.3 kilometers), Santa Coloma de Cervelló-Sant Vicent del Horts (5.6 kilometers) and La Torrassa-Sants (2 kilometers) stretches.

AVE Madrid-Galicia, Carballino-Lalín stretch. 13.3 kilometers between the provinces of Orense and Pontevedra. To include three tunnels, 2.1, 1.5 and 2.8 kilometers in length, respectively.

High Speed Atlantic Axis in Galicia, Meirama-Bregua stretch, 5 km in length with a 3.5-km tunnel.

AVE into the city of Malaga, final 3-km stretch of the Madrid-Malaga line, 1,900 m. of it underground. Refurbishment of platforms and station canopy.

Palma de Mallorca subway system. Section of the island’s first subway line, which will run through the city center.

Two- and four-track sections of UIC gauge HSL (high-speed rail lines), with a total of 3.5 kilometers of tunnels.
• **Water infrastructure**

- Pumping from the desalination plant at Carboneras to the Almanzora-Poniente pipeline in the province of Almeria.

- Modernization of the Guadalcañir irrigation area in Cádiz, with a surface area of 12,000 hectares. The contract consists of modernizing the irrigation system (upgrading from flood irrigation to pressure irrigation) of the 12,000-hectare Guadalcañir irrigation area. Involves the installation of 650 kilometers of pipes.

- Sector I WWTP at Yeves (Guadalajara). For Ciudad Valdeluz, at the AVE station in Guadalajara, for a population of 30,000 inhabitants.

- WWTP Villatobas-Noblejas-Villarubia-Santa Cruz de la Zarza (Toledo). Four waste water treatment plants.

- Modernization of the right bank of the river Bembézar at Hornachuelos and Lora del Río, with an irrigable surface area of 12,000 hectares (upgrading from flood irrigation to pressure irrigation). Involves the installation of 450 kilometers of pipes, 11 pumping stations, tail reservoir, consumption control devices, and automated remote control.

- WWTP Torrejón de Ardoz (Madrid).

- Canal de Navarra. Irrigation canal from the Itoiz reservoir to the south of Navarra. The total length of the project is 18.2 kilometers.

- Water supply works at Sora-La Loteta (Zaragoza).

- Storm water reservoir at Abroñigales (Madrid). Intended, at times of heavy rainfall, to store
water flows that exceed treatment plant capacity and cannot be emptied directly into the Manzanares river. Capacity to store 200,000 m³ of water.

- **Airports**
  - Ciudad Real airport. Design and construction of the Don Quijote Airport, a new private airport serving Ciudad Real, with a 4-kilometer-long runway.
  - Platforms for a container park for Iberia and for training firefighters at Terminal 4 of Madrid-Barajas Airport, plus an airport services tunnel, also in Terminal 4.
  - Expansion of Burgos airport.

- **Ports**
  - East mole at the port of Valencia.

- **Real estate**
  - PAU-4 Móstoles (Madrid). 290-hectare real estate development located to the south of Móstoles.
  - Tenería-2 in Pinto (Madrid). 100-hectare real estate development located to the north of Pinto.
  - Yebes (Guadalajara). PAU (Urban Development Program) real estate development, sector 1 (AVE station) in the municipality of Yebes, province of Guadalajara, for 8,500 homes.
  - Arroyomolinos (Madrid). 60 hectare real estate development located to the north-east of the municipality.
- Construction of the AP-46 toll highway Malaga- Alto de Las Pedrizas.
- Turnkey implementation of a streetcar system in Palermo, Italy.
- Cornellá del Terri-Vilademuls AVE rail section for ADIF (Railway Infrastructure Administrator).
- Upgrade to 220 kph of the Alcázar de San Juan-Manzanares rail section.
- Shadow toll highway between Padrón and Santa Uxía de Ribeira.
- Moncloa transport interchange in Madrid.

- Sector 12 Albacete. Real estate development in the city of Albacete between the access roads from Murcia and Alicante, occupying approximately 30 hectares. 1,400 homes are to be built.
- Señorío de Illescas (Toledo). Next to the A-42 freeway, occupying 35 hectares. 550 single family homes are to be built.
- Santa María de Benquerencia (Toledo). Real estate development. Third phase of a residential complex occupying 45 hectares. 2,270 homes are planned.
- Modernization and upgrade of a 31-kilometer section of the Salerno-Reggio Calabria toll highway in Italy.

The most important contracts won in 2006 included:
- Construction of the AP-46 toll highway Malaga- Alto de Las Pedrizas.
• Desalination plant at Águilas-Guadalentín for the Ministry of Environment.

• 6.3-km section of the new Malaga beltway between the Las Pedrizas toll highway and the A-7.

• Section of the Ronda de Bahía de Santander freeway, between Parbayón and Cacicedo.

• Section of the new C-37 Vic-Olot highway, between the Bracons and Esteve d’en Bas tunnel.

• New access to the port of Malaga.

• Maintenance for Irish Rail.

• Modernization of Viar basin irrigation systems, in the province of Seville.

• Design and construction of the new potable water treatment plant in Bajo Llobregat.

• Connection between the potable water treatment plants of La Pedrera and Torealta in Orihuela.

• Upgrade of the water supply to Aranjuez.

• Interconnection of the Bajo Guadalquivir Canal and Torre del Águila reservoir (Seville).

• Real estate development at Los Berrocales.

• Real estate development S4 and S5 in Pinto.

• Cruise liner quay at Punta Delgada. 2nd phase of the expansion area of the port of Marín (Pontevedra).

Roman bridge restoration (Córdoba)
Building construction

Revenue from construction amounted to 922.7 million euros, 41.2% higher than the previous year. Sacyr and Somague execute all kinds of residential building, for which Vallehermoso is the number one customer, and non-residential construction (hotels, hospitals, public buildings, office buildings and business centers, prisons, shopping malls, retirement facilities, etc). The most important construction projects in development include:

- Hospitals in Parla and Coslada for the Madrid Community. Government concessions whereby Sacyr executes the construction in a very short time and other group companies provide management and operational services (except for healthcare).
- Central University Hospital of Asturias. It will be the largest hospital complex in Asturias, with a usable area of 300,000 square meters and 1,300 beds.
- SyV Tower for Testa at the north end of the Paseo de la Castellana in Madrid. It will be 250 meters tall with 56,000 square meters of leasable area, and will house a five-star hotel (already leased to the Hotusa chain) and offices.
- High resolution hospital center in Utrera (Seville). For scheduled surgical procedures. Provides emergency services, heliport, short-stay hospitalization, and consultations.
- Passenger building and other facilities at Ciudad Real airport. The design stands out for its usability, large slab spans and unusual metallic columns.
- Hospital in Talavera de la Reina (Toledo). Expanded from 15,000 to 80,000 square meters of usable area and number of beds increased to 350.

- Pavilions #12 and #14 of the Feria de Madrid (Madrid Exhibition Center). Spectacular hanging roof with a 120x120 meter span on 25 meter high columns.

- New church (Iglesia de la Santísima Trinidad de Nuestra Señora del Rosario de Fátima).

- Sintra Palace of Justice, the largest court complex in Portugal.

Highlights of the most important bids won in construction:

- 500 homes in the Vista Hermosa real estate development in La Línea de la Concepción.

- Auditorium-Conference Center in Vigo.

- Finish work in the Basílica de Fátima.

- Valdemoro Hospital.

- 288 homes in Pla de Palau, Barcelona.

- Industrial building on Emilio Muñoz Street.

- Commercial buildings in Puerto Venecia (Zaragoza).

- Municipal police headquarters in Zaragoza.

- Three police stations in Barcelona under concession contracts.
during 2006 the number of social housing developments rose due to new state and regional plans making this kind of housing more profitable. Vallehermoso’s strategy is based on the quality of its developments, technical and financial control over its projects, the search for the best land, and a proven expertise in urban management.

Vallehermoso is the Spanish market leader in the development and sale of new homes, and operates in all of Spain’s autonomous communities. It boasts a diversified land portfolio, both in terms of regions and products, a well-established brand with over 53 years of experience, along with the technical excellence that comes with employing the best professionals in the industry. In 2006 Vallehermoso sold 5,131 homes, 6.4% more than in 2005. Of the 1,246.8 million euros in revenue recorded in 2006, 1,232.7 million euros consisted of the sale of residential properties and land (1,046 million euros residential; 187 million euros land). The remaining 14.1 million euros came from the provision of services.

Vallehermoso’s strategy is focused on the sale of new primary residences in major cities, although during 2006 the number of social housing developments rose due to new state and regional plans making this kind of housing more profitable. Vallehermoso’s strategy is based on the quality of its developments, technical and financial control over its projects, the search for the best land, and a proven expertise in urban management.

Valuation of assets

The value of Vallehermoso’s real estate assets at December 31, 2006, according to independent valuations performed by C.B. Richard Ellis, was 7,800 million euros, 27.2% higher than in 2005, with unrealized gains of 3,309 million euros, 971 million more than the previous year.
### Financial Highlights Vallehermoso (Millions of euros)

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2005</th>
<th>2004</th>
<th>% 06/05</th>
</tr>
</thead>
<tbody>
<tr>
<td>Turnover</td>
<td>1,246.8</td>
<td>1,246.5</td>
<td>889.9</td>
<td>0.0%</td>
</tr>
<tr>
<td>Net income</td>
<td>214.7</td>
<td>148.5</td>
<td>80.9</td>
<td>44.6%</td>
</tr>
<tr>
<td>EBITDA</td>
<td>330.4</td>
<td>276.7</td>
<td>156.2</td>
<td>19.4%</td>
</tr>
<tr>
<td>Cash Flow</td>
<td>196.8</td>
<td>179.9</td>
<td>79.7</td>
<td>9.4%</td>
</tr>
<tr>
<td>Sales backlog</td>
<td>2,446</td>
<td>2,024</td>
<td>1,496</td>
<td>20.8%</td>
</tr>
<tr>
<td>Number homes sold</td>
<td>5,131</td>
<td>4,824</td>
<td>4,368</td>
<td>6.4%</td>
</tr>
</tbody>
</table>

### Vallehermoso’s Asset Valuation (Millions of euros)

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2005</th>
<th>2004</th>
<th>% 06/05</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land</td>
<td>4,704.0</td>
<td>3,387.0</td>
<td>2,481.0</td>
<td>38.9%</td>
</tr>
<tr>
<td>Work in progress</td>
<td>3,096.0</td>
<td>2,743.0</td>
<td>1,544.0</td>
<td>22.9%</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>7,800.0</td>
<td>6,130.0</td>
<td>4,025.0</td>
<td>27.2%</td>
</tr>
<tr>
<td>Unrealized gains</td>
<td>3,309.0</td>
<td>2,338.0</td>
<td>1,589.0</td>
<td>41.5%</td>
</tr>
</tbody>
</table>

Señorío del Pinar, Majadahonda (Madrid)
As of December 31, 2006, Vallehermoso had 8,775 homes sold and pending delivery, 18.2% more than the previous year, representing a pre-sale portfolio worth 2,446 million euros, up by 20.8% from 2005, which will become revenue in 2007 and 2008.

Land reserve and sales contracts

In order to ensure the growth of its business with high profit margins, during 2006 Vallehermoso reserved a total of 769 million euros in new land at varying stages of development for the development and sale of homes. Vallehermoso’s land portfolio at year end 2006 amounted to 16.0 million square meters, with a buildable area of 4.2 million square meters, equivalent to 32,448 homes (six years of activity).
### LAND: GEOGRAPHIC AREA (%)

<table>
<thead>
<tr>
<th>Geographic Area</th>
<th>2006</th>
<th>2005</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Center</td>
<td>25%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Andalusia</td>
<td>20%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>North</td>
<td>16%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Catalonia/Balearics</td>
<td>12%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Murcia</td>
<td>10%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Levante</td>
<td>9%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Galicia</td>
<td>4%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Canary Islands</td>
<td>3%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Portugal</td>
<td>1%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### LAND KEY FIGURES

<table>
<thead>
<tr>
<th>Category</th>
<th>2006</th>
<th>2005</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amount (Millions of euros)</td>
<td>2,457.6</td>
<td>1,856.4</td>
<td>1,493.9</td>
</tr>
<tr>
<td>Total area (Millions m²)</td>
<td>16.0</td>
<td>17.3</td>
<td>15.2</td>
</tr>
<tr>
<td>Buildable area (Millions m²)</td>
<td>4.2</td>
<td>4.6</td>
<td>4.0</td>
</tr>
<tr>
<td>Number of homes</td>
<td>32,448</td>
<td>30,139</td>
<td>25,731</td>
</tr>
<tr>
<td>Years</td>
<td>6.0</td>
<td>5.6</td>
<td>5.4</td>
</tr>
</tbody>
</table>
Sales activity

- Andalusia: This regional department covers the autonomous community of Andalusia and has offices in Seville, Malaga, Jerez de la Frontera (Cádiz), Granada, and Almería. It is focused on the primary residence market and is expanding into certain holiday home-related activities.

- Catalina/Balearics: With its head office in Barcelona, this regional department operates in the four provinces of Catalonia and also in the Balearic Islands (Palma de Mallorca).

- Center: This regional department covers the Autonomous Community of Madrid and other neighboring provinces, such as Ciudad Real and Guadalajara.

- Canary Islands: This regional department operates in the Canary Islands and has offices in Santa Cruz de Tenerife and Las Palmas de Gran Canaria.

- Galicia: This regional department covers the Galician provinces, focusing mainly on La Coruña and Vigo.
### ANDALUSIA

<table>
<thead>
<tr>
<th></th>
<th>Homes Sold in 2006</th>
<th>Developments For Sale</th>
<th>Homes For Sale</th>
<th>Homes Not Closed</th>
<th>Planned Inventory</th>
<th>Turnover M€</th>
</tr>
</thead>
<tbody>
<tr>
<td>Malaga</td>
<td>279</td>
<td>21</td>
<td>484</td>
<td>493</td>
<td>2,249</td>
<td>37.6</td>
</tr>
<tr>
<td>Granada</td>
<td>161</td>
<td>7</td>
<td>182</td>
<td>193</td>
<td>817</td>
<td>35.4</td>
</tr>
<tr>
<td>Seville</td>
<td>155</td>
<td>23</td>
<td>223</td>
<td>331</td>
<td>2,474</td>
<td>76.7</td>
</tr>
<tr>
<td>Cordoba</td>
<td>109</td>
<td>5</td>
<td>57</td>
<td>169</td>
<td>187</td>
<td>10.9</td>
</tr>
<tr>
<td>Almeria</td>
<td>57</td>
<td>5</td>
<td>153</td>
<td>43</td>
<td>156</td>
<td>6.6</td>
</tr>
<tr>
<td>Cádiz</td>
<td>42</td>
<td>1</td>
<td>73</td>
<td>42</td>
<td>443</td>
<td>-</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>803</strong></td>
<td><strong>62</strong></td>
<td><strong>1,172</strong></td>
<td><strong>1,271</strong></td>
<td><strong>6,326</strong></td>
<td><strong>167.2</strong></td>
</tr>
</tbody>
</table>

### CANARY ISLANDS

<table>
<thead>
<tr>
<th></th>
<th>Homes Sold in 2006</th>
<th>Developments For Sale</th>
<th>Homes For Sale</th>
<th>Homes Not Closed</th>
<th>Planned Inventory</th>
<th>Turnover M€</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tenerife</td>
<td>149</td>
<td>11</td>
<td>134</td>
<td>343</td>
<td>1,175</td>
<td>9.3</td>
</tr>
<tr>
<td>Las Palmas</td>
<td>32</td>
<td>8</td>
<td>39</td>
<td>110</td>
<td>147</td>
<td>20.5</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>181</strong></td>
<td><strong>19</strong></td>
<td><strong>173</strong></td>
<td><strong>453</strong></td>
<td><strong>1,322</strong></td>
<td><strong>29.8</strong></td>
</tr>
</tbody>
</table>
• North: This regional department is the one covering most autonomous communities: Basque Country, Aragon, La Rioja, Asturias, Cantabria, and Castilla y León.

• Levante: This regional department covers the three provinces of the Valencian Community and the neighboring province of Albacete.

• Murcia: This regional department has an important portfolio of homes in the pipeline thanks to the many second home projects currently underway.

• Portugal: Business in Portugal is the responsibility of Somague Imobiliaria, which has offices in Lisbon and Oporto.

### CATALONIA/BALEARICS

<table>
<thead>
<tr>
<th>Region</th>
<th>HOMES SOLD IN 2006</th>
<th>DEVELOPMTS. FOR SALE</th>
<th>HOMES FOR SALE</th>
<th>HOMES NOT CLOSED</th>
<th>PLANNED INVENTORY</th>
<th>TURNOVER M€</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balearics</td>
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<td>163</td>
<td>185</td>
<td>208</td>
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<td>202</td>
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<td>375</td>
<td>387</td>
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<td>128</td>
<td>16</td>
<td>172</td>
<td>396</td>
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<td>43.3</td>
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<tr>
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<td><strong>582</strong></td>
<td><strong>41</strong></td>
<td><strong>851</strong></td>
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<td><strong>2,684</strong></td>
<td><strong>162.7</strong></td>
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</table>

### CENTER

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<thead>
<tr>
<th>Region</th>
<th>HOMES SOLD IN 2006</th>
<th>DEVELOPMTS. FOR SALE</th>
<th>HOMES FOR SALE</th>
<th>HOMES NOT CLOSED</th>
<th>PLANNED INVENTORY</th>
<th>TURNOVER M€</th>
</tr>
</thead>
<tbody>
<tr>
<td>Madrid</td>
<td>1,256</td>
<td>53</td>
<td>1,313</td>
<td>1,551</td>
<td>6,375</td>
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<td>6</td>
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<td>583</td>
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<tr>
<td>Guadalajara</td>
<td>59</td>
<td>2</td>
<td>20</td>
<td>130</td>
<td>871</td>
<td>-</td>
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<td><strong>1,411</strong></td>
<td><strong>61</strong></td>
<td><strong>1,490</strong></td>
<td><strong>1,769</strong></td>
<td><strong>7,829</strong></td>
<td><strong>438.9</strong></td>
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## LEVANTE

<table>
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<th>Homes For Sale</th>
<th>Homes Not Closed</th>
<th>Planned Inventory</th>
<th>Turnover</th>
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<td>13</td>
<td>118</td>
<td>122</td>
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<tr>
<td><strong>TOTAL</strong></td>
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<td>625</td>
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## GALICIA

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<th>Homes For Sale</th>
<th>Homes Not Closed</th>
<th>Planned Inventory</th>
<th>Turnover</th>
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<tr>
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<td>7</td>
<td>147</td>
<td>284</td>
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<tr>
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<tr>
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<td>290</td>
<td>10</td>
<td>232</td>
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<td>1,523</td>
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### MURCIA

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<th>Homes for Sale</th>
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<th>Planned Inventory</th>
<th>Turnover M€</th>
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<tbody>
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<td>235</td>
<td>254</td>
<td>4,331</td>
<td>11.8</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>125</strong></td>
<td><strong>9</strong></td>
<td><strong>235</strong></td>
<td><strong>254</strong></td>
<td><strong>4,331</strong></td>
<td><strong>11.8</strong></td>
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</tbody>
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### NORTH

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<tr>
<th>City</th>
<th>Homes Sold in 2006</th>
<th>Developments for Sale</th>
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<th>Planned Inventory</th>
<th>Turnover M€</th>
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<td>104</td>
<td>250</td>
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<td>114</td>
<td>274</td>
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<tr>
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<tr>
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<tr>
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<tr>
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<td>91</td>
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<tr>
<td>San Sebastian</td>
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<td>3</td>
<td>102</td>
<td>95</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>1,247</strong></td>
<td><strong>98</strong></td>
<td><strong>1,631</strong></td>
<td><strong>1,998</strong></td>
<td><strong>6,007</strong></td>
<td><strong>265.7</strong></td>
</tr>
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</table>

### PORTUGAL

<table>
<thead>
<tr>
<th>City</th>
<th>Homes Sold in 2006</th>
<th>Developments for Sale</th>
<th>Homes for Sale</th>
<th>Homes Not Closed</th>
<th>Planned Inventory</th>
<th>Turnover M€</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lisbon</td>
<td></td>
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<td></td>
<td>81</td>
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<tr>
<td>Oporto</td>
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<td>4</td>
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<td>223</td>
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<tr>
<td><strong>TOTAL</strong></td>
<td><strong>26</strong></td>
<td><strong>4</strong></td>
<td><strong>167</strong></td>
<td><strong>280</strong></td>
<td><strong>304</strong></td>
<td><strong>14.0</strong></td>
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</table>
## ACTIVITY BY REGIONAL DIVISION

<table>
<thead>
<tr>
<th>REGIONAL DIVISION</th>
<th>HOMES SOLD IN 2006</th>
<th>DEVELOPMENTS FOR SALE</th>
<th>HOMES FOR SALE</th>
<th>HOMES NOT CLOSED</th>
<th>PLANNED INVENTORY</th>
<th>TURNOVER</th>
<th>M€</th>
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</thead>
<tbody>
<tr>
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<td>1,271</td>
<td>6,326</td>
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<tr>
<td>CANARY ISLANDS</td>
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<td>19</td>
<td>173</td>
<td>453</td>
<td>1,322</td>
<td>29.8</td>
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<tr>
<td>CATALONIA/BALEARICS</td>
<td>582</td>
<td>41</td>
<td>851</td>
<td>1,158</td>
<td>2,684</td>
<td>162.7</td>
<td></td>
</tr>
<tr>
<td>CENTER</td>
<td>1,411</td>
<td>61</td>
<td>1,490</td>
<td>1,769</td>
<td>7,829</td>
<td>438.9</td>
<td></td>
</tr>
<tr>
<td>GALICIA A</td>
<td>290</td>
<td>10</td>
<td>232</td>
<td>342</td>
<td>1,523</td>
<td>32.9</td>
<td></td>
</tr>
<tr>
<td>LEVANTE</td>
<td>466</td>
<td>37</td>
<td>625</td>
<td>1,250</td>
<td>2,122</td>
<td>109.7</td>
<td></td>
</tr>
<tr>
<td>MURCIA A</td>
<td>125</td>
<td>9</td>
<td>235</td>
<td>254</td>
<td>4,331</td>
<td>11.8</td>
<td></td>
</tr>
<tr>
<td>NORTH</td>
<td>1,247</td>
<td>98</td>
<td>1,631</td>
<td>1,998</td>
<td>6,007</td>
<td>265.7</td>
<td></td>
</tr>
<tr>
<td>PORTUGAL</td>
<td>26</td>
<td>4</td>
<td>167</td>
<td>280</td>
<td>304</td>
<td>14.0</td>
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</tr>
<tr>
<td><strong>TOTAL VALLEHERMOSO</strong></td>
<td><strong>5,131</strong></td>
<td><strong>341</strong></td>
<td><strong>6,576</strong></td>
<td><strong>8,775</strong></td>
<td><strong>32,448</strong></td>
<td><strong>1,232.7</strong></td>
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</tbody>
</table>

The previous chart is a summary of Vallehermoso’s nine regional divisions.
Spain, Itinere operates in Chile, Portugal, Brazil, Costa Rica, and Bulgaria. As of December 31, 2006 it had a total of 35 concessions in operation and construction, among which were five new contracts begun in 2006 (one traditional toll highway, two shadow toll highways, a transport interchange in Spain, and a toll highway in Costa Rica). Total investment made by Itinere was more than 6,200 million euros.

**Strategy**

Itinere’s main short-term goal is the completion of a project undertaken by the Sacyr Vallehermoso Group involving the takeover of Europistas. Itinere and Europistas are set to merge, which will establish the resulting group as one of the largest infrastructure concession operators worldwide, with a balanced portfolio of mature

Itinere is the second largest investor in the toll highway business in Spain, with a market share of around 22% in terms of kilometers and 17% in terms of revenue. It has stakes in toll highway concessions totaling 3,558 kilometers either in operation or under construction. In addition to

The year 2006 was especially important for the Sacyr Vallehermoso Group in the area of concessions, since it saw the acquisition of a 50% interest in toll road company Europistas which is in the process of merging with Itinere. As a consequence of this operation, Itinere will shortly be listed on the stock market as a separate entity, prior to carrying out a transaction to give the stock greater liquidity and a free float market cap of at least 1,000 million euros, although Sacyr Vallehermoso will retain control of the company.
Infrastructure and the door it opens for the participation of private initiative in the development of new infrastructure is a strategic opportunity for Itinere. Abroad, the company will continue to bid for new concessions in markets in politically stable regions with solid fundamentals and strong growth potential for infrastructure demand and use, both in Europe (Ireland, Greece, Germany, Italy, Portugal) and America (Chile, United States, Canada, Brazil). Whether in Spain or abroad, the group’s strategy is to acquire controlling interests to allow it to actively manage the projects in which it participates.

Special mention should be made of the potential of the US market, where many local governments have started on the road to privatizing their transport infrastructure, both roadways that already operate under public management and new projects, with the ability to bid in tenders and privatizations anywhere in the world. In the future the Itinere Group will therefore aim to combine a healthy order book, which has plenty of concession life remaining (in 2006, the overall average was 28 years -36 years in Spain, 23 in Portugal, 25 in Chile, and 14 in Brazil) with winning new concession tenders.

Itinere is able to maintain a strong rate of growth based on its experience in winning build and operate concessions for transport infrastructures and on its capacity to acquire concessions already in operation and make them more profitable. In Spain, Itinere’s main activity will continue to be toll highways, while other kinds of businesses will also be considered, such as airports, ports, railways, subways, etc. In this respect, the government’s Strategic Transport Activities...
FINANCIAL HIGHLIGHTS ITINERE-EUROPISTAS (Millions of euros)

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2005</th>
<th>2004</th>
<th>% 06/05</th>
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<tr>
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<td>322.9</td>
<td>14.9%</td>
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<tr>
<td>Net income</td>
<td>15.5</td>
<td>(48.0)</td>
<td>(56.9)</td>
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</tr>
<tr>
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<td>96.3</td>
<td>63.4</td>
<td>16.6%</td>
</tr>
<tr>
<td>Revenue backlog</td>
<td>55,828.3</td>
<td>50,925.0</td>
<td>49,370.0</td>
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HIGHWAYS IN OPERATION

<table>
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<tr>
<th>COMPANY</th>
<th>HIGHWAY</th>
<th>SECTION</th>
<th>% INTEREST</th>
<th>CONCOLID. METHOD</th>
<th>TOTAL KM</th>
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</thead>
<tbody>
<tr>
<td>Avasa</td>
<td>AP-68</td>
<td>Bilbao - Zaragoza</td>
<td>50.00%</td>
<td>Proport.</td>
<td>294.4</td>
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<tr>
<td>Audasa</td>
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<td>Ferrol - Tuy</td>
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</tr>
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<td>Irunzun - Tudela</td>
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<td>Europistas</td>
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<td>Burgos - Armiñón</td>
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<td>M-40 - Arganda del Rey</td>
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<tr>
<td></td>
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<td>M-40 - Navalcarnero</td>
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<td></td>
<td>M-50</td>
<td>A-6 - M-408</td>
<td>100.00%</td>
<td>Full</td>
<td>29.4</td>
</tr>
<tr>
<td>Aucalsa</td>
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<td>León - Campomanes</td>
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<tr>
<td>Henarsa</td>
<td>R-2, M-50</td>
<td>M-40 - Guadalajara; M-50 (N-I, N-II y M-40)</td>
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<td>Acega</td>
<td>AP-53</td>
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<td>18.36%</td>
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<td>R-4, M-50</td>
<td>M-40 - Ocaña; M-50 (N-I, N-II)</td>
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<td>SPAÍN</td>
<td></td>
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<tr>
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<td></td>
<td>Puente 25 de Abril</td>
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<td>Equity</td>
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<td></td>
</tr>
<tr>
<td>Autoestradas do Atlántico</td>
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<td>Orl - Caldas da Rainha</td>
<td>22.50%</td>
<td>Equity</td>
<td>81.0</td>
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<tr>
<td></td>
<td>A-8 Norte</td>
<td>Caldas da Rainha - Leira</td>
<td>22.50%</td>
<td>Equity</td>
<td>49.0</td>
</tr>
<tr>
<td></td>
<td>A-15</td>
<td>Caldas da Rainha - Santarém</td>
<td>22.50%</td>
<td>Equity</td>
<td>40.0</td>
</tr>
<tr>
<td>Vía Litoral</td>
<td>ER-101</td>
<td>Ribeira Brava - Machico - Caniçal</td>
<td>12.00%</td>
<td>I.F.</td>
<td>44.2</td>
</tr>
<tr>
<td>PORTUGAL</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>234.6</td>
</tr>
<tr>
<td>Triangulo do Sol</td>
<td>SP-326</td>
<td>Matao - Bebedouro</td>
<td>50.00%</td>
<td>Proport.</td>
<td>86.3</td>
</tr>
<tr>
<td></td>
<td>SP-333</td>
<td>Sertãozinho - Borborema</td>
<td>50.00%</td>
<td>Proport.</td>
<td>129.4</td>
</tr>
<tr>
<td></td>
<td>SP-310</td>
<td>Sao Carlos - Mirassol</td>
<td>50.00%</td>
<td>Proport.</td>
<td>226.5</td>
</tr>
<tr>
<td>BRASIL</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>442.2</td>
</tr>
<tr>
<td>TOTAL</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>2,725.0</td>
</tr>
</tbody>
</table>
Highways in operation

In 2006 Intinere continued its ongoing effort to improve quality of service for all of its toll road customers, which has enabled the group to improve user satisfaction levels and contain accident rates. Traffic in 2006 grew significantly, as can be seen in the following table:

Revenue stream

Intinere's revenue stream, amounting to 55,828.3 million euros, and its good return on transactions, give rise to an estimated underlying EBITDA for the Group's concessions of 42,873.1 million euros, which will be reflected in the income statements of coming years.

Itinere has a sound, geographically diversified concessions portfolio with high margins and a long average life, which ensures significant future revenue flows.
construction of 798.5 additional kilometers of toll highways, one 19-kilometer stretch of subway line, and two transport interchanges. Projects in progress such as these, plus all the new concession and privatization contracts that may be won, ensure Itinere’s future growth.

Early in 2007 the Palma-Manacor shadow toll highway in the Balearic Islands entered into service, with a total length of 41.7 kilometers. This highway represented an investment of 117.8 million euros and the concession is for 30 years. On January 1, 2007 the company began to accrue the corresponding traffic volume-based toll payments. Early in 2007 the Palma-Manacor shadow toll highway in the Balearic Islands entered into service, with a total length of 41.7 kilometers. This highway represented an investment of 117.8 million euros and the concession is for 30 years. On January 1, 2007 the company began to accrue the corresponding traffic volume-based toll payments.

<table>
<thead>
<tr>
<th>Investments</th>
<th>YEAR OVER YEAR ADT (Average Daily Traffic)</th>
<th>2006</th>
<th>2005</th>
<th>2004</th>
<th>% 06/05</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total investment made by Itinere on toll highways</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>under concession and projects in development</td>
<td></td>
<td>25,060</td>
<td>23,556</td>
<td>22,565</td>
<td>6.4%</td>
</tr>
<tr>
<td>amounted to 6,238.5 million euros, 14.2% more than at December 31, 2005. Of this sum, 5,950.3 million euros corresponded to toll highways and the remaining 288.2 million euros to projects in development.</td>
<td></td>
<td>14,177</td>
<td>13,542</td>
<td>13,499</td>
<td>4.7%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>17,110</td>
<td>16,641</td>
<td>15,803</td>
<td>2.8%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>9,684</td>
<td>9,006</td>
<td>8,736</td>
<td>7.5%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>11,907</td>
<td>11,101</td>
<td>10,455</td>
<td>7.3%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>11,113</td>
<td>10,572</td>
<td>10,035</td>
<td>5.1%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>22,209</td>
<td>21,206</td>
<td>21,072</td>
<td>4.7%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>14,117</td>
<td>13,108</td>
<td>10,976</td>
<td>7.7%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>3,608</td>
<td>3,363</td>
<td>3,139</td>
<td>7.3%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>7,432</td>
<td>6,961</td>
<td>6,539</td>
<td>6.8%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>18,507</td>
<td>16,742</td>
<td>15,752</td>
<td>10.5%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2,047</td>
<td>1,944</td>
<td>2,064</td>
<td>5.3%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>45,131</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td></td>
<td>5,930</td>
<td>5,743</td>
<td>5,564</td>
<td>3.3%</td>
</tr>
<tr>
<td>Projects in development</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>As of December 31, 2006, Itinere had 13 new concessions under construction, a total investment of 2,862.2 million euros, involving the construction of 798.5 additional kilometers of toll highways, one 19-kilometer stretch of subway line, and two transport interchanges. Projects in progress such as these, plus all the new concession and privatization contracts that may be won, ensure Itinere’s future growth.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### Turnover (Millions of Euros)

<table>
<thead>
<tr>
<th>HIGHWAY</th>
<th>2006</th>
<th>2005</th>
<th>2004</th>
<th>% 06/05</th>
</tr>
</thead>
<tbody>
<tr>
<td>Audasa</td>
<td>137.9</td>
<td>126.6</td>
<td>118.3</td>
<td>8.9%</td>
</tr>
<tr>
<td>Avasa</td>
<td>70.0</td>
<td>64.8</td>
<td>62.7</td>
<td>8%</td>
</tr>
<tr>
<td>Audenasa</td>
<td>39.5</td>
<td>36.6</td>
<td>34.0</td>
<td>7.8%</td>
</tr>
<tr>
<td>Aucalsa</td>
<td>36.8</td>
<td>32.7</td>
<td>30.7</td>
<td>12.5%</td>
</tr>
<tr>
<td>Aunor</td>
<td>10.6</td>
<td>10.3</td>
<td>10.0</td>
<td>3.1%</td>
</tr>
<tr>
<td>Autoestradas de Galicia</td>
<td>12.8</td>
<td>11.5</td>
<td>10.7</td>
<td>11.7%</td>
</tr>
<tr>
<td>Burgos - Ameñón</td>
<td>5.3</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Túneles de Artxanda</td>
<td>0.2</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Elqui</td>
<td>14.0</td>
<td>12.3</td>
<td>10.3</td>
<td>13.7%</td>
</tr>
<tr>
<td>Los Lagos</td>
<td>12.9</td>
<td>11.1</td>
<td>9.4</td>
<td>15.5%</td>
</tr>
<tr>
<td>Rutas del Pacífico</td>
<td>20.9</td>
<td>17.5</td>
<td>15.4</td>
<td>19.6%</td>
</tr>
<tr>
<td>Red Vial Litoral Central</td>
<td>2.2</td>
<td>1.9</td>
<td>1.5</td>
<td>20.5%</td>
</tr>
<tr>
<td>Vespucio Sur</td>
<td>10.5</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Triangulo do Sol</td>
<td>30.5</td>
<td>27.5</td>
<td>18.3</td>
<td>11.0%</td>
</tr>
</tbody>
</table>

Access to Madrid, M-50 motorway. Stretch: A-6-M-409
## INVESTMENTS (Millions of euros)

<table>
<thead>
<tr>
<th>Country</th>
<th>Section</th>
<th>2006 Operation</th>
<th>2005 Operation</th>
<th>2004 Operation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Audasa</td>
<td>2,298.9</td>
<td>2,295.6</td>
<td>2,031.3</td>
<td></td>
</tr>
<tr>
<td>Aucalsa</td>
<td>787.9</td>
<td>786.1</td>
<td>739.3</td>
<td></td>
</tr>
<tr>
<td>Avasa</td>
<td>669.7</td>
<td>666.2</td>
<td>662.7</td>
<td></td>
</tr>
<tr>
<td>Burgos - Armiñón</td>
<td>1,074.5</td>
<td>432.9</td>
<td>390.2</td>
<td></td>
</tr>
<tr>
<td>Audenasa</td>
<td>433.5</td>
<td>78.5</td>
<td>73.9</td>
<td></td>
</tr>
<tr>
<td>Autoestradas de Galicia</td>
<td>170.9</td>
<td>170.7</td>
<td>155.8</td>
<td></td>
</tr>
<tr>
<td>Anor</td>
<td>97.1</td>
<td>97.0</td>
<td>97.0</td>
<td></td>
</tr>
<tr>
<td>Túneles de Artxanda</td>
<td>52.1</td>
<td>52.1</td>
<td>170.6</td>
<td></td>
</tr>
<tr>
<td>Autovía del Turia</td>
<td>48.8</td>
<td>5.5</td>
<td>0.0</td>
<td></td>
</tr>
<tr>
<td>Viautur</td>
<td>72.5</td>
<td>5.3</td>
<td>0.0</td>
<td></td>
</tr>
<tr>
<td>Intercambiador de la Plaza Elíptica</td>
<td>32.4</td>
<td>32.4</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Intercambiador de Moncloa</td>
<td>42.0</td>
<td>42.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Autovía del Eresma</td>
<td>10.1</td>
<td>10.1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Autopista del Barbanza</td>
<td>5.8</td>
<td>5.8</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Autopista de Guadalmedina</td>
<td>0.2</td>
<td>0.2</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### SPAIN

- **España Palma-Manacor*** 40.00% 41.7 2037 117.8
- **España Dos Hermanas - Aljarafe** 31.13% 19.0 2038 594.8
- **España Valencia - Losa del Obispo** 80.00% 52.9 2040 149.1
- **España Oviedo - Gijón** 70.00% 24.3 2035 124.6
- **España Guéjar - Segovia** 73.00% 48.5 2041 94.8
- **España Málaga - Alto Las Peñas** 80.00% 24.5 2046 321.6
- **España Padrón - Ribera** 80.00% 40.0 2040 93.8
- **España Málaga - Alto Las Peñas** 80.00% 24.5 2046 321.6
- **España Padrón - Ribera** 80.00% 40.0 2040 93.8
- **España Palma-Manacor*** 40.00% 41.7 2037 117.8

**TOTAL UNDER CONSTRUCTION** 858.0

### CONCESSIONS UNDER CONSTRUCTION

<table>
<thead>
<tr>
<th>Country</th>
<th>Section</th>
<th>% Interest</th>
<th>Total Km</th>
<th>Expiry Date</th>
<th>Outstanding Investment (M€)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ctra. Palma-Manacor*</td>
<td>España Palma - Manacor</td>
<td>40.00%</td>
<td>41.7</td>
<td>2037</td>
<td>117.8</td>
</tr>
<tr>
<td>Metro de Sevilla</td>
<td>España Dos Hermanas - Aljarafe</td>
<td>31.13%</td>
<td>19.0</td>
<td>2038</td>
<td>594.8</td>
</tr>
<tr>
<td>Autovía del Turia</td>
<td>España Valencia - Losa del Obispo</td>
<td>80.00%</td>
<td>52.9</td>
<td>2040</td>
<td>149.1</td>
</tr>
<tr>
<td>Viautur</td>
<td>España Oviedo - Gijón</td>
<td>70.00%</td>
<td>24.3</td>
<td>2035</td>
<td>124.6</td>
</tr>
<tr>
<td>Autovía del Eresma</td>
<td>España Guéjar - Segovia</td>
<td>73.00%</td>
<td>48.5</td>
<td>2041</td>
<td>94.8</td>
</tr>
<tr>
<td>Autovía del Barbanza</td>
<td>España Málaga - Alto Las Peñas</td>
<td>80.00%</td>
<td>24.5</td>
<td>2046</td>
<td>321.6</td>
</tr>
<tr>
<td>Intercambiador Guadalmedina</td>
<td>España Padrón - Ribera</td>
<td>80.00%</td>
<td>40.0</td>
<td>2040</td>
<td>93.8</td>
</tr>
<tr>
<td>Intercambiador Pza. Elíptica</td>
<td>España Palma-Manacor*</td>
<td>40.00%</td>
<td>21.5</td>
<td>2044</td>
<td>212.7</td>
</tr>
<tr>
<td>Autopista Nororiente</td>
<td>Chile Acceso Nororiente</td>
<td>100.00%</td>
<td>65.8</td>
<td>2030</td>
<td>204.6</td>
</tr>
<tr>
<td>Autopista del Valle</td>
<td>Costa Rica San José/Aeropuerto - San Ramón</td>
<td>35.00%</td>
<td>35.00%</td>
<td>2031</td>
<td>204.6</td>
</tr>
<tr>
<td>Autopista del Sol</td>
<td>Costa Rica San José - Caldera</td>
<td>35.00%</td>
<td>76.8</td>
<td>2040</td>
<td>715.0</td>
</tr>
</tbody>
</table>

**TOTAL UNDER CONSTRUCTION** 858.0

* Entered into operation 1/1/2007.
offering many interesting opportunities. The concession term is 30 to 35 years and planned investment amounts to approximately 350 million euros.

Below is a list of the main concessions contracts awarded to Itinere in 2006:

- Shadow toll highway between Padrón and Santa Uxía de Ribeira (also known as the Autovía del Barbanza) in A Coruña. It will be 40 kilometers long and the concession term will last 30 years.
- San José-Caldera toll highway (also known as the Autopista del Sol) in Costa Rica. The concession term is 25 years and the highway will be 76.8 kilometers in length.
- Shadow toll highway between Cuéllar and Segovia (also known as the Autovía del Eresma) in Castilla y León. It will be 49.1 kilometers long with a concession term of 35 years.
- AP-46 Malaga-Alto de las Pedrizas toll highway in Andalusia. The concession is for a period of 36 years extendable to 40 and the highway will be 24.5 kilometers long.
- Moncloa transport interchange in Madrid. Intended to facilitate connections between subway, bus, and commuter train lines. The concession term runs for 35 years and the contract forms part of the public transport interchange network promoting the use of such systems within the Madrid Community.
Testa specializes in the rental of properties owned by the Group.

Valuation of assets

According to valuation specialists C.B. Richard Ellis, the value of Testa’s assets at December 31, 2006 was 4,592 million euros, 31.9% more than the previous year, with an increase in unrealized gains of 363 million euros, from 1,169 million euros to 1,532 million euros.

Strategy

Testa intends to continue increasing its property portfolio, which at December 31, 2006 amounted to a leasable area of 1.5 million square meters, by investing in top quality buildings located in prime areas which, as a result, will be let to top-notch customers. The company is also committed to the market for rental homes on the back of national and regional plans that help to promote this type of housing and make it more profitable for private investors. At the same time, Testa seeks to grow its portfolio of customers in the provision of services (Testa manages the real estate fund assets of the Santander Group, Ahorro Corporación, and Banco Sabadell, which account for a total of 1.2 million square meters). Testa’s most important areas of influence continue to be Madrid and Barcelona in Spain, Paris in France, and Miami in the United States, and its business meets the dual goals of generating recurrent revenues with high EBITDA margins and accumulating unrealized gains in the value of its buildings.
## FINANCIAL HIGHLIGHTS TESTA (Millions of euros)

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2005</th>
<th>2004</th>
<th>% 06/05</th>
</tr>
</thead>
<tbody>
<tr>
<td>Turnover</td>
<td>251.2</td>
<td>210.0</td>
<td>192.0</td>
<td>19.6%</td>
</tr>
<tr>
<td>EBITDA</td>
<td>190.8</td>
<td>165.2</td>
<td>145.293</td>
<td>15.5%</td>
</tr>
<tr>
<td>Net income</td>
<td>65.6</td>
<td>60.7</td>
<td>154.8</td>
<td>8.1%</td>
</tr>
<tr>
<td>Rental backlog</td>
<td>4,161.7</td>
<td>3,712.5</td>
<td>2,412.6</td>
<td>12.1%</td>
</tr>
</tbody>
</table>

## TESTA’S ASSET VALUATION (Millions of euros)

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2005</th>
<th>2004</th>
<th>% 06/05</th>
<th>% s/Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Offices</td>
<td>2,762.4</td>
<td>1,930.5</td>
<td>1,723.9</td>
<td>43.1%</td>
<td>60.2%</td>
</tr>
<tr>
<td>Shopping malls</td>
<td>502.6</td>
<td>470.5</td>
<td>413.9</td>
<td>6.8%</td>
<td>10.9%</td>
</tr>
<tr>
<td>Rental homes</td>
<td>255.0</td>
<td>217.0</td>
<td>196.9</td>
<td>17.5%</td>
<td>5.6%</td>
</tr>
<tr>
<td>Hotels</td>
<td>169.3</td>
<td>162.9</td>
<td>153.6</td>
<td>3.9%</td>
<td>3.7%</td>
</tr>
<tr>
<td>Industrial</td>
<td>145.2</td>
<td>126.9</td>
<td>112.3</td>
<td>14.4%</td>
<td>3.2%</td>
</tr>
<tr>
<td>Residences for the elderly</td>
<td>104.9</td>
<td>77.0</td>
<td>56.2</td>
<td>36.3%</td>
<td>2.3%</td>
</tr>
<tr>
<td>Work in progress</td>
<td>626.4</td>
<td>472.2</td>
<td>421.1</td>
<td>32.7%</td>
<td>13.6%</td>
</tr>
<tr>
<td>Other</td>
<td>26.4</td>
<td>23.3</td>
<td>22.1</td>
<td>13.0%</td>
<td>0.6%</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>4,592.1</td>
<td>3,480.4</td>
<td>3,099.9</td>
<td>31.9%</td>
<td>100.0%</td>
</tr>
<tr>
<td><strong>UNREALIZED GAINS</strong></td>
<td>1,531.8</td>
<td>1,168.8</td>
<td>836.8</td>
<td>31.1%</td>
<td>-</td>
</tr>
</tbody>
</table>
### INVESTMENTS IN PROGRESS

<table>
<thead>
<tr>
<th>PRODUCT</th>
<th>m² o/ g</th>
<th>INV. TOTAL (M€)</th>
<th>YEAR INCORPORATED</th>
</tr>
</thead>
<tbody>
<tr>
<td>Miami</td>
<td>38,100</td>
<td>163.5</td>
<td>2005</td>
</tr>
<tr>
<td>Josefa Valcárcel, 48</td>
<td>19,892</td>
<td>63.1</td>
<td>2007</td>
</tr>
<tr>
<td>Torre SyV</td>
<td>20,946</td>
<td>151.3</td>
<td>2009</td>
</tr>
<tr>
<td>Palacio Congresos Vigo</td>
<td>21,997</td>
<td>24.9</td>
<td>2009</td>
</tr>
<tr>
<td>San Cugat II</td>
<td>10,008</td>
<td>17.9</td>
<td>2009</td>
</tr>
<tr>
<td><strong>TOTAL OFFICES</strong></td>
<td><strong>110,943</strong></td>
<td><strong>420.7</strong></td>
<td></td>
</tr>
<tr>
<td>Torre SyV</td>
<td>37,259</td>
<td>184.9</td>
<td>2009</td>
</tr>
<tr>
<td>Palacio Congresos Vigo</td>
<td>4,124</td>
<td>4.7</td>
<td>2009</td>
</tr>
<tr>
<td><strong>TOTAL HOTELS</strong></td>
<td><strong>41,383</strong></td>
<td><strong>189.6</strong></td>
<td></td>
</tr>
<tr>
<td>Consejo de Gento</td>
<td>5,304</td>
<td>14.0</td>
<td>2008</td>
</tr>
<tr>
<td><strong>TOTAL ELDERLY</strong></td>
<td><strong>5,304</strong></td>
<td><strong>14.0</strong></td>
<td></td>
</tr>
<tr>
<td>Coslada</td>
<td>56,000</td>
<td>84.5</td>
<td>2008</td>
</tr>
<tr>
<td>Parla</td>
<td>53,000</td>
<td>93.4</td>
<td>2008</td>
</tr>
<tr>
<td><strong>TOTAL HOSPITALS</strong></td>
<td><strong>109,000</strong></td>
<td><strong>177.9</strong></td>
<td></td>
</tr>
<tr>
<td>Torrejón (Madrid)</td>
<td>41,394</td>
<td>59.1</td>
<td>2009</td>
</tr>
<tr>
<td>Móstoles (Madrid)</td>
<td>6,599</td>
<td>10.0</td>
<td>2009</td>
</tr>
<tr>
<td>Paracuellos (Madrid)</td>
<td>8,000</td>
<td>12.2</td>
<td>2009</td>
</tr>
<tr>
<td><strong>HOMES</strong></td>
<td><strong>55,993</strong></td>
<td><strong>81.3</strong></td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>322,623</strong></td>
<td><strong>883.5</strong></td>
<td></td>
</tr>
</tbody>
</table>

### REVENUE BY TYPE OF PRODUCT (Millions of euros)

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2005</th>
<th>2004</th>
<th>% 06/05</th>
</tr>
</thead>
<tbody>
<tr>
<td>Offices</td>
<td>159.3</td>
<td>125.3</td>
<td>115.1</td>
<td>27.1%</td>
</tr>
<tr>
<td>Commercial premises</td>
<td>37.9</td>
<td>36.6</td>
<td>34.6</td>
<td>3.6%</td>
</tr>
<tr>
<td>Hotels</td>
<td>19.7</td>
<td>18.5</td>
<td>15.7</td>
<td>6.5%</td>
</tr>
<tr>
<td>Industrial units</td>
<td>10.6</td>
<td>10.3</td>
<td>9.6</td>
<td>2.9%</td>
</tr>
<tr>
<td>Homes</td>
<td>10.7</td>
<td>10.0</td>
<td>9.5</td>
<td>7.0%</td>
</tr>
<tr>
<td>Residences for the elderly</td>
<td>6.4</td>
<td>3.8</td>
<td>2.7</td>
<td>71.1%</td>
</tr>
<tr>
<td>Parking lots</td>
<td>0.9</td>
<td>0.8</td>
<td>0.8</td>
<td>12.5%</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>245.5</td>
<td>205.3</td>
<td>188.0</td>
<td>19.6%</td>
</tr>
<tr>
<td>Revenue from services</td>
<td>5.7</td>
<td>4.7</td>
<td>3.9</td>
<td>21.3%</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>251.2</td>
<td>210.0</td>
<td>191.9</td>
<td>19.7%</td>
</tr>
</tbody>
</table>

### REVENUE BY TYPE OF PRODUCT (%)

- **66%** Offices
- **15%** Commercial premises
- **8%** Hotels
- **4%** Industrial units
- **4%** Homes
- **3%** Residences for the elderly
Investments in progress

Testa has projects in progress amounting to a total investment of 883 million euros, distributed between various projects involving the leasing of offices, hotels, homes, retirement facilities, and hospitals. At year end 2006, 387.1 million euros of this amount had already been realized. The above grade area of these projects totals 322,623 square meters.

Revenue

Testa’s revenue in 2006 amounted to 251.2 million euros, 19.6% more than in 2005. In terms of product, offices accounted for 63.4% of all revenue, followed by shopping malls (15.1%) and hotels (7.8%). In terms of geographic distribution, the most important markets were Madrid (48% of the total), Catalonia (17%), Paris (10%), and Miami (8%).
### REVENUE BY GEOGRAPHIC AREA (Millions of euros)

<table>
<thead>
<tr>
<th>Area</th>
<th>2006</th>
<th>2005</th>
<th>2004</th>
<th>% 06/05</th>
</tr>
</thead>
<tbody>
<tr>
<td>Madrid</td>
<td>120.8</td>
<td>116.4</td>
<td>106.0</td>
<td>3.8%</td>
</tr>
<tr>
<td>Catalonia</td>
<td>41.5</td>
<td>37.0</td>
<td>33.2</td>
<td>12.1%</td>
</tr>
<tr>
<td>Paris (France)</td>
<td>23.7</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Miami (USA)</td>
<td>19.2</td>
<td>14.3</td>
<td>12.8</td>
<td>34.4%</td>
</tr>
<tr>
<td>Andalusia</td>
<td>13.4</td>
<td>13.0</td>
<td>12.4</td>
<td>3.0%</td>
</tr>
<tr>
<td>Balearics</td>
<td>6.5</td>
<td>6.1</td>
<td>5.8</td>
<td>7.0%</td>
</tr>
<tr>
<td>Asturias</td>
<td>3.8</td>
<td>6.1</td>
<td>3.5</td>
<td>-38.4%</td>
</tr>
<tr>
<td>Others</td>
<td>16.7</td>
<td>12.4</td>
<td>14.3</td>
<td>35.2%</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>245.5</td>
<td>205.3</td>
<td>188.0</td>
<td>19.6%</td>
</tr>
<tr>
<td>Revenue from services</td>
<td>5.7</td>
<td>4.7</td>
<td>3.9</td>
<td>21.3%</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>251.2</td>
<td>210.0</td>
<td>191.9</td>
<td>19.7%</td>
</tr>
</tbody>
</table>

### REVENUE BY GEOGRAPHIC AREA (%)

- **48%** Madrid
- **17%** Catalonia
- **10%** Paris (France)
- **8%** Miami (USA)
- **5%** Andalusia
- **3%** Balearics
- **2%** Asturias
- **7%** Others

Business park Ática. Pozuelo de Alarcón (Madrid)
### KEY OPERATING FIGURES

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2005</th>
<th>2004</th>
<th>% 06/05</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue (Millions of euros)</td>
<td>245.5</td>
<td>205.3</td>
<td>188.0</td>
<td>19.5%</td>
</tr>
<tr>
<td>Average leased area (m²)</td>
<td>1,444,721</td>
<td>1,349,808</td>
<td>1,311,936</td>
<td>7.0%</td>
</tr>
<tr>
<td>Average unit revenue (Euros/m²/year)</td>
<td>14.2</td>
<td>12.6</td>
<td>11.8</td>
<td>12.7%</td>
</tr>
<tr>
<td>Average leasable area (m²)</td>
<td>1,480,247</td>
<td>1,395,150</td>
<td>1,376,927</td>
<td>6.1%</td>
</tr>
<tr>
<td>Average occupancy rate</td>
<td>97.6%</td>
<td>96.8%</td>
<td>95.3%</td>
<td>0.9%</td>
</tr>
</tbody>
</table>

### OCCUPANCY RATE PER PRODUCT

<table>
<thead>
<tr>
<th></th>
<th>% OCCUP.</th>
<th>m²</th>
</tr>
</thead>
<tbody>
<tr>
<td>Homes</td>
<td>96.1%</td>
<td>104,803</td>
</tr>
<tr>
<td>Offices</td>
<td>98.9%</td>
<td>582,460</td>
</tr>
<tr>
<td>Shopping malls</td>
<td>91.8%</td>
<td>140,014</td>
</tr>
<tr>
<td>Industrial</td>
<td>99.0%</td>
<td>210,430</td>
</tr>
<tr>
<td>Hotels</td>
<td>100.0%</td>
<td>80,629</td>
</tr>
<tr>
<td>Senior citizen residences</td>
<td>100.0%</td>
<td>52,463</td>
</tr>
<tr>
<td>Parking lots</td>
<td>100.0%</td>
<td>371,990</td>
</tr>
<tr>
<td><strong>TOTAL OCCUPANCY</strong></td>
<td><strong>97.9%</strong></td>
<td><strong>1,542,789</strong></td>
</tr>
</tbody>
</table>
## MAIN OFFICE BUILDINGS

<table>
<thead>
<tr>
<th>BUILDING</th>
<th>AREA m²</th>
<th>PARKING SPACES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ribera del Loira, 60</td>
<td>54,849</td>
<td>1,253</td>
</tr>
<tr>
<td>Avenida del Partenón</td>
<td>37,692</td>
<td>663</td>
</tr>
<tr>
<td>Avenida de Bruselas, 33</td>
<td>33,718</td>
<td>853</td>
</tr>
<tr>
<td>Complejo Princesa</td>
<td>33,668</td>
<td></td>
</tr>
<tr>
<td>Juan Esplandiú, 11-13</td>
<td>27,679</td>
<td>436</td>
</tr>
<tr>
<td>Business park Ática</td>
<td>23,395</td>
<td>502</td>
</tr>
<tr>
<td>Alcalá, 45</td>
<td>18,655</td>
<td>40</td>
</tr>
<tr>
<td>Avenida de Bruselas, 24-26</td>
<td>18,058</td>
<td>457</td>
</tr>
<tr>
<td>Costa Brava, 2-4</td>
<td>16,000</td>
<td>335</td>
</tr>
<tr>
<td>Castellana</td>
<td>14,633</td>
<td>271</td>
</tr>
<tr>
<td>Eucalipto, 25-33</td>
<td>14,553</td>
<td>256</td>
</tr>
<tr>
<td>Príncipe de Vergara, 187</td>
<td>10,732</td>
<td>165</td>
</tr>
<tr>
<td>Pedro Valdivia, 10</td>
<td>6,568</td>
<td>89</td>
</tr>
<tr>
<td>Juan de Mariana, 17</td>
<td>3,366</td>
<td>60</td>
</tr>
<tr>
<td><strong>MADRID</strong></td>
<td><strong>313,366</strong></td>
<td><strong>5,380</strong></td>
</tr>
<tr>
<td>Muntadas I</td>
<td>24,406</td>
<td>640</td>
</tr>
<tr>
<td>Avenida de Vilanova, 12-14</td>
<td>16,494</td>
<td>94</td>
</tr>
<tr>
<td>Sant Cugat I</td>
<td>15,374</td>
<td>219</td>
</tr>
<tr>
<td>Diagonal, 605</td>
<td>14,795</td>
<td>217</td>
</tr>
<tr>
<td>San Cugat II</td>
<td>10,008</td>
<td>251</td>
</tr>
<tr>
<td>Avenida Diagonal, 514</td>
<td>9,721</td>
<td>76</td>
</tr>
<tr>
<td>Paseo Gracia, 56</td>
<td>8,212</td>
<td>32</td>
</tr>
<tr>
<td>Muntadas II</td>
<td>3,783</td>
<td>82</td>
</tr>
<tr>
<td>Paseo Gracia, 28</td>
<td>3,212</td>
<td>37</td>
</tr>
<tr>
<td><strong>BARCELONA</strong></td>
<td><strong>106,005</strong></td>
<td><strong>1,648</strong></td>
</tr>
<tr>
<td><strong>REST OF SPAIN</strong></td>
<td><strong>37,909</strong></td>
<td><strong>222</strong></td>
</tr>
<tr>
<td>Tour Adria</td>
<td>53,841</td>
<td>615</td>
</tr>
<tr>
<td><strong>PARIS (FRANCE)</strong></td>
<td><strong>53,841</strong></td>
<td><strong>615</strong></td>
</tr>
<tr>
<td>Brickell Ave. 1111</td>
<td>48,378</td>
<td>1,105</td>
</tr>
<tr>
<td>Brickell Ave. 1401</td>
<td>22,761</td>
<td>564</td>
</tr>
<tr>
<td><strong>MIAMI (USA)</strong></td>
<td><strong>71,139</strong></td>
<td><strong>1,669</strong></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>582,460</strong></td>
<td><strong>9,534</strong></td>
</tr>
</tbody>
</table>

## MAIN SHOPPING MALLS

<table>
<thead>
<tr>
<th>CENTER</th>
<th>TOWN / CITY</th>
<th>AREA m²</th>
<th>NO. UNITS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Parque Corredor</td>
<td>Madrid</td>
<td>37,703</td>
<td>140</td>
</tr>
<tr>
<td>Porto Pi</td>
<td>Palma de Mallorca</td>
<td>26,379</td>
<td>167</td>
</tr>
<tr>
<td>Larios</td>
<td>Malaga</td>
<td>21,504</td>
<td>152</td>
</tr>
<tr>
<td>Los Fresnos</td>
<td>Gijon</td>
<td>17,346</td>
<td>187</td>
</tr>
<tr>
<td>Complejo Princesa</td>
<td>Madrid</td>
<td>13,202</td>
<td>51</td>
</tr>
<tr>
<td>Lakua</td>
<td>Vitoria</td>
<td>12,987</td>
<td>68</td>
</tr>
<tr>
<td>Centro Oeste</td>
<td>Madrid</td>
<td>10,893</td>
<td>69</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td><strong>140,014</strong></td>
<td><strong>834</strong></td>
</tr>
</tbody>
</table>
The following is a summary of the factors explaining Testa’s positive growth in revenue and occupancy rates:

**Offices**

After the acquisition of the two new buildings in Paris and Miami, Testa now has a total of 582,460 square meters of offices under lease. It also has a further 19,500 square meters of high-grade office space in the SyV Tower (floors 34 to 56) and the second phase of the Parque Sant Cugat with another 10,000 square meters. The 19,551 square meter building at Josefà Valcárcel, 48 was pre-leased early in 2007 to L’Oréal Spain, thus maintaining Testa’s policy of leasing to top-notch tenants.

**Shopping malls**

Testa’s portfolio of shopping malls, totaling 140,014 square meters of gross floor area, comprises the following buildings, all located in prime commercial areas of capital cities or cities undergoing rapid expansion.

**Hotels**

Testa counts among its customers many of the top hotel chains. Testa’s own hotels are located
in well sited, singular buildings with excellent communications. It currently has a 500-room, five-star-plus hotel under construction to be housed in the SyV Tower (floors 1 to 33). When completed, this hotel will be one of the most emblematic in Madrid, for its height, quality of construction, and location in the business area of the city. The Vigo Conference Center is also under construction and is due to boast a 8,248 square meter hotel with 188 rooms. The gross floor area of managed hotels is 85,674 square meters.

Rental homes

New plans to foster the availability of homes for rent at a national and regional level, in conjunction with government finance and tax incentives, are reactivating this market. Testa was the first private operator in Spain to create a specific subsidiary for this segment, Testa Residencial. Testa Residencial now has 662 homes under construction in Madrid, which it will make available for rent.
The logistics center and industrial unit business has continued to record a very high occupancy rate, confirming the strong outlook for this business. The company is centered on the Madrid-Barcelona corridor - the Henares corridor in particular - and continues to improve profitability in this segment. Testa’s logistics centers have a total floor area of 210,430 square meters.

The growing need for care services for the elderly suggests that the retirement facility business is likely to become a sound and profitable one with increasingly good prospects for future growth and stability. Testa’s presence in this business is focused on the development and leasing of the residences, which are subsequently rented out to a specialized operator, thereby eliminating management risk. In 2006 a new 4,896-square-meter facility was opened in Santander, with 93 rooms and 118 beds, while another with 112 rooms and 148 beds and a floor area of 5,791 square meters was opened in Barcelona.

### MAIN RETIREMENT FACILITIES

<table>
<thead>
<tr>
<th>BUILDING</th>
<th>CITY</th>
<th>SUP. m²</th>
<th>ROOMS</th>
<th>BEDS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Les Corts</td>
<td>Barcelona</td>
<td>12,260</td>
<td>201</td>
<td>272</td>
</tr>
<tr>
<td>Getafe</td>
<td>Madrid</td>
<td>8,377</td>
<td>196</td>
<td>196</td>
</tr>
<tr>
<td>Puente de Piedra</td>
<td>Zaragoza</td>
<td>6,881</td>
<td>153</td>
<td>207</td>
</tr>
<tr>
<td>Faro de Hércules</td>
<td>La Coruña</td>
<td>5,829</td>
<td>117</td>
<td>138</td>
</tr>
<tr>
<td>Sagrada Familia</td>
<td>Barcelona</td>
<td>5,791</td>
<td>112</td>
<td>148</td>
</tr>
<tr>
<td>Los Madrazo</td>
<td>Santander</td>
<td>4,896</td>
<td>93</td>
<td>118</td>
</tr>
<tr>
<td>La Moraleja</td>
<td>Madrid</td>
<td>4,829</td>
<td>96</td>
<td>136</td>
</tr>
<tr>
<td>El Viso</td>
<td>Madrid</td>
<td>3,600</td>
<td>95</td>
<td>117</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td><strong>52,463</strong></td>
<td><strong>1,063</strong></td>
<td><strong>1,332</strong></td>
</tr>
</tbody>
</table>

### MAIN INDUSTRIAL PREMISES

<table>
<thead>
<tr>
<th>INDUSTRIAL UNIT</th>
<th>TOWN/CITY</th>
<th>AREA m²</th>
</tr>
</thead>
<tbody>
<tr>
<td>Logistics center</td>
<td>Cabanillas del Campo (Guadalajara)</td>
<td>70,134</td>
</tr>
<tr>
<td>Logistics center</td>
<td>Alovera (Guadalajara)</td>
<td>39,879</td>
</tr>
<tr>
<td>Logistics center</td>
<td>Coslada (Madrid)</td>
<td>35,934</td>
</tr>
<tr>
<td>Logistics center</td>
<td>Azuqueca Henares (Guadalajara)</td>
<td>27,995</td>
</tr>
<tr>
<td>Logistics center</td>
<td>Pedrola (Saragossa)</td>
<td>21,579</td>
</tr>
<tr>
<td>Logistics center</td>
<td>Lliça de Vall (Barcelona)</td>
<td>14,909</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td><strong>210,430</strong></td>
</tr>
</tbody>
</table>
The services division is the fastest growing business in the Sacyr Vallehermoso Group, partly as a result of acquisitions and partly due to the high level of contracting in the four main activity areas:

- **Multi-services** (integrated building maintenance, maintenance of toll highways and freeways, service areas on freeways and toll highways, social and health services).

- **Energy** (engineering projects, building and operation of biomass and cogeneration plants, energy efficiency, and solar energy).

- **Environment and public services** (street cleaning, collection and treatment of solid urban waste, waste energy recovery, recycling, sludge disposal, composting, gardening, parking meters).

- **Water** (integrated water cycle management, desalination and treatment).

These activities are synergetic with and complementary to the Group’s traditional businesses, contributing high EBITDA margins and recurrent revenues. Service businesses allow the company to forge closer links with its traditional customers and create new commercial relationships.
businesses, providing a competitive advantage, and offering strong growth prospects.

### Revenue

Valoriza’s revenue rose 39.3% in 2006, partly as a result of the consolidation of the recent acquisitions of Sufi, Emalsa and Emmasa and the new contracts that those acquisitions brought with them. With regard to the relative contribution of each activity to Valoriza’s revenue, environment leads with 39%, followed by water with 26%, multi-services with 20%, and finally energy with 15%.

### Strategy

Now that the Valoriza group has identified its core areas of activity and has acquired the human, financial, and material resources required to operate in those areas, the company is able to concentrate on the winning of new contracts and on organic business growth. Its present order book already promises rapid future revenue and EBITDA growth, with an improved and progressively greater contribution to the Sacyr Vallehermoso Group’s income statement. Valoriza does not rule out making further strategic acquisitions in niche markets that meet the requirements of complementing its other activities.

### FINANCIAL HIGHLIGHTS VALORIZA

(Millions of euros)

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2005</th>
<th>2004</th>
<th>% 06/05</th>
</tr>
</thead>
<tbody>
<tr>
<td>Turnover</td>
<td>512.1</td>
<td>367.6</td>
<td>90.1</td>
<td>39.3%</td>
</tr>
<tr>
<td>EBITDA</td>
<td>52.8</td>
<td>40.1</td>
<td>2.9</td>
<td>31.6%</td>
</tr>
<tr>
<td>Net income</td>
<td>18.0</td>
<td>94.3</td>
<td>(0.4)</td>
<td>n/a</td>
</tr>
<tr>
<td>Cash Flow</td>
<td>40.5</td>
<td>119.8</td>
<td>4.6</td>
<td>(66.2%)</td>
</tr>
<tr>
<td>Revenue backlog</td>
<td>9,890.4</td>
<td>6,868.2</td>
<td>3,398.9</td>
<td>44.0%</td>
</tr>
</tbody>
</table>
REVENUE BY GEOGRAPHIC AREA

- 82% Spain
- 14% Portugal
- 4% Other countries

REVENUE BY ACTIVITY

- 39% Environment
- 26% Water
- 20% Multi services
- 15% Alternative energy

Valdemingómez tank (Madrid)
Revenue stream

After a period of acquisitions, Valoriza now has the resources to bid for any type of service contract in Spain. The future revenue stream at December 31 stood at 9,890 million euros, 44% more than the previous year. The company’s revenue portfolio is broken down as follows:

Environment

Sufi is the market leader in this sector. In 2006 revenue amounted to 200 million euros, 37% more than the previous year. Its range of services covers the complete waste management cycle: collection, recycling, treatment and energy recovery of waste; waste water treatment and energy recovery from by-products: sludge drying and composting; development of green spaces and landscape remediation, as well as the management of municipal services (street cleaning, gardening, parking meters, etc). The scope of services provided includes all phases of the projects: design, construction, operation, and maintenance of the facilities.

The most significant businesses currently in operation in Spain are:

A. Operation and maintenance of waste treatment and recovery plants:

- Urban waste recycling and composting plant at Jerez de la Frontera and the northern area of the province of Cádiz (Las Calandrias). Population served: 488,000 inhabitants.
- Urban waste treatment plant at Miramundo (Cádiz). Population served: 500,000 inhabitants. Includes recycling and composting plant for organic waste.
• Facilities for energy recovery and landscape remediation of the Valdemingómez (Madrid) landfill. Eighteen megawatts of generating capacity from biogas recovered from the landfill, involving a 120-hectare site.

• Urban waste treatment center at Los Hornillos (Valencia). Includes plant for the sorting, recycling, composting, and biogasification of organic waste. Total capacity: 490,000 metric tons/year of waste.

• Gomecillo (Salamanca). Includes plant for the sorting, recycling, composting, and biogasification of organic waste. Total capacity: 170,000 metric tons/year of waste.

• Plant for urban waste sorting and biogasification of organic waste at Salto del Negro (Phase II). Capacity: 75,000 metric tons/year of raw waste. Biogasification capacity: 55,000 metric tons/year.

B. Municipal services

• Management of the solid urban waste collection service, street cleaning and transport of waste to a transfer station in the municipality of Boadilla del Monte (Madrid).

• Management of the solid urban waste collection service and street cleaning services in Cádiz.

• Management of the public solid urban waste collection service and street cleaning services in Toledo.
• Management of the public solid urban waste collection service and street cleaning services in Parla (Madrid).

• Management of public street cleaning services and the solid urban waste collection and transport service in the municipality of Majadahonda (Madrid).

• Integrated management of the maintenance and upkeep of public lighting, sewers, and paving in Boadilla del Monte (Madrid).

C. Waste water treatment and sludge treatment plant

• Management of the solid urban waste collection and transport service and street cleaning services in Lalín (Pontevedra).

• Management of street cleaning services in the Moratalaz district of Madrid.

• Management of the urban tree maintenance service of the municipality of Madrid.

• Management of the public controlled on-street parking services for the Madrid districts of Tetuán, Chamberí, Fuencarral, Moncloa, and La Latina.

• Management, operation, and maintenance of the following thermal sludge drying plants, with cogeneration systems for producing thermal energy for drying and electrical power for the plants’ own consumption and the sale/transfer of surplus power:
  - Sant Adrià del Besòs (Barcelona). Drying capacity: 250,000 metric tons/year of dewatered sludge. 24 MW of installed generating capacity.
Viveiros do Falcao: a company engaged in the design, construction, and maintenance of green spaces and sports facilities, with headquarters in Lisbon (Portugal).

- Operation, maintenance, and preservation services for the Meia Serra urban waste treatment center which handles waste from the island of Madeira. Includes incinerator plant with a capacity of 170,000 metric tons/year, with 10 MW of installed generating capacity.

- Operation, maintenance, and preservation services for the Lipor (Oporto) urban waste treatment center. Capacity: 70,000 metric tons/year of raw waste.

In 2006 Sufi was awarded the following contracts, among others:

- WWRP Sur (Madrid). Drying capacity: 290,000 metric tons/year of dewatered sludge. 25 MW of installed generating capacity.
- WWRP Butarque (Madrid). Drying capacity 110,000 metric tons/year of dewatered sludge. 18 MW of installed generating capacity.

The most significant businesses currently in operation in Portugal are:

- Hidurbe Gestão de Resíduos: a company wholly owned by Somague Ambiente, based in Oporto (Portugal).
- Procesl Engenharia Hidráulica e Ambiental: an environmental consulting company 70% owned by Somague Ambiente, based in Lisbon (Portugal).

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- WWRP Butarque (Madrid). Drying capacity 110,000 metric tons/year of dewatered sludge. 18 MW of installed generating capacity.

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- Procesl Engenharia Hidráulica e Ambiental: an environmental consulting company 70% owned by Somague Ambiente, based in Lisbon (Portugal).
• Operation of the solid urban waste collection service, street cleaning and maintenance of the parks and gardens of Cádiz.

• Operation of the solid urban waste collection service, street cleaning services for Toledo.

• Operation of the solid urban waste collection service, street cleaning services for Parla (Madrid).

• Management of daily household garbage collection and street cleaning services for the city of Puerto de la Cruz in Tenerife.

• Management of the controlled on-street parking service in the streets of zone 6 of Madrid (comprising the districts of Imperial, Acacias, Chopera, Legazpi, Delicias, Adelfas, Estrella, and part of Atocha).

• Design, construction and start-up of the modification of the Granollers composting plant to convert it into an OF-MSW (organic fraction of municipal solid waste from selective collection) anaerobic digestion plant.

• Design and construction of the solid urban waste composting plant at Abajas (Burgos).

• Maintenance and preservation of garden areas in La Línea de la Concepción (Cádiz).

• Maintenance and preservation of the green areas in Guadarrama (Madrid).

• Integrated maintenance and preservation of the Valdebernardo Park (Madrid) and operation of the plant nursery.

• Street cleaning, selective waste collection, and management of the recycling point for the Town Council of As Pontes de García Rodríguez (A Coruña).
Waste water treatment plant (Madrid)
Las Palmas (Emalsa), Aguas de Tenerife (Emmasa) and Aguas de Alcalá de Henares (Madrid). Valoriza Agua bids for every contract of this type put out to tender in Spain. In Portugal, AGS currently has 14 concessions and is the leading private operator in this market.

- The water engineering business is the responsibility of Sadyt which has built more than 60 water treatment and desalination plants over the years. Sadyt has a project backlog in build and operate contracts for desalination, potable water, and wastewater treatment plants amounting to 537.5 million euros. In 2006 Sadyt was awarded the contract for the Águilas-Guadalentín desalination plant as part of the Ministry of Environment’s AGUA program, and a contract for the construction of a desalination plant for the city of Djerba (Tunisia). In addition, the Algerian government increased the capacity to 50,000 m3/day, of desalination plants being

Water

This activity is composed of two separate fields of operation: on the one hand, the engineering, development, execution, maintenance, and operation of all kinds of plants (potable water, wastewater treatment, desalination, tertiary wastewater treatment and reuse, industrial treatments, agricultural treatments, etc.) and, on the other, integrated water cycle management under a public concession contract or private initiative. This activity posted revenue of 164.6 million euros in 2006, an increase of 75.5% over the previous year.

- **Valoriza Agua** in Spain and **AGS** in Portugal and Brazil are responsible for the Group’s integrated water cycle management business, providing services to more than 2.5 million people in the three countries. In Spain, the operations are mainly carried out by Aguas de

Water supply and drainage system. Baixo Mondego (Portugal)
## WATER CYCLE MANAGEMENT CONCESSIONS

<table>
<thead>
<tr>
<th>% VALORIZ</th>
<th>DATE EXPIRY</th>
<th>TURNOVER M€</th>
<th>BACKLOG M€</th>
<th>POP. SERVED</th>
<th>CUSTOMERS / TREATED</th>
</tr>
</thead>
<tbody>
<tr>
<td>EMALSA</td>
<td>Las Palmas, Santa Brígida</td>
<td>33%</td>
<td>2043</td>
<td>52.2</td>
<td>1,090</td>
</tr>
<tr>
<td>EMMAISA</td>
<td>Santa Cruz de Tenerife</td>
<td>94.60%</td>
<td>2031</td>
<td>32</td>
<td>1,630</td>
</tr>
<tr>
<td>AGUAS DE ALCALA</td>
<td>Alcalá de Henares</td>
<td>25%</td>
<td>2029</td>
<td>9.6</td>
<td>100</td>
</tr>
<tr>
<td>SPAIN</td>
<td>2,820</td>
<td>822,600</td>
<td>277,900</td>
<td>77</td>
<td></td>
</tr>
<tr>
<td>AGUAS DO SADO</td>
<td>Setubal</td>
<td>40%</td>
<td>2022</td>
<td>12.5</td>
<td>130</td>
</tr>
<tr>
<td>TRATAVE</td>
<td>Guimarães, Santo Tirso, Vila Nova</td>
<td>40%</td>
<td>2026</td>
<td>7.4</td>
<td>70</td>
</tr>
<tr>
<td>AGUAS DA FIGUEIRA</td>
<td>Figueira da Foz</td>
<td>40%</td>
<td>2034</td>
<td>7.7</td>
<td>159</td>
</tr>
<tr>
<td>AGUAS DE CASCAIS</td>
<td>Cascais</td>
<td>43%</td>
<td>2025</td>
<td>31.4</td>
<td>411</td>
</tr>
<tr>
<td>AGUAS DE CARRAZEDA</td>
<td>Carrazeda</td>
<td>75%</td>
<td>2031</td>
<td>0.6</td>
<td>39</td>
</tr>
<tr>
<td>AGUAS DE GONDOMAR</td>
<td>Gondomar</td>
<td>42.96%</td>
<td>2026</td>
<td>16.8</td>
<td>242</td>
</tr>
<tr>
<td>AGUAS DE ALENQUER</td>
<td>Alenquer</td>
<td>40%</td>
<td>2033</td>
<td>6.2</td>
<td>98</td>
</tr>
<tr>
<td>AGS PAZOS DA FERREIRA</td>
<td>Pazos da Ferreira</td>
<td>90%</td>
<td>2034</td>
<td>3.7</td>
<td>381</td>
</tr>
<tr>
<td>AGUAS DE BARCELOS</td>
<td>Barcelos</td>
<td>75%</td>
<td>2034</td>
<td>8.2</td>
<td>748</td>
</tr>
<tr>
<td>AGUAS DO MARCO</td>
<td>Marco do Canaveses</td>
<td>50.80%</td>
<td>2039</td>
<td>1.7</td>
<td>434</td>
</tr>
<tr>
<td>TAVIRAVERDE</td>
<td>Tavira</td>
<td>31.85%</td>
<td>2026</td>
<td>7</td>
<td>76</td>
</tr>
<tr>
<td>AGUAS DA SERRA</td>
<td>Covilhã</td>
<td>100%</td>
<td>2035</td>
<td>0.7</td>
<td>109</td>
</tr>
<tr>
<td>FAGAR</td>
<td>Faro</td>
<td>32.83%</td>
<td>2040</td>
<td>8.8</td>
<td>45</td>
</tr>
<tr>
<td>PORTUGAL</td>
<td>2,942</td>
<td>1,342,000</td>
<td>439,000</td>
<td>149</td>
<td></td>
</tr>
<tr>
<td>AGUAS DE MANDAGUAHY</td>
<td>Mandaguahy - Sao Paulo</td>
<td>84.90%</td>
<td>2021</td>
<td>1.8</td>
<td>31</td>
</tr>
<tr>
<td>SANEAR</td>
<td>Sao Paulo</td>
<td>54%</td>
<td>2015</td>
<td>2.7</td>
<td>15</td>
</tr>
<tr>
<td>BRAZIL</td>
<td>46</td>
<td>412,000</td>
<td>2</td>
<td>18.8</td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td>5,808</td>
<td>2,576,600</td>
<td>716,900</td>
<td>244.8</td>
<td></td>
</tr>
</tbody>
</table>
This activity is carried out by the subsidiary Valoriza Facilities and involves services such as the interior and exterior cleaning of all kinds of public and private buildings, maintenance of facilities, refurbishment work, security, gardening, reception, internal and external mail, social and health services, and all kinds of ancillary services. In 2006, Valoriza Facilities consolidated its presence throughout Spain with a number of major contracts. The company contracted services and works worth 146 million euros and closed the year with revenue of 62.1 million euros. Among the most important contracts won in 2006:

- In the healthcare sector, cleaning services for La Princesa University Hospital in Madrid and the Monforte de Lemos Hospital in Lugo; maintenance of the facilities of the

Multi-services

Multi-services comprise the provision of various labor intensive services: integrated building maintenance or facilities management, service areas on freeways and toll highways, social and health services, maintenance of toll highways and freeways, etc.). Due to the varied nature of these activities, we will describe the group’s position in each business separately.
Marítimo de Oza Hospital in Coruña, and the Utrera Hospital in Jaén, as well as several contracts with the Catalonian Health Institute and the Madrid Healthcare Service.

- In the cultural sector, cleaning services for the Prado Museum (Madrid), Catalonian National Museum of Art (Barcelona), Museum of Fine Arts in Valencia, and the National Drama Center in Madrid.

- In the singular buildings sector, the integrated management and maintenance of the Ciudad de la Luz film studios in Alicante.

- In the social services sector, the integrated management of the Luis Aula home and day center for the elderly, which belongs to the Aragon Institute of Social Services.

- In the education sector, cleaning services for the universities of Malaga, Huelva, and the labor universities of Orense and Vigo.

- In the industrial transport sector, cleaning services for rolling stock and 91 stations of the Madrid subway system, train cleaning services for Renfe Cercanías (commuter rail network).

- Service areas

In December 2006, Cafestore had a total of 25 service areas in Spain (10 of them double, in other words, one on each side of the highway), after five new ones were opened in the course of the year in Ugaldebieta (Vizcaya), Valtierra (Navarra), Manzanares (Ciudad Real), Quintanilla (Zamora), and Hoznayo (Cantabria). Cafestore’s service areas are located on the most important traffic routes. Cafestore is the third largest domestic operator in this sector, with revenue of 26.6 million euros in 2006.
Sanxenxo of the Salnés expressway. In 2007 Valoriza Conservación also won a contract for the maintenance, preservation, operation, and technical assistance of five dams in Cáceres and Guadalajara, thus opening up a new market; the preservation of such unusual works as dams.

### Energy

Valoriza Energía builds, commissions, and operates group projects, always leveraging the most innovative technical solutions, and in a permanent quest for niche markets with limited competition. Valoriza Energía is responsible for energy-related activities, focusing on the development, construction, and operation of energy efficiency and renewable energy projects.

### Social and health services

This sector has great potential in Spain, even more so in the coming years once the Dependency Law is approved and enacted, since it will give the elderly and dependent people access to social services provided by the private sector.

### Valoriza Conservación

It is responsible for the maintenance and preservation of over 2,300 kilometers of toll highways and freeways. It provides services to Itinere’s toll road operators, to the General Directorate of State Highways, and to the various autonomous communities. In 2006 the company won contracts for the maintenance of 412 kilometers of conventional highways and freeways in the Montsant area and the coast of Tarragona, and section PO-531 to

**Puente Genil biomass plant (Córdoba)**
Cogeneration

Energy resource assessment, technological design, construction, commissioning, and industrial operation. Valoriza Energía is responsible for more than 80 cogeneration plants through Iberese and is the majority shareholder in and operator of three cogeneration plants engaged in the drying of olive milling waste (known as ‘alperujo’):

- Olextra is a combined cycle cogeneration plant with a generation capacity of 16.9 MW located in Villanueva de Algaidas, Malaga.
- Compañía Energética La Roda is a three-gas-turbine cogeneration plant with a generation capacity of 8.2 MW located in La Roda de Andalusia, Seville.
- Compañía Energética Pata de Mulo is a combined cycle cogeneration plant with a generation capacity of 17.5 MW located in Puente Genil, Cordoba.

In addition to these plants, Valoriza Energía is currently in the process of building another seven cogeneration plants with an investment of 127 million euros and a generation capacity of 160 MW. This represents a primary energy saving of over 70,000 tons of oil equivalent and will avoid the emission of 170,000 metric tons of CO₂.

The main advantages of these plants are:

- Primary energy saving
- Reduction of CO₂ emissions.

<table>
<thead>
<tr>
<th>PLANT</th>
<th>POWER (MW)</th>
<th>GENERATED ENERGY (MWh/YEAR)</th>
<th>PRIMARY ENERGY SAVING (TOE/YEAR)</th>
<th>AVOIDED CO₂ (T/YEAR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Olextra</td>
<td>16.9</td>
<td>115,000</td>
<td>8,500</td>
<td>19,000</td>
</tr>
<tr>
<td>C.E. La Roda</td>
<td>8.2</td>
<td>65,000</td>
<td>3,000</td>
<td>7,000</td>
</tr>
<tr>
<td>C.E. Pata de Mulo</td>
<td>17.5</td>
<td>120,000</td>
<td>8,500</td>
<td>19,000</td>
</tr>
<tr>
<td>TOTAL</td>
<td>42.6</td>
<td>300,000</td>
<td>20,000</td>
<td>45,000</td>
</tr>
</tbody>
</table>
With regard to the use of biomass for electric energy production, Valoriza Energía is the majority shareholder and, through its investee companies, is responsible for the operation of two biomass electric power plants:

- **Extragol** is an electric power plant generating 8.5 MW from biomass combustion. It is located at Villanueva de Algaidas, Malaga.
- **Biomasas de Puente Genil**, is an electric power plant generating 9.8 MW from biomass combustion. It is located at Puente Genil, Córdoba, and was commissioned in July 2006.

**Biomass**

Valoriza Energía’s activity covers every aspect of the field of biomass energy, from the collection of the resource to its transport, storage, and conversion into energy.

- With regard to biomass collection, Valoriza Energía is developing new energy crops with a high biomass production potential, which makes it viable to replace traditional crops with energy crops. To this end in 2006 more than 160 hectares were sown with energy crops and over 17,000 metric tons of energy-producing biomass was harvested. The company is also investing in the development of new machinery for the collection of agricultural and forestry waste to make the collection, transport and energy conversion of this waste more profitable.
- Furthering its actions in the collection and processing of biomass for energy production, Valoriza Energía is pursuing a totally innovative project involving the collection in the field of olive tree prunings to convert them into fuel pellets for energy purposes. The factory is to be located in the municipality of Navas de San Juan and will require an investment of 8.5 million euros in order to obtain 30,000 metric tons of biomass pellets a year. The use of this biomass will result in a saving of 12,000 metric tons of oil equivalent and a reduction of greenhouse gas emissions of 34,000 metric tons.

**Energy management**

Consulting and implementation of energy efficiency plans and measures. A number of District Heating and Cooling projects are currently under various stages of development. These are heating and cooling systems serving large population centers, providing a high level of comfort in terms of the heating and cooling requirements and achieving much higher energy efficiencies than individual heating, sanitary hot water, and cooling. In some cases biomass-derived fuels are being considered as a source of energy.

Valoriza Energía is currently involved in the development of a climate control center in the Geolit olive oil technology park at Menjíbar (Jaén) which uses olive tree prunings to provide heating and cooling to the entire technology park, an area of more than 35,000 m². This project is
unique in Europe since until now all such facilities have only been able to provide heating but never cooling. Investment related to the project amounts to 3.4 million euros and the project is scheduled to be up and running by December this year.

**Solar energy**

- Photovoltaic solar energy: Valoriza Energía is also committed to the deployment of photovoltaic energy facilities to be installed close to the cogeneration or biomass facilities already operated by Valoriza Energía, so as to optimize the output of electrical energy and minimize operating and maintenance costs, and leverage the proximity of skilled personnel.

### Solar panels

<table>
<thead>
<tr>
<th>PLANT</th>
<th>POWER (MW)</th>
<th>GENERATED ENERGY (MWh)</th>
<th>PRIMARY ENERGY SAVING (TOE/YEAR)</th>
<th>AVOIDED CO₂ (T/YEAR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Extragol</td>
<td>8.5</td>
<td>66.000</td>
<td>25.000</td>
<td>8,750</td>
</tr>
<tr>
<td>Biomasas de Puente Genil</td>
<td>9.8</td>
<td>73.000</td>
<td>27.500</td>
<td>9,025</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>18.3</strong></td>
<td><strong>139,000</strong></td>
<td><strong>52,500</strong></td>
<td><strong>18,375</strong></td>
</tr>
</tbody>
</table>
In the first quarter of 2006, Sacyr Vallehermoso acquired a significant stake (32%) in the French construction and concession group Eiffage. The cost of this investment was 1,780 million euros. Eiffage is the third largest French infrastructure construction and concessions group and the fifth largest in Europe by revenue. In 2006, Eiffage earned revenue of 10,745 million euros and net income of 377 million euros. Eiffage’s main activities are construction, accounting for 65.1% of revenue, electrical installations (18.7% of the total), infrastructure concessions (13.9%) and metallic constructions.

Of an operating income of 963 million euros, more than half (500 million euros) came from its concessions division. Total assets amounted to 22,213 million euros, of which a little more than half (13,417 million euros) was comprised of concession-related businesses.

(2.3% del total). The company generates 85.6% of total revenue in France and the remaining 14.4% in other countries, mainly in Europe (Belgium, Spain, Germany and Poland). The order book improved by 17.3% in 2006 to 8,740 million euros.
highway A 65 awarded in December 2006 between Lagon and Pau, and the high-speed rail connection between Perpignan and Figueras. This transaction leaves the Sacyr Vallehermoso Group with a significant presence in southern Europe–Spain, Portugal and Italy, a market with a considerable growth potential, and France. In its first year, this investment also raised earnings per share by 0.36 euros.

Eiffage is the majority shareholder of APRR (Autoroutes Paris Rhin Rhône), the second largest toll highway network in France with more than 2,200 kilometers, which connects the capital with the center and south of the country. Traffic on its network amounted to 20.2 million kilometers. Revenue amounted to 1,670 million euros, with EBITDA of 1,068 million euros. Eiffage is also a shareholder in other major concession companies such as Viaduct de Millau, the toll Millau Viaduct construction and operation. Aveyron (France)
As part of Sacyr Vallehermoso’s strategy to diversify its businesses and thereby its sources of revenue and profits, while taking positions in key sectors of the economy, the Group decided to acquire a significant stake -20.01%- in the energy company Repsol YPF. Energy in Spain is and will continue to be a strategic sector with growing demand, and is pivotal to the country’s future. This investment amounts to 6.525.5 million euros. Sacyr Vallehermoso is now the leading shareholder in Repsol YPF and has appointed three members to the board of directors. Repsol YPF is the leading company in Spain by revenue and ranks fourth by profit. Its core business is the extraction of oil and gas, and the transport, refining, and distribution of derivative products. Repsol YPF is the top oil company in Spain and one of the ten largest private oil companies in the world. It is the leading company in exploration and production in the
Atlantic Basin, the leader in service stations in Spain and Argentina with 7,000 facilities worldwide, the leading company in Spain and Latin America and the third largest worldwide in sales of Liquefied Petroleum Gas (LPG), and the biggest chemical company in Spain and Portugal. It also has a strong presence in the gas and electricity markets in Spain, Europe and Latin America through its 30.8% stake in Gas Natural. In 2006 Repsol’s revenue topped 55,000 million euros while it posted profit of 3,124 million euros. It operates in over 30 countries around the world.

Sacyr Vallehermoso Group’s acquisition of 20% of Repsol YPF was positive in terms of EPS from the outset, contributing 0.25 euros per share in 2006.
The purpose of the merger between Itinere and Europistas is to develop a long-term global industrial project in the infrastructure concession industry. The Basque savings banks BBK, Vital, and Kutxa are part of this project.

Europistas is engaged in the preservation and operation of toll highways, tunnels, and bridges under concession contracts. It currently participates in the following concessions:

- Toll highway AP-1 Burgos-Armiñón. Europistas’s most important asset, in which it holds a 100% stake. The concession expires in November 2018 and currently has an ADT of more than 21,000 vehicles a day.

On August 4, 2006, the subsidiary Sacyr Vallehermoso Participaciones, S.L.U., wholly owned by the Sacyr Vallehermoso Group, and Telekubza, a holding company of the Basque savings banks BBK, Vital, and Kutxa, launched a takeover bid for shares of the listed toll road operator Europistas. On November 23 the bid was successfully concluded, and Sacyr Vallehermoso Participaciones, S.L.U. acquired a 58.82% stake in Europistas, adding to the 32.39% already owned by Telekutxa prior to the bid. Sacyr Vallehermoso now holds 50% of the share capital of Europistas, a concessionaire which is scheduled to be merged with Itinere in coming months (see note 3 of this annual report).

Sacyr Vallehermoso’s investment in this transaction amounted to 600 million euros.
• Túneles de Artxanda. This company operates a concession awarded by the Diputación Foral de Vizcaya (Vizcaya Regional Government). The Artxanda tunnels connect the center of Bilbao with the Txorierri corridor, providing access to Bilbao airport. The concession expires in 2048 and Europistas holds a 50% stake.

• Autopistas de Vizcaya. This company operates the section of the toll highway AP-8 located in the province of Vizcaya. The contract expires in 2013. Europistas holds a 50% stake.

• Autopista Madrid-Levante. The operator of the AP-36 toll highway Ocaña-La Roda. It is 177 kilometers long, with some toll-free sections. The concession expires in 2039, although it may be extended for a further 4 years. Europistas controls 40% of the share capital.

• Autopista Madrid-Sur. This is the concessionaire of the Madrid R-4 beltway toll road. The concession, covering a total of 105 kilometers with toll and freeway sections, expires in 2065. Europistas holds a 25% interest, while Itinere already held a 10% interest through its subsidiary Ena.

• Autopistas de Madrid-Sur. This company operates the R-4 Stretch: M-40-Ocaña.
Stock market performance and the financial
community ➤ Share capital movements ➤ Stock market performance
At December 31, 2006 the share capital of Sacyr Vallehermoso was fully subscribed and paid up. It comprises 284,636,213 shares with a par value of 1 euro per share, of the same class and series, and with the same rights. These shares started trading on the stock markets of Madrid, Barcelona, Bilbao and Valencia, and Euronext Lisbon, on July 10, 2006.

In the course of the year a capital increase was carried out to compensate shareholders for the loss of purchasing power due to inflation. The Ordinary General Meeting of Shareholders of May 5, 2006 approved a capital increase of 10,165,579 euros through a bonus issue of 10,165,579 shares at a par value of 1 euro each, charged against voluntary reserves, equivalent to one new share for every twenty-seven shares in circulation.

The following table shows the company's equity at year end for the last three years.
Dividends

In 2006 the total amount paid out to shareholders as dividends was as follows:

- On October 4, 2006 the Board of Directors agreed to distribute a second interim dividend corresponding to 2006 in the gross amount of 0.105 euros per share. This dividend was paid on October 13.

In 2007 the following dividends were paid:

- On January 13, 2006 a third interim dividend for 2005 was paid out in the gross amount of 0.10 euros per share, as agreed at the Board of Directors meeting held on November 29, 2005.

- In its meeting on March 8, 2006 the Board of Directors agreed to pay out the final dividend corresponding to 2005 in the gross amount of 0.12 euros per share. Payment was made on April 12, 2006.

- In its meeting of December 13, 2006 the Board of Directors agreed to pay a third interim dividend corresponding to 2006 in the gross amount of 0.105 euros per share. This dividend was distributed on January 16, 2007.

- In its meeting on July 5, 2006 the Board of Directors agreed to distribute a first interim dividend for 2006 in the gross amount of 0.105 euros per share. Payment was made on July 21.

### SHARE CAPITAL (Euros)

<table>
<thead>
<tr>
<th>SHARE CAPITAL</th>
<th>No. OF SHARES</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>284,636,213</td>
</tr>
<tr>
<td>2005</td>
<td>274,470,634</td>
</tr>
<tr>
<td>2004</td>
<td>266,153,343</td>
</tr>
</tbody>
</table>
A final interim dividend was agreed by the Board of Directors on March 7, to be paid on April 13, 2007 in the amount of 0.185 euros per share. Sacyr Vallehermoso is firmly committed to its policy of maximizing shareholder returns. Thus, a proposal to approve payment of these dividends and charge them against earnings for 2006 in the amount of 0.50 euros per share has been submitted to the General Meeting of Shareholders. 2006 earnings was 141.3 million euros, 23.7% more than the dividend paid the previous year.
The advance in 2006 was the second biggest in the Ibex 35 benchmark index, and the biggest in the Spanish and European construction industry as a whole, with their gains of 59.0% and 37.2%, respectively. This gain significantly exceeded the performance of the Spanish stock market index, which rose by 31.1% in the year.

In 2006 Sacyr Vallehermoso’s stock market performance was excellent, with the upward trend of previous years markedly accelerating. The share price showed an annual gain of 126.5% (adjusted for the capital increase bonus issue).
SHARE PRICE PERFORMANCE Base 100=31-12-98

Porto Pi shopping mall (Palma de Mallorca)
Trading volume in the year was 6,472.01 million euros, equivalent to 50.53% of market cap on December 31, 2006. This is equivalent to an average daily trading volume of 25.48 million euros, 80.58% higher than in 2005, which serves to strengthen our Group’s liquidity and general soundness in the stock market.

At year end 2006, Sacyr Vallehermoso’s market cap was 12,809.63 million euros, up by 126.5% from 2005.

This excellent performance reflects the stock market’s recognition of our earnings growth during the year (up by 31.2%), and the soundness of our corporate strategy and the success of its implementation, evidenced by the organic growth achieved and the various corporate transactions carried out in the year.
### SHARE PERFORMANCE IN 2006

<table>
<thead>
<tr>
<th>Metric</th>
<th>2006</th>
<th>2005</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of shares</td>
<td>284,636,213</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trading volume (Thousands of euros)</td>
<td>6,472,010</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trading days</td>
<td>254</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Price year end 2005 (Euros)*</td>
<td>19.86</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Price year end 2006 (Euros)</td>
<td>45.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>High (13/11/06) (Euros)</td>
<td>56.30</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Low (18/01/06) (Euros)</td>
<td>19.34</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average weighted price (Euros)</td>
<td>29.87</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average daily volume (No. of shares)</td>
<td>858,168</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Liquidity (Shares traded/capital)</td>
<td>0.76</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* Adjusted for the share capital increase through 1x27 bonus issue made in June 2006.

### TRADING PERFORMANCE (Thousands of euros)

<table>
<thead>
<tr>
<th>Year</th>
<th>Trading Volume</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>2,176,254</td>
</tr>
<tr>
<td>2005</td>
<td>3,613,499</td>
</tr>
<tr>
<td>2006</td>
<td>6,472,010</td>
</tr>
</tbody>
</table>

### STOCK MARKET DATA

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2005</th>
<th>2004</th>
<th>% 06/05</th>
</tr>
</thead>
<tbody>
<tr>
<td>Share price (Euros)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>High*</td>
<td>56.30</td>
<td>23.62</td>
<td>14.06</td>
<td>138.39%</td>
</tr>
<tr>
<td>Low</td>
<td>19.34</td>
<td>11.89</td>
<td>11.04</td>
<td>62.66%</td>
</tr>
<tr>
<td>Average</td>
<td>29.87</td>
<td>17.87</td>
<td>12.01</td>
<td>67.15%</td>
</tr>
<tr>
<td>Year end*</td>
<td>45.00</td>
<td>19.86</td>
<td>11.36</td>
<td>126.54%</td>
</tr>
<tr>
<td>Average daily volume (No. shares)</td>
<td>858,168</td>
<td>809,106</td>
<td>721,902</td>
<td>6.06%</td>
</tr>
<tr>
<td>Average annual volume (Thousands of euros)</td>
<td>6,472,010</td>
<td>3,613,499</td>
<td>2,176,254</td>
<td>79.11%</td>
</tr>
<tr>
<td>No. shares at year end</td>
<td>284,636,213</td>
<td>274,470,634</td>
<td>266,153,343</td>
<td>3.70%</td>
</tr>
<tr>
<td>Market Cap (Thousands of euros)</td>
<td>12,808,630</td>
<td>5,654,099</td>
<td>3,233,752</td>
<td>126.54%</td>
</tr>
<tr>
<td>IGBM* weighting (%)</td>
<td>1.41</td>
<td>1.20</td>
<td>0.95</td>
<td>17.50%</td>
</tr>
<tr>
<td>Earnings per share (Euros/Share)</td>
<td>1.90</td>
<td>1.52</td>
<td>1.03</td>
<td>25.32%</td>
</tr>
<tr>
<td>Cash-flow per share (Euros/Share)</td>
<td>2.62</td>
<td>2.59</td>
<td>1.77</td>
<td>0.91%</td>
</tr>
<tr>
<td>Dividend per share (Euros/Share)</td>
<td>0.50</td>
<td>0.42</td>
<td>0.36</td>
<td>19.05%</td>
</tr>
<tr>
<td>Price/Book Value (times)</td>
<td>5.28</td>
<td>2.86</td>
<td>1.65</td>
<td>84.81%</td>
</tr>
<tr>
<td>Pay-out (on attributable income %)</td>
<td>26.25</td>
<td>27.63</td>
<td>35.01</td>
<td>(5.01%)</td>
</tr>
<tr>
<td>Dividend yield</td>
<td>1.11</td>
<td>2.11</td>
<td>3.17</td>
<td>(47.45%)</td>
</tr>
<tr>
<td>PER</td>
<td>23.62</td>
<td>13.07</td>
<td>11.05</td>
<td>80.76%</td>
</tr>
<tr>
<td>P/Cash-flow</td>
<td>17.20</td>
<td>7.66</td>
<td>6.42</td>
<td>124.49%</td>
</tr>
</tbody>
</table>

* Adjusted in 2004 and 2005 for the bonus rights issue carried out in July 2005 (1x32) and June (1x27)
Results Analysis

- Group revenue in 2006 was 4,684.7 million euros, an increase of 12.2% from 2005. The financial statements for the year 2006 include for the first time the following additions to the scope of consolidation:
- EBITDA was 1,065.7 million euros, 15.4% up on 2005, while the EBITDA margin was 22.7%, the highest in the sector in Spain and Europe.
- Net operating income grew by 39.1% to 861.9 million euros.
- Ordinary net income amounted to 542.2 million euros and rose by 139.4% after eliminating the effect of extraordinary income recorded in 2005 from the sale of the shares and equity linked securities and the collection of dividends from BBVA of 102.8 million euros.
- Nine months’ activity of the French construction and infrastructure company Eiffage, in which SyV has a 32.61% stake, which it acquired between November 2005 and April 2006. Consolidated by the equity method.
The activity of the oil group Repsol YPF, in which SyV holds a 20.01% stake, which it bought between September and December 2006. Consolidated by the equity method. Construction business in Portugal. The large order book, amounting to 5,638.4 million euros at year end (+25.3%), ensures significant business growth in the future.

Revenue

Group revenue in 2006 was 4,684.7 million euros, up by 12.2% from 2005. Total contracted sales, which reflect the performance of Vallehermoso’s sales activity in the year, reached 1,654 million euros, 8.1% more than in the same period the previous year, with a total of 5,131 homes sold as of December 31, 2006.

The following table shows revenue broken down by business:

- Construction activity grew by 15.0%, with sales of 2,620.8 million euros in 2006. The significant 27.8% increase in the rest of the markets in which the Group operates, in particular Spain, offset restructuring of the
- In the toll road business, 14.9% revenue growth was the result of favorable traffic volume trends in the Group’s toll highway concessions, higher toll rates and, to a lesser extent, the entry into operation of the Vespucio Sur (opened in December 2005). The

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**CONSOLIDATED INCOME STATEMENT (Thousands of euros)**

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2005</th>
<th>% 06/05</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>NET TURNOVER</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other revenue</td>
<td>205,711</td>
<td>218,663</td>
<td>(5.9%)</td>
</tr>
<tr>
<td>Total operating revenue</td>
<td>4,890,375</td>
<td>4,395,620</td>
<td>11.3%</td>
</tr>
<tr>
<td>External and operating expenses</td>
<td>(3,824,632)</td>
<td>(3,472,035)</td>
<td>10.2%</td>
</tr>
<tr>
<td><strong>GROSS OPERATING INCOME</strong></td>
<td><strong>1,065,743</strong></td>
<td><strong>923,585</strong></td>
<td><strong>15.4%</strong></td>
</tr>
<tr>
<td>Depreciation &amp; amortization expense &amp; goodwill impairment</td>
<td>(207,190)</td>
<td>(235,231)</td>
<td>(11.9%)</td>
</tr>
<tr>
<td>Working capital provisions</td>
<td>3,367</td>
<td>68,584</td>
<td></td>
</tr>
<tr>
<td><strong>NET OPERATING INCOME</strong></td>
<td><strong>861,920</strong></td>
<td><strong>619,770</strong></td>
<td><strong>39.1%</strong></td>
</tr>
<tr>
<td>Financial income</td>
<td>(358,852)</td>
<td>(123,237)</td>
<td>191.2%</td>
</tr>
<tr>
<td>Gains/(losses) arising from exchange differences</td>
<td>6,761</td>
<td>24,490</td>
<td></td>
</tr>
<tr>
<td>Equity accounted income</td>
<td>181,563</td>
<td>(13,424)</td>
<td></td>
</tr>
<tr>
<td>Provisions for financial investments</td>
<td>(1,350)</td>
<td>(4,609)</td>
<td>(70.7%)</td>
</tr>
<tr>
<td>Net gains/(losses) on financial instruments at fair value</td>
<td>15,538</td>
<td>5,588</td>
<td>178.1%</td>
</tr>
<tr>
<td>Gains/(losses) on assets carried at fair value</td>
<td>2,516</td>
<td>9,757</td>
<td>(74.2%)</td>
</tr>
<tr>
<td>Gains/(losses) on disposal of non-current assets</td>
<td>14,751</td>
<td>95,670</td>
<td>(84.6%)</td>
</tr>
<tr>
<td><strong>TOTAL INCOME (BEFORE TAXES)</strong></td>
<td><strong>722,846</strong></td>
<td><strong>614,005</strong></td>
<td><strong>17.7%</strong></td>
</tr>
<tr>
<td>Corporate income tax</td>
<td>(161,184)</td>
<td>(191,660)</td>
<td>(15.9%)</td>
</tr>
<tr>
<td><strong>CONSOLIDATED PROFIT</strong></td>
<td><strong>561,662</strong></td>
<td><strong>422,345</strong></td>
<td><strong>33.0%</strong></td>
</tr>
<tr>
<td>Income attributable to minority interests</td>
<td>(19,455)</td>
<td>(9,219)</td>
<td>111.0%</td>
</tr>
<tr>
<td><strong>ATTRIBUTABLE NET INCOME</strong></td>
<td><strong>542,207</strong></td>
<td><strong>413,126</strong></td>
<td><strong>31.2%</strong></td>
</tr>
</tbody>
</table>
Service businesses grew significantly, by 39.3% to 512.0 million euros as a result of the organic growth of Valoriza’s activity, especially the Water and Multi-services businesses. The additions to the Group of Sufi, acquired in the second quarter of 2005, and Empresa Municipal de Aguas de Tenerife (Emmasa), awarded in December 2005, also influenced earnings.

By geographic area, 78.6% of total revenue was generated in Spain, 15.4% in Portugal thanks to Somague’s building activity and Valoriza’s services, and the remaining 6.0% mostly consisted of Chile, which included revenue from concessions in operation and the construction work executed on those concessions, and to revenue from the new buildings that Testa acquired in Miami and Paris.

With regard to property, Testa’s revenue climbed by 19.6% to 251.2 million euros. This upward trend was due to a combination of 0.9% growth in average occupancy rates, a 12.7% rise in average revenue from leased property, and a 6.1% increase in the average leasable area for the year, with the incorporation of new buildings, such as the Adriá Tower (Paris) and 1401 Brickell Avenue (Miami).
Depreciation
Technical depreciation and depreciation of reversible assets amounted to 207.2 million euros.

Itinere’s business activity accounted for 46.7% of all of Sacyr Vallehermoso Group’s depreciation (96.8 million euros) and Testa a further 20.1% (41.6 million euros).

Financial results
Net financial costs totaled 358.9 million euros, compared with 123.2 million euros in 2005. This increase was due to two main factors:

• The positive impact in 2005 of the sale of derivative instruments and shares of the BBVA Group in February.

Gross operating income (EBITDA) (Thousands of euros)

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2005</th>
<th>% 06/05</th>
</tr>
</thead>
<tbody>
<tr>
<td>Construction (Sacyr - Somague)</td>
<td>190,562</td>
<td>155,837</td>
<td>22.3%</td>
</tr>
<tr>
<td>Real Estate development (Vallehermoso)</td>
<td>330,394</td>
<td>276,733</td>
<td>19.4%</td>
</tr>
<tr>
<td>Holding and Adjustments</td>
<td>(19,190)</td>
<td>(1,415)</td>
<td></td>
</tr>
<tr>
<td><strong>GROWTH BUSINESSES</strong></td>
<td>501,765</td>
<td>431,155</td>
<td>16.4%</td>
</tr>
<tr>
<td>Concessions (Itinere - Europistas)</td>
<td>320,343</td>
<td>287,088</td>
<td>11.6%</td>
</tr>
<tr>
<td>Property (Testa)</td>
<td>190,815</td>
<td>165,203</td>
<td>15.5%</td>
</tr>
<tr>
<td>Services (Valoriza)</td>
<td>52,821</td>
<td>40,139</td>
<td>31.6%</td>
</tr>
<tr>
<td><strong>RECURRENT BUSINESSES</strong></td>
<td>563,979</td>
<td>492,430</td>
<td>14.5%</td>
</tr>
<tr>
<td><strong>GROSS OPERATING PROFIT</strong></td>
<td>1,065,744</td>
<td>923,585</td>
<td>15.4%</td>
</tr>
</tbody>
</table>
Net profit

Total income before taxes was 722.8 million euros. After eliminating the effect of extraordinary income posted in 2005 from the sale of shares and equity-linked securities and the collection of dividends from BBVA amounting to 102.8 million euros after tax, and the sale of wind farm assets in Portugal in the amount of 83.8 million euros after tax, both recorded in 2005, ordinary net income grew by 139.4%.

Equity method income

Income from Eiffage and Repsol YPF was recorded under the “Equity method income” in the amounts of 102.2 million euros and 88.8 million euros, respectively.

- The cost corresponding to the direct financing of the acquisitions of Eiffage and Repsol YPF carried out in 2006.
Revenue stream

The revenue stream amounted to 77,964.6 million euros and mostly consists of Itinere, with 71.6% of the total. This represents implied operating income of 48,131 million euros.

The revenue stream rose by 14.6% over 2005, largely due to:

- The positive performance of the residential real estate business, whose order book rose by 22% in 2006.
- Various awards, both of public works and construction, that have caused the construction order book to grow by 25.3%.
- The incorporation of the new buildings acquired in Paris and Miami to the Group’s portfolio of properties for lease.
- The incorporation of Emmasa and Emalsa to the services provision business.
Balance sheet performance

The balance sheet reflects an increase of 11,738.6 million euros, with growth of 82.0% from the previous year, mainly due to the purchase of stakes in the French company Eiffage (1,869 million euros), Spanish oil company Repsol YPF (6,525.5 million euros), and the concessionaire Europistas (2,192.1 million euros).

The volume of activity in the Company’s businesses meant that investment increased by a net amount of 2,322.8 million euros, broken down by activity as follows:

- Investment in non-current assets:
- In concessions under construction, accounting for 370.1 million euros of new assets
- Investments related to the provision of service amounting to 230.8 million euros.
- The acquisition of a new building at Brickell Avenue (Miami), the purchase of the Adriá Tower in Paris, and work in progress undertaken by Testa, explain an increase of 774.5 million euros in the property business.

- Investment in current assets:
- A total of 846.6 million euros, mainly due to investments in land for the development of residential real estate and work in progress so as to ensure the increase in activity expected in the future.
## CONSOLIDATED BALANCE SHEET (Thousands of euros)

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2005</th>
<th>% 06/05</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>NON-CURRENT ASSETS</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Intangible assets</td>
<td>20,028,404</td>
<td>8,849,598</td>
<td>11,178,806</td>
</tr>
<tr>
<td>Real estate investment</td>
<td>307,651</td>
<td>212,115</td>
<td>95,536</td>
</tr>
<tr>
<td>Investment in highways</td>
<td>2,630,411</td>
<td>2,008,134</td>
<td>622,277</td>
</tr>
<tr>
<td>PP&amp;E</td>
<td>5,298,226</td>
<td>4,194,102</td>
<td>1,104,124</td>
</tr>
<tr>
<td>Financial assets</td>
<td>993,490</td>
<td>839,467</td>
<td>154,023</td>
</tr>
<tr>
<td>Other non-current assets</td>
<td>10,442,820</td>
<td>1,313,141</td>
<td>9,129,679</td>
</tr>
<tr>
<td>Goodwill</td>
<td>26,655</td>
<td>26,861</td>
<td>(206)</td>
</tr>
<tr>
<td><strong>CURRENT ASSETS</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Inventories</td>
<td>329,149</td>
<td>255,777</td>
<td>73,372</td>
</tr>
<tr>
<td>Financial debt</td>
<td>7,098,442</td>
<td>5,457,098</td>
<td>1,641,344</td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>4,418,087</td>
<td>3,447,499</td>
<td>970,589</td>
</tr>
<tr>
<td>Financial assets</td>
<td>1,840,755</td>
<td>1,602,988</td>
<td>237,767</td>
</tr>
<tr>
<td>Cash</td>
<td>129,004</td>
<td>120,276</td>
<td>8,728</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS/LIABILITIES</strong></td>
<td>27,126,846</td>
<td>14,306,696</td>
<td>12,820,150</td>
</tr>
<tr>
<td><strong>TOTAL EQUITY</strong></td>
<td>3,008,900</td>
<td>1,979,749</td>
<td>1,029,152</td>
</tr>
<tr>
<td>Attributable to equity holders of the parent</td>
<td>2,194,080</td>
<td>1,834,258</td>
<td>359,822</td>
</tr>
<tr>
<td>Minority interests</td>
<td>814,820</td>
<td>145,491</td>
<td>669,329</td>
</tr>
<tr>
<td><strong>NON-CURRENT LIABILITIES</strong></td>
<td>17,972,773</td>
<td>8,010,874</td>
<td>9,961,899</td>
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<tr>
<td>Financial debt</td>
<td>16,372,263</td>
<td>6,681,028</td>
<td>9,691,235</td>
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<tr>
<td>Financial instruments measured at fair value</td>
<td>14,112</td>
<td>73,134</td>
<td>(59,022)</td>
</tr>
<tr>
<td>Provisions</td>
<td>60,323</td>
<td>55,570</td>
<td>4,753</td>
</tr>
<tr>
<td>Other non-current liabilities</td>
<td>1,526,075</td>
<td>1,201,142</td>
<td>324,933</td>
</tr>
<tr>
<td><strong>CURRENT LIABILITIES</strong></td>
<td>6,145,173</td>
<td>4,316,073</td>
<td>1,829,100</td>
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<tr>
<td>Financial debt</td>
<td>2,824,389</td>
<td>1,810,865</td>
<td>1,013,524</td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>2,777,121</td>
<td>1,967,978</td>
<td>809,142</td>
</tr>
<tr>
<td>Trade provisions</td>
<td>162,180</td>
<td>118,609</td>
<td>43,571</td>
</tr>
<tr>
<td>Other current liabilities</td>
<td>381,483</td>
<td>418,621</td>
<td>(37,138)</td>
</tr>
</tbody>
</table>
The composition and movements of the main balance sheet headings are detailed below.

**Non-current assets**

In addition to works in progress and land held for future development of properties for lease, and projects related to the provision of services business, “Property, plant and equipment” also includes machinery, technical installations and other fixed assets. The total balance of accumulated depreciation and amortization was 287.1 million euros.

Real estate assets (property) include leased buildings amounting to 2,630.4 million euros. Intangible assets include assets attributable to long-term lease concessions for an additional 307.6 million euros. At year end current investment in property for lease amounted to 387.1 million euros while another 63.8 million euros was invested in land for future developments. These investments were recorded under “Property, plant and equipment”.

In addition, investment in cogeneration and electrical generation plants, water and sanitation systems, and other projects amounted to 174.3 million euros.

The Sacyr Vallehermoso Group has invested a total of 6,433.2 million euros in concession projects in operation (mostly toll highways), with a further 345.1 million euros in projects under construction, 288.2 million euros of which corresponds to transport infrastructure and the remaining 56.9 to other concessions.
Non-current financial assets include equity method accounted investments amounting to 9,579.6 million euros, of which we would highlight the investments in the French construction company Eiffage and in Repsol YPF. This heading also includes 348.2 million euros mainly corresponding to operating subsidies related to the various concessions Itinere has that enjoy such benefits, while the remainder largely corresponds to amounts owed by group companies.

Current assets totaled 7,098.4 million euros, an increase of 30.1% from 2005. This was largely due to an increase in inventory totaling 970.6 million euros as a result of the expansion of the residential real estate development business, due to purchases of land and works in progress.

Net equity

Net equity at December 31, 2006 amounted to 2,426.8 million euros, up by 22.6% over the previous year. 90.4% of the total amount (2,194.1 million euros) corresponds to the net equity of SyV and 232.7 million euros to the Group’s minority shareholders.

In June 2006, a capital increase was carried out through a bonus share issue of 10,165,579 shares at a par value of €1, charged against reserves. Thus, at December 31, 2006 the share capital was represented by 284.6 million shares with a par value of €1 per share.
At year end 2006, the Group’s net corporate debt amounted to 1,893 million euros, equivalent to 10.3% of total debt for the period. Net debt in capital intensive activities amounted to 9,299 million euros, 50.7% of the total.

The Group’s net financial debt at December 31, 2006, was as follows:

- **Corporate**: Corporate debt includes a series of promissory notes issued by Sacyr Vallehermoso Group for a nominal amount of 800 million euros. At year end 2006, the amount drawn down was 486 million euros.

- **Capital-intensive activities**: Debt for the purpose of financing transport concessions totaled 4,455.8 million euros in December. Of this amount, 562.2 million euros consisted of financing obtained for the acquisition of Europistas and related financial costs. The remaining 3,893.5 million euros represented 62.4% of the book value of the gross investment in concessions, which amounted to 6,238.5 million euros at year end.

- In the property in lease area, debt corresponded to mortgage loans and leasing contracts and totaled 1,907.3 million euros. It was used to finance assets in operation and under construction. Thus, according to the latest available valuation by an independent
specialist, as of December 2006, debt represented only 41.5% of the value of those assets.

- With regard to the real estate development business, net debt totaling 2,935.8 million euros finances the inventory on Vallehermoso’s balance sheet which is carried at 4,091.9 million euros. At December 31, 2006 this inventory was valued by CB Richard Ellis at 7,800 million euros, representing a loan to value ratio of 37.6%.

- Other activities:
  - The acquisition of Eiffage was financed by bank loans totaling 1,750 million euros with an average maturity of 4 years and an average margin over euribor (according to the term chosen) of between 0.34% and 0.58%. These loans are backed by Eiffage shares.
  - The Repsol YPF purchase was financed by a bank loan of 5,175 million euros with a bullet repayment of six years, and a margin over euribor of 100 basis points. The loan is largely secured by the pledging of Repsol YPF shares which, if the quotient between the market value of the pledged shares and the outstanding balance of the loan were to fall to 105% in the first 2 years (115% in successive years), would be increased by the contribution of liquid listed securities or additional cash.
  - Finally, structured debt in other businesses mostly corresponds to the financing of environmental projects and concessions in Valoriza.
### CONSOLIDATED INCOME STATEMENT AT DECEMBER 31, 2006 (Thousands of euros)

<table>
<thead>
<tr>
<th>SACYR</th>
<th>ITINERE</th>
<th>VALLEHERMOSO</th>
</tr>
</thead>
<tbody>
<tr>
<td>NET TURNOVER</td>
<td>1,958,800</td>
<td>417,141</td>
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<tr>
<td>Other revenue</td>
<td>28,217</td>
<td>32,402</td>
</tr>
<tr>
<td>Total operating revenue</td>
<td>1,987,018</td>
<td>449,543</td>
</tr>
<tr>
<td>External and operating expenses</td>
<td>(1,830,854)</td>
<td>(129,200)</td>
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<tr>
<td>GROSS OPERATING INCOME</td>
<td><strong>156,164</strong></td>
<td><strong>320,343</strong></td>
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<tr>
<td>Depreciation &amp; amortization expense &amp; goodwill impairment</td>
<td>(28,139)</td>
<td>(96,750)</td>
</tr>
<tr>
<td>Working capital provisions</td>
<td>(12,992)</td>
<td>(33)</td>
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<tr>
<td>NET OPERATING INCOME</td>
<td><strong>125,033</strong></td>
<td><strong>223,560</strong></td>
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<tr>
<td>Financial income</td>
<td>28,605</td>
<td>(175,571)</td>
</tr>
<tr>
<td>Gains/(losses) arising from exchange differences</td>
<td>(134)</td>
<td>8,024</td>
</tr>
<tr>
<td>Equity accounted income</td>
<td>40</td>
<td>(11,798)</td>
</tr>
<tr>
<td>Provisions for financial investments</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net gains/(losses) on financial instruments at fair value</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gains/(losses) on assets carried at fair value</td>
<td>(447)</td>
<td></td>
</tr>
<tr>
<td>Gains/(losses) on disposal of non-current assets</td>
<td>(380)</td>
<td>6,083</td>
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<tr>
<td>TOTAL INCOME (BEFORE TAXES)</td>
<td><strong>142,716</strong></td>
<td><strong>402,530</strong></td>
</tr>
<tr>
<td>Corporate income tax</td>
<td>(45,558)</td>
<td>(35,055)</td>
</tr>
<tr>
<td>CONSOLIDATED INCOME</td>
<td><strong>97,158</strong></td>
<td><strong>29,193</strong></td>
</tr>
<tr>
<td>Income attributable to minority interests</td>
<td>(1,095)</td>
<td>(13,660)</td>
</tr>
<tr>
<td>ATTRIBUTABLE NET INCOME</td>
<td><strong>96,063</strong></td>
<td><strong>15,533</strong></td>
</tr>
</tbody>
</table>

### CONSOLIDATED INCOME STATEMENT AT DECEMBER 31, 2005 (Thousands of euros)

<table>
<thead>
<tr>
<th>SACYR</th>
<th>ITINERE</th>
<th>VALLEHERMOSO</th>
</tr>
</thead>
<tbody>
<tr>
<td>NET TURNOVER</td>
<td>1,532,157</td>
<td>362,955</td>
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<tr>
<td>Other revenue</td>
<td>37,356</td>
<td>39,575</td>
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<tr>
<td>Total operating revenue</td>
<td>1,569,513</td>
<td>402,530</td>
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<td>External and operating expenses</td>
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<td>(115,442)</td>
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<tr>
<td>GROSS OPERATING INCOME</td>
<td><strong>122,885</strong></td>
<td><strong>287,088</strong></td>
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<td>Depreciation &amp; amortization expense &amp; goodwill impairment</td>
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<td>(145,118)</td>
</tr>
<tr>
<td>Working capital provisions</td>
<td>(23,440)</td>
<td>(80)</td>
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<tr>
<td>NET OPERATING INCOME</td>
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<td><strong>141,900</strong></td>
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<tr>
<td>Financial income</td>
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<td>(199,651)</td>
</tr>
<tr>
<td>Gains/(losses) arising from exchange differences</td>
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<td>25,055</td>
</tr>
<tr>
<td>Equity accounted income</td>
<td>30</td>
<td>(14,503)</td>
</tr>
<tr>
<td>Provisions for financial investments</td>
<td></td>
<td>537</td>
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<tr>
<td>Net gains/(losses) on financial instruments at fair value</td>
<td>78</td>
<td>2,021</td>
</tr>
<tr>
<td>Gains/(losses) on assets carried at fair value</td>
<td>(362)</td>
<td></td>
</tr>
<tr>
<td>Gains/(losses) on disposal of non-current assets</td>
<td>1,894</td>
<td>183</td>
</tr>
<tr>
<td>TOTAL INCOME (BEFORE TAXES)</td>
<td><strong>105,631</strong></td>
<td><strong>(44,466)</strong></td>
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<tr>
<td>Corporate income tax</td>
<td>(32,187)</td>
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<td>CONSOLIDATED INCOME</td>
<td><strong>73,444</strong></td>
<td><strong>(33,985)</strong></td>
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<tr>
<td>Income attributable to minority interests</td>
<td>(640)</td>
<td>(13,998)</td>
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<td>ATTRIBUTABLE NET INCOME</td>
<td><strong>72,804</strong></td>
<td><strong>(47,983)</strong></td>
</tr>
<tr>
<td>TESTA</td>
<td>VALORIZA</td>
<td>SOMAGUE</td>
</tr>
<tr>
<td>--------</td>
<td>----------</td>
<td>---------</td>
</tr>
<tr>
<td>251,169</td>
<td>512,051</td>
<td>662,018</td>
</tr>
<tr>
<td>1,591</td>
<td>61,729</td>
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<td>573,781</td>
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<td>(646,793)^a</td>
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<td><strong>52,821</strong></td>
<td><strong>34,398</strong></td>
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<td>(18,972)^a</td>
<td>(12,622)^a</td>
</tr>
<tr>
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<td>(2,069)^a</td>
<td>(8,526)^a</td>
</tr>
<tr>
<td><strong>148,869</strong></td>
<td><strong>31,779</strong></td>
<td><strong>13,256</strong></td>
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<td>(7,557)^a</td>
<td>(4,343)^a</td>
</tr>
<tr>
<td>(1,428)^a</td>
<td>805^a</td>
<td>505^a</td>
</tr>
<tr>
<td>(177)^a</td>
<td>759^a</td>
<td>2,605^a</td>
</tr>
<tr>
<td>(698)^a</td>
<td>(1,201)^a</td>
<td>688^a</td>
</tr>
<tr>
<td>1,730^a</td>
<td>(772)^a</td>
<td>4^a</td>
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<tr>
<td>7,001^a</td>
<td>1,879^a</td>
<td>(13)^a</td>
</tr>
<tr>
<td><strong>91,077</strong></td>
<td><strong>25,390</strong></td>
<td><strong>11,122</strong></td>
</tr>
<tr>
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<td>(6,192)^a</td>
<td>(2,730)^a</td>
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<tr>
<td><strong>66,205</strong></td>
<td><strong>19,198</strong></td>
<td><strong>8,392</strong></td>
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<tr>
<td>(573)^a</td>
<td>(1,244)^a</td>
<td>(864)^a</td>
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<tr>
<td><strong>65,632</strong></td>
<td><strong>17,954</strong></td>
<td><strong>7,528</strong></td>
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</table>

<table>
<thead>
<tr>
<th>TESTA</th>
<th>VALORIZA</th>
<th>SOMAGUE</th>
<th>HOLDING</th>
<th>RESTRUCTURING</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>209,958</td>
<td>367,578</td>
<td>746,398</td>
<td>2,056</td>
<td>(290,648)</td>
<td>4,176,957</td>
</tr>
<tr>
<td>4,871</td>
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<td>31,671</td>
<td>46,066</td>
<td>9,473</td>
<td>218,663</td>
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<tr>
<td>214,829</td>
<td>414,056</td>
<td>778,069</td>
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<tr>
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<td>(373,917)^a</td>
<td>(745,117)^a</td>
<td>(49,578)^a</td>
<td>281,215</td>
<td>(3,472,035)^a</td>
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<tr>
<td><strong>165,203</strong></td>
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<td><strong>32,952</strong></td>
<td><strong>(1,456)</strong></td>
<td><strong>41</strong></td>
<td><strong>923,585</strong></td>
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<tr>
<td>(32,041)^a</td>
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<td>(14,650)^a</td>
<td>(3,456)^a</td>
<td>(1,760)^a</td>
<td>(235,231)^a</td>
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<tr>
<td>(349)^a</td>
<td>(3,091)^a</td>
<td>(5,442)^a</td>
<td>(9,798)^a</td>
<td>(68,584)^a</td>
<td>(68,584)^a</td>
</tr>
<tr>
<td><strong>132,813</strong></td>
<td><strong>15,552</strong></td>
<td><strong>12,860</strong></td>
<td><strong>(14,709)</strong></td>
<td><strong>(1,720)</strong></td>
<td><strong>619,770</strong></td>
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<td>(123,237)^a</td>
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<tr>
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<td>2,246</td>
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<td>(13,424)^a</td>
<td>(4,609)^a</td>
<td>(4,609)^a</td>
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<td>(823)^a</td>
<td>(137)^a</td>
<td>(10,139)^a</td>
<td>(4,609)^a</td>
<td>(4,609)^a</td>
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<tr>
<td>1,315</td>
<td>2,173</td>
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<td>5,587,744</td>
<td>5,587,744</td>
<td>5,587,744</td>
</tr>
<tr>
<td>(103)^a</td>
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<td>9,757</td>
<td>9,757</td>
<td>9,757</td>
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<tr>
<td>140</td>
<td>94,586</td>
<td>20,655</td>
<td>(21,571)^a</td>
<td>95,670</td>
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<tr>
<td>96,737</td>
<td>105,533</td>
<td>27,110</td>
<td>224,568</td>
<td>(132,933)</td>
<td>614,085</td>
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<td>(36,021)^a</td>
<td>(9,402)^a</td>
<td>(2,030)^a</td>
<td>(39,018)^a</td>
<td>27^a</td>
<td>(191,660)^a</td>
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<tr>
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<td>25,080</td>
<td>185,550</td>
<td>(132,907)^a</td>
<td>422,345</td>
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<td>(821)^a</td>
<td>7,871</td>
<td>(9,219)^a</td>
<td>(9,219)^a</td>
<td>(9,219)^a</td>
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<tr>
<td><strong>60,716</strong></td>
<td><strong>94,329</strong></td>
<td><strong>24,259</strong></td>
<td><strong>185,550</strong></td>
<td><strong>(125,036)</strong></td>
<td><strong>413,126</strong></td>
</tr>
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</table>
### CONSOLIDATED BALANCE SHEET AT DECEMBER 31, 2006 (Thousands of euros)

<table>
<thead>
<tr>
<th></th>
<th>SACYR</th>
<th>ITINERE</th>
<th>VALLEHERMOSO</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>NON-CURRENT ASSETS</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Intangible assets</td>
<td>773,336</td>
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<td>307,849</td>
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<tr>
<td>Real estate investment</td>
<td>27,078</td>
<td>37,652</td>
<td>9</td>
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<tr>
<td>Investment in highways</td>
<td>83,379</td>
<td>5,139,715</td>
<td>54,950</td>
</tr>
<tr>
<td>Property, plant &amp; equipment</td>
<td>95,668</td>
<td>35,754</td>
<td>9,880</td>
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<tr>
<td>Financial assets</td>
<td>554,040</td>
<td>1,887,246</td>
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<tr>
<td>Other non-current assets</td>
<td>13,171</td>
<td></td>
<td>13,338</td>
</tr>
<tr>
<td>Goodwill</td>
<td></td>
<td>13,640</td>
<td>1,875</td>
</tr>
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<td><strong>CURRENT ASSETS</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Inventories</td>
<td>1,516,167</td>
<td>324,343</td>
<td>4,326,212</td>
</tr>
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<td>Accounts receivable</td>
<td>244,464</td>
<td>3,075</td>
<td>4,091,923</td>
</tr>
<tr>
<td>Financial assets</td>
<td>1,042,237</td>
<td>184,965</td>
<td>201,457</td>
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<tr>
<td>Cash</td>
<td>27,633</td>
<td>7,847</td>
<td>1,029</td>
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<tr>
<td><strong>ASSETS = LIABILITIES</strong></td>
<td>2,289,503</td>
<td>7,438,351</td>
<td>4,634,061</td>
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<tr>
<td><strong>NET EQUITY</strong></td>
<td>457,813</td>
<td>1,058,612</td>
<td>64,517</td>
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<td>Capital and reserves</td>
<td>454,222</td>
<td>332,708</td>
<td>461,714</td>
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<td>Minority interests</td>
<td>1,591</td>
<td>706,104</td>
<td>2,803</td>
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<td><strong>NON-CURRENT LIABILITIES</strong></td>
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<td>5,921,258</td>
<td>1,931,017</td>
</tr>
<tr>
<td>Financial debt</td>
<td>79,407</td>
<td>4,331,020</td>
<td>1,659,754</td>
</tr>
<tr>
<td>Financial instruments at fair value</td>
<td>263</td>
<td>12,930</td>
<td></td>
</tr>
<tr>
<td>Provisions</td>
<td>71</td>
<td>18</td>
<td>15,370</td>
</tr>
<tr>
<td>Other non-current liabilities</td>
<td>57,144</td>
<td>1,577,290</td>
<td>215,894</td>
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<tr>
<td><strong>CURRENT LIABILITIES</strong></td>
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<tr>
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<td>261,066</td>
<td>1,308,917</td>
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<td>Trade receivables</td>
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<tr>
<td>Operating provisions</td>
<td>64,024</td>
<td></td>
<td>52,718</td>
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<tr>
<td>Other current liabilities</td>
<td>109,934</td>
<td>180,182</td>
<td>171,918</td>
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</tbody>
</table>

### CONSOLIDATED BALANCE SHEET AT DECEMBER 31, 2005 (Thousands of euros)

<table>
<thead>
<tr>
<th></th>
<th>SACYR</th>
<th>ITINERE</th>
<th>VALLEHERMOSO</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>NON-CURRENT ASSETS</strong></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Intangible assets</td>
<td>567,880</td>
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<td>32,211</td>
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<td>Property, plant &amp; equipment</td>
<td>87,036</td>
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<td>435,462</td>
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<td>Other non-current assets</td>
<td>13,171</td>
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<tr>
<td>Goodwill</td>
<td></td>
<td>13,640</td>
<td>1,875</td>
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<td><strong>CURRENT ASSETS</strong></td>
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<td>Inventories</td>
<td>954,165</td>
<td>199,760</td>
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<td>Accounts receivable</td>
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<td>Financial assets</td>
<td>686,191</td>
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<td>Cash</td>
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<td><strong>ASSETS = LIABILITIES</strong></td>
<td>1,536,045</td>
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<td><strong>NET EQUITY</strong></td>
<td>421,338</td>
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<td>Capital and reserves</td>
<td>418,533</td>
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<td>Minority interests</td>
<td>2,805</td>
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<td>3,005</td>
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<td><strong>NON-CURRENT LIABILITIES</strong></td>
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<td>Provisions</td>
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<td>Other non-current liabilities</td>
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<td><strong>CURRENT LIABILITIES</strong></td>
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<td>HOLDING</td>
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<tr>
<td>1,075,238</td>
<td>255,382</td>
<td>135,217</td>
<td>949,063</td>
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<tr>
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<td>795,583</td>
<td>737,783</td>
<td>2,046,716</td>
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<td>1,260,085</td>
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<td>139,960</td>
<td>362,432</td>
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<td>6,365</td>
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<td>2,432</td>
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<td>2,474</td>
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<td>15,247</td>
<td>159,255</td>
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<td>292,413</td>
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<td>588,707</td>
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<td>56,490</td>
<td>66,314</td>
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<td>12,021</td>
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<td>24,020</td>
<td>85,211</td>
<td>92,943</td>
<td>67,635</td>
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</table>
AUDIT REPORT ON THE CONSOLIDATED ANNUAL ACCOUNTS

Free translation from the original in Spanish

To the Shareholders of
Saeyr Vallehermoso, S.A.

1. We have audited the consolidated annual accounts of Saeyr Vallehermoso, S.A. and its subsidiaries (the Group), which comprise the consolidated balance sheet at December 31, 2006, the consolidated income statement, consolidated cash flow statement and consolidated statement of changes in equity and the notes thereto for the year then ended, the preparation of which is the responsibility of the Parent Company’s directors. Our responsibility is to express an opinion on the aforementioned consolidated annual accounts taken as a whole, based upon work performed in accordance with auditing standards generally accepted in Spain, which require the examination, through the performance of selective tests, of the evidence supporting the annual accounts, and the evaluation of their presentation, of the accounting principles applied and of the estimates made. Our work did not include the audit of the 2006 annual accounts of certain companies whose assets and net profit represent 11,348 million euros and 218 million euros, respectively, of the consolidated total. These aforementioned annual accounts of those companies have been audited by other auditors and our opinion on these consolidated annual accounts of Saeyr Vallehermoso, S.A. and its subsidiaries with respect to the figures contributed by these companies are based primarily on the audit reports of the other auditors. These companies, related percentages of ownership and their respective auditors are detailed in Note 2.

2. In accordance with Spanish mercantile law, for comparative purposes the Parent Company’s directors have included for each of the captions included in the consolidated balance sheet, consolidated income statement, consolidated cash flow statement, consolidated statement of changes in equity and the notes thereto, in addition to the figures of 2006, those of 2005. Our opinion refers only to the consolidated annual accounts for 2006. On March 13, 2006 we issued our audit report on the 2005 consolidated annual accounts, in which we expressed an unqualified opinion.

3. In our opinion, based on our audit and on the audit reports of the other auditors, the accompanying 2006 consolidated annual accounts give a true and fair view, in all material respects of the consolidated equity and financial position of Saeyr Vallehermoso, S.A. and its subsidiaries at December 31, 2006 and the consolidated results of its operations, consolidated cash flows and changes in consolidated equity for the year then ended and contain the required information necessary for their adequate interpretation and comprehension, in conformity with the international financial reporting standards adopted by the European Union which are consistent with those applied to the figures and information corresponding to the 2005 consolidated financial statements.
4. The accompanying consolidated management report for the year ended December 31, 2006 contains such explanations as the Parent Company's directors consider appropriate concerning the situation of Sacyr Vallehermoso, S.A. and its subsidiaries, the evolution of their business and other matters, and is not an integral part of the consolidated annual accounts. We have checked that the accounting information included in the consolidated management report mentioned above agrees with the consolidated annual accounts for the year ended December 31, 2006. Our work as auditors is limited to verifying the consolidated management report in accordance with the scope mentioned in this paragraph, and does not include the review of information other than that obtained from the accounting records of the consolidated companies.

ERNST & YOUNG, S.L.

(Signed on the original in Spanish)
Francisco V. Fernández Romero

April 10, 2007
## CONSOLIDATED BALANCE SHEET AT DECEMBER 31
(Thousands of euros)

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>2006</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>A) NON-CURRENT ASSETS</td>
<td></td>
<td></td>
</tr>
<tr>
<td>I. Property, plant and equipment (Note 4)</td>
<td>993,490</td>
<td>839,467</td>
</tr>
<tr>
<td>II. Concession projects (Note 5)</td>
<td>5,298,226</td>
<td>4,194,103</td>
</tr>
<tr>
<td>III. Investment properties (Note 6)</td>
<td>2,630,411</td>
<td>2,008,134</td>
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<tr>
<td>IV. Other intangible assets (Note 7)</td>
<td>307,651</td>
<td>212,115</td>
</tr>
<tr>
<td>V. Goodwill (Note 8)</td>
<td>329,149</td>
<td>255,777</td>
</tr>
<tr>
<td>VI. Investments in associates (Note 9)</td>
<td>9,579,598</td>
<td>141,207</td>
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<tr>
<td>VII. Non-current financial assets (Note 10)</td>
<td>506,517</td>
<td>707,006</td>
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<tr>
<td>VIII. Deferred tax assets (Note 11)</td>
<td>356,707</td>
<td>464,928</td>
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<tr>
<td>IX. Other non-current assets</td>
<td>26,655</td>
<td>26,861</td>
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<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td><strong>20,028,404</strong></td>
<td><strong>8,849,598</strong></td>
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</table>

<table>
<thead>
<tr>
<th>B) CURRENT ASSETS</th>
<th>2006</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>I. Inventories (Note 12)</td>
<td>4,418,087</td>
<td>3,447,499</td>
</tr>
<tr>
<td>II. Trade and other receivables (Note 13)</td>
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<td>1,591,424</td>
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<td>-Trade receivables</td>
<td>1,429,575</td>
<td>1,136,479</td>
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<td>-Receivables from employees</td>
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<td>356</td>
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<tr>
<td>-Current tax assets</td>
<td>200,507</td>
<td>247,294</td>
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<td>-Other receivables and provisions</td>
<td>200,139</td>
<td>207,340</td>
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<td>III. Current financial assets</td>
<td>129,004</td>
<td>31,576</td>
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<tr>
<td>IV. Cash and cash equivalents</td>
<td>710,596</td>
<td>375,035</td>
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<tr>
<td>V. Other current assets</td>
<td>9,489</td>
<td>11,564</td>
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<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td><strong>27,126,846</strong></td>
<td><strong>14,306,696</strong></td>
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</tbody>
</table>

Notes 1 to 29 and Appendix I are an integral part of this consolidated balance sheet.
## CONSOLIDATED BALANCE SHEET AT DECEMBER 31

(Thousands of euros)

<table>
<thead>
<tr>
<th>EQUITY AND LIABILITIES</th>
<th>2006</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A) EQUITY (NOTE 14)</strong></td>
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<td>EQUITY ATTRIBUTABLE TO THE PARENT</td>
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<tr>
<td>I. Issued capital</td>
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<td>274,471</td>
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<td>II. Share premium</td>
<td>145,435</td>
<td>145,435</td>
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<tr>
<td>III. Parent company reserves</td>
<td>722,502</td>
<td>471,865</td>
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<tr>
<td>IV. Reserves in consolidated companies</td>
<td>715,314</td>
<td>626,262</td>
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<tr>
<td>V. Translation differences</td>
<td>(127,414)</td>
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<td>VI. Parent company profit for the year</td>
<td>542,207</td>
<td>413,126</td>
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<tr>
<td>VII. Interim dividend paid in the year</td>
<td>(88,600)</td>
<td>(81,298)</td>
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<tr>
<td>VIII. Treasury shares</td>
<td>0</td>
<td>(46,960)</td>
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<tr>
<td>EQUITY ATTRIBUTABLE TO MINORITY INTERESTS</td>
<td>814,820</td>
<td>145,491</td>
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<tr>
<td><strong>B) NON-CURRENT LIABILITIES</strong></td>
<td></td>
<td></td>
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<tr>
<td>I. Deferred income (Note 15)</td>
<td>400,758</td>
<td>456,274</td>
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<tr>
<td>II. Provisions for contingencies and expenses (Note 16.1)</td>
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<td>55,570</td>
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<tr>
<td>III. Long-term loans and borrowings</td>
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<td>IV. Non-current payables (Note 18)</td>
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<td>V. Deferred tax liabilities (Note 11)</td>
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<td>VI. Non-current debt with associates</td>
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<td>881</td>
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<tr>
<td><strong>TOTAL LIABILITIES</strong></td>
<td>3,008,900</td>
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<td><strong>C) CURRENT LIABILITIES</strong></td>
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<tr>
<td>I. Short-term loans and borrowings (Note 17)</td>
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<td>II. Current payables</td>
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<td>- Suppliers</td>
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<td>- Employee liabilities</td>
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<td>- Current tax liabilities</td>
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<td>- Other payables</td>
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<td>III. Current payables to associates</td>
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<td>IV. Trade provisions (Note 16.2)</td>
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<td><strong>TOTAL LIABILITIES</strong></td>
<td>27,126,846</td>
<td>14,306,696</td>
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</table>

Notes 1 to 29 and Appendix I are an integral part of this consolidated balance sheet.
# CONSOLIDATED INCOME STATEMENT FOR THE YEARS ENDED DECEMBER 31

(Thousands of euros)

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<thead>
<tr>
<th></th>
<th>2006</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue (Note 20)</strong></td>
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<td>4,176,957</td>
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<td>Own work capitalized</td>
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<td>Other operating income</td>
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<tr>
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<td>Other gains</td>
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<tr>
<td><strong>OPERATING INCOME</strong></td>
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<td>Change in inventories</td>
<td>916,798</td>
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<td>Supplies</td>
<td>(3,167,962)</td>
<td>(2,449,823)</td>
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<td>Personnel expenses</td>
<td>(582,610)</td>
<td>(448,776)</td>
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<tr>
<td>Depreciation and amortization</td>
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<td>(234,710)</td>
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<tr>
<td>Impairment of goodwill</td>
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<td>(521)</td>
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<tr>
<td>Changes in trade provisions</td>
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<tr>
<td>Other operating costs</td>
<td>(984,746)</td>
<td>(909,177)</td>
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<tr>
<td>Other losses</td>
<td>(6,112)</td>
<td>(6,268)</td>
</tr>
<tr>
<td><strong>OPERATING COSTS</strong></td>
<td><strong>(4,028,451)</strong></td>
<td><strong>(3,775,830)</strong></td>
</tr>
<tr>
<td><strong>OPERATING PROFIT</strong></td>
<td><strong>861,920</strong></td>
<td><strong>619,770</strong></td>
</tr>
<tr>
<td>Revenue from equity investments</td>
<td>0</td>
<td>10,446</td>
</tr>
<tr>
<td>Revenue from other securities and loans</td>
<td>6,674</td>
<td>4,490</td>
</tr>
<tr>
<td>Other interest and similar income</td>
<td>64,855</td>
<td>200,687</td>
</tr>
<tr>
<td>Net finance costs related to investment</td>
<td>14,717</td>
<td>26,402</td>
</tr>
<tr>
<td>Exchange rate differences</td>
<td>6,761</td>
<td>24,490</td>
</tr>
<tr>
<td><strong>FINANCE REVENUE</strong></td>
<td>93,007</td>
<td>266,515</td>
</tr>
<tr>
<td>Interest and similar expenses</td>
<td>(445,099)</td>
<td>(365,504)</td>
</tr>
<tr>
<td>Change in financial instruments carried at fair value through profit and loss</td>
<td>15,538</td>
<td>5,830</td>
</tr>
<tr>
<td>Changes in provisions for financial assets</td>
<td>(1,350)</td>
<td>(4,609)</td>
</tr>
<tr>
<td>Change in provisions for intangible assets, P,P&amp;E and long-term investment</td>
<td>2,516</td>
<td>9,757</td>
</tr>
<tr>
<td><strong>FINANCE COSTS</strong></td>
<td>(428,395)</td>
<td>(354,526)</td>
</tr>
<tr>
<td><strong>NET FINANCE COSTS</strong></td>
<td><strong>(335,388)</strong></td>
<td><strong>(88,011)</strong></td>
</tr>
<tr>
<td>Profit of associates (Note 9)</td>
<td>181,563</td>
<td>(13,424)</td>
</tr>
<tr>
<td>Net gain (loss) on disposal of assets (Note 22)</td>
<td>14,751</td>
<td>95,670</td>
</tr>
<tr>
<td><strong>PROFIT BEFORE TAX</strong></td>
<td><strong>722,846</strong></td>
<td><strong>614,005</strong></td>
</tr>
<tr>
<td>Income tax</td>
<td>(161,184)</td>
<td>(191,660)</td>
</tr>
<tr>
<td><strong>PROFIT FOR THE YEAR</strong></td>
<td><strong>561,662</strong></td>
<td><strong>422,345</strong></td>
</tr>
</tbody>
</table>

Attributable to:

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>MINORITY INTERESTS</strong></td>
<td>(19,455)</td>
<td>(9,219)</td>
</tr>
<tr>
<td><strong>PARENT COMPANY</strong></td>
<td><strong>542,207</strong></td>
<td><strong>413,126</strong></td>
</tr>
<tr>
<td>Basic earnings per share (Note 21)</td>
<td>1.93</td>
<td>1.47</td>
</tr>
<tr>
<td>Diluted earnings per share (Note 21)</td>
<td>1.93</td>
<td>1.47</td>
</tr>
</tbody>
</table>

Notes 1 to 29 and Appendix I are an integral part of this consolidated income statement.
## CONSOLIDATED CASH FLOW STATEMENT AT DECEMBER 31, 2006

(Thousands of euros)

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Profit for the year</strong></td>
<td>542,207</td>
<td>413,126</td>
</tr>
<tr>
<td>Minority interests</td>
<td>19,455</td>
<td>9,219</td>
</tr>
<tr>
<td>Depreciation, amortization and provisions</td>
<td>187,120</td>
<td>298,666</td>
</tr>
<tr>
<td>(Profit)/loss of associates accounted for by the equity method (Note 9)</td>
<td>(181,563)</td>
<td>13,424</td>
</tr>
<tr>
<td>Net finance costs</td>
<td>352,089</td>
<td>93,159</td>
</tr>
<tr>
<td>Income tax paid (Note 11)</td>
<td>161,184</td>
<td>191,660</td>
</tr>
<tr>
<td><strong>CASH FLOWS FROM OPERATING ACTIVITIES</strong></td>
<td><strong>1,080,492</strong></td>
<td><strong>1,019,254</strong></td>
</tr>
<tr>
<td><strong>Trade and other receivables, work executed pending certification</strong></td>
<td>(236,475)</td>
<td>(207,323)</td>
</tr>
<tr>
<td><strong>Inventories</strong></td>
<td>(970,589)</td>
<td>(545,830)</td>
</tr>
<tr>
<td><strong>Trade payables</strong></td>
<td>809,143</td>
<td>237,857</td>
</tr>
<tr>
<td><strong>Other current assets and liabilities</strong></td>
<td>(324,581)</td>
<td>12,319</td>
</tr>
<tr>
<td><strong>CHANGE IN NET WORKING CAPITAL</strong></td>
<td>(722,502)</td>
<td>(502,977)</td>
</tr>
<tr>
<td><strong>NET CASH FLOWS FROM OPERATING ACTIVITIES</strong></td>
<td><strong>357,990</strong></td>
<td><strong>516,277</strong></td>
</tr>
<tr>
<td><strong>Capital expenditure</strong></td>
<td>(10,894,487)</td>
<td>(11,404,242)</td>
</tr>
<tr>
<td>Purchase of property, plant &amp; equipment and intangible assets</td>
<td>(332,662)</td>
<td>(309,294)</td>
</tr>
<tr>
<td>Investment in real-estate projects</td>
<td>(738,416)</td>
<td>(143,175)</td>
</tr>
<tr>
<td>Investment in concession projects</td>
<td>(522,212)</td>
<td>(584,197)</td>
</tr>
<tr>
<td>Investment in non-current financial assets</td>
<td>(9,208,698)</td>
<td>(517,567)</td>
</tr>
<tr>
<td>Acquisitions of subsidiaries, net of cash acquired</td>
<td>(613,478)</td>
<td>(129,243)</td>
</tr>
<tr>
<td>Proceeds from disposal of property, plant &amp; equipment and intangible assets</td>
<td>58,685</td>
<td>54,340</td>
</tr>
<tr>
<td>Proceeds from disposal of real-estate projects</td>
<td>79,358</td>
<td>156</td>
</tr>
<tr>
<td>Proceeds from disposal of concessions</td>
<td>77</td>
<td>539</td>
</tr>
<tr>
<td>Proceeds from disposal of financial assets</td>
<td>382,859</td>
<td>488,017</td>
</tr>
<tr>
<td><strong>NET CASH FLOWS FROM INVESTING ACTIVITIES</strong></td>
<td><strong>(10,894,487)</strong></td>
<td><strong>(11,404,242)</strong></td>
</tr>
<tr>
<td>Proceeds from long-term borrowings</td>
<td>15,903,202</td>
<td>3,859,106</td>
</tr>
<tr>
<td>Proceeds from short-term borrowings</td>
<td>1,522,554</td>
<td>1,736,868</td>
</tr>
<tr>
<td>Repayment of borrowings</td>
<td>(6,720,997)</td>
<td>(4,669,527)</td>
</tr>
<tr>
<td>Interest paid</td>
<td>(445,099)</td>
<td>(365,588)</td>
</tr>
<tr>
<td>Interest received</td>
<td>93,008</td>
<td>272,429</td>
</tr>
<tr>
<td><strong>CHANGE IN LOANS AND BORROWINGS</strong></td>
<td><strong>10,352,668</strong></td>
<td><strong>833,288</strong></td>
</tr>
<tr>
<td>Dividends paid</td>
<td>(118,844)</td>
<td>(116,900)</td>
</tr>
<tr>
<td>Acquisition/sale of treasury shares</td>
<td>259,345</td>
<td>(19,341)</td>
</tr>
<tr>
<td><strong>CHANGE IN EQUITY FINANCE</strong></td>
<td>140,501</td>
<td>(136,241)</td>
</tr>
<tr>
<td>Other finance</td>
<td>378,889</td>
<td>130,061</td>
</tr>
<tr>
<td><strong>OTHER FINANCE</strong></td>
<td>378,889</td>
<td>130,061</td>
</tr>
<tr>
<td><strong>NET CASH FLOWS FROM FINANCING ACTIVITIES</strong></td>
<td><strong>10,872,058</strong></td>
<td><strong>827,108</strong></td>
</tr>
<tr>
<td><strong>CHANGE IN CASH AND CASH EQUIVALENTS</strong></td>
<td><strong>335,561</strong></td>
<td><strong>202,961</strong></td>
</tr>
<tr>
<td>Cash and cash equivalents at start of period</td>
<td>375,035</td>
<td>172,074</td>
</tr>
<tr>
<td>Cash and cash equivalents at end of period</td>
<td>710,596</td>
<td>375,035</td>
</tr>
</tbody>
</table>
# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

**GRUPO SACYR VALLEHERMOSO**

(Thousands of euros)

<table>
<thead>
<tr>
<th>Balance at Translation</th>
<th>Change in Cashflow Hedges</th>
<th>Change in Equity of Associates</th>
<th>Profit for the Year</th>
<th>Appropriation of Profit</th>
<th>Interim Dividends</th>
<th>Capital Increase</th>
<th>Treasury Shares and Others</th>
<th>Balance at 31-Dec-2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Share capital</td>
<td>266,153</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>8,318</td>
<td>0</td>
<td>274,471</td>
</tr>
<tr>
<td>Share premium</td>
<td>145,435</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>145,435</td>
</tr>
<tr>
<td>Parent company reserves</td>
<td>511,329</td>
<td>(141,010)</td>
<td>(141,010)</td>
<td>0</td>
<td>0</td>
<td>83,052</td>
<td>(8,318)</td>
<td>471,065</td>
</tr>
<tr>
<td>Reserves in consolidated companies</td>
<td>522,603</td>
<td>2,051</td>
<td>15,041</td>
<td>0</td>
<td>17,092</td>
<td>0</td>
<td>17,092</td>
<td>103,889</td>
</tr>
<tr>
<td>Translation differences</td>
<td>(22,951)</td>
<td>54,308</td>
<td>0</td>
<td>0</td>
<td>54,308</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Profit for the year</td>
<td>282,230</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>282,230</td>
</tr>
<tr>
<td>Interim dividend</td>
<td>(59,645)</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>(59,645)</td>
</tr>
<tr>
<td>Dividends</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Treasury shares</td>
<td>(27,618)</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>(27,618)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,617,536</strong></td>
<td><strong>56,359</strong></td>
<td><strong>(125,969)</strong></td>
<td><strong>(69,610)</strong></td>
<td><strong>413,126</strong></td>
<td><strong>343,516</strong></td>
<td><strong>(81,298)</strong></td>
<td><strong>1,834,258</strong></td>
</tr>
<tr>
<td>Equity attributable to minorities</td>
<td>339,490</td>
<td>12,821</td>
<td>0</td>
<td>0</td>
<td>12,821</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Equity</strong></td>
<td><strong>1,957,026</strong></td>
<td><strong>69,180</strong></td>
<td><strong>(125,969)</strong></td>
<td><strong>(56,789)</strong></td>
<td><strong>413,126</strong></td>
<td><strong>356,337</strong></td>
<td><strong>(81,298)</strong></td>
<td><strong>1,979,749</strong></td>
</tr>
</tbody>
</table>

## Notes:
- The table provides a detailed breakdown of changes in equity for Grupo Sacyr Vallehermoso for the year ending 31-Dec-2006.
- Income and costs recognized directly in equity include changes in share capital, share premium, parent company reserves, reserves in consolidated companies, and translation differences.
- cashflow hedges, change in equity of associates, profit for the year, appropriation of profit, interim dividends, capital increase, and treasury shares and others affect the equity.
- The total equity attributable to minorities and total equity figures show the final balances as of 31-Dec-2006.
## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

**GROUP SACYR VALLEHERMOSO**

(Thousands of euros)

| INCOME AND COSTS RECOGNIZED DIRECTLY AND COSTS TOTAL RECOGNIZED DIRECTLY AND COSTS TOTAL INCOME AND COSTS CONSOLIDATION SCOPE CHANGES BALANCE AT 31-DEC-2006 | INCOME AND COSTS RECOGNIZED DIRECTLY AND COSTS TOTAL RECOGNIZED DIRECTLY AND COSTS TOTAL INCOME AND COSTS CONSOLIDATION SCOPE CHANGES BALANCE AT 31-DEC-2006 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Balance at 31-Dec-2005 | Differences | Cashflow | Hedges | Change in equity of associates | Profit for the year | Appropriation of profit | Interim dividend | Capital increase | Treasury shares | Others | Balance at 31-Dec-2006 |
| Share capital | 274,471 | 0 | 0 | 0 | 0 | 0 | 0 | 10,165 | 0 | 0 | 284,636 |
| Share premium | 145,435 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 145,435 |
| Parent company reserves | 471,865 | 0 | (425) | 0 | (425) | 0 | (425) | 94,262 | 0 | (10,165) | 20,999 | 145,866 | 722,502 |
| Reserves in consolidated companies | 626,262 | 0 | 36,612 | (33,798) | 2,814 | 0 | 2,814 | 204,631 | 0 | 0 | (118,395) | 715,314 |
| Translation differences | 31,257 | (158,771) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (127,414) |
| Profit for the year | 413,256 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 542,207 |
| Interim dividend | (81,298) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (88,600) |
| Dividends | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Treasury shares | (46,960) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **TOTAL** | **1,834,258** | **(158,771)** | **36,187** | **(33,798)** | **(156,382)** | **542,207** | **385,825** | **0** | **(88,600)** | **0** | **67,959** | **2,194,080** |
| Equity attributable to minorities | 145,491 | (6,454) | 2,370 | (4,084) | 18,590 | 14,506 | 0 | 0 | 0 | 654,823 | 814,820 |
| **EQUITY** | **1,979,749** | **(165,225)** | **38,557** | **(33,798)** | **(160,466)** | **560,797** | **400,331** | **0** | **(88,600)** | **0** | **67,959** | **3,008,900** |
1. ACTIVITIES OF SACYR VALLEHERMOSO

The Sacyr Vallehermoso Group is composed of the Parent Company Sacyr Vallehermoso S.A. and its subsidiaries and associates, as shown in Appendix I. The Company Sacyr Vallehermoso, S.A. was formed when Grupo Sacyr, S.A. was merged into Vallehermoso, S.A. in 2003, as explained in the financial statements for the year.

The registered office of the Parent Company is Paseo de la Castellana, 83-85. It is recorded in the Madrid Mercantile Register volume 1884, sheet 165, page M-33841, entry 677, with tax identification number A-28013811.

The corporate purpose of the controlling Company is as follows:

a. The acquisition and construction of urban property for either rent or sale.

b. The renovation of buildings for subsequent rent or sale.

c. The buying and selling of land, building rights and urban development lots, as well as management of planning administration, land transformation, development of urban infrastructure, division into lots, subdivision, compensation etc. and, in some cases, subsequent construction of buildings, participating in the whole urban development process up to the construction stage.

d. Administration, conservation, maintenance and generally all activities related to the provision of urban facilities and services and the associated land, infrastructure, civil engineering works and other urban facilities provided for by local planning stipulations, either on the Company's own behalf or for third parties and the provision of architecture, engineering and urban development services relating to the urban lots or their ownership.

e. Provision and marketing of all types of services and supplies relating to communications, IT and power distribution networks, as well as collaboration in the marketing and acting as agent for the sale of insurance, security and transport services, either on the Company's own behalf or for third parties.

f. Management and administration of shopping centers, senior citizens' homes and centers, hotels and tourist and student residences.

g. Contracting, management and execution of all kinds of construction work in its widest sense, both public and private, including roads, water supply projects, railways, port facilities, buildings, environmental projects and in general all activities related with construction.

h. The acquisition, administration, management, promotion, leasing or other form of operation, construction, purchase and sale of all kinds of property as well as advising on all the above transactions.

i. The development of all kinds of engineering and architectural projects, as well as the management, oversight and advice on execution of all kinds of construction work.

j. Acquisition, holding, exploitation, administration and sale of all kinds of securities on the Company's own behalf, except for those activities reserved by law, and specifically by the Spanish Securities Market Law (Ley del Mercado de Valores), for other types of institution.

k. Management of public water supply, sewer systems and sewage works.

l. Management of all kinds of concessions, subsidies and administrative permits for projects, services and combinations of the central government, regional governments (Comunidades Autónomas),
provinces and municipalities that are awarded to the Company and investment in the capital of companies responsible for such concessions, etc.

m. Operation of mines and quarries and marketing of their products.

n. Manufacture, purchase, sale, import, export and distribution of equipment, installation of construction equipment and materials or other items for use in construction.

o. Acquisition, exploitation by whatever means, marketing, licensing and sale of all types of intellectual property and patents and other forms of industrial property.

p. Manufacture and marketing of prefabricated and other products related to construction.

q. Management of subsidiaries and associated companies in Spain and abroad via a presence on their corporate bodies. Strategic and administrative management of subsidiaries in Spain and abroad, and the provision of legal, economic, accounting, personnel, budgeting, financial, tax, marketing and IT consultancy services to these companies.

The Company may also carry out any of the above activities comprising its corporate purpose indirectly through equity investments in other institutions or companies sharing similar or identical corporate purposes.

The detail of subsidiaries comprising the Sacyr Vallehermoso Group and their activities, registered address and percentage ownership are shown in Appendix I of this report.

2. SCOPE OF CONSOLIDATION AND SUBSIDIARIES

For the purposes of preparing the accompanying consolidated financial statements, the companies comprising the Group were classed as one of the following types:

a) Subsidiaries: companies that are legally independent, form a single economic unit with a unified management strategy, over which the Group exercises effective direct or indirect control.

b) Jointly controlled entities: companies that are jointly managed in cooperation with one or more other shareholding companies.

c) Associates: companies in which one or more Group companies exercise significant influence on management.

Companies included within the scope of consolidation for these financial statements are presented in Appendix I, along with details of the percentage ownership held by the Group, and the company’s divisional parent, method of consolidation, activity and registered office.

Subsidiaries are fully consolidated. All assets, rights and liabilities of the companies are incorporated in the balance sheet of Sacyr Vallehermoso, S.A. and all the income and expenses that make up the subsidiary's profit or loss are incorporated into the income statement.


Associates have been reported by the equity method. This means that the investment in an associate is initially recognized at cost and its carrying amount is then increased or decreased to reflect the Parent Company's proportional interest in the associate's profit or loss each year subsequent to its acquisition.

The financial statements of the most significant Group companies are audited by the following statutory auditors:

The other consolidated companies did not have their financial statements externally audited in 2005.

The companies Constructoras Andaluzas con Centroamérica, S.A., Constructora del Magdalena Medio, S.A., Sacyr Colombia, S.A., Comercializadora de oficinas en Pozuelo, S.A., Castellana Norte, S.A., Proxample, S.A., Nova Icaria, S.A., J abalquinto, S.L., Dareling, S.A., Echezarrate, AIE and Millinium Energía, S.A. were excluded from the scope of consolidation as the overall impact of their inclusion was immaterial.

The most significant balance sheet and income statement items of consolidated foreign companies are translated into euros using the year-end exchange rate method. The rates applied were as follows:

### EXCHANGE RATES

<table>
<thead>
<tr>
<th>Currency</th>
<th>Average</th>
<th>Year end</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dollar / euro</td>
<td>1.2444</td>
<td>1.1849</td>
</tr>
<tr>
<td>Chilean peso / euro</td>
<td>697.04</td>
<td>606.64</td>
</tr>
<tr>
<td>Brazilian real / euro</td>
<td>3.04</td>
<td>2.77</td>
</tr>
<tr>
<td>Mozambique metical / euro</td>
<td>28,346.28</td>
<td>28,169.82</td>
</tr>
<tr>
<td>Angolan Kwanza / euro</td>
<td>108.56</td>
<td>95.71</td>
</tr>
<tr>
<td>Cape Verde escudo / euro</td>
<td>110.80</td>
<td>110.93</td>
</tr>
<tr>
<td>Macao pataca / euro</td>
<td>9.97</td>
<td>9.49</td>
</tr>
</tbody>
</table>

**A2) 2006**

Companies included within the scope of consolidation for the accompanying financial statements are presented in Appendix I, along with details of the percentage ownership held by the Group, and the company’s divisional parent, method of consolidation, activity and registered office.

Subsidiaries are fully consolidated. All assets, rights and liabilities of the companies are incorporated in the balance sheet of Sacyr Vallehermoso, S.A. and all the income and expenses that make up the subsidiary's profit or loss are incorporated into the income statement.

The companies Constructoras Andaluzas con Ingeniería, Grupo Somague Inmobiliaria, Grupo Somague Ibiñere, Grupo Somague Ambiente and Grupo Somague Inmobiliaria were excluded from the scope of consolidation as the overall impact of their consolidation was immaterial.

The financial statements of the most significant Group companies are audited by the following statutory auditors:


- DELOITTE & TOUCHE: Bardiomar, S.L and Repsol YPF, S.A.

The companies Constructoras Andaluzas con Ingeniería, Grupo Somague Inmobiliaria, Grupo Somague Ibiñere, Grupo Somague Ambiente and Grupo Somague Inmobiliaria were excluded from the scope of consolidation as the overall impact of their consolidation was immaterial.

The financial statements of the most significant Group companies are audited by the following statutory auditors:

- ERNST & YOUNG: Sacyr Vallehermoso, S.A., Sacyr Concesionaria de la Generalitat Valenciana S.A., Autovía del Eresma

- KAUFMAN ROSSIN & CO.: Brickell Office and Testa American Corporation.

- ATTEST CONSULTING, S.L.: Aguas de Toledo, A.I.E.

- SRL: Nodo di Palermo, S.P.A. and SIS, S.P.A.


- DELOITTE & TOUCHE: Bardiomar, S.L and Repsol YPF, S.A.
The most significant balance sheet and income statement items of consolidated foreign companies are translated into euros using the year-end exchange rate method. The rates applied were as follows:

### Exchange Rates

<table>
<thead>
<tr>
<th>Currency</th>
<th>Average</th>
<th>Year end</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dollar / Euro</td>
<td>1.2566</td>
<td>1.3199</td>
</tr>
<tr>
<td>Chilean peso / Euro</td>
<td>666.8</td>
<td>702.67</td>
</tr>
<tr>
<td>Brazilian real / Euro</td>
<td>2.73</td>
<td>2.82</td>
</tr>
<tr>
<td>Mozambique metical / Euro</td>
<td>32,479.05</td>
<td>34,552.27</td>
</tr>
<tr>
<td>Angolan kwanza / Euro</td>
<td>101.00</td>
<td>105.97</td>
</tr>
<tr>
<td>Cape Verde escudo / Euro</td>
<td>110.38</td>
<td>110.51</td>
</tr>
<tr>
<td>Macao pataca / Euro</td>
<td>10.06</td>
<td>10.57</td>
</tr>
</tbody>
</table>

**b) Changes in the scope of consolidation**

**B1) 2005**

In 2005, the main changes in the scope of consolidation were as follows:

**Newly consolidated companies:**


- Valoriza Agua, S.L., created by the merger of Tratamientos y Recuperaciones de Ecosistemas, S.L. (Tyresa) with Nueva Nuinsa, S.L. (acquired in 2005), wholly owned for an investment of EUR 95,131,603. This company has a 33% stake in Empresa Mixta de Aguas de Las Palmas, S.A. (Emalsa), which is responsible for the whole of the water cycle in the municipalities of Las Palmas de Gran Canaria, Santa Brígida, Puerto de la Luz and Las Palmas.

- Itinere Costa Rica, S.A., a holding company for interests in Costa Rican concessions. It is wholly owned by sole shareholder Itinere Infraestructuras. The company has a 35% stake in the company Autopista del Valle S.A..

- Itinere Costa Rica Valle del Sol, S.A., a wholly owned subsidiary of Itinere Infraestructuras.

- Vlastrur Concesionaria del Principado de Asturias, S.A., a company formed to operate the AS-18 motorway and widen the AS-17. Its leading shareholders are Itinere Infraestructuras, S.A. (47.50%) and Sacyr, S.A.U. (22.50%).

- Vlastrur Concesionaria del Principado de Asturias, S.A., a company formed to operate the CV-35 highway and the northern relief road for the AS-50. Its leading shareholders are Itinere Infraestructuras, S.A. (60%) and Sacyr, S.A.U. (20%).

- Inversora de Autopistas del Sur, S.L., operator of the R-4 motorway with a 10% stake in the equity.

- Autovía del Turia Concesionaria de la Generalitat Valenciana, S.A., a company formed to operate the CV-35 highway and the northern relief road for the AS-50. Its leading shareholders are Itinere Infraestructuras, S.A. (50%) and Sacyr, S.A.U. (20%).

- Operación y Logística, S.A., (Operalia), 50% owned concession company.

- Geida Skikda, S.L., 25% owned water purification and treatment company.

- Geida Beni Saf, S.L., 25% owned water purification and treatment company.

- Compañía Energética de Las Villas, S.L., a 90% owned company whose purpose is to carry out projects and provide research and development services into the marketing of electricity and thermal power.

- Compañía Energética Puente del Obispo, S.L., a 90% owned company whose purpose is to carry out projects and provide research and development services into the marketing of electricity and thermal power.

- Inversora de Autopistas del Sur, S.L., operator of the R-4 motorway with a 10% stake in the equity.
- Compañía Energética Barragua, S.L., a 90% owned company whose purpose is to carry out projects and provide research and development services into the marketing of electricity and thermal power.

- Tecnológica Lena, S.L., a 50% owned company whose corporate purpose is the manufacture, sale and installation of prefabricated reinforced concrete elements and the construction, management and maintenance of all types of infrastructure.

- Intercambiador de Transporte de Plaza Elíptica, S.A. an 80% owned company whose purpose is the construction, maintenance and operation of a transport interchange at Plaza Elíptica, Madrid.

- Sacyr Italia, S.p.A., a wholly-owned Italian civil engineering construction company.


- Puerta Oro Toledo, S.L., a 35% owned property development company.

- Fortuna Golf, S.L., a wholly-owned property development company.

- A 9.09% stake in property development company Habitat Network, S.A..

- Testa Hospitalaria de Parla, S.A., whose corporate purpose is the construction and operation of the Parla hospital. Its controlling shareholder is Testa, S.A. with a 60% stake. Sacyr, S.A.U. has a 35% stake and Valoriza Facilities, S.A. 5%.

- Testa Hospitalaria de Coslada, S.A., whose corporate purpose is the construction and operation of the Coslada hospital. Its controlling shareholder is Testa, S.A. with a 60% stake. Sacyr, S.A.U. has a 35% stake and Valoriza Facilities, S.A. 5%.

- A 7.45% stake in property development company M-Capital, S.A..

- Grupo Finerge, a 50/50 jointly controlled entity owned by Somague Ambiente and Valoriza Gestión S.A., was sold in its entirety for a capital gain of EUR 91,247 thousand.

- Barajas Tercer Milenio, S.A., a property development company that went into liquidation.

- La Vivienda Económica, S.A., property company owned by Spica Siglo 21, S.L. which was sold.

Changes in percentage ownership:

- Enaitinere, S.L. increased its stake in ENA Infraestructuras, S.A. by 30%. It acquired 10% by buying two companies from Itinere Infraestructuras, S.A. (Al’Andalus Concesiones Uno, S.L. and TCN 21, S.L.) each of which both owned 5% of ENA Infraestructuras, S.A., and were later merged with Enaitinere, S.L. Enaitinere, S.L. subsequently raised its stake to 100% by buying and merging with Ibergement Assestments, SL which had a 20% stake in ENA Infraestructuras, S.A..

- Sacyr Vallehermoso, S.A. made a takeover bid for Somague Group which resulted in the acquisition of 110,612 shares and increased its percentage ownership from 99.58% to 100%.

- Sacyr Vallehermoso, S.A. also raised its stake in Itinere Infraestructuras, S.A. from 82.68% to 82.75% via the acquisition of 94,321 shares from BBVA.

- Valoriza Energía, S.L. increased its percentage stake in Iberese, S.A. to 100%.

Companies removed from the scope of consolidation:

- Grupo Finerge, a 50/50 jointly controlled entity owned by Somague Ambiente and Valoriza Gestión S.A., was sold in its entirety for a capital gain of EUR 91,247 thousand.

- Repsol YPF, integrated gas and oil group, 20.01% owned by Sacyr Vallehermoso Participaciones Mobiliarias, S.L.

B2) 2006

In 2006, the main changes in the scope of consolidation were as follows:

b1) Newly consolidated companies:

- Eiffage, a French multi-services group, in which Sacyr Vallehermoso has a 32.61% stake.

- Europistas Concesionaria Española, S.A., concession operator for the AP-1 Burgos motorway, 50% owned by Sacyr Vallehermoso Participaciones Mobiliarias, S.L. and parent of a group of motorway concession companies. The group comprises the following companies: Túneles de Artxanda, S.A., concession holder for the tunnels of Artxanda (50%); Autopista de Bizkaia, S.A., concession company whose corporate purpose is the maintenance and operation of an existing segment of the A-8 motorway in Bizkaia (50%); Inversora Autopista de Levante, S.L., concession holder for the Ocaña-La Roda motorway (40%); Inversora de Autopistas del Sur, S.L., operator of the R-4 motorway (25%).
- Sacyr Vallehermoso Participaciones, S.L., holding company for the Group’s interest in Europistas. Its sole shareholder is Sacyr Vallehermoso, S.A.
- Santacrucera de Aguas, S.L., whose principal activity is water purification and treatment, wholly owned by Valoriza Agua, S.L.

- Sacyr Vallehermoso Participaciones Mobiliarias, S.L., holding company for the Group’s interest in Repsol YPF. Its sole shareholder is Sacyr Vallehermoso, S.A.
- Geida Tlemcen, S.L., water purification and treatment company, 33% owned by Sadyt, S.A.

- Empresa Mixta de Aguas de Santa Cruz de Tenerife, S.A. (Emmasa), a company whose corporate purpose is to manage the whole water cycle in the municipality of Santa Cruz de Tenerife. Sacyr Vallehermoso, S.A. owns a 94.64% stake.
- Compañía Energética Espiel, S.L., whose corporate purpose is to carry out projects, research and development on the marketing of electric and thermal power, wholly owned by Valoriza Energía, S.L.U.

- Intercambiador de Transportes de Moncloa, S.A., whose corporate purpose is the construction, maintenance and operation of the concession for a transport interchange at Moncloa. Its main shareholders are Itinere Infraestructuras, S.A. (60%) and Sacyr, S.A.U. (20%).
- Geolit Climatización, S.L., whose purpose is the purchase and use of biomass for the production and sale of energy. Its main shareholder is Valoriza Energía, S.L.U. which has a 63.50% stake.

- Autovía del Eresma Concesionaria de la Junta de Castilla y León, S.A., whose corporate purpose is the construction, maintenance and operation of the Valladolid-Segovia motorway. Its main shareholders are Itinere Infraestructuras, S.A. (53%) and Sacyr, S.A.U. (20%).
- Compañía Energética Linares, S.L., power research and generation company, 45% owned by Valoriza Energía.

- Autopista del Sol, S.A., whose corporate purpose is the operation of the San José-La Caldera motorway. Itinere Costa Rica Valle del Sol, S.A. has a 35% stake in the company.
- Sacyr Costa Rica, S.A., company whose main activity is the contracting management and execution of all kinds of work and construction in Costa Rica. It is wholly owned by its sole shareholder Sacyr, S.A.U.

- Autovía del Barbanza Concesionaria de la Xunta de Galicia, S.A., whose corporate purpose is the construction and operation of the Barbanza motorway. Its main shareholder is Itinere Infraestructuras, S.A. with an 80% stake.
- Eurolink, S.C.P.A., Italian construction company whose corporate purpose is the building of a segment of the Messina bridge. Sacyr S.A.U. has a stake of 18.70%.

- Autopista del Guadalmedina Concesionaria Española, S.A., whose corporate purpose is the construction and operation of the Malaga motorway. Its main shareholders are Itinere Infraestructuras, S.A. (70%) and Sacyr, S.A.U. (10%).
- Constructora San José San Ramón, S.A., Costa Rican construction company whose corporate purpose is the construction of the San José-San Ramón road link (Autopista del Valle), 33% owned by Sacyr, S.A.U.

- Tecnologías Avanzadas Asturianas, S.L., principally dedicated to the provision and management of public services. It is wholly owned by Sufl, S.A., its sole shareholder.
- Prinur Centroamérica, S.A., a company whose main activity will be the contracting, management and execution of all kinds of works and construction projects, 99.16% owned by Prinur, S.A.U.

- Hidroandaluza, S.L., dealer in IT and electronic equipment, wholly owned by Sufl, S.A.
- Cortijo del Moro, S.A., property development company, 40% owned by Claudia Zahara 22, S.L.

- Comercializadora de Compost, S.A., whose principal activity is waste treatment and urban services, wholly owned by Sufl, S.A.
- Tesfran, S.A., French owner of the Adria tower (in the Paris financial district of La Defense). Testa, S.A. has a stake of 89.955%.
- Pazo de Congreso de Vigo, S.A., whose corporate purpose is to build, operate and maintain contract for the new Vigo auditorium and conference centre. Its main shareholders are Testa, S.A. (40%) and Sacyr, S.A.U. (10%).

- Hospital de Majadahonda, S.A., whose corporate purpose is to build and operate the Hospital Puerta de Hierro de Majadahonda civil engineering project, 20% owned by Testa, S.A.

- 1401 Brickell Office LLC, US company that owns the building at 1401 Brickell Avenue in Miami (Florida), wholly owned by Testa American Corporation.

b2) Companies removed from the scope of consolidation:
- Ecorreciclaje de Arcos, S.L., formerly owned by Sufi, S.A. was sold.
- Promociones Eólicas del Altiplano, S.A., formerly owned by Sufi, S.A. was sold.

b3) Changes in percentage ownership:
- Sacyr Vallehermoso, S.A. has increased its percentage ownership of Itinere Infraestructuras, S.A. from 82.75% to 91.38%.
- Sacyr Vallehermoso División Promoción, S.A.U. has increased its stake in Habitat Baix from 70% to 100%.
- Sufi, S.A. sold to Omicron-Amepro, S.A. its 35.67% stake in Consultora de Ingeniería y Empresa, S.L., giving Omicron-Amepro 100% ownership of the company.
- Sufi, S.A. has sold 50% of its stake in Compost del Pirineo, S.A.. It continues to own the remaining 50%.
- Omicron-Amepro, S.A. has transferred to Hidroandaluza, S.A. its 6.53% stake in Sufi.
- Omicron-Amepro, S.A. has spun off part of its assets to Sufi, S.A.. It has transferred its 30% stake in Hidroandaluza, S.A. which is now wholly owned by Sufi, S.A.. It also transferred its 25% stake in Sílices Turolenses, S.A. which is now 50% owned by Sufi, S.A. and its 45% stake in Comercializadora de Compost, S.A. which is henceforth wholly owned by Sufi, S.A..
- Itinere Infraestructuras, S.A. has raised its percentage ownership of Metro de Sevilla S.A. from 27.83% to 31.13%.

- Itinere Chile, S.A. has raised its percentage ownership of Concesionaria del Elqui S.A. from 72.67% to 75%.

- The consolidation of Europistas Concesionaria Española, S.A., which owns 25% of Inversora de Autopistas del Sur, has increased Sacyr Vallehermoso Group’s interest in the latter company from 10% to 35%, since the Itinere Group owned previously a 10% stake.

3. BASIS OF PRESENTATION AND CONSOLIDATION

a) Basis of presentation

The directors have prepared these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union.

Sacyr Vallehermoso Group has implemented the latest version of all relevant standards issued by the European Union Accounting Regulatory Committee (“EU-IFRS”) whose application was mandatory as of December 31, 2006. The Group has not applied any of the standards or interpretations that have been issued but not come into force. The impact of applying non-mandatory standards and interpretations at December 31, 2006 would have been immaterial.

Each Group company’s individual 2006 financial statements will be submitted for approval at their respective shareholders’ meetings within the regulatory period required. The directors of the Parent Company consider that this process will have no material impact on the consolidated 2006 financial statements. The consolidated financial statements of the Sacyr Vallehermoso Group for 2006 have been prepared by the Parent Company’s board of directors as of March 7, 2007. They are expected to be approved at the Parent Company’s Shareholders’ Meeting without amendment.

Unless stated otherwise, the figures in these consolidated financial statements are in thousands of euros.

b) Comparative information

The financial statements for Sacyr Vallehermoso Group include 2005 financial information restated for comparison purposes in accordance with the financial standards applied in preparing the 2006 financial statements.

In 2006 the Group also decided to modify the accounting estimates on which it bases the
depreciation of assets that revert to the concession-granter at the end of a concession, i.e., those that are not technically depreciated over the life of the concession, and also to modify, where appropriate, the criteria for recognizing in profit and loss the portion of capital grants associated with these revertible assets. As a result the Group now depreciates its revertible assets using a method linked to the economic use of the concession assets.

The net impact of this change on the depreciation of concession projects and the release of capital grants related to revertible assets in the 2006 consolidated income statement is a EUR 46,153 thousand reduction in the charge after tax. The expected impact of this accounting change over the next few years will vary from year to year, but the overall effect will be neutral as the above-mentioned net impact on the 2006 financial statements will be compensated at the end of the concession periods for each of the companies concerned.

The grouping of items on the cash flow statement has also been amended from the system used in 2005 in order to improve the clarity of the information presented.

Two changes were made to the calculation of cash flows from operating activities:

a) One formal change: in 2005 the reconciliation took as its starting point operating profit, while in 2006 it started from net profit.

b) One change in content: in 2005 corporate income tax and net finance costs were included (the latter being broken down into “dividends received”, “interest received” and “interest paid”). In 2006, these items were incorporated into “Change in net working capital” and “Change in financial debt” respectively. The change added a net EUR 284,820 thousand.

As a result the following items were affected:

- “Change in net working capital”: “Corporate income tax” was included under “Other current assets and liabilities” as it is a current tax liability. This had a negative impact of EUR 191,660 thousand.

- “Change in financial debt”: This was included in net finance costs as “Interest received” and “Interest paid”. This had a negative impact of EUR 93,160 thousand.

c) Accounting policies

These financial statements were prepared in accordance with EU-IFRS and comprise the consolidated balance sheet, consolidated income statement, consolidated cash flow statement, consolidated statement of changes in equity and the accompanying notes which form an integral part of the consolidated financial statements. The financial statements have been prepared on the basis of historical cost except for financial instruments held-for-trading and available-for-sale financial assets which have been measured at fair value. Non-current assets held-for-sale are carried at the lower of book value and fair value less transaction costs.

The accounting policies were applied uniformly by all Group companies.

The most significant accounting policies applied by Sacyr Vallehermoso Group in preparing the consolidated financial statements under EU-IFRS are as follows:

c.1) Accounting judgments and estimates

The Group’s directors are responsible for the information contained in these financial statements. The preparation of financial statements under EU-IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the balances for assets, liabilities, income and expenses. Estimates and the related assumptions are based on historical experience and other factors that are considered reasonable in the circumstances, and whose results are used to estimate the carrying amount of assets and liabilities where these cannot be easily measured by other means. Estimates and assumptions are continuously reviewed. Any revisions to accounting estimates are recognized in the period they made, if they apply solely to this period, or for this period and subsequent periods if they have a longer term impact.

c.2) Basis of Consolidation

The consolidated financial statements include the financial statements of Sacyr Vallehermoso, S.A. and subsidiaries at December 31, 2006 and 2005. The financial statements of the subsidiaries are prepared for the same reporting year as the Parent Company, using consistent accounting policies. Adjustments are made as required to harmonize any differences in accounting policies.
Information on subsidiaries, jointly controlled entities and associates is given in Appendix I, which forms an integral part of these financial statements.

### c.2.1 Consolidation principles

Consolidated companies are consolidated from the date that the Group obtains control of the company and deconsolidated when the Group ceases to exercise control. When the Company ceases to control a subsidiary, results for the part of the year when the subsidiary was under Group control are shown in the financial statements.

### c.2.2 Subsidiaries

Companies falling within the scope of consolidation are only fully consolidated in the following circumstances: (i) Subsidiaries in which the Parent Company has a direct or indirect stake greater than 50% and therefore controls a voting majority on the corporate bodies; (ii) Other companies where the stake is equal to or less than 50% where shareholders’ agreements allow Sacyr Vallehermoso Group to control the running of the company.

### c.2.3 Jointly controlled entities

Jointly controlled entities included within the scope of consolidation are consolidated using the proportionate consolidation method. These are entities that have two or more owners linked by a mutual agreement which specifies joint control.

Sacyr Vallehermoso Group reports two forms of Spanish joint venture under this heading: temporary business associations (Uniones Temporales de empresas or UTEs) and economic interest groups (Agrupaciones de Interés Económico or AIEs).

### c.2.4 Associates

Companies over which Sacyr Vallehermoso Group does not exercise control but does exercise significant influence are consolidated by the equity method. In preparing these consolidated financial statements it has been assumed that the Group exercises significant influence over those companies where it has a percentage ownership of more than 20%, except in specific cases where significant influence can be clearly demonstrated despite the Group having a stake of less than 20%.

Investments in associates are recognized on the consolidated balance sheet at cost plus changes in the percentage of ownership subsequent to the initial acquisition, depending on the Group’s interest in the net assets of the associate less any impairment in value. The consolidated income statement reports the Group’s percentage interest in the associate’s results. In the event of changes recognized directly to the associate’s equity, the Group books a proportionate share of the change directly in its own equity.

### c.2.5 Intra-group transactions

The following transactions and balances have been eliminated on consolidation:

- Positive and negative balances and costs and income arising from intra-group transactions.
- Gains and losses from buying and selling property, plant and equipment and any material unrealized profits on inventories.
- Internal dividends and the payables item for interim dividends booked by the company paying the dividend.

### c.2.6 Financial year end

All companies forming part of the Sacyr Vallehermoso Group end their financial years on December 31.

### c.2.7 Minority interests

The value of the share of minority interests in the equity and profit or loss for the year of consolidated subsidiaries is shown in “Equity attributable to minority interests” on the consolidated balance sheet and in “Minority interests” in the consolidated income statement, respectively.

### c.2.8 Translation of financial statements of foreign subsidiaries

The balance sheet and income statement items of consolidated foreign companies are translated to euros using the year-end exchange rate method, which means:

- All assets, rights and obligations are converted to euros using the exchange rate in force at the foreign subsidiaries’ balance sheet date.
- Income statement items are translated at the average exchange rate for the year.
- The difference between the equity of foreign companies, including profit/loss for the year translated at year-end exchange rates, and the...
equity arrived at by translating the assets, rights and liabilities using the above criteria is shown as “Translation differences” under equity on the consolidated balance sheet.

c.3) Goodwill

Goodwill acquired in a business combination is initially measured at cost, being the excess of the cost of the business combination over the Parent Company’s interest in the net fair value of the acquired company’s identifiable assets, liabilities, and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group’s cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating unit or group of cash-generating units to which the goodwill relates. Where the recoverable amount of the cash-generating unit or group of cash-generating units is less than the carrying amount of the cash-generating unit or group of cash-generating units to which goodwill has been allocated, the Group recognizes an impairment loss.

The Group has made use of the exemption that allows it not to apply IFRS 3 retroactively to business combinations that took place before the transition date to IFRS. The consolidated balance sheet therefore carries goodwill generated before the IFRS transition date as the difference between the price paid for acquisitions and their carrying amounts plus any unrealized capital gains attributable to the acquired assets at the acquisition date, net of amortization accumulated to December 31, 2003.

Impairment losses relating to goodwill cannot be reversed in future periods.

Subsequent increases to the percentage ownership in subsidiaries are recognized as the difference between the amount paid and the recorded value of goodwill.


c.4) Other intangible assets

These include administrative concessions, computer software, development costs, key money, and greenhouse gas emission rights. They are recognized at cost of acquisition or production less accumulated amortization and impairment. An intangible asset is recognized only if it is probable that the future economic benefits attributable to the asset will flow to the Group and the cost of the asset can be measured reliably.

Administrative concessions are recorded at the amount used in the calculation of concession fees paid by the Company less related amortization, which is calculated on a straight-line basis over the life of the concession. Costs incurred for each development project are capitalized when the Group can demonstrate all of the following:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale
- its intention to complete the asset for use or sale
- how the asset will generate future economic benefits
- the availability of resources to complete the asset
- the ability to measure development costs reliably

Capitalized development costs are amortized over the period of expected future revenue from the project.

“Computer software” is the value of computer programs acquired from third parties for use over several years. It is amortized at 25% annually.

“Key money” is the amount paid for the right to lease business premises. It is amortized on a straight-line basis over five years.

“Greenhouse gas emission rights” recognizes rights received under the various national allocation plans.

In light of the UN Framework convention on climate change and the Kyoto Protocol which set a European Community target for reduction in greenhouse gas emissions an emissions rights trading system has been created.

Emission rights are measured at their price of acquisition or production. The magazine “CO2 Spain”
published the price of a CO2 emission right as of January 2, 2006 at EUR 22.35. They are measured at fair value at the start of each calendar year. A balancing entry is made under government grants and released to income as the rights are used.

Emission rights are not amortized but a provision for emission costs is recognized under “Provisions” as greenhouse gas emission rights are gradually used. In April of the following year the rights consumed are settled with the authorities and adjustments made to the amounts relating to greenhouse gas emission rights under intangible assets, provisions and government grants.

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the income statement when the asset is derecognized.

c.5) Property, plant and equipment

Property, plant and equipment is carried at cost, including all directly related costs incurred before the asset becomes available for use, adjusted for legally permitted restatements for inflation made by the Group before the transition date and less accumulated depreciation and any impairment loss.

The costs of expanding, upgrading or improving property, plant and equipment so as to increase the asset’s productivity, capacity or efficiency or to prolong their useful life are capitalized as an increase in the cost of the asset.

Repair and maintenance costs for the year are recognized in the consolidated income statement.

Leased assets in which the terms of the arrangement transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item are classified as finance leases. Properties acquired through finance leases are carried at the lower of fair value and the present value of the minimum lease payments at the start of the lease, less accumulated depreciation and impairment.

Depreciation is recorded in the consolidated income statement on a straight-line basis over the estimated useful life of each asset. The assets are depreciated from the moment they become available for use.

Property, plant and equipment is depreciated from cost using the straight-line method over the period of each asset’s estimated useful life, except for machinery which is depreciated using the declining balance method in nearly all cases.

<table>
<thead>
<tr>
<th>Buildings for own use</th>
<th>50 - 68</th>
</tr>
</thead>
<tbody>
<tr>
<td>Machinery</td>
<td>5 - 10</td>
</tr>
<tr>
<td>Materials for installations</td>
<td>2 - 4</td>
</tr>
<tr>
<td>Tools and associated equipment</td>
<td>4 - 8</td>
</tr>
<tr>
<td>Transport equipment</td>
<td>5 - 8</td>
</tr>
<tr>
<td>Furniture and fittings</td>
<td>9 - 12</td>
</tr>
<tr>
<td>Data processing equipment</td>
<td>3 - 4</td>
</tr>
<tr>
<td>Complex pieces of plant and equipment</td>
<td>2 - 4</td>
</tr>
<tr>
<td>Other P,P&amp;E</td>
<td>5</td>
</tr>
</tbody>
</table>

At each financial year end, the Group reviews and, where necessary, adjusts the assets’ residual values, useful lives and depreciation method.

In accordance with the accounting treatment allowed by IAS 23, borrowing costs that are directly attributable to the acquisition or development of property, plant and equipment are capitalized when assets require more than a year to be ready for use.

Investment properties are recognized at cost, including directly attributable start-up costs, the initial estimate of decommissioning costs and transaction costs.

Subsequent investments in the property are recognized at cost, applying the same criteria as for property plant and equipment.

In accordance with the accounting treatment allowed by IAS 23, borrowing costs that are directly attributable to the acquisition or development of investment property are capitalized when assets require more than a year to be ready for use.

The costs of any improvements that increase the properties rental yield are capitalized each year. In contrast, repairs which do not prolong or improve the useful life of the assets as well as maintenance costs are charged directly to the consolidated income statement as incurred.

c.6) Investment properties

Investment properties are recognized at cost, including directly attributable start-up costs, the initial estimate of decommissioning costs and transaction costs.

Subsequent investments in the property are recognized at cost, applying the same criteria as for property plant and equipment.

In accordance with the accounting treatment allowed by IAS 23, borrowing costs that are directly attributable to the acquisition or development of investment property are capitalized when assets require more than a year to be ready for use.
Investment properties are derecognized when sold or permanently withdrawn from use and no future economic benefits are expected from their disposal. Any gains or losses from the withdrawal from use or sale of the property are recognized in the income statement for the period that they occurred.

Investment properties are depreciated based on their acquisition cost using the straight-line method over their estimated useful life, as revised annually, which is 50-68 years.

c.7) Concession projects

"Concession projects" covers projects in operation and under construction and includes technical and economic studies, projects, expropriations, compensation and replacement of services and easements, construction of projects and installations, project management and administration, finance costs accrued over the construction period from investors who are effectively financing the investment in the concession project and all costs of construction accrued before the assets come into service. Certain items acquired before December 31, 2003 include revaluations of assets for inflation that the Group made before the transition date to IFRS.

Positive differences between the carrying amount of equity in certain subsidiaries at the date of acquisition and the amount of the investment were included under "Investment in operational highways" only if there were sufficient unrealized capital gains at the time of acquisition to justify the difference.

Some subsidiaries have begun to depreciate some items of revertible property, plant and equipment over an estimated useful life that is less than the concession period. These items continue to be depreciated over their estimated useful life.

The Group opted in 2006 to depreciate other investments in concession projects (i.e. revertible assets that are not depreciated over the life of the concession) using a method linked to the economic life of the concession assets.

c.8) Financial assets

Financial assets classified as held for trading are measured at fair value, with any resulting gain or loss recognized in the consolidated income statement. Fair value is the market price at the balance sheet date.

Other financial investments held by the Group are classified as available-for-sale and are measured at fair value, with any resulting gains or losses being recognized directly in equity. When the investment is disposed of, the cumulative gain or loss previously recorded directly in equity is recognized in the income statement.

Available-for-sale investments that cannot be valued against a benchmark quoted price in an active market and where there is no other way to reasonably determine fair value are measured at cost less any impairment loss.

Financial assets classified as held for trading are measured at fair value, with any resulting gain or loss recognized in the consolidated income statement. Fair value is the market price at the balance sheet date.

Other financial investments held by the Group are classified as available-for-sale and are measured at fair value, with any resulting gains or losses being recognized directly in equity. When the investment is disposed of, the cumulative gain or loss previously recorded directly in equity is recognized in the income statement.

Loans, receivables, and financial investments which the Group has the positive intention and ability to hold to maturity are measured at amortized cost less any impairment losses.

The Group records the appropriate impairment provisions for loans and receivables when circumstances make it reasonable to classify these assets as uncollectible.

c.9) Impairment

c.9.1 Impairment of property, plant and equipment and intangible assets

Impairment losses are recognized for all assets or, where appropriate, for cash-generating units, when an asset’s carrying amount exceeds its recoverable amount. Impairment losses are recognized in the consolidated income statement.

The Group assesses at each balance sheet date whether there is an indication that a non-current asset may be impaired. Where such indications exist, and in the case of goodwill even if they do not, the recoverable value of the assets is estimated.

An asset’s recoverable amount is the higher of the asset’s or cash-generating unit’s fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For assets that do not generate cash inflows that are largely independent of those from other assets or groups of assets, the recoverable amount is determined for the cash-generating units to which the asset belongs.

Impairment losses in respect of cash-generating units are allocated first to reduce the carrying amount of any

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goodwill allocated to the cash-generating units and, then, to reduce the carrying amount of the other assets based on a review of the individual assets that show indications of impairment.

Except in the case of goodwill, a previously recognized impairment loss is reversed if there has been a change in the estimates used to determine the asset's recoverable amount. The reversal of impairment loss is recognized in the consolidated income statement.

The increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset.

c.9.2 Impairment of financial assets

When a decline in the fair value of an available-for-sale financial asset has been directly recognized in equity and there is objective evidence that the asset is impaired, the cumulative losses previously reported in equity are included in the income statement for the year. The cumulative loss recognized in profit or loss is the difference between cost and current fair value.

Impairment loss on an investment in an equity instrument classified as available for sale is reversed against equity, with no effect on the income statement.

If the fair value of a fixed-income financial instrument classified as available for sale increases and this increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, this loss can also be reversed in the income statement.

The recoverable amount of held-to-maturity investments and receivables carried at amortized value is calculated as the present value of expected future cash flows discounted at the original effective interest rate. Current investments are not discounted to present value.

Impairment losses on held-to-maturity financial investments or receivables carried at amortized value are reversed if the subsequent increase in the recoverable amount can be objectively related to an event occurring after the impairment loss was recognized.

c.10) Inventories

Land lots, developments in progress and completed buildings, all of which are held for sale, are valued at their cost of acquisition or construction, as described below:

- Properties: developments in progress are measured according to the cost system indicated below. Buildings that were acquired after completion are recorded at cost, including direct costs directly attributable to the acquisition.

- Developments in progress: costs incurred for property developments whose construction is not yet complete. These include direct construction costs certified by the relevant project managers, development costs and finance costs incurred over the construction phase. Once construction has begun, the value of buildings and other structures includes the cost of the land lots on which they are built.

- Land lots and adaptation of land: valued at acquisition cost which includes costs directly related to purchases. The value of land and lots also includes the capitalized cost of spending on the project, on urban development, and on planning up to the completion of work to ready the lot for development.

“Inventories” includes the finance costs accrued during the construction phase.

Stockpiles of raw and other materials and consumables are valued at cost.

Products and work in progress are valued at their cost of production, which includes the cost of materials, labor and direct production costs.

The Group makes an adjustment to the value of its inventories if recorded costs are higher than market value.

Project start-up costs are costs incurred up to the start of construction which are attributed to the costs on a percentage of completion basis over the lifetime of the project's execution.

The Property Development business books any losses which are estimated on projects, provisioning these in their entirety.
c.11) Receivables

Discounted bills pending maturity at December 31, are included in the accompanying consolidated balance sheets under “Trade receivables,” with a balancing entry in “Interest-bearing loans and borrowings.”

Provisions are made according to the best estimates of the annual accrual, this being between 0.5% and 1% of the completed project.

Provisions are contingent upon the fulfillment of certain conditions.

c.16) Financial liabilities

Financial liabilities are initially measured at fair value less attributable transaction costs. Subsequent to initial recognition, financial liabilities are carried at amortized value with any differences between cost and redemption value recorded in the consolidated income statement over the period of the borrowings using the effective interest rate method.

Liabilities maturing in less than 12 months from the balance sheet date are classified as current, while those with longer maturity periods are classified as non-current.

c.12) Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and at hand and short-term deposits with an original maturity of three months or less and no exposure to significant changes in value.

The policy on contingencies and expenses is to make provisions for the estimated amount of probable or certain liabilities arising from legal proceedings in progress, compensation or obligations pending, and for guarantees and other similar commitments. These are recorded as soon as the liability or obligation becomes known.

The provision for construction completion is recorded on the liabilities side of the balance sheet and reflects the estimated amount of liabilities on completion of construction which cannot yet be determined or for which the actual settlement date is not known, being contingent upon the fulfillment of certain conditions.

Provisions are made according to the best estimates of the annual accrual, this being between 0.5% and 1% of the completed project.

Provisions are contingent upon the fulfillment of certain conditions.

c.13) Capital increase costs

Capital increase costs are recognized in “Equity” net of any tax effect.

The Group has two pension plans that provide complementary retirement benefits to the employees of certain companies on top of their Social Security entitlements. In accordance with Spanish law these schemes are outsourced and take the form of a defined benefits plan in the case of Empresa Mixta de Aguas de Santa Cruz de Tenerife, S.A. (EMMASA) and insurance policies in the case of Empresa Mixta de Aguas de Las Palmas, S.A. (EMALSA).

Actuarial gains and losses are recognized as income or expense when the cumulative net unrecognized amount in either plan at the end of the previous year is more than 10% of the greater of either the liabilities under the plan or the fair value of plan assets at the same date. These gains and losses are recognized over the average expected remaining working life of the plan members.

Past service cost is recognized as a cost on a straight-line basis over the average period until the benefits vest. When benefits become irrevocable either immediately or after any change in a defined benefits plan, past service costs are recognized immediately.

Liabilities in respect of defined benefits are the sum of the present values of the obligations and unrecognized actuarial gains and losses, less past service costs not yet recognized and less the fair value of plan assets designated to settle the obligations.

Provisions are reviewed at each consolidated balance sheet date and adjusted to reflect the current best estimate of the liability.

Provisions are recognized in the consolidated balance sheet when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Amounts recognized as provisions are the best estimate of the amounts required to offset the current value of those obligations at the consolidated balance sheet date.

Both pension plans underwent an independent actuarial valuation at year end in accordance with IAS 19.

Actuarial gains and losses are recognized as income or expense when the cumulative net unrecognized amount in either plan at the end of the previous year is more than 10% of the greater of either the liabilities under the plan or the fair value of plan assets at the same date. These gains and losses are recognized over the average expected remaining working life of the plan members.

Past service cost is recognized as a cost on a straight-line basis over the average period until the benefits vest. When benefits become irrevocable either immediately or after any change in a defined benefits plan, past service costs are recognized immediately.

Liabilities in respect of defined benefits are the sum of the present values of the obligations and unrecognized actuarial gains and losses, less past service costs not yet recognized and less the fair value of plan assets designated to settle the obligations.

The policy on contingencies and expenses is to make provisions for the estimated amount of probable or certain liabilities arising from legal proceedings in progress, compensation or obligations pending, and for guarantees and other similar commitments. These are recorded as soon as the liability or obligation becomes known.

The provision for construction completion is recorded on the liabilities side of the balance sheet and reflects the estimated amount of liabilities on completion of construction which cannot yet be determined or for which the actual settlement date is not known, being contingent upon the fulfillment of certain conditions.

Provisions are made according to the best estimates of the annual accrual, this being between 0.5% and 1% of the completed project.

Provisions are contingent upon the fulfillment of certain conditions.
Assets are measured as the sum of past service costs not yet recognized plus the present value of any economic benefit available from plan revenues or reductions in future contributions to the plan.

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates used are those in force at the balance sheet date, including any tax adjustments from previous years.

c.17) Foreign currency transactions

Foreign currency transactions are converted to euros at the exchange rate applying on the transaction date. Gains or losses from foreign currency transactions are taken to profit or loss as they occur.

Deferred income tax is recognized using the liability method for all temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Foreign currency receivables and payables are translated into euros using the year-end exchange rate method. Unrealized exchange differences on transactions are taken to the consolidated income statement.

The Group recognizes deferred tax liabilities for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in jointly controlled entities, where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Government grants are recognized where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with.

When the grant relates to an expense item, it is recognized as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

Where the grant relates to an asset, it is recognized at its fair value as deferred income, and taken to profit or loss each year in line with the depreciation of the assets financed by the grant.

The Group recognizes deferred tax assets for all deductible temporary differences, unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which they can be used, except:

- when the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that is not a business combination and affects neither the accounting profit nor taxable profit or loss at the time of the transaction.
- in respect of deductible temporary differences relating to investments in subsidiaries, associates and interests in jointly controlled entities, the deferred tax asset is only recognized to the extent that it is probable that the temporary differences will reverse in the foreseeable future and that sufficient future taxable profit will be available against which the deductible temporary difference can be offset.

Income tax expense each year is calculated as the sum of the current tax expense derived by applying the current tax rate to the tax base for the year, after taking into account all applicable tax credits and relief, and the change in deferred tax assets and liabilities which are taken to profit and loss.

Income tax expense is recognized in the consolidated income statement except when it applies to items recognized directly in equity, in which case the tax is recognized against the relevant equity item.

Sacyr Vallehermoso, S.A. and its subsidiaries, in compliance with Royal Decree 4/2004 implementing the amended Income Tax Law (Ley del Impuesto sobre Sociedades), have decided with the approval of each company’s corporate bodies to file taxes under the consolidated tax regime for 2006, and have notified the A.E.A.T., which has assigned the Group’s Parent Company the tax number 20/02.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be used. The Group also
reasseses unrecognized deferred income tax assets at each balance sheet date and recognizes them to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

c.20) Derivative financial instruments and hedging

The Group uses derivative financial instruments such as currency contracts and interest rate swaps to hedge its interest rate and foreign currency risks. Such derivative financial instruments are initially recognized at fair value at the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivatives during the year that do not qualify for hedge accounting are taken directly to profit or loss for the year.

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest rate instruments is determined by reference to market values for similar instruments.

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognized asset or liability,

- cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a forecast transaction,

- hedges of a net investment in a foreign operation.

Hedges of the foreign currency risk of a firm commitment are recognized as cash flow hedges.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges which meet the strict criteria for hedge accounting are accounted for as follows:

- **Fair value hedges**
  
  Fair value hedges are hedges of the Group’s exposure to a change in the fair value of a recognized asset or liability or of an unrecognized firm commitment or of an identified portion of such an asset, liability or firm commitment, that can be attributed to a particular risk and may have an impact on profit or loss. In fair value hedges, the carrying amount of the hedged item is adjusted to reflect gains and losses in the hedged risk, the derivative is revalued at its fair value and the gains and losses from both are taken to profit or loss.

- **Cash flow hedges**
  
  Cash flow hedges are hedges of exposure to changes in cash flows attributable to a specific risk attributable to a recognized asset or liability or a highly probable forecast transaction that may have an impact on profit or loss. The effective portion of the gain or loss on the hedging instrument is recognized directly in equity, while any ineffective portion is taken to the income statement.

Amounts taken to equity are transferred to the income statement when the hedged transaction affects profit or
loss, such as when the hedged financial income or financial expense is recognized or when a forecast sale or purchase occurs. Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts taken to equity are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction is no longer expected to occur, amounts previously recognized in equity are transferred to the income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognized in equity remain in equity until the forecast transaction occurs. If the related transaction is no longer expected to occur, the amount is taken to the income statement.

- Hedges of a net investment

Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a way similar to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognized directly in equity while any gains or losses relating to the ineffective portion are recognized in the income statement. On disposal of the foreign operation, the cumulative value of any such gains or losses recognized directly in equity is transferred to the income statement.

- Recognition of income and expense

In general, income and expenses are recorded according to the accruals principle, that is, at the moment the goods or services represented by them are provided, regardless of when actual payment or collection occurs.

Income is only recognized when all the following criteria are met:

- transfer of ownership risks,
- transfer of control of goods,
- income and expenses, whether already incurred or to be incurred, can be reliably measured,
- it is probable that the Company will receive the economic benefits relating to the transaction.

Note that the Sacyr Vallehermoso Group uses the following methods to recognize income in the following specific business areas:

1. Construction companies

Contract income corresponds to the sum of the stipulated contract price plus the value of changes made to the work as originally planned, as well as claims or incentives which are likely to be received and can be sufficiently reliably measured.

Contract costs include:

- Net costs directly related to the contract, such as direct labor costs and materials, etc.
- Related contract costs, e.g., insurance, finance costs, indirect costs such as technical assistance not directly related to a specific contract. These costs are distributed equally using systematic, rational criteria.
- Other costs billable to the client under the contract, which include certain general administration and development costs, provided that they have been specified in the contract.
- Costs that cannot be attributed to the contracting activity or allocated to specific contracts are excluded from construction contract costs.

The recognition of income or costs related to a construction contract differs depending on whether the outcome of the contract can be reliably estimated. To reliably estimate contract outcome, the following criteria must be met:

- It must be probable that the Company will obtain the economic benefits budgeted in the contract.
- Contract costs must be clearly identifiable and reliably measured.
- For contracts with a fixed price, it must likewise be possible to reliably measure the costs to complete the project and the current stage of completion so that actual costs can be compared with the prior estimates.
If the outcome of the contract can be sufficiently reliably estimated, contract income and costs are recognized on a “stage of completion” basis at the balance sheet date.

If the outcome of the contract cannot be reliably estimated, income is recognized only up to the amount of recoverable costs. Costs incurred during the period are expensed. If the outcome of a contract is expected to be a loss, the loss is recorded immediately.

To assess a contract’s stage of completion, which determines the income or profit to be recorded, Sacyr Vallehermoso Group uses the percentage of completion method (costs incurred as a proportion of total budgeted costs).

The difference between the original production amount at the beginning of each project and the amount certified for each as of the balance sheet date, is recorded under “Receivables” as “Completed work pending approval”.

Auxiliary work for construction projects, which includes general and specific project installations and the cost of studies and other project expenses, are recognized in proportion to costs incurred as a percentage of total budgeted costs. The portion pending amortization is recorded in “Inventories” on the consolidated balance sheet.

The estimated costs of termination of the project or contract are provisioned on an accrual basis to “Trade provisions” on the balance sheet over the lifetime of the project or contract and expensed based on the proportion of work completed as a percentage of estimated costs. Costs incurred after completion of work but before its final termination are charged against these provisions.

2. Property companies

The method applied is to recognize profit and loss in each year and report sales as “Revenue” when the risks and rights deriving from ownership of the property have been substantially transferred to the buyer.

Prepayments by clients before the building is delivered are reported as “Customer prepayments” under “Trade payables” on the liabilities side of the balance sheet.

In developments where a loss is anticipated provisions are taken for the whole value of the loss as soon as the situation becomes known.

Reassignable mortgage loans are included under “Amounts payable to credit institutions” in the consolidated balance sheet.

These are reported as part of “Trade payables” on the liabilities side of the accompanying consolidated balance sheet and include payment on account of billings received from clients in respect of uncompleted work and on buildings awaiting delivery.

Except where fair grounds for dismissal can be shown, companies must compensate employees contracted for a project or service when they cease to work on the projects for which they were contracted.

As there is no foreseeable need to terminate the contracts of employees and that employees who retire or leave the Company of their own accord are not entitled to compensation, any severance costs are expensed when decisions are taken and notified to the employee concerned. Given that there are no plans to dismiss permanent staff in the near future, no provision has been recorded for severance payments in 2005 and 2006.

Costs incurred to acquire systems, equipment, and installations for the purpose of eliminating, mitigating or monitoring the potential environmental impact of activities carried out in the normal course of business are recorded as investments in fixed assets.

Other environment-related expenses that do not concern the acquisition of fixed assets are recorded as expenses for the year.

The Company’s directors consider that any contingencies arising in connection with environmental matters are adequately covered by existing insurance policies.
## 4. Property, Plant & Equipment

The changes in 2005 and 2006 in property, plant and equipment and related cumulative depreciation were as follows:

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<table>
<thead>
<tr>
<th></th>
<th>BALANCE AT 31-DEC-04</th>
<th>ADDITIONS</th>
<th>DISPOSALS</th>
<th>TRANSFERS</th>
<th>CHANGES IN SCOPE</th>
<th>TRANSLATION</th>
<th>BALANCE AT 31-DEC-05</th>
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<tr>
<td><strong>2005</strong></td>
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<td>Land and buildings</td>
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<td>(5,987)</td>
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<td>Other items of P,P&amp;E</td>
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<td>13,553</td>
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<td>59,362</td>
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<td>Provisions</td>
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<td>0</td>
<td>0</td>
<td>0</td>
<td>(3,747)</td>
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<td><strong>COST</strong></td>
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<td>270,055</td>
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<td>(113,593)</td>
<td>162,214</td>
<td>6,652</td>
<td>1,075,816</td>
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<td>(1,664)</td>
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<td>(12,075)</td>
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<td>Other installations, tools and furniture</td>
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<td>331</td>
<td>(1,445)</td>
<td>(606)</td>
<td>(40,964)</td>
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<td>Payments on account and P,P&amp;E under</td>
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<td>0</td>
<td>(307)</td>
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<td>Other items of P,P&amp;E</td>
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<td>(11,208)</td>
<td>6,985</td>
<td>(156)</td>
<td>(4,556)</td>
<td>(492)</td>
<td>(42,581)</td>
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<td><strong>ACCUMULATED DEPRECIATION</strong></td>
<td>(192,226)</td>
<td>(49,029)</td>
<td>33,920</td>
<td>413</td>
<td>(19,740)</td>
<td>(4,687)</td>
<td>(236,349)</td>
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<td><strong>TOTAL</strong></td>
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<td>(51,856)</td>
<td>(113,090)</td>
<td>142,474</td>
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<td>839,467</td>
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### Consolidated Annual Financial Report

<table>
<thead>
<tr>
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<th>BALANCE AT 31-DEC-05</th>
<th>ADDITIONS</th>
<th>DISPOSALS</th>
<th>TRANSFERS</th>
<th>CHANGES IN SCOPE</th>
<th>TRANSLATION</th>
<th>BALANCE AT 31-DEC-06</th>
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</tr>
<tr>
<td>Land and buildings</td>
<td>236,861</td>
<td>5,555</td>
<td>(8,906)</td>
<td>3,553</td>
<td>15,733</td>
<td>(1,242)</td>
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<tr>
<td>Technical installations and machinery</td>
<td>314,378</td>
<td>69,966</td>
<td>(23,305)</td>
<td>5,245</td>
<td>22,215</td>
<td>(1,780)</td>
<td>386,719</td>
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<tr>
<td>Other installations, tools and furniture</td>
<td>65,641</td>
<td>12,755</td>
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<td>1,190</td>
<td>4,163</td>
<td>(639)</td>
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</tr>
<tr>
<td>Payments on account and P,P&amp;E under</td>
<td>403,321</td>
<td>183,881</td>
<td>(24,988)</td>
<td>(66,763)</td>
<td>(3,220)</td>
<td>0</td>
<td>492,231</td>
</tr>
<tr>
<td>Other items of P,P&amp;E</td>
<td>59,362</td>
<td>16,656</td>
<td>(5,023)</td>
<td>50</td>
<td>4,563</td>
<td>(552)</td>
<td>75,056</td>
</tr>
<tr>
<td>Provisions</td>
<td>(3,747)</td>
<td>(10,413)</td>
<td>0</td>
<td>9,492</td>
<td>0</td>
<td>(4,688)</td>
<td></td>
</tr>
<tr>
<td><strong>COST</strong></td>
<td>1,075,816</td>
<td>278,400</td>
<td>(65,603)</td>
<td>(47,233)</td>
<td>43,454</td>
<td>(4,213)</td>
<td>1,280,621</td>
</tr>
<tr>
<td>Land and buildings</td>
<td>(24,206)</td>
<td>(3,898)</td>
<td>1,088</td>
<td>30</td>
<td>(2,207)</td>
<td>114</td>
<td>(29,079)</td>
</tr>
<tr>
<td>Technical installations and machinery</td>
<td>(130,477)</td>
<td>(43,263)</td>
<td>19,587</td>
<td>(622)</td>
<td>(4,953)</td>
<td>1,706</td>
<td>(158,022)</td>
</tr>
<tr>
<td>Other installations, tools and furniture</td>
<td>(40,964)</td>
<td>(8,009)</td>
<td>3,150</td>
<td>(365)</td>
<td>(8,496)</td>
<td>530</td>
<td>(54,154)</td>
</tr>
<tr>
<td>Payments on account and P,P&amp;E under</td>
<td>1,879</td>
<td>0</td>
<td>0</td>
<td>(6)</td>
<td>0</td>
<td>0</td>
<td>1,873</td>
</tr>
<tr>
<td>Other items of P,P&amp;E</td>
<td>(42,581)</td>
<td>(7,651)</td>
<td>6,422</td>
<td>(1,235)</td>
<td>(3,178)</td>
<td>474</td>
<td>(47,749)</td>
</tr>
<tr>
<td><strong>ACCUMULATED DEPRECIATION</strong></td>
<td>(236,349)</td>
<td>(62,821)</td>
<td>30,247</td>
<td>(2,198)</td>
<td>(18,834)</td>
<td>2,874</td>
<td>(287,531)</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>839,467</td>
<td>215,579</td>
<td>(35,356)</td>
<td>(49,431)</td>
<td>24,620</td>
<td>(1,389)</td>
<td>993,490</td>
</tr>
</tbody>
</table>
In 2005 and 2006, the key items under “Advances and property, plant and equipment in course of construction” were the power plants being built by the Valoriza Group and work by Testa Group on the Torre SyV tower in Madrid as well as a number of buildings under construction for future rental.

In 2006, the Group capitalized EUR 5,246 thousand of finance costs as part of the construction costs of buildings. This compares to EUR 3,925 thousand in 2005.

As of December 31, 2006 there were no material commitments to acquire property, plant and equipment.

5. CONCESSION PROJECTS

The changes in 2005 and 2006 in concession projects and related cumulative depreciation were as follows:

### 2005

<table>
<thead>
<tr>
<th></th>
<th>BALANCE AT 31-DEC-04</th>
<th>ADDITIONS</th>
<th>DISPOSALS</th>
<th>TRANSFERS</th>
<th>CHANGES IN TRANSLATION BALANCE AT 31-DEC-05</th>
</tr>
</thead>
<tbody>
<tr>
<td>Concession projects</td>
<td>4,754,871</td>
<td>320,811</td>
<td>(1,896)</td>
<td>146,749</td>
<td>33,218 166,296 5,420,049</td>
</tr>
<tr>
<td>Concession projects under construction</td>
<td>87,142</td>
<td>80,300</td>
<td>(1,051)</td>
<td>(144,013)</td>
<td>0 21,920 44,298</td>
</tr>
<tr>
<td>COST</td>
<td>4,842,013</td>
<td>401,111</td>
<td>(2,947)</td>
<td>2,736</td>
<td>33,218 168,216 5,464,347</td>
</tr>
<tr>
<td>Amortization</td>
<td>(1,091,060)</td>
<td>(140,508)</td>
<td>2,408</td>
<td>(144,013)</td>
<td>(1,270,244)</td>
</tr>
<tr>
<td>ACCUMULATED AMORTIZATION</td>
<td>(1,091,060)</td>
<td>(140,508)</td>
<td>2,408</td>
<td>(144,013)</td>
<td>(1,270,244)</td>
</tr>
<tr>
<td>TOTAL</td>
<td>3,750,953</td>
<td>260,603</td>
<td>(539)</td>
<td>2,341</td>
<td>23,080 157,665 4,194,103</td>
</tr>
</tbody>
</table>

### 2006

<table>
<thead>
<tr>
<th></th>
<th>BALANCE AT 31-DEC-05</th>
<th>ADDITIONS</th>
<th>DISPOSALS</th>
<th>TRANSFERS</th>
<th>CHANGES IN TRANSLATION BALANCE AT 31-DEC-05</th>
</tr>
</thead>
<tbody>
<tr>
<td>Concession projects</td>
<td>5,420,049</td>
<td>14,507</td>
<td>(198)</td>
<td>(1,056)</td>
<td>1,126,585 126,638 6,433,249</td>
</tr>
<tr>
<td>Concession projects under construction</td>
<td>44,298</td>
<td>362,250</td>
<td>0</td>
<td>12,564</td>
<td>0 (4,729) 414,383</td>
</tr>
<tr>
<td>COST</td>
<td>5,464,347</td>
<td>376,757</td>
<td>(198)</td>
<td>11,508</td>
<td>1,126,585 131,367 6,847,632</td>
</tr>
<tr>
<td>Amortization</td>
<td>(1,270,244)</td>
<td>(91,784)</td>
<td>121</td>
<td>932</td>
<td>(210,806) 22,375 (1,549,406)</td>
</tr>
<tr>
<td>ACCUMULATED AMORTIZATION</td>
<td>(1,270,244)</td>
<td>(91,784)</td>
<td>121</td>
<td>932</td>
<td>(210,806) 22,375 (1,549,406)</td>
</tr>
<tr>
<td>TOTAL</td>
<td>4,194,103</td>
<td>284,973</td>
<td>(77)</td>
<td>12,440</td>
<td>915,779 108,992 5,298,226</td>
</tr>
</tbody>
</table>
The concession projects under construction or being operated by the Group’s concession companies at the balance sheet dates 2005 and 2006 were as follows:

<table>
<thead>
<tr>
<th>2006</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>IN OPERATION</td>
<td>UNDER CONSTR.</td>
</tr>
<tr>
<td><strong>Investment in motorways in Spain</strong></td>
<td><strong>5,584,522</strong></td>
</tr>
<tr>
<td>Autopistas del Atlántico (AUDASA)</td>
<td>2,298,903</td>
</tr>
<tr>
<td>Autopista Astur-Leonesa (AUCALSA)</td>
<td>787,922</td>
</tr>
<tr>
<td>Autopista Vasco Aragonesa (AWSA)</td>
<td>669,665</td>
</tr>
<tr>
<td>Autopistas de Navarra (AUDENASA)</td>
<td>433,488</td>
</tr>
<tr>
<td>Autoestradas de Galicia</td>
<td>170,888</td>
</tr>
<tr>
<td>Autovía del Noroeste CCARM</td>
<td>97,071</td>
</tr>
<tr>
<td>Viustur Concesionaria del Principado</td>
<td>0</td>
</tr>
<tr>
<td>Autovía del Turia</td>
<td>0</td>
</tr>
<tr>
<td>Autovía del Eresma</td>
<td>0</td>
</tr>
<tr>
<td>Autopista del Barbanza</td>
<td>0</td>
</tr>
<tr>
<td>Autopista de Guadalmedina</td>
<td>0</td>
</tr>
<tr>
<td>Europistas Concesionaria Española</td>
<td>1,074,514</td>
</tr>
<tr>
<td>Túneles de Artxandad</td>
<td>52,071</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>2,298,903</strong></td>
</tr>
<tr>
<td><strong>Investment in motorways outside Spain</strong></td>
<td><strong>848,727</strong></td>
</tr>
<tr>
<td>Motorways</td>
<td>6,433,249</td>
</tr>
<tr>
<td>Testa hospitalaria de Parla</td>
<td>0</td>
</tr>
<tr>
<td>Testa hospitalaria de Costada</td>
<td>0</td>
</tr>
<tr>
<td><strong>HOSPITALS</strong></td>
<td><strong>0</strong></td>
</tr>
<tr>
<td>Estemos (Moncloa interchange)</td>
<td>0</td>
</tr>
<tr>
<td>Ititepesa (Plaza Elíptica interchange)</td>
<td>0</td>
</tr>
<tr>
<td><strong>INTERCHANGES</strong></td>
<td><strong>0</strong></td>
</tr>
<tr>
<td>Sacyr S.A.U (Plaza de la Encarnación)</td>
<td>0</td>
</tr>
<tr>
<td>Sacyr S.A.U (Gisa police stations)</td>
<td>0</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>6,433,249</strong></td>
</tr>
</tbody>
</table>

Amounts shown for the construction phase of concession projects include interest on the borrowings that effectively financed investment in the motorway concerned. These finance costs were capitalized as “Investments in motorways under construction”. “Investments in motorways in operation” also includes interest capitalized by the concession companies.
At the balance sheet dates 2005 and 2006, finance costs capitalized by companies were as follows:

<table>
<thead>
<tr>
<th>Company Name</th>
<th>2006</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Autopistas del Atlántico (AUDASA)</td>
<td>105,825</td>
<td>105,825</td>
</tr>
<tr>
<td>Autopista Astur-Leonesa (AUCALSA)</td>
<td>92,027</td>
<td>92,027</td>
</tr>
<tr>
<td>Autopistas de Navarra (AUDENASA)</td>
<td>17,685</td>
<td>17,685</td>
</tr>
<tr>
<td>Autoestradas de Galicia</td>
<td>453</td>
<td>225</td>
</tr>
<tr>
<td>Autopista Vasco Aragonesa (AVASA)</td>
<td>17,050</td>
<td>17,050</td>
</tr>
<tr>
<td>Autovía del Noroeste CCARM</td>
<td>4,303</td>
<td>4,303</td>
</tr>
<tr>
<td>S.C. Elqui</td>
<td>11,566</td>
<td>13,397</td>
</tr>
<tr>
<td>S.C. Lagos</td>
<td>17,796</td>
<td>20,613</td>
</tr>
<tr>
<td>S.C. Rutas del Pacífico</td>
<td>11,890</td>
<td>13,772</td>
</tr>
<tr>
<td>S.C. Litoral Central</td>
<td>1,642</td>
<td>1,902</td>
</tr>
<tr>
<td>S.C. Vespucio Sur</td>
<td>32,951</td>
<td>38,166</td>
</tr>
<tr>
<td><strong>CAPITALIZED FINANCE COSTS (CONCESSIONS IN OPERATION)</strong></td>
<td>313,188</td>
<td>324,965</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Company Name</th>
<th>2006</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Autovía del Turia, S.A.</td>
<td>2,250</td>
<td>30</td>
</tr>
<tr>
<td>Vlastur Concesionaria del Principado</td>
<td>2,675</td>
<td>23</td>
</tr>
<tr>
<td>Autovía del Eresma</td>
<td>1,176</td>
<td>0</td>
</tr>
<tr>
<td>S.C. Autopista Nororiente</td>
<td>685</td>
<td>(4)</td>
</tr>
<tr>
<td>S.C. Vespucio Sur</td>
<td>0</td>
<td>26,329</td>
</tr>
<tr>
<td>Itepesa (Plaza Elíptica interchange)</td>
<td>737</td>
<td>0</td>
</tr>
<tr>
<td>Testa hospitalaria de Parla, S.A.</td>
<td>1,557</td>
<td>0</td>
</tr>
<tr>
<td>Testa hospitalaria de Coslada, S.A.</td>
<td>2,022</td>
<td>0</td>
</tr>
<tr>
<td><strong>CAPITALIZED FINANCE COSTS (CONCESSIONS UNDER CONSTRUCTION)</strong></td>
<td>11,102</td>
<td>26,378</td>
</tr>
</tbody>
</table>
6. INVESTMENT PROPERTIES

The changes in 2005 and 2006 in investment properties and related cumulative depreciation were as follows:

In 2005, the most significant changes in the “Rental buildings” item related to the three office buildings at calle Princesa, 3-5 and Ventura Rodríguez, 7 (Madrid), Príncipe de Vergara, 187 (Madrid) and Juan Esplandiú, 11 (Madrid). Newly operational buildings during the year included an office building at Sant Cugat (Barcelona), the extension of the Centro Comercial Porto Pi (Palma de Mallorca) and the Sants residential home (Barcelona).

In 2006, the main changes in the “Rental buildings” item included the acquisition of two office buildings, one in La Défense (Paris) and another at 1401 Brickell Avenue (Miami).

“Rental buildings” also includes a lease (in which the Group is lessee) on 8 buildings in various Spanish provinces which are rented out to Endesa group companies. The gross initial cost of the properties is EUR 333,000 thousand and their net costs at December 31, 2006 and 2005 are EUR 315,281 thousand and EUR 321,323 thousand respectively. The lease expires on February 14, 2018 and the price of the purchase option is EUR 115,884 thousand. The finance lease was agreed in 2003. The detail of principal repayments outstanding under this lease at December 31, 2006 and 2005 is as follows:
All leases in the Testa group, except for those signed abroad, comply with Law 29/1994 on Urban Leases.

Under this Law, given the make-up of Testa’s property portfolio, there are two types of lease:

**For residential use**

Article 9 of the Law states that the duration of the lease shall be freely agreed between the parties. Testa normally sets a term of one year’s mandatory duration for both parties. Article 9 also states that on expiry of this term the lease can be extended by annual stages at the discretion of the lessee for up to a minimum of 5 years, when the lease shall be terminated. At each annual extension rent is revised upward by the equivalent of the National General Index of the consumer price index. In private homes rent is stated in the lease as all inclusive (bills). In government-sponsored housing, rent is set at a fixed level for each class of home, but services and utilities can be billed monthly on the same receipt. Besides one month’s legal deposit, we demand a bank guarantee for 4-6 months’ rent, depending on the circumstances.

<table>
<thead>
<tr>
<th>Year</th>
<th>2006</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>0</td>
<td>190,688</td>
</tr>
<tr>
<td>2007</td>
<td>264,885</td>
<td>210,562</td>
</tr>
<tr>
<td>2008</td>
<td>264,180</td>
<td>209,962</td>
</tr>
<tr>
<td>2009</td>
<td>250,894</td>
<td>193,079</td>
</tr>
<tr>
<td>2010</td>
<td>243,661</td>
<td>185,962</td>
</tr>
<tr>
<td>2011</td>
<td>211,597</td>
<td>182,510</td>
</tr>
<tr>
<td>Subsequent years</td>
<td>2,689,421</td>
<td>2,454,501</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>3,924,638</strong></td>
<td><strong>3,627,264</strong></td>
</tr>
</tbody>
</table>

The table below shows the Group’s billings in future years under rental agreements outstanding as of December 31, 2006 and estimates for the annual revisions in rents until expiry of the lease, which is assumed not to be renewed. In calculating the rent revisions we assumed an index of 2.5% for all years.

The fair values of investment properties as of December 31, 2006 and 2005, based on independent appraisal, were EUR 3,821,237 thousand and EUR 2,865,726 thousand, respectively. The principal amounts of the financial debts relating to this item at December 31, 2006 and 2005 were, respectively, EUR 845,869 thousand and EUR 1,131,007 thousand.

As of December 31, 2006 there were no material commitments to acquire investment properties.

Impairment losses and corresponding reversals are reported under “Change in provisions for intangible assets, property plant and equipment and long-term investment securities”.

**For non-residential use**

The law allows issues of term, rent, etc. to be freely agreed between the parties.

Normally, a term is agreed with the lessee and rent is updated annually in accordance with the National General Index of the Consumer Price Index. Leases for terms longer than four years normally include a provision to revise the rent to market prices at the annual review for years 4-5, 8-10, etc.

These leases normally specify rent plus bills and require, besides the statutory deposit of two-months’ rent, a bank guarantee for six monthly payments (rent plus bills plus VAT).
7. OTHER INTANGIBLE ASSETS

The changes in 2005 and 2006 in intangible assets and related cumulative depreciation were as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Balance at 31-Dec-04</th>
<th>Additions</th>
<th>Disposals</th>
<th>Transfers</th>
<th>Changes in Scope</th>
<th>Translation Differences</th>
<th>Balance at 31-Dec-05</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>Development costs</td>
<td>1,369</td>
<td>0</td>
<td>(1,369)</td>
<td>0</td>
<td>4</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>Administrative concessions</td>
<td>170,080</td>
<td>27,279</td>
<td>(59)</td>
<td>9</td>
<td>24,123</td>
<td>11,697</td>
</tr>
<tr>
<td></td>
<td>Key money</td>
<td>2,794</td>
<td>60</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>2,854</td>
</tr>
<tr>
<td></td>
<td>Computer software</td>
<td>15,453</td>
<td>1,830</td>
<td>(1,199)</td>
<td>0</td>
<td>478</td>
<td>75</td>
</tr>
<tr>
<td></td>
<td>Prepayments</td>
<td>0</td>
<td>55</td>
<td>(912)</td>
<td>0</td>
<td>1,095</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td><strong>192,690</strong></td>
<td><strong>29,224</strong></td>
<td>(3,333)</td>
<td>0</td>
<td><strong>23,700</strong></td>
<td><strong>11,722</strong></td>
</tr>
<tr>
<td></td>
<td>Development costs</td>
<td>(351)</td>
<td>0</td>
<td>351</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>Administrative concessions</td>
<td>(9,491)</td>
<td>(9,743)</td>
<td>0</td>
<td>(361)</td>
<td>(5,935)</td>
<td>(1,773)</td>
</tr>
<tr>
<td></td>
<td>Key money</td>
<td>(205)</td>
<td>(178)</td>
<td>0</td>
<td>(4)</td>
<td>0</td>
<td>(387)</td>
</tr>
<tr>
<td></td>
<td>Computer software</td>
<td>(9,679)</td>
<td>(3,627)</td>
<td>1,050</td>
<td>(532)</td>
<td>(201)</td>
<td>(68)</td>
</tr>
<tr>
<td></td>
<td><strong>Accumulated Amortization</strong></td>
<td>(19,726)</td>
<td>(15,546)</td>
<td>(1,050)</td>
<td>(542)</td>
<td>(6,140)</td>
<td>(1,831)</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td><strong>169,970</strong></td>
<td><strong>15,676</strong></td>
<td>(2,489)</td>
<td>(533)</td>
<td><strong>19,560</strong></td>
<td><strong>9,931</strong></td>
</tr>
</tbody>
</table>

**2006**

<table>
<thead>
<tr>
<th>Year</th>
<th>Balance at 31-Dec-05</th>
<th>Additions</th>
<th>Disposals</th>
<th>Transfers</th>
<th>Changes in Scope</th>
<th>Translation Differences</th>
<th>Balance at 31-Dec-05</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>Development costs</td>
<td>4</td>
<td>0</td>
<td>0</td>
<td>(4)</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>Administrative concessions</td>
<td>233,129</td>
<td>73,490</td>
<td>(32,674)</td>
<td>25,956</td>
<td>53,797</td>
<td>(5,135)</td>
</tr>
<tr>
<td></td>
<td>Key money</td>
<td>2,854</td>
<td>0</td>
<td>0</td>
<td>161</td>
<td>0</td>
<td>3,015</td>
</tr>
<tr>
<td></td>
<td>Computer software</td>
<td>16,637</td>
<td>1,567</td>
<td>(502)</td>
<td>2,194</td>
<td>1,721</td>
<td>(6)</td>
</tr>
<tr>
<td></td>
<td>Prepayments</td>
<td>238</td>
<td>0</td>
<td>(238)</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td><strong>Greenhouse gas emission rights</strong></td>
<td>0</td>
<td>3,316</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>3,316</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td><strong>252,862</strong></td>
<td><strong>78,373</strong></td>
<td>(33,414)</td>
<td>(28,307)</td>
<td><strong>55,518</strong></td>
<td><strong>(5,141) 376,505</strong></td>
</tr>
<tr>
<td></td>
<td>Development costs</td>
<td>(371)</td>
<td>0</td>
<td>371</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>Administrative concessions</td>
<td>(27,303)</td>
<td>(10,432)</td>
<td>9,591</td>
<td>(3,395)</td>
<td>(20,616)</td>
<td>266</td>
</tr>
<tr>
<td></td>
<td>Key money</td>
<td>(387)</td>
<td>(180)</td>
<td>0</td>
<td>(30)</td>
<td>0</td>
<td>(597)</td>
</tr>
<tr>
<td></td>
<td>Computer software</td>
<td>(13,057)</td>
<td>(2,676)</td>
<td>494</td>
<td>0</td>
<td>(1,135)</td>
<td>6</td>
</tr>
<tr>
<td></td>
<td><strong>Accumulated Amortization</strong></td>
<td>(40,747)</td>
<td>(13,288)</td>
<td>(10,085)</td>
<td>(3,425)</td>
<td>(21,751)</td>
<td>272</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td><strong>212,115</strong></td>
<td><strong>65,085</strong></td>
<td>(23,329)</td>
<td>(24,882)</td>
<td><strong>33,767</strong></td>
<td><strong>(4,869) 307,651</strong></td>
</tr>
</tbody>
</table>

"Administrative concessions" as of December 31, 2006 and 2005 include a 75-year concession to rent out buildings in Bentaberri on behalf of the Basque Regional Government, an option to automatically extend it to 2052, a residence in calle Rodriguez Marín (Madrid) under a 98-year concession maturing 2099 and a hotel at Passeig Taulat 278 (Barcelona) under a 50-year concession expiring in 2052. A 20-year concession awarded by IVIMA to manage residential property in Usera (Madrid) was expiring in 2019, and a concession in the “Campo de Tiro de Leganés” was expiring in 2017. 35-year concessions granted to Group companies founded in 2037.
the course of the year (Autovía del Turia and Viastur). The remaining additions basically recognize the monetary correction to the charge payable to the authority that granted the concession to Portuguese company Triangulo do Sol.

Additions to “Administrative concessions” in 2006 were as follows. The biggest item was the EUR 59 million paid by Sacyr Vallehermoso S.A. for access to the water market of Santa Cruz de Tenerife.

Other increases were due to changes in scope, mainly the change in Empresa Mixta de Aguas de Las Palmas, S.A. from being reported by the equity method in 2005 to proportionate consolidation in 2006. The amounts corresponding to the principal of financial debt relating to this item at December 31, 2006 and 2005 were, respectively, EUR 15,120 thousand and EUR 26,593 thousand.

8. GOODWILL

8.1. Changes in goodwill

The changes in 2005 and 2006 in goodwill and related cumulative amortization were as follows:

<table>
<thead>
<tr>
<th>2005</th>
<th>BALANCE AT 31-DEC-04</th>
<th>ADDITIONS</th>
<th>DISPOSALS</th>
<th>TRANSFERS</th>
<th>IMPAIRMENT</th>
<th>BALANCE AT 31-DEC-05</th>
</tr>
</thead>
<tbody>
<tr>
<td>HOLDING COMPANY</td>
<td>81,396</td>
<td>534</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>81,930</td>
</tr>
<tr>
<td>Somague SGPS</td>
<td>81,396</td>
<td>534</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>81,930</td>
</tr>
<tr>
<td>VALORIZA GROUP</td>
<td>0</td>
<td>125,124</td>
<td>(7)</td>
<td>2,570</td>
<td>(521)</td>
<td>127,166</td>
</tr>
<tr>
<td>Sufi</td>
<td>0</td>
<td>101,362</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>101,362</td>
</tr>
<tr>
<td>Emalsa</td>
<td>0</td>
<td>19,290</td>
<td>0</td>
<td>0</td>
<td>(521)</td>
<td>18,769</td>
</tr>
<tr>
<td>Subsidiaries of Somague Ambiente</td>
<td>0</td>
<td>4,472</td>
<td>(7)</td>
<td>2,570</td>
<td>0</td>
<td>7,035</td>
</tr>
<tr>
<td>SOMAGUE GROUP</td>
<td>50,048</td>
<td>4,977</td>
<td>(10,182)</td>
<td>(13,699)</td>
<td>0</td>
<td>31,144</td>
</tr>
<tr>
<td>Subsidiaries of Somague Engenharia</td>
<td>50,048</td>
<td>4,977</td>
<td>(10,182)</td>
<td>(13,699)</td>
<td>0</td>
<td>31,144</td>
</tr>
<tr>
<td>ITINERE GROUP</td>
<td>0</td>
<td>2,671</td>
<td>0</td>
<td>10,992</td>
<td>0</td>
<td>13,663</td>
</tr>
<tr>
<td>Subsidiaries of Somague Itinere</td>
<td>0</td>
<td>2,671</td>
<td>0</td>
<td>10,992</td>
<td>0</td>
<td>13,663</td>
</tr>
<tr>
<td>VALLEHERMOSO GROUP</td>
<td>0</td>
<td>1,737</td>
<td>0</td>
<td>137</td>
<td>0</td>
<td>1,874</td>
</tr>
<tr>
<td>Fortuna Golf</td>
<td>0</td>
<td>306</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>306</td>
</tr>
<tr>
<td>Habitat Network</td>
<td>0</td>
<td>1,431</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>1,431</td>
</tr>
<tr>
<td>Subsidiaries of Somague Inmobiliaria</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>137</td>
<td>0</td>
<td>137</td>
</tr>
<tr>
<td>TOTAL</td>
<td>131,444</td>
<td>135,043</td>
<td>(10,189)</td>
<td>0</td>
<td>(521)</td>
<td>255,777</td>
</tr>
</tbody>
</table>
In 2005, except for the goodwill generated by the acquisition of Emalsa, which suffered a EUR 521 thousand impairment, Sacyr Vallehermoso Group, after carrying out impairment tests on all existing goodwill found no further need to record losses in the value of goodwill in the consolidated income statement.

On January 25, 2005, the business units of Somague SGPS were integrated into the corresponding divisions of Sacyr Vallehermoso Group by the sale of all companies owned by Somague SGPS (the holding company) to the corresponding companies heading the Group’s business areas. As a result, as of this date, Somague SGPS comprises only the holding company and Somague Engenharia. The transfers column reflects the transfer of goodwill from Somague Group divisions to their Sacyr Vallehermoso Group equivalents.

In 2006, goodwill existing in Empresa Mixta de Aguas de Las Palmas, S.A., was reclassified after it went from being reported by the equity method in 2005 to proportionate consolidation. This goodwill was capitalized in 2006 under “Administrative concessions” for the Company.

Also, with effect from January 1, 2006, the Group acquired an 8.63% stake in Itinere Infraestructuras, S.A. raising its overall holding from 82.75% in 2005 to 91.38% in 2006. The acquisition gave rise to goodwill of EUR 95,314 thousand.

<table>
<thead>
<tr>
<th>2006</th>
<th>HOLDING COMPANY</th>
<th>ADJUSTMENTS</th>
<th>DISPOSALS</th>
<th>TRANSFERS</th>
<th>IMPAIRMENT</th>
<th>BALANCE AT 31-DEC-06</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Somague SGPS</td>
<td>81,930</td>
<td>95,314</td>
<td>0</td>
<td>0</td>
<td>177,244</td>
</tr>
<tr>
<td></td>
<td>Sacyr Infraestructuras</td>
<td>0</td>
<td>95,314</td>
<td>0</td>
<td>0</td>
<td>95,314</td>
</tr>
<tr>
<td>VALORIZA GROUP</td>
<td>127,166</td>
<td>325</td>
<td>(3,300)</td>
<td>(18,769)</td>
<td>(175)</td>
<td>105,247</td>
</tr>
<tr>
<td>Sufi</td>
<td>101,362</td>
<td>0</td>
<td>(3,300)</td>
<td>0</td>
<td>0</td>
<td>98,062</td>
</tr>
<tr>
<td>Emalsa</td>
<td>18,769</td>
<td>0</td>
<td>(18,769)</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Subsidiaries of Somague Ambiente</td>
<td>7,035</td>
<td>325</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>7,185</td>
</tr>
<tr>
<td>SOMAGUE GROUP</td>
<td>31,144</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>31,144</td>
</tr>
<tr>
<td>Subsidiaries of Somague Engenharia</td>
<td>31,144</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>31,144</td>
</tr>
<tr>
<td>ITINERE GROUP</td>
<td>13,663</td>
<td>0</td>
<td>0</td>
<td>(23)</td>
<td>0</td>
<td>13,640</td>
</tr>
<tr>
<td>Subsidiaries of Somague Itinere</td>
<td>13,663</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>13,663</td>
</tr>
<tr>
<td>VALLEHERMOSO GROUP</td>
<td>1,874</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>1,874</td>
</tr>
<tr>
<td>Fortuna Golf</td>
<td>306</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>306</td>
</tr>
<tr>
<td>Habitat Network</td>
<td>1,431</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>1,431</td>
</tr>
<tr>
<td>Subsidiaries of Somague Inmobiliaria</td>
<td>137</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>137</td>
</tr>
<tr>
<td>TOTAL</td>
<td>255,777</td>
<td>95,639</td>
<td>(3,300)</td>
<td>(18,769)</td>
<td>(198)</td>
<td>329,149</td>
</tr>
</tbody>
</table>

### 8.2. Evidence of impairment loss to goodwill

At the end of each year the Group conducts an impairment test on each of its cash-generating units to which goodwill has been attributed. This is analyzed to determine its recoverable value. Recoverable value is defined as the greater of fair value less costs of sale and value in use. Fair value is defined as the price for which a company could be sold between knowledgeable, willing parties in an arm’s length transaction.

The recoverable value of each cash-generating unit determined by this method is then compared to its carrying amount, this being defined as the sum of its assets and net goodwill. If this recoverable amount is less than the carrying amount, an irreversible impairment loss is recognized in the income statement.

If the recoverable value cannot be reliably measured (in general, because the company is not traded on an organized financial market), it is valued using other methods. Three situations should be noted:

1. **Goodwill capitalized in “Concession projects”**: In these cases the unit is valued by discounting dividends that the shareholder will receive until the expiry of the concession. Dividends are discounted to present using a rate that combines an IRR benchmarked to a 10-year bond from the country.
where the concession-holder operates and a beta reflecting the company’s gearing. 

discount rate that reflects the time value of money and allowing for risks specific to the asset.

2. Goodwill capitalized in “Investment properties” and “Inventories”:

- In these cases, goodwill is valued using the Royal Institute of Chartered Surveyors (RICS) Appraisal and Valuation Standards published July 31, 2003 and in accordance with the International Valuation Standards (IVS) published by the International Valuation Standards Committee (IVSC).

3. Other goodwill

- Other goodwill is valued by discounting the forecast future cash flows to their present value using a discount rate that reflects the time value of money and allowing for risks specific to the asset.

8.3. Valuation of acquisitions

Details of net assets and goodwill acquired in the main business combinations carried out by Sacyr Vallehermoso Group in 2005 and 2006 are given below, along with the contribution of the newly acquired businesses to revenue and Group profit for the year.

In 2005, with effect from January 1, 2005, the Group acquired 100% of the shares of Sufi, S.A., an unlisted Spanish company specialized in waste treatment. The recoverable value of identifiable assets and liabilities at the date of acquisition were as follows:

<table>
<thead>
<tr>
<th></th>
<th>CARRYING AMOUNT</th>
<th>ADJUSTMENTS</th>
<th>FAIR VALUE</th>
</tr>
</thead>
<tbody>
<tr>
<td>P.P&amp;E and intangible assets</td>
<td>59,287</td>
<td>0</td>
<td>59,287</td>
</tr>
<tr>
<td>Inventories</td>
<td>3,487</td>
<td>0</td>
<td>3,487</td>
</tr>
<tr>
<td>Receivables</td>
<td>67,721</td>
<td>0</td>
<td>67,721</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>12,534</td>
<td>0</td>
<td>12,534</td>
</tr>
<tr>
<td><strong>ASSETS</strong></td>
<td><strong>143,029</strong></td>
<td>0</td>
<td><strong>143,029</strong></td>
</tr>
<tr>
<td>Non-current liabilities</td>
<td>(43,414)</td>
<td>0</td>
<td>(43,414)</td>
</tr>
<tr>
<td>Current liabilities</td>
<td>(58,342)</td>
<td>0</td>
<td>(58,342)</td>
</tr>
<tr>
<td><strong>LIABILITIES</strong></td>
<td><strong>101,756</strong></td>
<td>0</td>
<td><strong>101,756</strong></td>
</tr>
<tr>
<td>Net assets</td>
<td>41,273</td>
<td>0</td>
<td>41,273</td>
</tr>
<tr>
<td>Minority interests</td>
<td>858</td>
<td>0</td>
<td>858</td>
</tr>
<tr>
<td><strong>FAIR VALUE OF NET ASSETS ACQUIRED</strong></td>
<td><strong>40,415</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**ACQUISITION PRICE**

- cash paid and directly related costs: 141,777

**GOODWILL**: 101,362

The total cost of the combination was EUR 141,777 thousand, including cash transferred and costs directly attributable to the combination.

The business acquired contributed revenue of EUR 133,819 thousand in 2005 and a loss after tax of EUR 2,712 thousand, of which EUR 22 thousand is attributable to minority interests.

Cash flow generated by the acquisition of Sufi, S.A. in 2005 was as follows:

<table>
<thead>
<tr>
<th></th>
<th>(Thousands of euros)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005 Net cash acquired with subsidiary</td>
<td>12,534</td>
</tr>
<tr>
<td>Cash paid</td>
<td>(141,777)</td>
</tr>
<tr>
<td><strong>CASH RECOGNIZED ON ACQUISITION</strong></td>
<td><strong>(129,243)</strong></td>
</tr>
</tbody>
</table>

On November 28, 2006, the Group acquired 50% of the shares of Europistas Concesionaria Española, S.A.
The fair value of identifiable assets and liabilities at the date of acquisition were as follows:

<table>
<thead>
<tr>
<th>CARRYING AMOUNT</th>
<th>ADJUSTMENTS</th>
<th>FAIR VALUE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Concession projects</td>
<td>213,260</td>
<td>689,597</td>
</tr>
<tr>
<td>Investments in associates</td>
<td>90,302</td>
<td>975,187</td>
</tr>
<tr>
<td>Other assets</td>
<td>51,692</td>
<td>0</td>
</tr>
<tr>
<td><strong>ASSETS</strong></td>
<td><strong>355,254</strong></td>
<td><strong>1,664,784</strong></td>
</tr>
<tr>
<td>Long-term loans and borrowings</td>
<td>203,321</td>
<td></td>
</tr>
<tr>
<td>Non-current deferred tax liabilities</td>
<td>5,428</td>
<td>499,435</td>
</tr>
<tr>
<td>Other non-current liabilities</td>
<td>7,197</td>
<td></td>
</tr>
<tr>
<td>Current liabilities</td>
<td>73,126</td>
<td>0</td>
</tr>
<tr>
<td><strong>LIABILITIES</strong></td>
<td><strong>289,072</strong></td>
<td><strong>499,435</strong></td>
</tr>
<tr>
<td>Net assets</td>
<td>66,182</td>
<td>1,165,349</td>
</tr>
<tr>
<td>Minority interests</td>
<td>(33,091)</td>
<td>(582,143)</td>
</tr>
<tr>
<td><strong>FAIR VALUE OF NET ASSETS ACQUIRED</strong></td>
<td><strong>33,091</strong></td>
<td><strong>583,206</strong></td>
</tr>
</tbody>
</table>

**ACQUISITION PRICE**
- cash paid and directly related costs | 616,297 |

The recoverable value of Europistas Group is based on its value in use. This is calculated using the method of discounting dividends receivable by the shareholder until the expiry of the concession. Dividends are discounted using an IRR benchmarked to a Spanish 10-year bond (specifically the bond yield used was around 4.10%) plus a spread of 100-400 bps depending on the risk and duration of each concession. The rate of increase in revenue is determined by the growth in average daily traffic (ADT) and inflation. The inflation rates applied were as follows: 3% to 2009, 2.5% to 2019 and 2% after 2019.

The business acquired contributed revenue to the Sacyr Vallehermoso Group of EUR 5,513 thousand in 2006 and a loss after tax of EUR 2,540 thousand, of which EUR 660 thousand is attributable to minority interests.

Cash flow generated by the acquisition of Europistas Concesionaria Española, S.A. in 2006 was as follows:

<table>
<thead>
<tr>
<th>(Thousands of euros)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td></td>
</tr>
<tr>
<td>Net cash acquired with subsidiary</td>
<td>2,819</td>
</tr>
<tr>
<td>Cash paid</td>
<td>(616,297)</td>
</tr>
<tr>
<td><strong>CASH RECOGNIZED ON ACQUISITION</strong></td>
<td>(613,478)</td>
</tr>
</tbody>
</table>
### 9. INVESTMENTS IN ASSOCIATES

The changes in 2005 and 2006 in “Investments in associates” were as follows:

<table>
<thead>
<tr>
<th>Company Name</th>
<th>BALANCE AT 31/12/04</th>
<th>CHANGES IN_scope</th>
<th>SHARES OF PROFIT/LOSS</th>
<th>INCREASE</th>
<th>DECREASE</th>
<th>BALANCE AT 31/12/05</th>
</tr>
</thead>
<tbody>
<tr>
<td>Build2Edifica, S.A.</td>
<td>325</td>
<td>0</td>
<td>0</td>
<td>30</td>
<td>(15)</td>
<td>340</td>
</tr>
<tr>
<td>SACRYR GROUP</td>
<td>325</td>
<td>0</td>
<td>0</td>
<td>30</td>
<td>(15)</td>
<td>340</td>
</tr>
<tr>
<td>Alazor Inversiones, S.A.</td>
<td>36,396</td>
<td>0</td>
<td>6,189</td>
<td>(8,607)</td>
<td>3,014</td>
<td>36,992</td>
</tr>
<tr>
<td>Tacel Inversiones, S.A.</td>
<td>3,296</td>
<td>0</td>
<td>568</td>
<td>(1,530)</td>
<td>0</td>
<td>2,334</td>
</tr>
<tr>
<td>Aeropuertos Región de Murcia, S.A.</td>
<td>139</td>
<td>0</td>
<td>0</td>
<td>(29)</td>
<td>0</td>
<td>110</td>
</tr>
<tr>
<td>IRASA</td>
<td>4,175</td>
<td>0</td>
<td>0</td>
<td>(1,862)</td>
<td>389</td>
<td>2,702</td>
</tr>
<tr>
<td>S.C. Palma Manacor</td>
<td>7,000</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>7,000</td>
</tr>
<tr>
<td>Metro de Sevilla, S.A.</td>
<td>23,931</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>23,931</td>
<td></td>
</tr>
<tr>
<td>A. Madrid Sur</td>
<td>0</td>
<td>0</td>
<td>21,206</td>
<td>(1,097)</td>
<td>0</td>
<td>20,109</td>
</tr>
<tr>
<td>Subsidiaries of Somague Itinere</td>
<td>0</td>
<td>25,951</td>
<td>(16,114)</td>
<td>(1,379)</td>
<td>5,625</td>
<td>(2,545)</td>
</tr>
<tr>
<td>ITINERE GROUP</td>
<td>74,937</td>
<td>25,951</td>
<td>11,949</td>
<td>(14,904)</td>
<td>9,028</td>
<td>(2,945)</td>
</tr>
<tr>
<td>Subsidiaries of Sufi</td>
<td>0</td>
<td>0</td>
<td>1,374</td>
<td>1,032</td>
<td>6,661</td>
<td>(50)</td>
</tr>
<tr>
<td>Subsidiaries of Somague Ambiente</td>
<td>0</td>
<td>4,094</td>
<td>0</td>
<td>1,214</td>
<td>1,349</td>
<td>(4,985)</td>
</tr>
<tr>
<td>VALORIZA GROUP</td>
<td>0</td>
<td>4,094</td>
<td>1,374</td>
<td>2,246</td>
<td>8,010</td>
<td>(5,655)</td>
</tr>
<tr>
<td>Camarate Golf, S.A.</td>
<td>4,644</td>
<td>0</td>
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<td>0</td>
</tr>
<tr>
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<td>0</td>
<td>6</td>
<td>0</td>
<td>(104)</td>
</tr>
<tr>
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<td>0</td>
<td>(12,399)</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
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<td>0</td>
<td>1</td>
<td>(135)</td>
<td>0</td>
<td>1,186</td>
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<td>0</td>
<td>0</td>
<td>0</td>
<td>176</td>
</tr>
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<td>0</td>
<td>(6,179)</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
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<td>620</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>620</td>
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</tr>
<tr>
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<td>0</td>
<td>(16,583)</td>
<td>0</td>
<td>0</td>
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<tr>
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<td>0</td>
<td>0</td>
<td>6,953</td>
<td>(151)</td>
<td>0</td>
<td>6,802</td>
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<tr>
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<td>0</td>
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<td>0</td>
<td>0</td>
<td>2,100</td>
</tr>
<tr>
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<td>0</td>
<td>253</td>
<td>3</td>
<td>0</td>
<td>256</td>
</tr>
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<td>0</td>
<td>386</td>
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<td>0</td>
<td>394</td>
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<td>Subsidiaries of Somague Inmobiliaria</td>
<td>0</td>
<td>25</td>
<td>0</td>
<td>(34)</td>
<td>31</td>
<td>0</td>
</tr>
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<td>43,616</td>
<td>25</td>
<td>(26,762)</td>
<td>(322)</td>
<td>31</td>
<td>(104)</td>
</tr>
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<td>1,344</td>
<td>0</td>
<td>0</td>
<td>90</td>
<td>0</td>
<td>(345)</td>
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<td>0</td>
<td>0</td>
<td>81</td>
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<td>0</td>
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<td>0</td>
<td>5,694</td>
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<td>TESTA GROUP</td>
<td>7,119</td>
<td>0</td>
<td>565</td>
<td>15</td>
<td>0</td>
<td>(345)</td>
</tr>
<tr>
<td>Subsidiaries of Somague Engenharia</td>
<td>6,011</td>
<td>0</td>
<td>0</td>
<td>(889)</td>
<td>676</td>
<td>(4,174)</td>
</tr>
<tr>
<td>Subsidiaries of Somague Itinere</td>
<td>25,951</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>25,951</td>
</tr>
<tr>
<td>Subsidiaries of Somague Ambiente</td>
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<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>4,094</td>
</tr>
<tr>
<td>Subsidiaries of Somague Inmobiliaria</td>
<td>25</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>25</td>
</tr>
<tr>
<td>SOMAGUE GROUP</td>
<td>36,081</td>
<td>0</td>
<td>(25,951)</td>
<td>0</td>
<td>676</td>
<td>(4,174)</td>
</tr>
<tr>
<td>SACRYR VALLEHERMOSO GROUP</td>
<td>162,078</td>
<td>0</td>
<td>(12,974)</td>
<td>(13,424)</td>
<td>17,745</td>
<td>(12,218)</td>
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</table>
The increase in “Investments in associates” in 2006 was mainly due to the acquisition of a 20.01% stake in Repsol YPF, S.A. and a 32.61% stake in Eiffage, S.A. Both these companies were consolidated by the equity method. The movement in “Changes in equity” in 2006 comprised a EUR 33,798 thousand reduction in reserves of consolidated companies and a EUR 82,893 thousand reduction for exchange differences. As of December 31, 2006, Repsol YPF was trading at EUR 26.20 per share, valuing Sacyr Vallehermoso’s stake at EUR 6,400,523 thousand. This value is less than the average purchase price per share of EUR 26.71. Nonetheless, the value in use of Repsol YPF is greater than the carrying amount of the investment. French company Eiffage ended 2006 with a share price of EUR 72.05, valuing Sacyr Vallehermoso’s stake

<table>
<thead>
<tr>
<th>2006</th>
<th>BALANCE AT 31/12/05</th>
<th>CHANGES IN SCOPE</th>
<th>SHARE OF PROFIT/LOSS</th>
<th>DIVIDENDS</th>
<th>CHANGES IN EQUITY</th>
<th>INCREASE</th>
<th>DECREASE</th>
<th>BALANCE AT 31/12/06</th>
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<td>Build2Edifica, S.A.</td>
<td>340</td>
<td>0</td>
<td>42</td>
<td>0</td>
<td>0</td>
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<td>351</td>
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<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>28,048</td>
</tr>
<tr>
<td>SACRY GROUP</td>
<td>340</td>
<td>28,050</td>
<td>40</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>38,399</td>
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<td>0</td>
<td>0</td>
<td>2,868</td>
<td>0</td>
<td>32,211</td>
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<td>Tacel Inversiones, S.A.</td>
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<td>0</td>
<td>0</td>
<td>0</td>
<td>1,020</td>
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<td>Ampuertos Región de Murcia, S.A.</td>
<td>110</td>
<td>0</td>
<td>(39)</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>71</td>
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<td>0</td>
<td>(1,836)</td>
<td>0</td>
<td>0</td>
<td>817</td>
<td>0</td>
<td>1,683</td>
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<td>7,000</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>7,000</td>
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<td>0</td>
<td>0</td>
<td>0</td>
<td>2,838</td>
<td>0</td>
<td>26,769</td>
</tr>
<tr>
<td>A. Madrid Sur</td>
<td>20,109</td>
<td>0</td>
<td>47</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>(216)</td>
<td>19,940</td>
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<td>0</td>
<td>0</td>
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<td>13,863</td>
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<td>0</td>
<td>6,523</td>
<td>(507)</td>
<td>102,557</td>
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<td>(7,133)</td>
<td>554</td>
<td>0</td>
<td>0</td>
<td>66</td>
<td>(265)</td>
<td>2,239</td>
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<td>205</td>
<td>0</td>
<td>0</td>
<td>916</td>
<td>0</td>
<td>2,793</td>
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<tr>
<td>VALORIZA GROUP</td>
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<td>(7,133)</td>
<td>759</td>
<td>0</td>
<td>0</td>
<td>982</td>
<td>(265)</td>
<td>5,032</td>
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<td>0</td>
<td>0</td>
<td>0</td>
<td>4,633</td>
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<td>37</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>(1)</td>
<td>321</td>
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<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>302</td>
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<tr>
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<td>0</td>
<td>(131)</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>(16)</td>
<td>29</td>
</tr>
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<td>Mola 15, S.L.</td>
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<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>620</td>
</tr>
<tr>
<td>Claudia Zahara, 22 S.L.</td>
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<td>(6,801)</td>
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<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>1</td>
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<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>2,100</td>
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<td>0</td>
<td>0</td>
<td>0</td>
<td>(23)</td>
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<td>M Capital, S.A.</td>
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<td>58</td>
<td>0</td>
<td>0</td>
<td>29</td>
<td>0</td>
<td>481</td>
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<td>(22)</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>VALLEHERMOSO GROUP</td>
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<td>(6,823)</td>
<td>(904)</td>
<td>0</td>
<td>0</td>
<td>29</td>
<td>(40)</td>
<td>8,746</td>
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<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>1,220</td>
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<td>Centro D’Oci Les Garverres, S.L</td>
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<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>516</td>
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<tr>
<td>Hospital de Majadahonda, S.A.</td>
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<td>3,632</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>3,632</td>
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</tr>
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<td>(252)</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>(6)</td>
<td>5,436</td>
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<tr>
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<td>7,354</td>
<td>3,632</td>
<td>(176)</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>(6)</td>
<td>10,804</td>
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<td>Subsidiaries of Somague Engenharia</td>
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<td>0</td>
<td>2,605</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>(1,265)</td>
<td>2,964</td>
</tr>
<tr>
<td>SOMAGUE GROUP</td>
<td>1,624</td>
<td>0</td>
<td>2,605</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>(1,265)</td>
<td>2,964</td>
</tr>
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<td>94</td>
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<td>0</td>
<td>0</td>
<td>0</td>
<td>2,152</td>
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<td>539,403</td>
<td>(3,999)</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
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<td>284</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>524,314</td>
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<tr>
<td>SYV PARTICIPACIONES GROUP</td>
<td>0</td>
<td>1,065,491</td>
<td>(3,621)</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>1,061,670</td>
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<td>88,838</td>
<td>(87,946)</td>
<td>(105,972)</td>
<td>0</td>
<td>0</td>
<td>6,420,470</td>
</tr>
<tr>
<td>SYV PART. MOBILIARIAS GROUP</td>
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<td>6,525,550</td>
<td>88,838</td>
<td>(87,946)</td>
<td>(105,972)</td>
<td>0</td>
<td>0</td>
<td>6,420,470</td>
</tr>
<tr>
<td>Eiffage, S.A.</td>
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<td>1,868,879</td>
<td>102,197</td>
<td>(21,601)</td>
<td>(10,719)</td>
<td>0</td>
<td>0</td>
<td>1,938,756</td>
</tr>
<tr>
<td>EIFFAGE GROUP</td>
<td>0</td>
<td>1,868,879</td>
<td>102,197</td>
<td>(21,601)</td>
<td>(10,719)</td>
<td>0</td>
<td>0</td>
<td>1,938,756</td>
</tr>
<tr>
<td>SACRY VALLEHERMOSO GROUP</td>
<td>141,207</td>
<td>9,477,646</td>
<td>181,563</td>
<td>(109,547)</td>
<td>(116,691)</td>
<td>7,534</td>
<td>(2,114)</td>
<td>9,579,598</td>
</tr>
</tbody>
</table>
in the company at EUR 2,189,285 thousand. This is EUR 10.54 per share higher than the average purchase price paid of EUR 61.51 per share.

The table below details the financial highlights of the main companies reported by equity method in 2005 and 2006:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Grupo Repsol YPF</td>
<td>45,201,000</td>
<td>53,992,000</td>
<td>3,124,000</td>
<td>Non-consolidated</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grupo Eiffage</td>
<td>22,213,000</td>
<td>10,745,000</td>
<td>377,000</td>
<td>Non-consolidated</td>
<td></td>
<td></td>
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<tr>
<td>Alazor Inversiones, S.A.</td>
<td>1,135,842</td>
<td>28,681</td>
<td>(6,097)</td>
<td>744,174</td>
<td>10,722</td>
<td>(6,885)</td>
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<td>Lusoponte</td>
<td>868,506</td>
<td>65,010</td>
<td>10,003</td>
<td>894,783</td>
<td>63,774</td>
<td>11,421</td>
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<tr>
<td>Inversora de Autopistas del Sur, S.L.</td>
<td>776,103</td>
<td>20,348</td>
<td>557</td>
<td>646,047</td>
<td>358</td>
<td>(41,607)</td>
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<tr>
<td>Infraestructuras y Radiales, S.A. (IRASA)</td>
<td>635,770</td>
<td>22,807</td>
<td>(8,074)</td>
<td>587,467</td>
<td>19,047</td>
<td>(3,545)</td>
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<td>5,139</td>
<td>54</td>
<td>Non-consolidated</td>
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<td>282,990</td>
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<tr>
<td>Autoestradas do Oeste</td>
<td>214,285</td>
<td>0</td>
<td>(12,976)</td>
<td>209,493</td>
<td>0</td>
<td>(14,898)</td>
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<td>S.C. Palma Manacor, S.A.</td>
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<td>2,525</td>
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<td>107,505</td>
<td>2,344</td>
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<td>Eurolink, S.c.p.A.</td>
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<td>19,634</td>
<td>0</td>
<td>Non-consolidated</td>
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<td></td>
</tr>
<tr>
<td>Hospital de Majadahonda, S.A.</td>
<td>131,065</td>
<td>0</td>
<td>0</td>
<td>Non-consolidated</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Companies are classed as associates when the Group exercises significant influence over their management whether or not, in any particular case, it owns a 20% stake in the capital.
10. NON-CURRENT FINANCIAL ASSETS

Changes in 2005 and 2006 in the different items of non-current financial assets were as follows:

### 2005

<table>
<thead>
<tr>
<th>Financial Asset</th>
<th>Balance at 31-Dec-04</th>
<th>Additions</th>
<th>Disposals</th>
<th>Transfers</th>
<th>Changes in Scope</th>
<th>Translation Differences</th>
<th>Balance at 31-Dec-05</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans to associates</td>
<td>68,320</td>
<td>3,016</td>
<td>(27,654)</td>
<td>0</td>
<td>(2,425)</td>
<td>0</td>
<td>41,257</td>
</tr>
<tr>
<td>Long-term investment securities</td>
<td>255,748</td>
<td>101,879</td>
<td>(200,075)</td>
<td>(23,591)</td>
<td>(13,607)</td>
<td>1,130</td>
<td>121,484</td>
</tr>
<tr>
<td>Other loans</td>
<td>418,138</td>
<td>110,913</td>
<td>(121,357)</td>
<td>(18,316)</td>
<td>1,405</td>
<td>101,211</td>
<td>491,994</td>
</tr>
<tr>
<td>Financial instruments at fair value</td>
<td>138,641</td>
<td>0</td>
<td>(138,641)</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Long-term guarantees and deposits</td>
<td>20,562</td>
<td>44,527</td>
<td>(612)</td>
<td>41</td>
<td>192</td>
<td>8</td>
<td>64,718</td>
</tr>
<tr>
<td><strong>COST</strong></td>
<td><strong>901,409</strong></td>
<td><strong>260,335</strong></td>
<td><strong>(488,339)</strong></td>
<td><strong>(41,866)</strong></td>
<td><strong>(14,135)</strong></td>
<td><strong>1,130</strong></td>
<td><strong>719,153</strong></td>
</tr>
<tr>
<td>Provisions</td>
<td>(6,651)</td>
<td>(2,593)</td>
<td>321</td>
<td>0</td>
<td>(3,524)</td>
<td>0</td>
<td>(12,447)</td>
</tr>
<tr>
<td><strong>PROVISIONS</strong></td>
<td><strong>(6,651)</strong></td>
<td><strong>(2,593)</strong></td>
<td><strong>321</strong></td>
<td>0</td>
<td><strong>(3,524)</strong></td>
<td>0</td>
<td><strong>(12,447)</strong></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>894,758</strong></td>
<td><strong>257,742</strong></td>
<td><strong>(488,018)</strong></td>
<td><strong>(41,866)</strong></td>
<td><strong>(17,959)</strong></td>
<td><strong>102,349</strong></td>
<td><strong>707,006</strong></td>
</tr>
</tbody>
</table>

### 2006

<table>
<thead>
<tr>
<th>Financial Asset</th>
<th>Balance at 31-Dec-05</th>
<th>Additions</th>
<th>Disposals</th>
<th>Transfers</th>
<th>Changes in Scope</th>
<th>Translation Differences</th>
<th>Balance at 31-Dec-06</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans to associates</td>
<td>41,257</td>
<td>11,634</td>
<td>(9,509)</td>
<td>645</td>
<td>0</td>
<td>0</td>
<td>44,027</td>
</tr>
<tr>
<td>Long-term investment securities</td>
<td>121,484</td>
<td>24,311</td>
<td>(8,859)</td>
<td>(91,019)</td>
<td>188</td>
<td>(366)</td>
<td>45,739</td>
</tr>
<tr>
<td>Other loans</td>
<td>491,994</td>
<td>60,489</td>
<td>(90,579)</td>
<td>(23,203)</td>
<td>7,710</td>
<td>(56,403)</td>
<td>390,008</td>
</tr>
<tr>
<td>Financial instruments at fair value</td>
<td>0</td>
<td>18,285</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>18,285</td>
</tr>
<tr>
<td>Long-term guarantees and deposits</td>
<td>64,718</td>
<td>2,399</td>
<td>(34,500)</td>
<td>95</td>
<td>(30)</td>
<td>32,682</td>
<td>(12,447)</td>
</tr>
<tr>
<td><strong>COST</strong></td>
<td><strong>719,453</strong></td>
<td><strong>117,118</strong></td>
<td><strong>(143,447)</strong></td>
<td><strong>(113,577)</strong></td>
<td><strong>7,993</strong></td>
<td><strong>(56,799)</strong></td>
<td><strong>530,741</strong></td>
</tr>
<tr>
<td>Provisions</td>
<td>(12,447)</td>
<td>(12,523)</td>
<td>825</td>
<td>(79)</td>
<td>0</td>
<td>(24,224)</td>
<td>(12,447)</td>
</tr>
<tr>
<td><strong>PROVISIONS</strong></td>
<td><strong>(12,447)</strong></td>
<td><strong>(12,523)</strong></td>
<td><strong>825</strong></td>
<td><strong>(79)</strong></td>
<td>0</td>
<td><strong>(24,224)</strong></td>
<td><strong>(12,447)</strong></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>707,006</strong></td>
<td><strong>104,595</strong></td>
<td><strong>(142,622)</strong></td>
<td><strong>(113,577)</strong></td>
<td><strong>7,914</strong></td>
<td><strong>(56,799)</strong></td>
<td><strong>506,517</strong></td>
</tr>
</tbody>
</table>

The detail of each division’s holdings within the long-term investment securities portfolio is as follows:

### 2006

<table>
<thead>
<tr>
<th>Division</th>
<th>Shares owned</th>
<th>Shares held</th>
<th>Shares pledged</th>
<th>Shares blocked</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sacyr Vallehermoso, S.A.</td>
<td>18,000</td>
<td>89,188</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Empresa Mixta de Aguas de Sta. Cruz de Tenerife (EMMASA)</td>
<td>188</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Grupo Sacyr</td>
<td>3,460</td>
<td>3,453</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Grupo Itinere</td>
<td>1,636</td>
<td>8,616</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Grupo Valoriza</td>
<td>4,776</td>
<td>6,915</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Grupo Vallehermoso</td>
<td>6,880</td>
<td>6,885</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Grupo Testa</td>
<td>182</td>
<td>182</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Grupo Somague</td>
<td>10,617</td>
<td>6,245</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>45,739</strong></td>
<td><strong>121,484</strong></td>
<td><strong>0</strong></td>
<td><strong>0</strong></td>
</tr>
</tbody>
</table>
In accordance with Article 86 of the amended Spanish Corporations Law (Ley de Sociedades Anónimas), Group companies disclosed all companies in which that took a stake of more than 10%. Where they already had a holding above this threshold they disclosed any additional acquisitions or sales above 10%.

In 2004, the Group acquired 0.47% of BBVA group. This investment was part of the plan approved at the board meeting of November 24, 2004 to buy a significant holding of around 3.1% in BBVA group’s capital.

In 2005, the board decided to cancel this transaction, which gave rise to a gain of EUR 145,151 thousand. This gain is reported in the income statement for 2005 under “Other interest and similar income”.

At December 31, 2005 Sacyr Vallehermoso, S.A. held 1,023,571 shares in French company Eiffage, S.A. representing 2.2834% of the capital, reported under “Long-term investment securities”. In 2006 this was transferred to “Investments in associates”.

“Other loans and borrowings” for 2006 and 2005 basically comprises payments pending over the long term from government grants and other compensation for the completion of work ordered by the Chilean Ministry for Civil Engineering which are included in the contracts of the companies Elqui, Lagos, Rutas, Litoral y Vespucio Sur.

11. TAX SITUATION

11.1. Consolidated tax group

As stated in note 3.c.19 of the 2006 consolidated management report, Sacyr Vallehermoso, S.A. and its subsidiaries, in compliance with Royal Decree 4/2004 implementing the amended Income Tax Law (Ley del Impuesto sobre Sociedades), have decided with the approval of each company’s corporate bodies, to file taxes under the consolidated tax regime for 2006, and have notified the A.E.A.T., which has assigned the Group’s Parent Company the tax number 20/02.


11.2. Years open to inspection

The Company is, in general, open to inspection on all taxes for which it is liable for the last four years. The directors of the Parent Company consider that any tax liabilities arising from tax reviews of the years open to inspection would not be material.

11.3. Tax rate

The main nominal tax rates used in calculating tax expense on Group companies’ income are as follows:

- Spain: 35%
- Portugal: 27.5%
- Chile: 17%
- Brazil: 33%

The income tax expense recognized by the Sacyr Vallehermoso Group in 2005 and 2006 was EUR 191,660 thousand and EUR 161,184 thousand respectively, which represents effective tax rates for each year of 31.2% and 22.3%, respectively.

The change in the effective tax rate between 2005 and 2006 was mainly due to the profits recorded by companies accounted for using the equity method. This item went from a EUR 13,424 thousand loss in 2005 to a EUR 181,563 thousand profit in 2006. The change in these results is not proportionately reflected in tax.

The reconciliation of the income tax expense calculated by multiplying accounting profit by the tax rate applicable in Spain and the tax on real income is as follows:
### CONSOLIDATED PROFIT BEFORE TAX

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income tax expense at the domestic tax rate (35%)</td>
<td>252,995</td>
<td>214,902</td>
</tr>
<tr>
<td>Permanent differences (1)</td>
<td>(116,507)</td>
<td>(18,595)</td>
</tr>
<tr>
<td>Consolidation adjustments (2)</td>
<td>103,354</td>
<td>67,656</td>
</tr>
<tr>
<td>Offset of unused tax losses</td>
<td>(272)</td>
<td>(52)</td>
</tr>
<tr>
<td>Tax deductions and relief (3)</td>
<td>(88,032)</td>
<td>(44,482)</td>
</tr>
<tr>
<td>Tax-exempt gains in Portugal (4)</td>
<td>0</td>
<td>(19,237)</td>
</tr>
<tr>
<td>Adjustment for international tax rates</td>
<td>(15,487)</td>
<td>(13,218)</td>
</tr>
<tr>
<td>Adjustment for change in tax rate (5)</td>
<td>20,446</td>
<td>0</td>
</tr>
<tr>
<td>Adjustment for Chilean tax base</td>
<td>4,687</td>
<td>4,686</td>
</tr>
<tr>
<td><strong>INCOME TAX EXPENSE</strong></td>
<td><strong>161,184</strong></td>
<td><strong>191,660</strong></td>
</tr>
<tr>
<td><strong>EFFECTIVE TAX RATE</strong></td>
<td><strong>22.3%</strong></td>
<td><strong>31.2%</strong></td>
</tr>
</tbody>
</table>

### CURRENT TAX EXPENSE

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deferred tax assets</td>
<td>(108,221)</td>
<td>11,126</td>
</tr>
<tr>
<td>Deferred tax liabilities</td>
<td>(512,761)</td>
<td>(64,507)</td>
</tr>
<tr>
<td><strong>CURRENT TAX EXPENSE</strong></td>
<td><strong>(459,798)</strong></td>
<td><strong>138,279</strong></td>
</tr>
</tbody>
</table>

(1) Permanent differences are due to events that create discrepancies between the accounting and tax treatment of income and expense or gains and losses.

(2) Consolidation adjustments reflect the difference between consolidated profit before tax and the sum of taxable income at each of the companies included in the scope of consolidation. These differences related primarily to the elimination of intra-Group dividends and financial investment provisions as well as gains or losses on investments in associates accounted for using the equity method.

(3) Tax credits

**Principal tax credits in 2005:**
- Relief on double taxation of dividends received by Itinere S.A. (EUR 35,481 thousand) from ENA and AVEASA.
- Relief on double taxation of dividends received by Valahermo División Promociones, S.A.C. (EUR 3,478 thousand) from its subsidiary Iparan, S.L.
- Relief for investments in environmental protection in the Services division (Valoriza) of EUR 2,589 thousand.
- Relief for double taxation of dividends received by the holding company Sacyr Valahermoso, S.A. (EUR 2,102 thousand).

**Principal tax credits in 2006:**
- Relief on double taxation of dividends (EUR 42,943 thousand) received by:
  - Sacyr Valahermo Participaciones Mobiliarias, S.L. from Repsol (EUR 87,946 thousand).
  - AVASACYR from AVASA (EUR 27,750 thousand).
  - ENA from AUDENASA (EUR 7,000 thousand).
- Relief for investments abroad by the holding company Sacyr Valahermo (EUR 23,500 thousand).
- AUDENASA's tax exemption on profits below the threshold of 10% of its share capital (EUR 5,965 thousand).
- Relief for investments in environmental protection in the Services division (Valoriza) of EUR 1,592 thousand.

(4) Capital gains by Somague Ambiente in Portugal were tax free because, under Portuguese tax law, no tax is levied on gains from the sale of investments held for more than three years in companies with which the investor has special relations. This was the case for the sale of finerge which was acquired by Somague Ambiente from Somague Engenharia on May 5, 2000 and sold in 2005.

(5) The tax reform published in Spain’s Official State Gazette on November 29, 2006 includes among other measures, a reduction in the general corporate income tax rate from 35% to 32.5% in 2007 and to 30% thereafter. As a result of this modification, the Company’s directors have adjusted the measurement of its deferred tax assets and liabilities to reflect the tax rate expected to apply when they are used. As a result, deferred tax assets and liabilities were reduced by EUR 20,446 thousand and the reduction recognized in the income statement for 2006 under “Income tax.”
11.4. Change in deferred taxes

The changes in deferred tax assets and liabilities in 2005 were as follows:

<table>
<thead>
<tr>
<th></th>
<th>BALANCE AT 31-DEC-04</th>
<th>INCREASE</th>
<th>DECREASE</th>
<th>TRANSLATION DIFFERENCES</th>
<th>IMPACT ON EQUITY</th>
<th>BALANCE AT 31-DEC-05</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deferred tax assets</td>
<td>453,802</td>
<td>0</td>
<td>(8,011)</td>
<td>3,346</td>
<td>15,791</td>
<td>464,928</td>
</tr>
<tr>
<td>Deferred tax liabilities</td>
<td>142,594</td>
<td>102,306</td>
<td>(37,472)</td>
<td>290</td>
<td>(617)</td>
<td>207,101</td>
</tr>
</tbody>
</table>

The changes in deferred tax assets and liabilities in 2006 were as follows:

<table>
<thead>
<tr>
<th></th>
<th>BALANCE AT 31-DEC-05</th>
<th>INCREASE</th>
<th>DECREASE</th>
<th>CHANGES IN SCOPE</th>
<th>TRANSLATION DIFFERENCES</th>
<th>IMPACT ON EQUITY</th>
<th>BALANCE AT 31-DEC-06</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deferred tax assets</td>
<td>464,928</td>
<td>157,834</td>
<td>(233,998)</td>
<td>0</td>
<td>(10,476)</td>
<td>(21,581)</td>
<td>356,707</td>
</tr>
<tr>
<td>Deferred tax liabilities</td>
<td>207,101</td>
<td>200,564</td>
<td>(173,601)</td>
<td>499,435</td>
<td>(12,215)</td>
<td>(1,422)</td>
<td>719,862</td>
</tr>
</tbody>
</table>

In 2005 and 2006, deferred tax assets and liabilities booked in respect of profit and loss, were mainly due to the decapitalization of the finance costs of concession companies, the depreciation of concession projects and the adjustment booked in respect of revenue from the property development business.

The “Impact on equity” column shows the amount of deferred tax assets and liabilities generated by the impact on equity of revaluing financial instruments classed as cash-flow hedges.

The increase in deferred tax liabilities in 2006 due to changes in consolidation scope relates to the business combination described in note 8.3.

Deferred taxes are recorded for investments in subsidiaries, associates and jointly controlled entities when the tax and accounting treatments differ.

11.5. Loss carryforwards

Some Group companies have tax losses that can be carried forward and offset against taxable income at the individual company level in subsequent years.

The detail of unused tax loss carryforwards as of December 31, 2005 applicable in future years is as follows:

<table>
<thead>
<tr>
<th></th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>YEAR GENERATED</td>
<td></td>
</tr>
<tr>
<td>1996</td>
<td>(48)</td>
</tr>
<tr>
<td>1997</td>
<td>(92)</td>
</tr>
<tr>
<td>1998</td>
<td>(9)</td>
</tr>
<tr>
<td>1999</td>
<td>(193)</td>
</tr>
<tr>
<td>2000</td>
<td>(612)</td>
</tr>
<tr>
<td>2001</td>
<td>(1,344)</td>
</tr>
<tr>
<td>2002</td>
<td>(720)</td>
</tr>
<tr>
<td>TOTAL</td>
<td>(3,018)</td>
</tr>
</tbody>
</table>
The detail of unused tax loss carryforwards as of December 31, 2006 applicable in future years is as follows:

<table>
<thead>
<tr>
<th>YEAR GENERATED</th>
<th>CONSOLIDATED TAX GROUP (Thousands of euros)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1996</td>
<td>(73)</td>
</tr>
<tr>
<td>1997</td>
<td>(92)</td>
</tr>
<tr>
<td>1998</td>
<td>(9)</td>
</tr>
<tr>
<td>1999</td>
<td>(169)</td>
</tr>
<tr>
<td>2000</td>
<td>(682)</td>
</tr>
<tr>
<td>2001</td>
<td>(1,366)</td>
</tr>
<tr>
<td>2002</td>
<td>(741)</td>
</tr>
<tr>
<td>2003</td>
<td>(7,193)</td>
</tr>
<tr>
<td>2004</td>
<td>(2,407)</td>
</tr>
<tr>
<td>2005</td>
<td>(10,378)</td>
</tr>
<tr>
<td>TOTAL</td>
<td>(23,110)</td>
</tr>
</tbody>
</table>

In 2006 there was a significant rise in unused tax loss carryforwards mainly due to the consolidation for tax purposes of the Sufi group.

The period during which tax loss carryforwards can be offset is fifteen years from the date they were first generated.

None of these tax losses is reported as a deferred tax asset in the Group balance sheet.

12. INVENTORIES

The detail of Group inventories at December 31, 2005 and 2006 was as follows:

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land and lots</td>
<td>2,457,611</td>
<td>1,854,764</td>
</tr>
<tr>
<td>Developments under construction</td>
<td>1,162,417</td>
<td>994,972</td>
</tr>
<tr>
<td>Property</td>
<td>240,862</td>
<td>172,730</td>
</tr>
<tr>
<td>Auxiliary work and start-up costs</td>
<td>214,875</td>
<td>69,547</td>
</tr>
<tr>
<td>Prepayments</td>
<td>180,071</td>
<td>185,477</td>
</tr>
<tr>
<td>Construction materials and other supplies</td>
<td>70,585</td>
<td>46,363</td>
</tr>
<tr>
<td>Adaptation of land</td>
<td>65,394</td>
<td>62,613</td>
</tr>
<tr>
<td>Work in progress</td>
<td>14,619</td>
<td>28,497</td>
</tr>
<tr>
<td>Goods for resale</td>
<td>9,056</td>
<td>9,671</td>
</tr>
<tr>
<td>Finished goods</td>
<td>3,385</td>
<td>3,028</td>
</tr>
<tr>
<td>By-products, waste and recycled materials</td>
<td>18</td>
<td>23</td>
</tr>
<tr>
<td>Provisions</td>
<td>(806)</td>
<td>(186)</td>
</tr>
<tr>
<td>TOTAL</td>
<td>4,418,087</td>
<td>3,447,499</td>
</tr>
</tbody>
</table>
The value of Group inventories at December 31, 2006 includes finance and other costs, EUR 79,657 thousand having been added in 2006. This compares to EUR 36,698 thousand of finance costs recognized in 2005.

At December 31, 2006, a portion of the property and developments under construction were mortgaged as collateral for the repayment of assignable bank loans used to fund the specific development activity. Of the amounts recognized under "Developments under construction" EUR 709,346 thousand was current and EUR 453,085 thousand was non-current at December 31, 2006, compared to EUR 691,725 thousand and EUR 303,247 thousand respectively at December 31, 2005.

13. TRADE AND OTHER RECEIVABLES

The detail of "Trade and other receivables" on the consolidated balance sheet at year end 2005 and 2006 is as follows:

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade receivables</td>
<td>1,209,383</td>
<td>1,126,916</td>
</tr>
<tr>
<td>Completed work pending approval</td>
<td>220,192</td>
<td>9,563</td>
</tr>
<tr>
<td>Receivables from associates</td>
<td>2,634</td>
<td>3,517</td>
</tr>
<tr>
<td>Other receivables</td>
<td>236,085</td>
<td>232,639</td>
</tr>
<tr>
<td>Personnel</td>
<td>1,045</td>
<td>356</td>
</tr>
<tr>
<td>Tax assets</td>
<td>200,507</td>
<td>247,249</td>
</tr>
<tr>
<td>Provisions</td>
<td>(38,580)</td>
<td>(28,816)</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>1,831,266</strong></td>
<td><strong>1,591,424</strong></td>
</tr>
</tbody>
</table>

The EUR 141,257,202.47 corresponding to dividends is equivalent to EUR 0.50 per share and includes the following interim payments:

- EUR 28,833,324.66 approved on July 12, 2006 (EUR 0.1050 per share), paid on July 21, 2006.
- EUR 29,879,376.03 approved on October 4, 2006 (EUR 0.1050 per share), paid on October 16, 2006.
- EUR 29,886,802.37 approved on December 13, 2006 (EUR 0.1050 per share), paid on January 16, 2007.
- EUR 52,657,699.41 approved on March 7, 2007 (EUR 0.1850 per share), payable on April 13, 2007.

The detail of dividends in respect of 2006 is given in section e) of this note.

Amounts approved and paid in 2005 and 2006 are recognized under "Interim dividends paid in the year" in balance sheet liabilities and deducted from equity. Amounts approved and payable at the balance sheet dates 2005 and 2006 are reported under "Other payables" in balance sheet liabilities.

b) Share capital

At December 31, 2006, share capital comprised 284,636,213 bearer shares with a nominal value of one euro each, fully subscribed and paid in, all of which confer the same voting and economic rights.

At the Shareholders’ Meeting of May 5, 2006, shareholders voted to increase the share capital by EUR 10,165,579, equivalent to 10,165,579 shares with a nominal value of one euro, at the rate of one new share for each 27 existing shares. This capital increase was charged against reserves.

In 2005, the share capital was increased by EUR 8,317 thousand equivalent to 8,317,291 shares with a nominal value of one euro, at the rate of one new share for each 32 existing shares. This capital increase...
was charged against the “Reserve for revaluation on merger under Law 79/1980”.

At December 31, 2006, all shares issued and in circulation were listed for trading on the Continuous Market of the Spanish Stock Market.

The detail of Company shareholders at the balance sheet dates 2005 and 2006, as recorded in the registers of the Comisión Nacional del Mercado de Valores (CNMV) is as follows:

c) Share premium
There were no changes in the share premium in 2006.

The share premium is subject to the same restrictions and can be used for the same purposes as voluntary reserves.

d) Parent Company reserves

- Legal reserve
Companies must transfer at least 10% of profit for the year to a legal reserve until such reserve reaches an amount equal to 20% of share capital. This reserve is not distributable to shareholders and may only be used to offset accumulated losses from prior periods if no other reserves are available.

At December 31, 2005 and 2006 the legal reserve was EUR 53,231 thousand and EUR 54,894 thousand, respectively.

- Voluntary reserves
There were no restrictions on the use of voluntary reserves at December 31, 2006.

The following changes were made to voluntary reserves in 2006:

- EUR 87,689 thousand for dividends paid in respect of 2005
• EUR 10,167 thousand, for the capital increase charged to voluntary reserves approved at the Shareholders’ Meeting of May 5, 2006.

• EUR 46,961 thousand, for the reduction in treasury shares.

The following increases were made to voluntary reserves in 2005:

• EUR 72,258 thousand for dividends paid in respect of 2004

• EUR 6,557 thousand, following transfer of the balance of “Reserve for Tax Ministry Order of June 25, 1958”

• EUR 5,311 thousand, following transfer of the “Future Investment Reserve”.

• EUR 4,584 thousand, following reclassification of the part of the “Merger Revaluation Reserve Law 76/1980” which was not used to fund the capital increase.

e) Dividends

In 2005, the Company board resolved to pay shareholders four interim dividends against profit for the year:

<table>
<thead>
<tr>
<th>DATE GRANTED</th>
<th>PAYMENT DATE</th>
<th>INTERIM DIVIDEND (EUROS)</th>
<th>DIVID./SHARE (EUROS)</th>
</tr>
</thead>
<tbody>
<tr>
<td>July 13, 2005</td>
<td>July 29, 2005</td>
<td>27,027,440.80</td>
<td>0.10</td>
</tr>
<tr>
<td>October 5, 2005</td>
<td>October 14, 2005</td>
<td>27,074,963.60</td>
<td>0.10</td>
</tr>
<tr>
<td>November 29, 2005</td>
<td>January 13, 2006</td>
<td>27,195,256.60</td>
<td>0.10</td>
</tr>
<tr>
<td>March 8, 2006</td>
<td>April 12, 2006</td>
<td>32,936,476.08</td>
<td>0.12</td>
</tr>
</tbody>
</table>
On July 12, 2006, the Company board of directors resolved to pay shareholders an interim dividend in respect of 2006 equivalent to 10.5% of the nominal share price, equivalent to a total distribution of EUR 28,833 thousand. The table below shows that the Company has sufficient liquidity to fund this distribution:

<table>
<thead>
<tr>
<th>Fund Available</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and investments at May 31, 2006</td>
<td>91,862.25</td>
</tr>
<tr>
<td>Unused credit facilities at May 31, 2006</td>
<td>27,124,325.35</td>
</tr>
<tr>
<td>Receivables and payables as of the date of approval</td>
<td>20,918,259.97</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>48,134,447.57</strong></td>
</tr>
</tbody>
</table>

### STATEMENT OF LIQUIDITY SUPPORTING THE DISTRIBUTION OF THE INTERIM DIVIDEND IN RESPECT OF 2006, APPROVED AT THE BOARD OF DIRECTORS MEETING OF JULY 12, 2006

<table>
<thead>
<tr>
<th>Fund Available</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit after tax as of May 31, 2006</td>
<td>143,622,978.52</td>
</tr>
<tr>
<td>Appropriations to legal reserve</td>
<td>2,033,115.80</td>
</tr>
<tr>
<td><strong>PROFIT AFTER TAX LESS APPROPRIATION TO RESERVES</strong></td>
<td><strong>141,589,862.72</strong></td>
</tr>
<tr>
<td>INTERIM DIVIDEND PREVIOUSLY DISTRIBUTED</td>
<td>0.00</td>
</tr>
<tr>
<td><strong>FUNDS AVAILABLE FOR DISTRIBUTION</strong></td>
<td><strong>141,589,862.72</strong></td>
</tr>
</tbody>
</table>

### STATEMENT OF EARNINGS SUPPORTING THE DISTRIBUTION OF THE INTERIM DIVIDEND IN RESPECT OF 2006, APPROVED AT THE BOARD OF DIRECTORS MEETING OF JULY 12, 2006

<table>
<thead>
<tr>
<th>Fund Available</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shares issued by Sacyr Vallehermoso, S.A.</td>
<td>284,636,213</td>
</tr>
<tr>
<td>Treasury shares</td>
<td>10,033,121</td>
</tr>
<tr>
<td>Shares with dividend rights</td>
<td>274,603,092</td>
</tr>
<tr>
<td>Proposed dividend per share (euros)</td>
<td>0.1050</td>
</tr>
<tr>
<td><strong>INTERIM DIVIDEND APPROVED (</strong>)**</td>
<td><strong>28,833,324.66</strong></td>
</tr>
</tbody>
</table>

(**): The dividend will be due and payable as of July 21, 2006.
On October 4, 2006, the Company board of directors resolved to pay shareholders an interim dividend in respect of the 2006 profit equivalent to 10.5% of the nominal share price, equivalent to a total distribution of EUR 29,879 thousand. The table below shows that the Company has sufficient liquidity to fund this distribution:

### SACYR VALLEHERMOSO, S.A.

**STATEMENT OF LIQUIDITY SUPPORTING THE DISTRIBUTION OF THE INTERIM DIVIDEND IN RESPECT OF 2006, APPROVED AT THE BOARD OF DIRECTORS MEETING OF OCTOBER 4, 2006**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and investments at August 31, 2006</td>
<td>127,475.87</td>
</tr>
<tr>
<td>Unused credit facilities at August 31, 2006</td>
<td>32,446,222.14</td>
</tr>
<tr>
<td>Receivables and payables as of the date of approval</td>
<td>49,183,123.73</td>
</tr>
<tr>
<td><strong>FUNDS AVAILABLE</strong></td>
<td><strong>81,756,821.74</strong></td>
</tr>
</tbody>
</table>

**STATEMENT OF EARNINGS SUPPORTING THE DISTRIBUTION OF THE INTERIM DIVIDEND IN RESPECT OF 2006, APPROVED AT THE BOARD OF DIRECTORS MEETING OF OCTOBER 4, 2006**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit after tax as of August 31, 2006</td>
<td>154,488,943.08</td>
</tr>
<tr>
<td>Appropriations to legal reserve</td>
<td>2,033,115.80</td>
</tr>
<tr>
<td><strong>PROFIT AFTER TAX LESS APPROPRIATION TO RESERVES</strong></td>
<td><strong>152,455,827.28</strong></td>
</tr>
<tr>
<td><strong>INTERIM DIVIDEND PREVIOUSLY DISTRIBUTED</strong></td>
<td><strong>28,833,324.66</strong></td>
</tr>
<tr>
<td><strong>FUNDS AVAILABLE FOR DISTRIBUTION</strong></td>
<td><strong>123,622,502.62</strong></td>
</tr>
</tbody>
</table>

**DISTRIBUTION OF THE INTERIM DIVIDEND IN RESPECT OF 2006, APPROVED AT THE BOARD OF DIRECTORS MEETING OF OCTOBER 4, 2006**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shares issued by Sacyr Vallehermoso, S.A.</td>
<td>284,636,213</td>
</tr>
<tr>
<td>Treasury shares</td>
<td>70,727</td>
</tr>
<tr>
<td>Shares with dividend rights</td>
<td>284,565,486</td>
</tr>
<tr>
<td>Proposed dividend per share (euros)</td>
<td>0.1050</td>
</tr>
<tr>
<td><strong>INTERIM DIVIDEND APPROVED (*)</strong></td>
<td><strong>29,879,376.03</strong></td>
</tr>
</tbody>
</table>

(*) The dividend will be due and payable as of October 16, 2006.
On December 13, 2006, the Company board of directors resolved to pay shareholders an interim dividend in respect of the 2006 profit equivalent to 10.5% of the nominal share price, equivalent to a total distribution of EUR 29,887 thousand. The table below shows that the Company has sufficient liquidity to fund this distribution:

### STATEMENT OF LIQUIDITY SUPPORTING THE DISTRIBUTION OF THE INTERIM DIVIDEND IN RESPECT OF 2006, APPROVED AT THE BOARD OF DIRECTORS MEETING OF DECEMBER 13, 2006

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and investments at October 31, 2006</td>
<td>17,890,726.96</td>
</tr>
<tr>
<td>Unused credit facilities at October 31, 2006</td>
<td>121,160,563.25</td>
</tr>
<tr>
<td>Receivables and payables as of the date of approval</td>
<td>113,689,985.44</td>
</tr>
<tr>
<td><strong>Funds Available</strong></td>
<td><strong>252,741,175.65</strong></td>
</tr>
</tbody>
</table>

### STATEMENT OF EARNINGS SUPPORTING THE DISTRIBUTION OF THE INTERIM DIVIDEND IN RESPECT OF 2006, APPROVED AT THE BOARD OF DIRECTORS MEETING OF DECEMBER 13, 2006

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit after tax as of October 31, 2006</td>
<td>211,556,364.24</td>
</tr>
<tr>
<td>Appropriations to legal reserve</td>
<td>2,033,115.80</td>
</tr>
<tr>
<td><strong>Profit after tax less appropriation to reserves</strong></td>
<td><strong>209,523,248.44</strong></td>
</tr>
<tr>
<td><strong>Interim Dividend Previously Distributed</strong></td>
<td><strong>58,712,700.69</strong></td>
</tr>
<tr>
<td><strong>Funds Available for Distribution</strong></td>
<td><strong>150,810,547.75</strong></td>
</tr>
</tbody>
</table>

### DISTRIBUTION OF THE INTERIM DIVIDEND IN RESPECT OF 2006, APPROVED AT THE BOARD OF DIRECTORS MEETING OF DECEMBER 13, 2006

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shares issued by Sacyr Vallehermoso, S.A.</td>
<td>284,636,213</td>
</tr>
<tr>
<td>Treasury shares</td>
<td>0</td>
</tr>
<tr>
<td>Shares with dividend rights</td>
<td>284,636,213</td>
</tr>
<tr>
<td>Proposed dividend per share (euros)</td>
<td>0.1050</td>
</tr>
<tr>
<td><strong>Interim Dividend Approved (</strong>)**</td>
<td><strong>29,886,802.37</strong></td>
</tr>
</tbody>
</table>

(*) The dividend will be due and payable as of January 16, 2007.
On March 7, 2006, the Company board of directors resolved to pay shareholders an interim dividend in respect of the 2006 profit equivalent to 18.5% of the nominal share price, equivalent to a total distribution of EUR 52,658 thousand. The table below shows that the Company has sufficient liquidity to fund this distribution:

### SACYR VALLEHERMOSO, S.A.

#### STATEMENT OF LIQUIDITY SUPPORTING THE DISTRIBUTION OF THE INTERIM DIVIDEND IN RESPECT OF 2006, APPROVED AT THE BOARD OF DIRECTORS MEETING OF MARCH 7, 2007

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and investments at December 31, 2006</td>
<td>7,141,127.69</td>
</tr>
<tr>
<td>Unused credit facilities at December 31, 2006</td>
<td>91,621,258.23</td>
</tr>
<tr>
<td>Receivables and payables as of the date of approval</td>
<td>-30,726,003.46</td>
</tr>
<tr>
<td><strong>Funds Available</strong></td>
<td><strong>68,036,382.46</strong></td>
</tr>
</tbody>
</table>

#### STATEMENT OF EARNINGS SUPPORTING THE DISTRIBUTION OF THE INTERIM DIVIDEND IN RESPECT OF 2006, APPROVED AT THE BOARD OF DIRECTORS MEETING OF MARCH 7, 2007

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit after tax as of December 31, 2006</td>
<td>191,023,471.13</td>
</tr>
<tr>
<td>Appropriations to legal reserve</td>
<td>2,033,115.80</td>
</tr>
<tr>
<td><strong>Profit after tax less appropriation to reserves</strong></td>
<td><strong>188,990,355.33</strong></td>
</tr>
<tr>
<td><strong>Interim dividend previously distributed</strong></td>
<td><strong>88,599,503.06</strong></td>
</tr>
<tr>
<td><strong>Funds available for distribution</strong></td>
<td><strong>100,390,852.27</strong></td>
</tr>
</tbody>
</table>

#### DISTRIBUTION OF THE INTERIM DIVIDEND IN RESPECT OF 2006, APPROVED AT THE BOARD OF DIRECTORS MEETING OF MARCH 7, 2007

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shares issued by Sacyr Vallehermoso, S.A.</td>
<td>284,636,213</td>
</tr>
<tr>
<td>Treasury shares</td>
<td>0</td>
</tr>
<tr>
<td>Shares with dividend rights</td>
<td>284,636,213</td>
</tr>
<tr>
<td>Proposed dividend per share (euros)</td>
<td>0.1850</td>
</tr>
<tr>
<td><strong>Interim dividend approved (*)</strong></td>
<td><strong>52,657,699.41</strong></td>
</tr>
</tbody>
</table>

(*) The dividend will be due and payable as of April 13, 2007.

### f) Treasury shares

At December 31, 2006, the Group owned no shares in the Parent Company.

The detail of changes in treasury shares in 2005 and 2006 is as follows:

<table>
<thead>
<tr>
<th>Period</th>
<th>Shares Bought</th>
<th>Shares Sold</th>
<th>Bonus Rights Issue</th>
<th>Shares Bought</th>
<th>Shares Sold</th>
<th>Bonus Rights Issue</th>
<th>Shares Bought</th>
<th>Shares Sold</th>
<th>Bonus Rights Issue</th>
<th>Shares Bought</th>
<th>Shares Sold</th>
<th>Bonus Rights Issue</th>
<th>Shares Bought</th>
<th>Shares Sold</th>
<th>Bonus Rights Issue</th>
<th>Shares Bought</th>
<th>Shares Sold</th>
<th>Bonus Rights Issue</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Balance at 31/12/04</strong></td>
<td>7,302,150</td>
<td>(7,012,665)</td>
<td>0</td>
<td>14,685,962</td>
<td>(17,345,312)</td>
<td>141,282</td>
<td><strong>2,228,583</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Balance at 31/12/05</strong></td>
<td>14,685,962</td>
<td>(17,345,312)</td>
<td>141,282</td>
<td></td>
<td></td>
<td></td>
<td><strong>2,518,068</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Balance at 31/12/06</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td><strong>141,282</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### g) Equity attributable to minority interests

At the Ordinary Shareholders’ Meeting of May 5, 2006, shareholders’ voted to compensate shareholders’ for the loss in their purchasing power due to the rise in the CPI by increasing share capital by EUR 10,165,579, through an issue of 10,165,579 new shares with a nominal value of one euro each charged to unrestricted voluntary reserves at the rate of one new share for each 27 outstanding. As a result of this operation, the Parent Company acquired a total of 141,282 new shares.

At the balance sheet date 2006, the SyV share price was EUR 45.00 per share, a rise of 118.45% on the previous balance sheet date (EUR 20.60), making the Group the second highest yielding share on the Spanish Ibex-35 index of large cap stocks.

This equity item on the consolidated balance sheet represents the value of all the stakes held by minority shareholders.
shareholders in the equity of the Group’s consolidated subsidiaries. “Minority interests” on the consolidated income statement shows the portion of profit for the year attributable to these minority shareholders.

The reduction in “Equity attributable to minority interests” in 2005 was basically due to the buyouts of the outstanding 30% of the ENA group (raising the Company’s stake from 70% to 100%) and the 0.4238% in Somague group (from 99.5762% to 100%).

Also, the increase in “Equity attributable to minority interests” in 2006 was largely due to minority interests in profit for the year, the acquisition of 50% of Europistas Concesionaria Española, S.A. and the acquisition of 89.95% of French company Tesfran, S.A.

15. DEFERRED INCOME

The changes in deferred income in 2005 and 2006 were as follows:

<table>
<thead>
<tr>
<th></th>
<th>BALANCE AT</th>
<th>ADDITIONS</th>
<th>DISPOSALS</th>
<th>TRANSFERS</th>
<th>CHANGES IN SCOPE</th>
<th>TRANSLATION DIFFERENCES</th>
<th>BALANCE AT</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>31-DEC-04</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>31-DEC-05</td>
</tr>
<tr>
<td>Capital grants</td>
<td>374,226</td>
<td>23,096</td>
<td>(20,637)</td>
<td>0</td>
<td>0</td>
<td>74,377</td>
<td>451,062</td>
</tr>
<tr>
<td>Other income</td>
<td>40,415</td>
<td>84,773</td>
<td>(112,174)</td>
<td>0</td>
<td>0</td>
<td>(7,802)</td>
<td>5,212</td>
</tr>
<tr>
<td>TOTAL</td>
<td>414,641</td>
<td>107,869</td>
<td>(132,811)</td>
<td>0</td>
<td>0</td>
<td>66,575</td>
<td>456,274</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>BALANCE AT</th>
<th>ADDITIONS</th>
<th>DISPOSALS</th>
<th>TRANSFERS</th>
<th>CHANGES IN SCOPE</th>
<th>TRANSLATION DIFFERENCES</th>
<th>BALANCE AT</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>31-DEC-05</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>31-DEC-06</td>
</tr>
<tr>
<td>Capital grants</td>
<td>451,062</td>
<td>16,119</td>
<td>(24,480)</td>
<td>1,383</td>
<td>2</td>
<td>(52,024)</td>
<td>392,062</td>
</tr>
<tr>
<td>Other income</td>
<td>5,212</td>
<td>24,042</td>
<td>(26,832)</td>
<td>0</td>
<td>6,417</td>
<td>(143)</td>
<td>8,696</td>
</tr>
<tr>
<td>TOTAL</td>
<td>456,274</td>
<td>40,161</td>
<td>(51,312)</td>
<td>1,383</td>
<td>6,419</td>
<td>(52,167)</td>
<td>400,758</td>
</tr>
</tbody>
</table>

This item largely consists of government grants to Itinere group.

Under the administrative concession of September 11, 1995, the Galician regional government granted Autoestradas de Galicia, S.A. (AUTOESTRADAS) EUR 72,121 thousand in non-reimbursable grants. This grant, provided for in the clauses of the concession agreement, was extended in order to guarantee the profitability of the concession. It has been received in full. AUTOESTRADAS has another non-reimbursable grant for EUR 1,052 thousand, by virtue of the agreement with the Galicia regional government to subsidize the stretch of the A-57 highway between PK 19+600 and 19+960. This grant has also been received in full. At December 31, 2006 AUTOESTRADAS had recognized income of EUR 13,569 thousand in this connection (2005: EUR 12,428 thousand).

At December 31, 2004, Sociedad Concesionaria de Los Lagos, S.A., Sociedad Concesionaria del Elqui, S.A. and Sociedad Concesionaria Litoral Central, S.A. recorded grants receivable from the Chilean Ministry for Civil Engineering in accordance with the terms of their respective concession agreements. These grants are received annually throughout the lives of the concessions. The purpose of these grants is to ensure the profitability of the concessions. These grants represent a mandatory annual payment, in a fixed and defined amount, by the Chilean Ministry. The original amounts are denominated in Chilean UF’s (Unidades de Fomento). The Chilean Ministry’s payment obligation is subject to the tender terms contained in the respective concession agreements, which provide that the amounts must be settled (subject to receipt of the authorization to bring the infrastructure concerned into operation) at a set date, at the value of the UF on the last day of the month prior to the payment date. In subsequent years, the payment is made on the same
date each year. If, in its final year, the concession runs for less than 12 months, the payment is adjusted in proportion to the number of months concerned.

16. PROVISIONS AND CONTINGENT LIABILITIES

16.1. Provisions for contingencies and expenses

The changes in provisions for contingencies and expenses in 2005 and 2006 were as follows:

<table>
<thead>
<tr>
<th>(Thousands of euros)</th>
<th>( 2005 )</th>
<th>( \text{BALANCE AT} \text{ 31-DEC-04} )</th>
<th>( \text{INCREASE} )</th>
<th>( \text{DECREASE} )</th>
<th>( \text{TRANSFERS} )</th>
<th>( \text{CHANGES IN SCOPE} )</th>
<th>( \text{TRANSLATION DIFFERENCES} )</th>
<th>( \text{BALANCE AT 31-DEC-05} )</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax provisions</td>
<td>2,959</td>
<td>16,170</td>
<td>(8,568)</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>10,561</td>
</tr>
<tr>
<td>Other provisions</td>
<td>42,866</td>
<td>21,296</td>
<td>(19,153)</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>45,009</td>
</tr>
<tr>
<td>TOTAL</td>
<td>45,825</td>
<td>37,466</td>
<td>(27,721)</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>55,570</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>(Thousands of euros)</th>
<th>( 2006 )</th>
<th>( \text{BALANCE AT} \text{ 31-DEC-05} )</th>
<th>( \text{INCREASE} )</th>
<th>( \text{DECREASE} )</th>
<th>( \text{TRANSFERS} )</th>
<th>( \text{CHANGES IN SCOPE} )</th>
<th>( \text{TRANSLATION DIFFERENCES} )</th>
<th>( \text{BALANCE AT 31-DEC-06} )</th>
</tr>
</thead>
<tbody>
<tr>
<td>Provisions for retirement and similar obligations</td>
<td>0</td>
<td>7,217</td>
<td>(2,154)</td>
<td>2,262</td>
<td>1,315</td>
<td>0</td>
<td>8,640</td>
<td></td>
</tr>
<tr>
<td>Tax provisions</td>
<td>10,561</td>
<td>4,291</td>
<td>(6,087)</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>8,765</td>
<td></td>
</tr>
<tr>
<td>Other provisions</td>
<td>45,009</td>
<td>27,315</td>
<td>(20,855)</td>
<td>(19,465)</td>
<td>10,917</td>
<td>(3)</td>
<td>42,918</td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td>55,570</td>
<td>38,823</td>
<td>(29,096)</td>
<td>(17,203)</td>
<td>12,232</td>
<td>(3)</td>
<td>60,323</td>
<td></td>
</tr>
</tbody>
</table>

The detail of the principal provisions for contingencies and expenses by segment are as follows:

<table>
<thead>
<tr>
<th>(Thousands of euros)</th>
<th>( 2005 )</th>
<th>( \text{EMMASA} )</th>
<th>( \text{VALLEHERMOSO} )</th>
<th>( \text{VALORIZA} )</th>
<th>( \text{SOMAGUE} )</th>
<th>( \text{OTHER} )</th>
<th>( \text{TOTAL} )</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax provisions</td>
<td>0</td>
<td>5,456</td>
<td>3,015</td>
<td>19</td>
<td>2,071</td>
<td>10,561</td>
<td></td>
</tr>
<tr>
<td>Other provisions</td>
<td>0</td>
<td>8,521</td>
<td>4,117</td>
<td>28,446</td>
<td>3,925</td>
<td>45,009</td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td>0</td>
<td>13,977</td>
<td>7,132</td>
<td>28,465</td>
<td>5,996</td>
<td>55,570</td>
<td></td>
</tr>
</tbody>
</table>
“Other provisions” principally relates to litigation and claims by third parties arising from activity in each segment, which have been recognized based on the best estimates made at the balance sheet date, none of these being of a material size.

Also reported under “Other provisions” are guarantees in respect of Portuguese group Somague, and its liabilities in the construction business for completion and termination of project contracts.

The subsidiary Empresa Mixta de Aguas de Santa Cruz de Tenerife, S.A. (EMMASA) has a defined benefit pension plan that meets its obligations to provide additional pension benefits on top of the Social Security entitlements of its employees up to 100% of the remuneration that each employee receives when they reach retirement age and to pay these amounts to surviving beneficiaries in the event of death. The Company meets all its retirement commitments through external pension funds which at the balance sheet date for the year were valued in accordance with IAS 19.

The valuation assumptions applied were as follows:

<table>
<thead>
<tr>
<th>ASSUMPTIONS AS OF 01/01/2006</th>
<th>PERCENTAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discount rate for liabilities</td>
<td>4.20%</td>
</tr>
<tr>
<td>Salary growth rate</td>
<td>3.75%</td>
</tr>
<tr>
<td>Expected return on assets</td>
<td>6.25%</td>
</tr>
<tr>
<td>CPI</td>
<td>2.25%</td>
</tr>
<tr>
<td>Social security full pension growth rate</td>
<td>1.75%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>ASSUMPTIONS AS OF 31/12/2006</th>
<th>PERCENTAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discount rate for liabilities</td>
<td>4.50%</td>
</tr>
<tr>
<td>Salary growth rate</td>
<td>3.75%</td>
</tr>
<tr>
<td>Expected return on assets</td>
<td>6.25%</td>
</tr>
<tr>
<td>CPI</td>
<td>2.25%</td>
</tr>
<tr>
<td>Social security full pension growth rate</td>
<td>1.75%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>STRATEGIC ALLOCATION OF FUND ASSETS</th>
<th>PERCENTAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Euro private fixed income</td>
<td>37.50%</td>
</tr>
<tr>
<td>European equities</td>
<td>27.50%</td>
</tr>
<tr>
<td>Non-European equities</td>
<td>20.00%</td>
</tr>
<tr>
<td>Euro zone property</td>
<td>15.00%</td>
</tr>
<tr>
<td>TOTAL</td>
<td>100.00%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>2006</th>
<th>EMMANSA</th>
<th>VALLEHERMOSO</th>
<th>VALORIZA</th>
<th>SOMAGUE</th>
<th>OTHER</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Provisions for retirement and similar obligations</td>
<td>5,794</td>
<td>0</td>
<td>2,011</td>
<td>156</td>
<td>679</td>
<td>8,640</td>
</tr>
<tr>
<td>Tax provisions</td>
<td>0</td>
<td>5,949</td>
<td>512</td>
<td>493</td>
<td>1,811</td>
<td>8,765</td>
</tr>
<tr>
<td>Other provisions</td>
<td>16,544</td>
<td>9,420</td>
<td>9,276</td>
<td>3,613</td>
<td>4,065</td>
<td>42,918</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>22,338</strong></td>
<td><strong>15,369</strong></td>
<td><strong>11,799</strong></td>
<td><strong>4,262</strong></td>
<td><strong>6,555</strong></td>
<td><strong>60,323</strong></td>
</tr>
</tbody>
</table>

(Thousands of euros)
The Company’s policy when recognizing actuarial gains or losses is to amortize them over the remaining working life of the employees concerned, currently 18 years, unless the unrecognized gain or loss at the end of the year exceeds 10% of the present value of plan assets or of the defined benefits obligations under the plan.

The reconciliation of movements over the period and the present value of plan assets and liabilities is as follows:

<table>
<thead>
<tr>
<th>PLAN LIABILITIES</th>
<th>THOUSANDS OF EUROS</th>
</tr>
</thead>
<tbody>
<tr>
<td>ACTUARIAL LIABILITY AS OF 01/01/2006</td>
<td>14,790</td>
</tr>
<tr>
<td>Service cost</td>
<td>895</td>
</tr>
<tr>
<td>Interest cost</td>
<td>621</td>
</tr>
<tr>
<td>Actuarial liability from plan improvements</td>
<td></td>
</tr>
<tr>
<td>ACTUARIAL (GAIN)/LOSS</td>
<td>1,019</td>
</tr>
<tr>
<td>Acquisitions</td>
<td>0</td>
</tr>
<tr>
<td>Curtailments</td>
<td>0</td>
</tr>
<tr>
<td>Settlements</td>
<td>1,651</td>
</tr>
<tr>
<td>Benefits paid</td>
<td>1,221</td>
</tr>
<tr>
<td>ACTUARIAL LIABILITY AS OF 31/12/2006</td>
<td>14,453</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>PLAN ASSETS</th>
<th>THOUSANDS OF EUROS</th>
</tr>
</thead>
<tbody>
<tr>
<td>FAIR VALUE OF PLAN ASSETS AS OF 01/01/2006</td>
<td>9,324</td>
</tr>
<tr>
<td>Expected return on plan assets</td>
<td>583</td>
</tr>
<tr>
<td>ACTUARIAL (GAIN) / LOSS</td>
<td>(565)</td>
</tr>
<tr>
<td>Contributions</td>
<td>1,077</td>
</tr>
<tr>
<td>Acquisitions</td>
<td>0</td>
</tr>
<tr>
<td>Settlements</td>
<td>1,651</td>
</tr>
<tr>
<td>Benefits paid by the Fund</td>
<td>668</td>
</tr>
<tr>
<td>FAIR VALUE OF PLAN ASSETS AT 31/12/2006</td>
<td>9,230</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>FINANCIAL POSITION AS OF 31/12/2006</th>
<th>THOUSANDS OF EUROS</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Deficit) / Surplus</td>
<td>(5,223)</td>
</tr>
<tr>
<td>Unrecognized amounts:</td>
<td></td>
</tr>
<tr>
<td>Actuarial (Gain) / Loss</td>
<td>690</td>
</tr>
<tr>
<td>Plan improvements</td>
<td>0</td>
</tr>
<tr>
<td>Unrecognized assets</td>
<td>0</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>BALANCE SHEET (PROVISION) / ASSETS</th>
<th>THOUSANDS OF EUROS</th>
</tr>
</thead>
<tbody>
<tr>
<td>(4,533)</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>ANNUAL PENSION EXPENSE</th>
<th>THOUSANDS OF EUROS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service cost</td>
<td>895</td>
</tr>
<tr>
<td>Interest cost</td>
<td>621</td>
</tr>
<tr>
<td>Expected return on plan assets</td>
<td>583</td>
</tr>
<tr>
<td>Amortization of actuarial (Gain) / Loss</td>
<td>0</td>
</tr>
<tr>
<td>Amortization of plan improvements</td>
<td>0</td>
</tr>
<tr>
<td>Curtailments</td>
<td>0</td>
</tr>
<tr>
<td>Settlements</td>
<td>(236)</td>
</tr>
<tr>
<td>Additional benefits</td>
<td>0</td>
</tr>
<tr>
<td>Tax charge on individual policies</td>
<td>412</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>ANNUAL PENSION COST</th>
<th>THOUSANDS OF EUROS</th>
</tr>
</thead>
<tbody>
<tr>
<td>1,109</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>RECONCILIATION</th>
<th>THOUSANDS OF EUROS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance sheet (Provision) / Assets as of 01/01/2006</td>
<td>(5,466)</td>
</tr>
<tr>
<td>Annual pension expense</td>
<td>(1,109)</td>
</tr>
<tr>
<td>Contributions</td>
<td>2,042</td>
</tr>
<tr>
<td>Balance sheet (Provision) / Assets as of 31/12/2006</td>
<td>(4,533)</td>
</tr>
</tbody>
</table>
The Empresa Mixta de Aguas de Las Palmas, S.A. (EMALSA) is under an obligation to provide additional benefits on top of the Social Security entitlements of Company employees who joined the Company before January 1, 1994 in the event of retirement, permanent disablement or to their surviving beneficiaries in the event of death. When it became mandatory to outsource pension commitments, the Company chose to outsource its obligations through life insurance contracts both for current and past employees.

At the balance sheet date the Company valued its pension commitments covered by insurance policies in accordance with IAS 19, based on the following assumptions:

<table>
<thead>
<tr>
<th>ASSUMPTIONS ON FUTURE POLICY RENEWALS</th>
<th>PERCENTAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Technical interest rate cost of savings premiums</td>
<td>3.50%</td>
</tr>
<tr>
<td>Interest rate cost of risk premiums</td>
<td>2.00%</td>
</tr>
<tr>
<td>Life tables</td>
<td>PER2000 NP</td>
</tr>
<tr>
<td>Mortality tables</td>
<td>GKM/F 95</td>
</tr>
<tr>
<td>Future increase in pensionable salary</td>
<td>2.80%</td>
</tr>
<tr>
<td>Future increase in gross salary</td>
<td>2.60%</td>
</tr>
<tr>
<td>CPI and increase in Social Security bases and full pension</td>
<td>2.00%</td>
</tr>
<tr>
<td>Pension increase</td>
<td>0.00%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>FUTURE ASSUMPTIONS ON STRATEGIC PROVISIONS PLAN</th>
<th>PERCENTAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Technical interest rate</td>
<td>5.00%</td>
</tr>
<tr>
<td>Life tables</td>
<td>PER2000 NP</td>
</tr>
<tr>
<td>Future increase in pensionable salary</td>
<td>3.30%</td>
</tr>
<tr>
<td>Future increase in gross salary</td>
<td>3.10%</td>
</tr>
<tr>
<td>CPI and increase in Social Security bases and full pension</td>
<td>2.50%</td>
</tr>
<tr>
<td>Pension increase</td>
<td>2.50%</td>
</tr>
</tbody>
</table>
The present value of plan assets and liabilities is as follows:

<table>
<thead>
<tr>
<th>PLAN LIABILITIES</th>
<th>THOUSAND OF EUROS</th>
</tr>
</thead>
<tbody>
<tr>
<td>PRESENT VALUE OF ACTUARIAL LIABILITIES AS OF 01/01/2006</td>
<td></td>
</tr>
<tr>
<td>Current employees with accrued insured benefits</td>
<td>3,114</td>
</tr>
<tr>
<td>Former employees in receipt of insured benefits</td>
<td>4,355</td>
</tr>
<tr>
<td>TOTAL PRESENT VALUE OF ACTUARIAL LIABILITIES AS AT 01/01/2006</td>
<td>7,469</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>PLAN ASSETS</th>
<th>THOUSAND OF EUROS</th>
</tr>
</thead>
<tbody>
<tr>
<td>FAIR VALUE OF PLAN ASSETS AS OF 01/01/2006</td>
<td></td>
</tr>
<tr>
<td>Current employees with accrued insured benefits</td>
<td>2,095</td>
</tr>
<tr>
<td>Former employees in receipt of insured benefits</td>
<td>3,565</td>
</tr>
<tr>
<td>TOTAL FAIR VALUE OF PLAN ASSETS AS OF 01/01/2006</td>
<td>5,660</td>
</tr>
</tbody>
</table>

| BALANCE SHEET (PROVISION) / ASSETS | |
|-----------------------------------|-
| (1,809) |

<table>
<thead>
<tr>
<th>PLAN LIABILITIES</th>
<th>THOUSAND OF EUROS</th>
</tr>
</thead>
<tbody>
<tr>
<td>PRESENT VALUE OF ACTUARIAL LIABILITIES AS OF 31/12/2006</td>
<td></td>
</tr>
<tr>
<td>Current employees with accrued insured benefits</td>
<td>3,372</td>
</tr>
<tr>
<td>Former employees in receipt of insured benefits</td>
<td>4,300</td>
</tr>
<tr>
<td>TOTAL PRESENT VALUE OF ACTUARIAL LIABILITIES AS AT 31/12/2006</td>
<td>7,672</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>PLAN ASSETS</th>
<th>THOUSAND OF EUROS</th>
</tr>
</thead>
<tbody>
<tr>
<td>FAIR VALUE OF PLAN ASSETS AS OF 31/12/2006</td>
<td></td>
</tr>
<tr>
<td>Current employees with accrued insured benefits</td>
<td>2,177</td>
</tr>
<tr>
<td>Former employees in receipt of insured benefits</td>
<td>3,537</td>
</tr>
<tr>
<td>TOTAL FAIR VALUE OF PLAN ASSETS AS OF 31/12/2006</td>
<td>5,714</td>
</tr>
</tbody>
</table>

| BALANCE SHEET (PROVISION) / ASSETS | |
|-----------------------------------|-
| (1,958) |

<table>
<thead>
<tr>
<th>RECONCILIATION</th>
<th>THOUSAND OF EUROS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance sheet (Provision) / Assets as of 01/01/2006</td>
<td>(1,809)</td>
</tr>
<tr>
<td>Annual pension expense</td>
<td>(568)</td>
</tr>
<tr>
<td>Contributions</td>
<td>419</td>
</tr>
<tr>
<td>Balance sheet (Provision) / Assets as of 31/12/2006</td>
<td>(1,958)</td>
</tr>
</tbody>
</table>

### 16.2 Trade provisions

The detail of trade provisions by segment is as follows:

<table>
<thead>
<tr>
<th>(Thousands of euros)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
</tr>
<tr>
<td>VALLEHERMOSO</td>
</tr>
<tr>
<td>Trade provisions</td>
</tr>
<tr>
<td>TOTAL</td>
</tr>
</tbody>
</table>
The main trade provisions are in respect of:

- **Vallehermoso (Property Development):** this relates to estimated costs and liabilities that may be incurred in terminating a development, which include liabilities that may come to light between the handover of the development units and expiry of the 10-year guarantee. None of the provisions on individual developments is significant enough to require detailing here.

- **Sacyr (Construction):** this relates to estimated costs and liabilities arising from termination of project or contract, which cannot yet be precisely determined as regards its exact amount or payment date. The general criteria for recognizing these provisions are described in note 3 to the management report.

### 16.3. Contingent liabilities

At December 31, 2005 and 2006 Group companies had provided guarantees to a value of, respectively, EUR 1,909,058 thousand and EUR 2,089,448 thousand. The detail of guarantees provided is as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>1,909,058</td>
</tr>
<tr>
<td>2006</td>
<td>2,089,448</td>
</tr>
</tbody>
</table>

#### Table: Guarantees Provided

<table>
<thead>
<tr>
<th>Year</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>1,909,058</td>
</tr>
<tr>
<td>2006</td>
<td>2,089,448</td>
</tr>
</tbody>
</table>

**Notes:**

- Holding company
- Sacyr
- Itinere
- Valoriza
- Vallehermoso
- Testa
- Somague
- TOTAL

**Columns:**

- **FINANCIAL GUARANTEES** (Thousands of euros)
  - SPAIN
  - ABROAD
- **TECHNICAL GUARANTEES** (Thousands of euros)
  - SPAIN
  - ABROAD
- **TOTAL** (Thousands of euros)
In the Construction divisions Sacyr Group and Somague Group guarantees correspond to the normal liability in the construction business to complete and terminate project contracts.

In the infrastructure Concession division Itinere Group a distinction is made between technical guarantees (deposits for tender, construction and operation of toll motorways) and financial guarantees (bank guarantees).

The guarantees by Valoriza group largely correspond to project completion contracts.

In the Property Development division Vallehermoso Group a distinction is made between:

- Technical guarantees, relating to the contracts for completion and sale of developments, land tenders and down payments by buyers of the property.
- Financial guarantees, which mainly relate to deferred payments for the acquisition of land lots.

17. LOANS AND BORROWINGS

The detail of the Group’s financial debt at the balance sheet date 2005, by division and maturity, is as follows:

<table>
<thead>
<tr>
<th>MATURITY (Thousands of euros)</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>AFTER 2010</th>
<th>TOTAL DEBT</th>
</tr>
</thead>
<tbody>
<tr>
<td>SACYR VALLEHERMOSO, S.A.</td>
<td>505,166</td>
<td>153,059</td>
<td>114,374</td>
<td>71,593</td>
<td>23,406</td>
<td>0</td>
<td>867,598</td>
<td>867,598</td>
</tr>
<tr>
<td>Interest bearing loans and borrowings</td>
<td>68,470</td>
<td>153,059</td>
<td>114,374</td>
<td>71,593</td>
<td>23,406</td>
<td>0</td>
<td>430,902</td>
<td>430,902</td>
</tr>
<tr>
<td>Bonds and other marketable securities</td>
<td>436,696</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>436,696</td>
<td>436,696</td>
</tr>
<tr>
<td>GRUPO SACYR</td>
<td>37,780</td>
<td>32,666</td>
<td>3,322</td>
<td>2,557</td>
<td>1,884</td>
<td>2,661</td>
<td>80,870</td>
<td>80,870</td>
</tr>
<tr>
<td>Interest bearing loans and borrowings</td>
<td>37,780</td>
<td>32,666</td>
<td>3,322</td>
<td>2,557</td>
<td>1,884</td>
<td>2,661</td>
<td>80,870</td>
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<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
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</tr>
<tr>
<td>GRUPO ITINERE</td>
<td>311,394</td>
<td>82,398</td>
<td>118,103</td>
<td>39,347</td>
<td>37,921</td>
<td>3,049,666</td>
<td>3,638,939</td>
<td>3,638,939</td>
</tr>
<tr>
<td>Interest bearing loans and borrowings</td>
<td>171,535</td>
<td>55,371</td>
<td>55,231</td>
<td>36,599</td>
<td>34,175</td>
<td>1,885,828</td>
<td>2,238,739</td>
<td>2,238,739</td>
</tr>
<tr>
<td>Bonds and other marketable securities</td>
<td>139,859</td>
<td>26,937</td>
<td>62,872</td>
<td>2,948</td>
<td>3,746</td>
<td>1,163,838</td>
<td>1,400,200</td>
<td>1,400,200</td>
</tr>
<tr>
<td>GRUPO VALORIZA GESTIÓN</td>
<td>66,314</td>
<td>38,029</td>
<td>35,212</td>
<td>10,973</td>
<td>12,740</td>
<td>74,269</td>
<td>237,646</td>
<td>237,646</td>
</tr>
<tr>
<td>Interest bearing loans and borrowings</td>
<td>66,314</td>
<td>38,029</td>
<td>35,212</td>
<td>10,973</td>
<td>12,740</td>
<td>74,269</td>
<td>237,646</td>
<td>237,646</td>
</tr>
<tr>
<td>Bonds and other marketable securities</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>GRUPO VALLEHERMOSO</td>
<td>758,852</td>
<td>1,101,681</td>
<td>197,840</td>
<td>43,319</td>
<td>5,562</td>
<td>28,182</td>
<td>2,135,436</td>
<td>2,135,436</td>
</tr>
<tr>
<td>Interest bearing loans and borrowings</td>
<td>758,852</td>
<td>1,101,681</td>
<td>197,840</td>
<td>43,319</td>
<td>5,562</td>
<td>28,182</td>
<td>2,135,436</td>
<td>2,135,436</td>
</tr>
<tr>
<td>Bonds and other marketable securities</td>
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<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>GRUPO TESTA</td>
<td>56,490</td>
<td>117,749</td>
<td>126,987</td>
<td>59,243</td>
<td>53,705</td>
<td>902,401</td>
<td>1,316,575</td>
<td>1,316,575</td>
</tr>
<tr>
<td>Interest bearing loans and borrowings</td>
<td>56,490</td>
<td>117,749</td>
<td>126,987</td>
<td>59,243</td>
<td>53,705</td>
<td>902,401</td>
<td>1,316,575</td>
<td>1,316,575</td>
</tr>
<tr>
<td>Bonds and other marketable securities</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>GRUPO SOMAGUE</td>
<td>74,869</td>
<td>20,329</td>
<td>42,207</td>
<td>53,302</td>
<td>8,228</td>
<td>15,895</td>
<td>214,830</td>
<td>214,830</td>
</tr>
<tr>
<td>Interest bearing loans and borrowings</td>
<td>74,869</td>
<td>20,329</td>
<td>42,207</td>
<td>23,302</td>
<td>8,228</td>
<td>15,895</td>
<td>184,830</td>
<td>184,830</td>
</tr>
<tr>
<td>Bonds and other marketable securities</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>30,000</td>
<td>0</td>
<td>0</td>
<td>30,000</td>
<td>30,000</td>
</tr>
<tr>
<td>TOTAL</td>
<td>1,810,865</td>
<td>1,545,821</td>
<td>638,154</td>
<td>280,534</td>
<td>143,446</td>
<td>4,073,074</td>
<td>8,491,894</td>
<td>8,491,894</td>
</tr>
</tbody>
</table>
The detail of the Group’s financial debt at the balance sheet date 2006, by division and maturity, is as follows:

<table>
<thead>
<tr>
<th>MATURITY (Thousands of euros)</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>AFTER 2011</th>
<th>TOTAL DEBT</th>
</tr>
</thead>
<tbody>
<tr>
<td>SACYR VALLEHERMOSO, S.A.</td>
<td>798,881</td>
<td>1,620,912</td>
<td>377,319</td>
<td>623,438</td>
<td>210,000</td>
<td>100,000</td>
<td>3,730,550</td>
<td></td>
</tr>
<tr>
<td>Interest bearing loans and borrowings</td>
<td>798,881</td>
<td>1,620,912</td>
<td>377,319</td>
<td>623,438</td>
<td>210,000</td>
<td>100,000</td>
<td>3,730,550</td>
<td></td>
</tr>
<tr>
<td>Bonds and other marketable securities</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>GRUPO SACYR</td>
<td>91,849</td>
<td>36,350</td>
<td>15,536</td>
<td>3,328</td>
<td>1,884</td>
<td>22,309</td>
<td>171,256</td>
<td></td>
</tr>
<tr>
<td>Interest bearing loans and borrowings</td>
<td>91,849</td>
<td>36,350</td>
<td>15,536</td>
<td>3,328</td>
<td>1,884</td>
<td>22,309</td>
<td>171,256</td>
<td></td>
</tr>
<tr>
<td>Bonds and other marketable securities</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>GRUPO ITINERE</td>
<td>211,368</td>
<td>152,558</td>
<td>102,136</td>
<td>89,922</td>
<td>132,983</td>
<td>3,066,733</td>
<td>3,755,120</td>
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</tr>
<tr>
<td>Interest bearing loans and borrowings</td>
<td>177,615</td>
<td>85,348</td>
<td>99,651</td>
<td>85,866</td>
<td>62,349</td>
<td>1,894,416</td>
<td>2,405,265</td>
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</tr>
<tr>
<td>Bonds and other marketable securities</td>
<td>33,773</td>
<td>67,210</td>
<td>2,485</td>
<td>3,636</td>
<td>70,434</td>
<td>1,172,317</td>
<td>1,349,855</td>
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<tr>
<td>GRUPO VALORIZA GESTIÓN</td>
<td>179,417</td>
<td>41,971</td>
<td>59,470</td>
<td>1,910</td>
<td>15,923</td>
<td>107,932</td>
<td>307,541</td>
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</tr>
<tr>
<td>Interest bearing loans and borrowings</td>
<td>85,217</td>
<td>44,994</td>
<td>39,840</td>
<td>14,210</td>
<td>15,328</td>
<td>109,952</td>
<td>309,541</td>
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</tr>
<tr>
<td>Bonds and other marketable securities</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>GRUPO VALLEHERMOSO</td>
<td>1,308,917</td>
<td>1,394,825</td>
<td>234,840</td>
<td>2,611</td>
<td>0</td>
<td>27,477</td>
<td>2,968,670</td>
<td></td>
</tr>
<tr>
<td>Interest bearing loans and borrowings</td>
<td>1,308,917</td>
<td>1,394,825</td>
<td>234,840</td>
<td>2,611</td>
<td>0</td>
<td>27,477</td>
<td>2,968,670</td>
<td></td>
</tr>
<tr>
<td>Bonds and other marketable securities</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>GRUPO TESTA</td>
<td>168,056</td>
<td>269,267</td>
<td>66,677</td>
<td>67,028</td>
<td>79,147</td>
<td>1,356,438</td>
<td>2,006,613</td>
<td></td>
</tr>
<tr>
<td>Interest bearing loans and borrowings</td>
<td>168,056</td>
<td>269,267</td>
<td>66,677</td>
<td>67,028</td>
<td>79,147</td>
<td>1,356,438</td>
<td>2,006,613</td>
<td></td>
</tr>
<tr>
<td>Bonds and other marketable securities</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>GRUPO SOMAGUE</td>
<td>106,409</td>
<td>47,446</td>
<td>32,759</td>
<td>8,509</td>
<td>2,361</td>
<td>8,083</td>
<td>235,567</td>
<td></td>
</tr>
<tr>
<td>Interest bearing loans and borrowings</td>
<td>106,409</td>
<td>47,446</td>
<td>32,759</td>
<td>8,509</td>
<td>2,361</td>
<td>8,083</td>
<td>205,567</td>
<td></td>
</tr>
<tr>
<td>Bonds and other marketable securities</td>
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<td>0</td>
<td>30,000</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>30,000</td>
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</tr>
<tr>
<td>GRUPO SYV PARTICIPACIONES MOBILIARIAS</td>
<td>2,032</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>5,175,000</td>
<td>0</td>
<td>5,177,032</td>
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<tr>
<td>Interest bearing loans and borrowings</td>
<td>2,032</td>
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<td>0</td>
<td>0</td>
<td>5,175,000</td>
<td>0</td>
<td>5,177,032</td>
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</tr>
<tr>
<td>Bonds and other marketable securities</td>
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<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>GRUPO SYV PARTICIPACIONES</td>
<td>49,678</td>
<td>668,500</td>
<td>0</td>
<td>0</td>
<td>118,788</td>
<td>0</td>
<td>836,966</td>
<td></td>
</tr>
<tr>
<td>Interest bearing loans and borrowings</td>
<td>49,678</td>
<td>668,500</td>
<td>0</td>
<td>0</td>
<td>118,788</td>
<td>0</td>
<td>836,966</td>
<td></td>
</tr>
<tr>
<td>Bonds and other marketable securities</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>EMNASA- EM. MIXTA DE AGUAS DE S. CRUZ DE TENERIFE</td>
<td>1,962</td>
<td>488</td>
<td>298</td>
<td>310</td>
<td>322</td>
<td>1,957</td>
<td>5,337</td>
<td></td>
</tr>
<tr>
<td>Interest bearing loans and borrowings</td>
<td>1,962</td>
<td>488</td>
<td>298</td>
<td>310</td>
<td>322</td>
<td>1,957</td>
<td>5,337</td>
<td></td>
</tr>
<tr>
<td>Bonds and other marketable securities</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td>2,824,389</td>
<td>4,235,340</td>
<td>899,405</td>
<td>808,956</td>
<td>5,735,613</td>
<td>4,692,949</td>
<td>19,196,652</td>
<td></td>
</tr>
</tbody>
</table>
Sacyr Vallehermoso Group has debts denominated in currencies other than the euro. The detail of this debt in 2006 and 2005 is as follows:

### The detail of maturities for the Chilean companies’ non-euro debt in 2006 and 2005 is as follows:

#### CHILEAN COMPANIES

<table>
<thead>
<tr>
<th>COMPANY</th>
<th>TYPE OF FINANCE</th>
<th>CURRENCY OF DEBT</th>
<th>2006 NON-EURO CURRENCY</th>
<th>2006 THOUSANDS OF EUROS</th>
<th>2005 NON-EURO CURRENCY</th>
<th>2005 THOUSANDS OF EUROS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sociedad Concesionaria del Elqui, S.A.</td>
<td>Project finance</td>
<td>Unidades de Fomento</td>
<td>3,883</td>
<td>101,332</td>
<td>4,150</td>
<td>122,965</td>
</tr>
<tr>
<td>Sociedad Concesionaria de Los Lagos, S.A.</td>
<td>Project finance</td>
<td>Unidades de Fomento</td>
<td>4,754</td>
<td>124,056</td>
<td>4,931</td>
<td>146,106</td>
</tr>
<tr>
<td>Sociedad Concesionaria de Autopista Nororiente, S.A.</td>
<td>Project finance</td>
<td>Chilean peso</td>
<td>27,540,120</td>
<td>39,194</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Sociedad Concesionaria de Vespucio Sur, S.A.</td>
<td>Bond issue</td>
<td>Unidades de Fomento</td>
<td>2,613</td>
<td>68,181</td>
<td>2,618</td>
<td>77,566</td>
</tr>
<tr>
<td>Sociedad Concesionaria de Vespucio Sur, S.A.</td>
<td>Project finance</td>
<td>Unidades de Fomento</td>
<td>1,820</td>
<td>47,487</td>
<td>1,639</td>
<td>48,575</td>
</tr>
<tr>
<td>Sociedad Concesionaria Rutas del Pacífico, S.A.</td>
<td>Bond issue</td>
<td>Unidades de Fomento</td>
<td>5,391</td>
<td>140,670</td>
<td>5,531</td>
<td>163,872</td>
</tr>
<tr>
<td>Sociedad Concesionaria Litoral Central, S.A.</td>
<td>Project finance</td>
<td>Chilean peso</td>
<td>25,177,555</td>
<td>35,831</td>
<td>1,442</td>
<td>42,716</td>
</tr>
<tr>
<td>Sociedad de Operación y Logística, S.L.</td>
<td>Leasing</td>
<td>Unidades de Fomento</td>
<td>110</td>
<td>2,860</td>
<td>116</td>
<td>3,451</td>
</tr>
</tbody>
</table>

**CHILEAN COMPANIES**

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Credit facilities</td>
<td>559,611</td>
<td>605,251</td>
</tr>
</tbody>
</table>

**SOMAGUE COMPANIES**

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Credit facilities</td>
<td>13,570</td>
<td>19,211</td>
</tr>
</tbody>
</table>

The detail of maturities for the Chilean companies’ non-euro debt in 2006 and 2005 is as follows:

#### MATURITY (Thousands of euros)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Chilean companies 2006</td>
<td>54,068</td>
<td>18,704</td>
<td>21,648</td>
<td>25,185</td>
<td>440,006</td>
<td>559,611</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Chilean companies 2005</td>
<td>16,169</td>
<td>19,405</td>
<td>18,877</td>
<td>23,079</td>
<td>527,721</td>
<td>605,251</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
18. NON-CURRENT PAYABLES

The detail of non-current payables at December 31, 2005 and 2006 is as follows:

Regarding financial instruments, the Group does not generally use financial instruments that expose it to negative market contingencies that could affect its equity.

Only where the risk warrants, will the Group use derivatives or similar instruments to try and maximise the effectiveness of a hedging relationship. It avoids speculative positions in the domestic and international financial markets.

The Group’s intention is to adapt financial liabilities to the best market conditions. Accordingly, on occasion it refinances certain liabilities. When any liability or its underlying is renegotiated, the derivative financial instrument used to hedged the related cash flow risk is adapted.

After an in-depth analysis of its derivatives portfolio, the Group has classified as cash flow hedges those that hedge the cash flows arising from the related liabilities.

IAS 39 requires the Group to measure the effectiveness of all hedging instruments both prospectively and retroactively. Following these tests, the Group has classified its derivatives as follows:

• Effective hedge, when the relationship between the performance of the hedging instrument and the underlying falls between a 80%-125% range. In these instances, the derivates are recognized in equity.

• Ineffective hedge, the impact of fluctuations in derivatives that are considered ineffective or speculative is recognized in profit or loss.

At December 31, 2004, options on BBVA shares held by the Group were classified as derivative instruments hedging cash flows on a forecast transaction. On February 15, 2005, the board of directors resolved to cancel the hedging instruments previously contracted with a view to achieving a significant shareholding in BBVA as well as the financial investment in BBVA shares designed to achieve a 3.1% stake in BBVA. Gains before tax on the cancellation of this transaction were EUR 145.1 million.

The table below shows the net asset and liability derivatives contracted by the Group at the balance sheet date 2005 and 2006, their valuation, and details by maturity of the notional securities:

<table>
<thead>
<tr>
<th>(Thousands of euros)</th>
<th>2006</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other payables</td>
<td>362,729</td>
<td>535,457</td>
</tr>
<tr>
<td>Unpaid portion of equity investments</td>
<td>41,002</td>
<td>1,428</td>
</tr>
<tr>
<td>Derivative financial instruments</td>
<td>14,112</td>
<td>73,134</td>
</tr>
<tr>
<td>TOTAL</td>
<td>417,843</td>
<td>610,019</td>
</tr>
</tbody>
</table>
The notional amount of derivative contracts entered into relates to the amount on which future settlement of the derivative is based and does not represent a risk assumed by the Group.

Cash flow hedges recognized in equity at December 31, 2006 correspond to a loss after tax of EUR 36,612 thousand. The outstanding loss after tax of EUR 123,478 thousand at the beginning of the period mainly relates to the gains on the BBVA share options mentioned above.

The estimated amount of effective cash flow hedges recognized in equity to be taken to profit or loss in future years is shown below:
19. RISK MANAGEMENT POLICY

Sacyr Vallehermoso Group is exposed to a range of risks:

- **Interest rate risk:** the biggest current risk faced by the Group is interest rate risk on its bank debt, detailed elsewhere in this report. The structure of Group financial debt at December 31, 2006 and 2005, distinguishing between fixed and hedged rate borrowings, after taking into consideration hedging arrangements, and floating rate borrowings, was as follows:

To minimize exposure to this risk the Group has contracted financial instruments to act as cash-flow hedges in respect of interest rates, such as swaps, forward rate agreements, options, collars, etc.

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>AMOUNT</td>
<td>%</td>
<td>AMOUNT</td>
</tr>
<tr>
<td>Fixed or hedged rate borrowings</td>
<td>3,751,315</td>
<td>19.54%</td>
</tr>
<tr>
<td>Floating rate borrowings</td>
<td>15,445,337</td>
<td>80.46%</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>19,196,652</strong></td>
<td><strong>100.00%</strong></td>
</tr>
</tbody>
</table>

The benchmark rate for borrowings by the companies of Sacyr Vallehermoso Group is fundamentally the Euribor.

- **Foreign exchange risk:** the Group’s policy is to denominate borrowings in the currency in which the business’s cash flows are denominated. This level of matching means that at present the Group is not exposed to material exchange rate risk. One risk to note within this category is translation exchange risk, i.e. risks arising from the translation of the financial statements of foreign investments whose operating currency is not the euro.

That said, the Group’s rapid geographical expansion of recent years means that in future it may encounter situations that give rise to foreign exchange risk. In these circumstances, it will consider how this risk can best be minimized through the use of hedging instruments while remaining within the framework laid down by corporate policy.

- **Credit risk:** the Group has no significant credit risk due to the excellent solvency of its clients and the short payment periods negotiated with them.

- **Liquidity risk:** the Group has adequate liquidity to cover obligations forecast for the short term by arranging credit lines with banks and short-term financial investments. Occasional short-term cash surpluses, where it accords with best financial management practice, are invested as highly liquid risk-free deposits. The Group would never consider acquiring share options or futures or any other high risk deposit as a means of investing its short term cash surpluses.
20. INCOME AND COSTS

The detail of the net figure for revenue from the Group’s ordinary activities in 2005 and 2006, by division and geographical market is as follows

<table>
<thead>
<tr>
<th>Year</th>
<th>SPAIN</th>
<th>CHILE</th>
<th>PORTUGAL</th>
<th>BRAZIL</th>
<th>FRANCE</th>
<th>CHINA</th>
<th>ITALY</th>
<th>OTHER MARKETS</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>333</td>
<td>333</td>
</tr>
<tr>
<td></td>
<td>333</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>333</td>
</tr>
<tr>
<td></td>
<td>1,150,435</td>
<td>111,489</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>23,239</td>
<td>0</td>
<td>1,285,163</td>
</tr>
<tr>
<td></td>
<td>283,658</td>
<td>44,814</td>
<td>1,758</td>
<td>30,592</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>100</td>
<td>360,921</td>
</tr>
<tr>
<td></td>
<td>274,583</td>
<td>0</td>
<td>64,159</td>
<td>4,557</td>
<td>0</td>
<td>22,315</td>
<td>0</td>
<td>0</td>
<td>343,299</td>
</tr>
<tr>
<td></td>
<td>1,215,200</td>
<td>0</td>
<td>25,879</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>1,241,078</td>
</tr>
<tr>
<td></td>
<td>191,577</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>14,272</td>
<td>205,849</td>
</tr>
<tr>
<td></td>
<td>0</td>
<td>0</td>
<td>716,283</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>24,030</td>
<td>740,314</td>
</tr>
<tr>
<td>TOTAL</td>
<td>3,115,786</td>
<td>156,302</td>
<td>808,078</td>
<td>35,150</td>
<td>0</td>
<td>22,315</td>
<td>23,239</td>
<td>38,402</td>
<td>4,176,957</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>SPAIN</th>
<th>CHILE</th>
<th>PORTUGAL</th>
<th>BRAZIL</th>
<th>FRANCE</th>
<th>CHINA</th>
<th>ITALY</th>
<th>OTHER MARKETS</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>447</td>
<td>447</td>
</tr>
<tr>
<td></td>
<td>447</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>447</td>
</tr>
<tr>
<td></td>
<td>1,560,104</td>
<td>49,771</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>24,814</td>
<td>2,321</td>
<td>1,637,010</td>
</tr>
<tr>
<td></td>
<td>314,966</td>
<td>63,142</td>
<td>1,675</td>
<td>32,631</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>277</td>
<td>412,692</td>
</tr>
<tr>
<td></td>
<td>378,029</td>
<td>0</td>
<td>65,475</td>
<td>4,431</td>
<td>0</td>
<td>22,722</td>
<td>0</td>
<td>0</td>
<td>485,061</td>
</tr>
<tr>
<td></td>
<td>1,226,983</td>
<td>0</td>
<td>18,289</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>1,245,272</td>
</tr>
<tr>
<td></td>
<td>203,186</td>
<td>0</td>
<td>0</td>
<td>23,658</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>19,219</td>
<td>246,063</td>
</tr>
<tr>
<td></td>
<td>0</td>
<td>0</td>
<td>638,286</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>19,833</td>
<td>658,119</td>
</tr>
</tbody>
</table>
In 2005 and 2006 there were no transactions with Group companies or jointly controlled entities outside the scope of consolidation. The transactions with companies accounted for using the equity method consisted of income earned by Vallehermoso División de Promoción, S.A.U., Itineres Infraestructuras, S.A., Sufi, S.A., Eurocomercial, S.A.U., Neopistas, S.A.U., Desgasificación de Vertederos, S.A. and Sacyr, S.A.U. from the following companies:

<table>
<thead>
<tr>
<th>(Thousands of euros)</th>
<th>2006</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eurlink, S.C.P.A.</td>
<td>1,462</td>
<td>0</td>
</tr>
<tr>
<td><strong>TRANSACTIONS BY SACYR, S.A.U.</strong></td>
<td>1,462</td>
<td>0</td>
</tr>
<tr>
<td>Repsol YPF, S.A.</td>
<td>1,023</td>
<td>0</td>
</tr>
<tr>
<td><strong>TRANSACTIONS BY NEOPISTAS, S.A.U.</strong></td>
<td>1,023</td>
<td>0</td>
</tr>
<tr>
<td>S.C. Palma Manacor, S.A.</td>
<td>449</td>
<td>0</td>
</tr>
<tr>
<td>Metro de Sevilla, S.A.</td>
<td>169</td>
<td>205</td>
</tr>
<tr>
<td>Tael Inversiones, S.A.</td>
<td>0</td>
<td>12</td>
</tr>
<tr>
<td><strong>TRANSACTIONS BY ITINERES INFRAESTRUCTURAS, S.A.</strong></td>
<td>618</td>
<td>217</td>
</tr>
<tr>
<td>Inte RCD, S.L.</td>
<td>0</td>
<td>8</td>
</tr>
<tr>
<td>Inte RCD Bahía de Cádiz, S.L.</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Biomeruelo de Energía, S.A.</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td><strong>TRANSACTIONS BY SUFI, S.A.</strong></td>
<td>0</td>
<td>10</td>
</tr>
<tr>
<td>Biomeruelo de Energía, S.A.</td>
<td>48</td>
<td>26</td>
</tr>
<tr>
<td><strong>TRANSACTIONS BY EUROCOMERCIAL, S.A.U.</strong></td>
<td>48</td>
<td>26</td>
</tr>
<tr>
<td>Biomeruelo de Energía, S.A.</td>
<td>124</td>
<td>0</td>
</tr>
<tr>
<td><strong>TRANSACTIONS BY DESGASIFICACIÓN DE VERTEDEROS, S.A.</strong></td>
<td>124</td>
<td>0</td>
</tr>
<tr>
<td>Mola 15, S.L.</td>
<td>0</td>
<td>24</td>
</tr>
<tr>
<td><strong>TRANSACTIONS BY VALLEHERMOSO DIV. PROMOCIÓN, S.A.U.</strong></td>
<td>0</td>
<td>24</td>
</tr>
</tbody>
</table>

21. EARNINGS PER SHARE

Basic earnings per share are calculated by dividing profit for the year attributable to ordinary shareholders of the Parent Company by the number of ordinary shares outstanding.

Diluted earnings per share amounts are calculated by dividing the profit attributable to ordinary equity holders of the Parent Company by the average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued if all dilutive potential ordinary shares were converted into ordinary shares. As there were no potential shares in issue in 2005 and 2006 basic earnings per share are the same as diluted earnings per share.
In 2006, as explained in note 14 b), the Group held a capital increase charged against reserves. As a result, the number of ordinary shares in circulation before the capital increase has been adjusted to what it would have been had the operation taken place at the start of the reporting period.

There have been no transactions involving ordinary shares or potential ordinary shares between the balance sheet date and the date of completion of these financial statements.

### 22. NET GAIN (LOSS) ON DISPOSAL OF ASSETS

The detail of the net gain or loss on disposal of assets recognized in the consolidated income statements is as follows:

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Holding company</td>
<td>(15)</td>
<td>0</td>
</tr>
<tr>
<td>Sacyr</td>
<td>(380)</td>
<td>1,894</td>
</tr>
<tr>
<td>Itinere</td>
<td>6,082</td>
<td>183</td>
</tr>
<tr>
<td>Valoriza</td>
<td>1,882</td>
<td>94,586</td>
</tr>
<tr>
<td>Vallehermoso</td>
<td>181</td>
<td>(216)</td>
</tr>
<tr>
<td>Testa</td>
<td>7,001</td>
<td>140</td>
</tr>
<tr>
<td>Somague</td>
<td>0</td>
<td>(917)</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>14,751</td>
<td>95,670</td>
</tr>
</tbody>
</table>
In 2005, the gain on disposal of assets mainly related to Valoriza group which made a pre-tax gain of EUR 91,247 thousand on the sale of Portuguese group Finerge.

23. ORDER BOOK BY ACTIVITY

The detail of the order book by activity and nature of business at December 31, 2006 and changes since 2005 is as follows:

<table>
<thead>
<tr>
<th>Activity</th>
<th>2006</th>
<th>2005</th>
<th>VAR. ABS.</th>
<th>VAR. %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sacyr (project orders)</td>
<td>4,924,196</td>
<td>3,686,430</td>
<td>1,237,766</td>
<td>33.58%</td>
</tr>
<tr>
<td>Somague (project orders)</td>
<td>714,228</td>
<td>813,470</td>
<td>(99,242)</td>
<td>-12.20%</td>
</tr>
<tr>
<td>Vallehermoso (pre-sales)</td>
<td>2,445,687</td>
<td>2,023,670</td>
<td>422,017</td>
<td>20.85%</td>
</tr>
<tr>
<td>Itinere-Europistas (concession income)</td>
<td>55,828,320</td>
<td>50,925,468</td>
<td>4,902,852</td>
<td>9.63%</td>
</tr>
<tr>
<td>Testa (leases to maturity)</td>
<td>4,161,709</td>
<td>3,712,495</td>
<td>449,215</td>
<td>12.10%</td>
</tr>
<tr>
<td>Valoriza (services contracts)</td>
<td>9,890,417</td>
<td>6,868,155</td>
<td>3,022,261</td>
<td>44.00%</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>77,964,557</strong></td>
<td><strong>68,029,688</strong></td>
<td><strong>9,934,869</strong></td>
<td><strong>14.60%</strong></td>
</tr>
</tbody>
</table>

24. DIRECTORS’ REMUNERATION AND OTHER BENEFITS

24.1. 2005

In 2005, the following changes were made to the board of directors:

i. At the shareholders’ meeting of May 11, 2005, shareholders voted to appoint as directors of the Company for the statutory five-year term “PRILOMI, S.L.” and “ACTIVIDADES INMOBILIARIAS Y AGRÍCOLAS, S.A.”, represented on the board by José Manuel Loureda López and Víctor Guillamón Melendreras, respectively.

ii. At the same meeting on May 11, 2005, shareholders ratified the appointments as director for the statutory five-year term of Manuel Manrique Cecilia and “PRILOU, S.L.”, who had been co-opted as board members in accordance with Article 138 of the Spanish Corporations Law, on November 10, 2004 and December 15, 2004, respectively.

iii. Manuel Manrique Cecilia was re-elected as First Vice President and Chief Executive of Sacyr Vallehermoso and member of its Executive Committee and “PRILOU, S.L.” (represented by José Manuel Loureda Mantiñán) was re-elected as a member of the Sacyr Vallehermoso, S.A. Executive Committee, at the board meeting of May 11, 2005.

iv. At the Shareholders’ Meeting of May 11, 2005, it was agreed to set at sixteen the number of Company directors, within the minimum and maximum limits set by the Articles of Association.

v. The resignations of “ALMARFE, S.L.” and Juan Miguel Sanjuán Jover were accepted from their posts as directors and all other posts on the board of directors and its corporate bodies and committees.

vi. “GRUPO SATOCÁN, S.A.”, was co-opted to replace Juan Miguel Sanjuán Jover as director of the Company. Also, in accordance with the board of directors’ decision of July 13, 2005, the appointment of Juan Miguel Sanjuán Jover as representative of “GRUPO SATOCAN, S.A.” was accepted.

vii. The director “GRUPO SATOCÁN, S.A.”, represented by Juan Miguel Sanjuán Jover was re-elected as First Vice President and Chief Executive of Sacyr Vallehermoso and member of its Executive Committee and “PRILOU, S.L.” (represented by José Manuel Loureda Mantiñán) was re-elected as a member of the Appointments and Remuneration Committee.
The Group has no commitments to members of the board of directors in respect of payment of pensions or life insurance premiums. Nor are there any agreements entitling members of the Company’s board of directors to compensation on cessation of their directorships.

The table below shows the individual detail of the statutory payments received in 2005 by the directors in office at the end of the year:

<table>
<thead>
<tr>
<th>STATUTORY PAYMENTS TO DIRECTORS</th>
<th>BOARD</th>
<th>EXECUTIVE COMMITTEE</th>
<th>AUDIT COMMITTEE</th>
<th>APPS. &amp; REM. COMMITTEE</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Luis Fernando del Rivero Asensio</td>
<td>60,000.00</td>
<td>40,000.00</td>
<td></td>
<td></td>
<td>100,000.00</td>
</tr>
<tr>
<td>Manuel Manrique Cecilia</td>
<td>60,000.00</td>
<td>40,000.00</td>
<td></td>
<td></td>
<td>100,000.00</td>
</tr>
<tr>
<td>Nueva Compañía de Inversiones, S.A.</td>
<td>60,000.00</td>
<td>40,000.00</td>
<td></td>
<td></td>
<td>100,000.00</td>
</tr>
<tr>
<td>Diogo Alves Diniz Vaz Guedes</td>
<td>60,000.00</td>
<td>40,000.00</td>
<td></td>
<td></td>
<td>100,000.00</td>
</tr>
<tr>
<td>Demetrio Carceller Arce</td>
<td>60,000.00</td>
<td>40,000.00</td>
<td>20,000.00</td>
<td></td>
<td>120,000.00</td>
</tr>
<tr>
<td>Priou, S.L.</td>
<td>60,000.00</td>
<td>40,000.00</td>
<td>8,333.33</td>
<td></td>
<td>108,333.33</td>
</tr>
<tr>
<td>Participaciones Agrupadas, S.R.L.</td>
<td>60,000.00</td>
<td>40,000.00</td>
<td>20,000.00</td>
<td></td>
<td>120,000.00</td>
</tr>
<tr>
<td>Toqueal, S.A.</td>
<td>60,000.00</td>
<td></td>
<td>20,000.00</td>
<td></td>
<td>80,000.00</td>
</tr>
<tr>
<td>Grupo Satocán, S.A.</td>
<td>25,000.00</td>
<td></td>
<td>8,333.33</td>
<td></td>
<td>33,333.33</td>
</tr>
<tr>
<td>Juan Miguel Sanjuán Jover (until 13.07.2005)</td>
<td>35,000.00</td>
<td></td>
<td>11,666.67</td>
<td></td>
<td>46,666.67</td>
</tr>
<tr>
<td>Corporación Caixa Galicia, S.A.</td>
<td>60,000.00</td>
<td></td>
<td>20,000.00</td>
<td></td>
<td>80,000.00</td>
</tr>
<tr>
<td>Matías Cortés Domínguez</td>
<td>60,000.00</td>
<td></td>
<td>20,000.00</td>
<td></td>
<td>80,000.00</td>
</tr>
<tr>
<td>Vicente Benedito Francés</td>
<td>60,000.00</td>
<td></td>
<td></td>
<td></td>
<td>60,000.00</td>
</tr>
<tr>
<td>José Seixas de Queiroz Vaz Guedes</td>
<td>60,000.00</td>
<td></td>
<td></td>
<td></td>
<td>60,000.00</td>
</tr>
<tr>
<td>Actividades Inmobiliarias y Agrícolas, S.A.</td>
<td>35,000.00</td>
<td></td>
<td></td>
<td></td>
<td>35,000.00</td>
</tr>
<tr>
<td>Prilomi, S.L.</td>
<td>35,000.00</td>
<td></td>
<td></td>
<td></td>
<td>35,000.00</td>
</tr>
<tr>
<td>Almarfe, S.L. (until 08.06.2005)</td>
<td>30,000.00</td>
<td></td>
<td></td>
<td></td>
<td>30,000.00</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>880,000.00</td>
<td>280,000.00</td>
<td>60,000.00</td>
<td>68,333.33</td>
<td>1,288,333.33</td>
</tr>
</tbody>
</table>

The table below shows the individual detail of the salaries received in 2005 by the directors in office at the end of the year:

<table>
<thead>
<tr>
<th>SALARY PAYMENTS TO DIRECTORS</th>
<th>FIXED</th>
<th>VARIABLE</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Luis Fernando del Rivero Asensio</td>
<td>1,250,000.00</td>
<td>0.00</td>
<td>1,250,000.00</td>
</tr>
<tr>
<td>Manuel Manrique Cecilia</td>
<td>520,931.79</td>
<td>420,555.12</td>
<td>941,486.91</td>
</tr>
<tr>
<td>Vicente Benedito Francés</td>
<td>248,144.01</td>
<td>126,178.28</td>
<td>374,322.29</td>
</tr>
<tr>
<td>Diogo Alves Diniz Vaz Guedes</td>
<td>362,950.00</td>
<td>254,065.00</td>
<td>617,015.00</td>
</tr>
<tr>
<td>José Seixas de Queiroz Vaz Guedes</td>
<td>257,922.00</td>
<td>64,480.00</td>
<td>322,402.00</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>2,639,947.80</td>
<td>865,278.40</td>
<td>3,505,226.20</td>
</tr>
</tbody>
</table>
The SyV Management Committee was composed of:
Luis del Rivero Asensio, Manuel Manrique Cecilia,
Vicente Benedito Frances, Diogo Alves Vaz Guedes,
José Antonio Guio de Prada, Javier Pérez Gracia, Ana
De Pro García, Marta Silva de la Puerta, Fernando
Rodríguez-Avil Llorent, Gonzalo Ferre Moltó, Javier
Gayo Pozo, Luis Janini Tatay and Rafael del Pozo
García.

Remuneration of members of the Management
Committee who were not also members of the board
of directors in 2005 was EUR 3,305,024.78.

24.2. 2006
In 2006, the following changes were made to the
board of directors of the Parent Company:

- José Seixas de Queiroz Vaz Guedes retired from
  the board on January 11, 2006.
- Vicente Benedito Francés retired from the board on
- Francisco Javier Pérez Gracia was appointed to the
  board on January 11, 2006.
- Mutua Madrileña Automovilista (represented by
  Carlos Cutillas Cordón) was appointed to the board
  on October 4, 2006.

The Group has no commitments to members of the
board of directors in respect of payment of pensions or
life insurance premiums. Nor are there any agreements
entitling members of the Company’s board of directors
to compensation on cessation of their directorships.

Also, the SyV board, on proposal of the Appointments
and Remuneration Committee, in accordance with
Article of Association 43.1, approved that the President
and First and Third Vice Presidents, who are currently
executive directors and are remunerated as such, in
accordance with Article of Association 43.2, should be
paid the same as the other board members in respect
of their duties as directors. As the Second Vice
President is a non-executive director however and
therefore receives no remuneration under Article of
Association 43.2 it was agreed that he should be paid
a fixed sum for his duties as Second Vice President of
the board in respect of 2006 and under Article of
Association 43.1 EUR 350,000 gross annually.

The table below shows the individual detail of the
statutory payments received in 2006 by the directors in
office during the year:

<table>
<thead>
<tr>
<th>STATUTORY PAYMENTS TO DIRECTORS</th>
<th>BOARD (Euros)</th>
<th>EXECUTIVE COMMITTEE</th>
<th>AUDIT COMMITTEE</th>
<th>APPS &amp; REM. COMMITTEE</th>
<th>TOTAL (Euros)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Luis Fernando del Rivero Asensio</td>
<td>72,000.00</td>
<td>48,000.00</td>
<td></td>
<td></td>
<td>120,000.00</td>
</tr>
<tr>
<td>Manuel Manrique Cecilia</td>
<td>72,000.00</td>
<td>48,000.00</td>
<td></td>
<td></td>
<td>120,000.00</td>
</tr>
<tr>
<td>Nueva Compañía de Inversiones, S.A.</td>
<td>350,000.00</td>
<td>48,000.00</td>
<td></td>
<td></td>
<td>398,000.00</td>
</tr>
<tr>
<td>Diogo Alves Díez Vaz Guedes</td>
<td>72,000.00</td>
<td>48,000.00</td>
<td></td>
<td></td>
<td>120,000.00</td>
</tr>
<tr>
<td>Demetrio Carceller Arce</td>
<td>72,000.00</td>
<td>48,000.00</td>
<td></td>
<td>24,000.00</td>
<td>144,000.00</td>
</tr>
<tr>
<td>Prilou, S.L.</td>
<td>72,000.00</td>
<td>48,000.00</td>
<td></td>
<td>24,000.00</td>
<td>144,000.00</td>
</tr>
<tr>
<td>Mutua Madrileña Automovilistica</td>
<td>18,000.00</td>
<td></td>
<td></td>
<td></td>
<td>18,000.00</td>
</tr>
<tr>
<td>Participaciones Agrupadas, S.R.L.</td>
<td>72,000.00</td>
<td>48,000.00</td>
<td>24,000.00</td>
<td></td>
<td>144,000.00</td>
</tr>
<tr>
<td>Torreal, S.A.</td>
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<td>24,000.00</td>
<td></td>
<td>96,000.00</td>
</tr>
<tr>
<td>Grupo Satocán, S.A.</td>
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<td>24,000.00</td>
<td></td>
<td>96,000.00</td>
</tr>
<tr>
<td>Corporación Caixa Galicia, S.A.</td>
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<td>12,000.00</td>
<td>24,000.00</td>
<td></td>
<td>108,000.00</td>
</tr>
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<td>Matías Cortés Domínguez</td>
<td>72,000.00</td>
<td></td>
<td>24,000.00</td>
<td></td>
<td>96,000.00</td>
</tr>
<tr>
<td>Vicente Benedito Francés (until 05.05.2006)</td>
<td>30,000.00</td>
<td></td>
<td></td>
<td>30,000.00</td>
<td></td>
</tr>
<tr>
<td>José Seixas de Queiroz Vaz Guedes (until 11.01.2006)</td>
<td>6,000.00</td>
<td></td>
<td></td>
<td>6,000.00</td>
<td></td>
</tr>
<tr>
<td>Actividades Inmobiliarias y Agrícolas, S.A.</td>
<td>72,000.00</td>
<td></td>
<td>6,000.00</td>
<td></td>
<td>78,000.00</td>
</tr>
<tr>
<td>Prilomi, S.L.</td>
<td>72,000.00</td>
<td></td>
<td></td>
<td></td>
<td>72,000.00</td>
</tr>
<tr>
<td>Francisco Javier Pérez Gracia</td>
<td>66,000.00</td>
<td></td>
<td></td>
<td></td>
<td>66,000.00</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>1,334,000.00</strong></td>
<td><strong>348,000.00</strong></td>
<td><strong>78,000.00</strong></td>
<td><strong>96,000.00</strong></td>
<td><strong>1,856,000.00</strong></td>
</tr>
</tbody>
</table>
The table below shows the individual detail of the salaries received in 2006 by the directors in office during the year:

<table>
<thead>
<tr>
<th></th>
<th>FIXED</th>
<th>VARIABLE</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Luis Fernando del Rivero Asensio</td>
<td>1,250,000.00</td>
<td>0.00</td>
<td>1,250,000.00</td>
</tr>
<tr>
<td>Diogo Vaz Guedes</td>
<td>362,950.00</td>
<td>254,055.00</td>
<td>617,005.00</td>
</tr>
<tr>
<td>Manuel Manrique Cecilia</td>
<td>537,726.00</td>
<td>376,408.46</td>
<td>914,134.46</td>
</tr>
<tr>
<td>Francisco Javier Pérez Gracia</td>
<td>224,378.00</td>
<td>157,064.00</td>
<td>381,442.00</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>2,375,054.00</strong></td>
<td><strong>787,527.46</strong></td>
<td><strong>3,162,581.46</strong></td>
</tr>
</tbody>
</table>

The SyV Management Committee is composed of: Luis Fernando del Rivero Asensio, Manuel Manrique Cecilia, Marta Silva de Lapuerta, Vicente Benedito Francés, Fernando Rodríguez Avial, Rafael del Pozo Garcia, Javier Pérez Gracia, Javier Gayo Pozo, José Antonio Guio de Prada, Ricardo Martín Lucas, José Manuel Loureda Mantiñán, Manuel Naharro Castrillo, José Carlos Otero Fernández, Ana de Pro Gonzalo, Fernando Lozano, Luis Janini Talay and Salvador Font Estrany.

Remuneration of members of the Management Committee who are not also members of the board of directors in 2006 was EUR 3,901,687.86.

In accordance with the disclosure required by Article 127.ter, 4 of the Spanish Corporations Law, the following activities, investments, posts and functions were held by directors of Sacyr Vallehermoso, S.A. over the year in companies whose activity is identical, similar or complementary to that of the Company or the Group of which it is parent (according to the broad interpretation of this article by the ICAC, the information refers to companies or activities included in the Group except where indicated otherwise):


- **Nueva Compañía de Inversiones, S.A.** is, outside the Group, a director of Sociedad General de Aguas de Barcelona, S.A. in which it has a 0.014% capital stake, and President and CEO of Torreal, S.A., Indirectly, via direct and indirect interests in Torreal, S.A., it owns stakes of 6.656% in Sociedad General de Aguas de Barcelona, S.A., 100% in Miralver Spi, S.L.U., 50% in Promociones Inmobiliarias Molinar, S.A. and 27.41% in SAR Residencial y Asistencial. Also, Juan Abelló Gallo is President and CEO of Nueva Compañía de Inversiones, S.A. which he represents on the board of Sacyr Vallehermoso, S.A.

- **Torreal, S.A.** is a director of Itinere Infraestructuras, S.A. and Valoriza Gestión, S.A.U., represented by José Díaz Rato Revuelta and Pedro del Corro García-Lomas respectively. Also outside the Group, Torreal S.A. owns the following direct or indirect interests: 6.656% in Sociedad General de Aguas de Barcelona, S.A., 100% in Miralver Spi, S.L.U., 50% in...
Promociones Inmobiliaria Molinar, S.A. and 27.41% in SAR Residencial y Asistencial, S.A.. Finally, Pedro del Corro García-Lomas is a director of Testa Inmuebles en Renta, S.A. and, outside the Group, is President of Miralver Spi, S.L. and a director of Torreal, S.A. and Torreal Sociedad de Capital.

Riesgo de Régimen Simplificado, S.A.. He also has, outside the Group, the following interests: 1.29% in SAR Residencial y Asistencial, S.A..

- Diogo Alves Diniz Vaz Guedes, is a member of the board of directors of Valora Gestión, S.A.. Also, outside the Group, he has a 68.599% interest in the share capital of Esquio SGPS, S.A., of which he is President, and via this owns controlling positions in Aquapura Hotels Resort e SPA, S.A. with a 61.75% stake, Artepura-Inversiones Inmobiliarios, S.A., with a 74.976% stake and Enerpura-Energia e Ambiente, S.A. with a 99.60% stake. He also acts as President of all these companies.

Participaciones Agrupadas, S.L. is a member of the board of directors of Testa Inmuebles en Renta, S.A., Sacyr, S.A.U. and of Vallehermoso División Promoción, S.A.U.


- Javier Pérez Gracia is a member of the boards of directors of Mutua Madrileña Automovilista, S.S.P.F., outside the Group, has the following direct or indirect shareholdings: 100% in Innomutua Madrileña, S.A.U., 2.94% in Actividades de Construcción y Servicios, S.A., and 99.88% in Mutuamed Infraestructuras, S.L.. It is represented on the board of Sacyr Vallehermoso, S.A. by Carlos Javier Cutillas Cordón, who, outside the Group, acts as President and CEO of Inmobiliaria Chamartín, S.A., Chamartín Ocio y Deportes, S.L., Chamartín Monterroso, S.L., Chamartín Sur, S.L. and Chamartín Renta y Desarrollo, S.L.. He also acts as CEO of Chamartín Área Centro, S.L.

- José Luis Méndez López (representative of CXG Corporación Caixagalicia, S.A. on the board), is a member of the boards of directors of the following companies: CXG Corporación Caixagalicia, S.A. (President and CEO), Unión Fenosa, S.A. (Vice President and member of the Executive Committee), Caja de Seguros Reunidos, Compañía de Seguros y Reaseguros, S.A. (Vice President) and Promoción Urbanística Integral 2.005, S.L.. He also acts on behalf of a third party as General Manager of Caja de Ahorros de Galicia.

- Mutua Madrileña Automovilista, S.S.P.F., outside the Group, has the following direct or indirect shareholdings: 100% in Innomutua Madrileña, S.A.U., 2.94% in Actividades de Construcción y Servicios, S.A., and 99.88% in Mutuamed Infraestructuras, S.L.. It is represented on the board of Sacyr Vallehermoso, S.A. by Carlos J avier Cutillas Cordón, who, outside the Group, acts as President and CEO of Inmobiliaria Chamartín, S.A., Chamartín Ocio y Deportes, S.L., Chamartín Monterroso, S.L., Chamartín Sur, S.L. and Chamartín Renta y Desarrollo, S.L.. He also acts as CEO of Chamartín Área Centro, S.L.

• Demetrio Carceller Arce, is a member of the board of Vallehermoso División Promoción, S.A.U.

Outside the Group he is director of Servicios y Obras Canarios, S.A. (President), Inmuebles del Archipiélago, S.A., and Canariense de Urbanización, S.A.

(i) exercise of a put option, granted in 2005 by Sacyr Vallehermoso, S.A., by CXG Corporación Caixagalia, S.A. on the whole of the shares that CXG Corporación Caixagalia, S.A. held in Itinere Infraestructuras, S.A. representing 8.62% of its share capital, and

(ii) agreement of a put option contract, granted by Itinere Infraestructuras, S.A., to CXG Corporación Caixagalia, S.A. on shares owned by the latter in Autovía de Barbanza Concesionaria de la Xunta de Galicia, S.A. representing 20% of its capital.

José Manuel Loureda López (representative on the board of Prilomi, S.L.) is a member of the board of Sacyr, S.A.U.. He is also acting director at Sociedad Concesionaria Autopistas Noroeste, S.A.

Sacyr Vallehermoso Group carries out transactions with related parties on market terms. The most significant of these in 2005 and 2006 were as follows:

In accordance with Article 114.2 of the Spanish Securities Market Law, in the course of the year the following transactions were carried out between directors and the Company:
<table>
<thead>
<tr>
<th>NAME</th>
<th>RELATED TO</th>
<th>SyV COMPANY</th>
<th>TRANSACTION</th>
<th>AMOUNT AVAILABLE (THOUSANDS OF EUROS)</th>
<th>AMOUNT DRAWN DOWN (THOUSANDS OF EUROS)</th>
</tr>
</thead>
<tbody>
<tr>
<td>CAIXAGALICIA</td>
<td></td>
<td>SACYR VALLEHERMOSO, S.A.</td>
<td>Finance</td>
<td>62,600</td>
<td>17,400</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Guarantees</td>
<td></td>
<td>36,100</td>
<td>21,600</td>
</tr>
<tr>
<td></td>
<td></td>
<td>SACYR, S.A.</td>
<td>Finance</td>
<td>6,000</td>
<td>3,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Guarantees</td>
<td></td>
<td>7,000</td>
<td>6,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td>VALLEHERMOSO DIVISIÓN</td>
<td>Finance</td>
<td>26,640</td>
<td>98,228</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Guarantees</td>
<td></td>
<td>29,000</td>
<td>47,710</td>
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<tr>
<td></td>
<td></td>
<td>TESTA INMUEBLES EN RENTA, S.A.</td>
<td>Finance</td>
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<td>75,000</td>
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<tr>
<td></td>
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<td>ITINERE INFRAESTRUCTURAS, S.A.</td>
<td>Guarantees</td>
<td>275</td>
<td>2,549</td>
</tr>
<tr>
<td></td>
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<td>SACYR, S.A.</td>
<td>Finance</td>
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<tr>
<td></td>
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<td>VIASTUR</td>
<td>Finance</td>
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<tr>
<td></td>
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<td>SACYR PARTICIPACIONES, S.A.</td>
<td>Finance</td>
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</tr>
<tr>
<td></td>
<td></td>
<td>MOBILIARIAS, S.A.</td>
<td>Finance</td>
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</tr>
<tr>
<td></td>
<td></td>
<td>AUDENASA</td>
<td>Finance</td>
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<td>10,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td>ENA INFRAESTRUCTURAS, S.A.</td>
<td>Guarantees</td>
<td>0</td>
<td>275</td>
</tr>
<tr>
<td></td>
<td></td>
<td>SOMAGUE ENGENHARIA, S.A.</td>
<td>Finance</td>
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<td>20,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td>TOTAL CAIXAGALICA</td>
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<td>318,785</td>
<td>320,362</td>
</tr>
<tr>
<td>CAIXANOVA</td>
<td>PARTICIPACIONES</td>
<td>IBERESE, S.A.</td>
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<td>571</td>
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<tr>
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<td>AGRUPADAS, S.R.L.</td>
<td>Guarantees</td>
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<td>600</td>
</tr>
<tr>
<td></td>
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<td>VALLEHERMOSO DIVISIÓN</td>
<td>Finance</td>
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<td>33,855</td>
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<td></td>
<td>Guarantees</td>
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<td>550</td>
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<tr>
<td></td>
<td></td>
<td>PALACIO DE CONGRESOS</td>
<td>Guarantees</td>
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<tr>
<td></td>
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<td>SACYR VALLEHERMOSO, S.A.</td>
<td>Guarantees</td>
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<td>6,000</td>
</tr>
<tr>
<td></td>
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<td>SOMAGUE IMOBILIARIAS, S.A.</td>
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<td>SOMAGUE ENGENHARIA, S.A.</td>
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<tr>
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<td>ENA INFRAESTRUCTURAS, S.A.</td>
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<td>ENA</td>
<td>Guarantees</td>
<td>0</td>
<td>550</td>
</tr>
<tr>
<td></td>
<td></td>
<td>TOTAL CAIXANOVA</td>
<td></td>
<td>274,730</td>
<td>230,503</td>
</tr>
<tr>
<td>UNICAJA</td>
<td>PARTICIPACIONES</td>
<td>SACYR VALLEHERMOSO, S.A.</td>
<td>Guarantees</td>
<td>10,000</td>
<td>0</td>
</tr>
<tr>
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<td>AGRUPADAS, S.R.L.</td>
<td>Finance</td>
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<tr>
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<td>VALLEHERMOSO DIVISIÓN</td>
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<td>Guarantees</td>
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<td></td>
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<td>SACYR, S.A.</td>
<td>Finance</td>
<td>6,000</td>
<td>6,000</td>
</tr>
<tr>
<td></td>
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<td>ITINERE INFRAESTRUCTURAS, S.A.</td>
<td>Guarantees</td>
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<tr>
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<td>Sacyr Participaciones, S.A.</td>
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<td>BiPuge</td>
<td>Finance</td>
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<td>EXTRAGOL, S.A.</td>
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<td>OLEXTA, S.A.</td>
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<td>726</td>
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<td>COMPANIA ENERGETICA</td>
<td>Finance</td>
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<td>PATA DE MULO, S.A.</td>
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<td>SECADEROS DE BIOMASA, S.A.</td>
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<td>SUFI, S.A.</td>
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<td>OMICRON</td>
<td>Guarantees</td>
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<td>Finance</td>
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<tr>
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<td>TOTAL UNICAJA</td>
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<tr>
<td>CAJA ÁVILA</td>
<td>PARTICIPACIONES</td>
<td>VALLEHERMOSO DIVISIÓN</td>
<td>Interm. in lot purchase</td>
<td>0</td>
<td>1,956</td>
</tr>
<tr>
<td></td>
<td>AGRUPADAS, S.R.L.</td>
<td>Guarantees</td>
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<tr>
<td></td>
<td></td>
<td>ENA INFRAESTRUCTURAS, S.A.</td>
<td>Financial</td>
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<td>1,650</td>
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<tr>
<td></td>
<td></td>
<td>TOTAL CAJA ÁVILA</td>
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<td>13,650</td>
</tr>
<tr>
<td>NAME</td>
<td>RELATED TO</td>
<td>SyV COMPANY</td>
<td>TRANSACTION</td>
<td>AMOUNT AVAILABLE (THOUSANDS OF EUROS)</td>
<td>Amounts Drawn Down (THOUSANDS OF EUROS)</td>
</tr>
<tr>
<td>---------------------------------------</td>
<td>-------------------------------------</td>
<td>------------------------------------------</td>
<td>------------------------------------------</td>
<td>---------------------------------------</td>
<td>---------------------------------------</td>
</tr>
<tr>
<td>CAJA MURCIA PARTICIPACIONES AGREGADAS, S.R.L.</td>
<td>VALLEHERMOSO DIVISIÓN PROMOCIÓN, S.A.U.</td>
<td>Finance</td>
<td>115,115</td>
<td>102,485</td>
<td>120,574</td>
</tr>
<tr>
<td>SyV PARTICIPACIONES MOBI ARIAS, S.A.</td>
<td>Finance</td>
<td></td>
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<td>10,000</td>
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<td>AUTORI A. DEL NOROESTE</td>
<td>C.C.A.R.M., S.A.</td>
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<td>3,142</td>
<td>3,497</td>
<td>3,142</td>
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<td>TOTAL CAJA MURCIA</td>
<td></td>
<td></td>
<td>128,257</td>
<td>105,982</td>
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<td>CAMPSA RED, S.A. REPSOL YPF, S.A.</td>
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<td>PRI NUR, S.A.</td>
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<td>TOTAL CAMPSA RED, S.A.</td>
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<td>163</td>
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<td>Sales</td>
<td>26</td>
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<td>Itiner call option</td>
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<td>Itiner put option</td>
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<td>4,000</td>
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<tr>
<td></td>
<td></td>
<td>Purchase of shares in Itinere</td>
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<td>EYCOVA, S.L. MANUEL MANRIQUE</td>
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<td>1</td>
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<td>0</td>
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<tr>
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<td>SACYR, S.A.U.</td>
<td>Sales</td>
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<tr>
<td>TOTAL EYCOVA, S.L.</td>
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<td>FRANCO SJAVI PÉREZ GRACIA</td>
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<td>1,105</td>
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<td></td>
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<td>LA RESTI NGA, C.B. FRANCO SJAVI PÉREZ GRACIA</td>
<td>VALORIZA CONSERVACIÓN</td>
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<td>MUTUA MADRILEÑA MUTUA MADRILEÑA AUTOMOVILISTA</td>
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<td>PETROCAT REPSOL YPF, S.A.</td>
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<td>REPSOL BUTANO, S.A. REPSOL YPF, S.A.</td>
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<td>Sales</td>
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<td>REPSOL COMERCIAL REPSOL YPF, S.A.</td>
<td>SUFI, S.A.</td>
<td>Sales</td>
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<td>(5)</td>
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<td>DEPROD PETROLÍFEROS</td>
<td>CAVOSA</td>
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<td>TOTAL REPSOL COMERCIAL DEPROD PETROLÍFEROS</td>
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<td>186</td>
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<td>REPSOL PETRÓLEOS, S.A.</td>
<td>REPSOL YPF</td>
<td>S.A. DEPURACIÓN Y TRATAMIENTOS</td>
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<td>REPSOL YPF LUBRICANTES Y ESPECIALIDADES</td>
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<td>SACYR, S.A.U.</td>
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<td></td>
<td>915</td>
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### Consolidated Annual Financial Report

#### (continued)

<table>
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<tr>
<th>NAME</th>
<th>RELATED TO</th>
<th>SyV COMPANY</th>
<th>TRANSACTION</th>
<th>AMOUNT AVAILABLE (THOUSANDS OF EUROS)</th>
<th>AMOUNTS DRAWN DOWN (THOUSANDS OF EUROS)</th>
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<tbody>
<tr>
<td>REPSOL YPF, S.A.</td>
<td>ACCIONISTA SIGNIFICATIVO</td>
<td>TESTA INMUEBLES EN RENTA, S.A.</td>
<td>Residential rental</td>
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<td>NEOPÍSTAS</td>
<td>Sales</td>
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<td>VALORIZA FACILIDADES</td>
<td>Sales</td>
<td>35</td>
<td>0</td>
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<td>TESTA RESIDENCIAL, S.A.</td>
<td>Residential rental</td>
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<td>TOTAL REPSOL YPF, S.A.</td>
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<td>(920)</td>
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<td>SDAD. CATALANA DE PETRÓLEOS</td>
<td>ACCIONISTA SIGNIFICATIVO</td>
<td>TESTA INMUEBLES EN RENTA, S.A.</td>
<td>Office rental</td>
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<td>SOLRED, S.A.</td>
<td>REPSOL YPF, S.A.</td>
<td>SACYR, S.A.U.</td>
<td>Sales</td>
<td>547</td>
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<td>SCRINSER</td>
<td>Sales</td>
<td>154</td>
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<td>CAIVOSA</td>
<td>Sales</td>
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<td>CAFESTORE</td>
<td>Sales</td>
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<td>VALORIZA CONSERVACIÓN</td>
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<td>SACYR VALLEHERMOSO, S.A.</td>
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<td>AUDASA</td>
<td>Sales</td>
<td>(10,803)</td>
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<td>AUCALSA</td>
<td>Sales</td>
<td>(4,430)</td>
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<td>AUDENASA</td>
<td>Sales</td>
<td>(3,537)</td>
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<td>AUTOESTRADAS</td>
<td>Sales</td>
<td>(1,478)</td>
<td>0</td>
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<td>OMCLON-AMEPRO, S.A.</td>
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<td>SUFI, S.A.</td>
<td>Sales</td>
<td>(105)</td>
<td>0</td>
</tr>
<tr>
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<td>TOTAL SOLRED, S.A.</td>
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<td>(19,178)</td>
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<td>SOCIEDAD GENERAL CONSEJERO COMÚN DE AGUAS DE BARCELONA, S.A.</td>
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<td>TESTA INMUEBLES EN RENTA, S.A.</td>
<td>Sales</td>
<td>31</td>
<td>0</td>
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<td>UNIÓN FENOSA COMERCIAL, S.L.</td>
<td>CGCORPORACION CAIXAGALICIA</td>
<td>SACYR VALLEHERMOSO, S.A.</td>
<td>Sales</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>UNIÓN FENOSA DISTRIBUCION, S.L.</td>
<td>CGCORPORACION CAIXAGALICIA</td>
<td>SACYR VALLEHERMOSO, S.A.</td>
<td>Sales</td>
<td>104</td>
<td>0</td>
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<td>UNIÓN FENOSA, S.A. CONSEJERO COMÚN</td>
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<td>SACYR VALLEHERMOSO, S.A.</td>
<td>Sales</td>
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<td>VALORIZA FACILIDADES</td>
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<td>TOTAL UNIÓN FENOSA, S.A.</td>
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<td>TORREAL, SCR, S.A.</td>
<td>NUEVA COMPAÑÍA DE INVERSIONES, S.A.</td>
<td>SACYR VALLEHERMOSO, S.A.</td>
<td>Purchase of 31.94% of SUFI</td>
<td>0</td>
<td>46,129</td>
</tr>
<tr>
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<td>ITINERE</td>
<td>Purchase of 100% of TCO21, S.L.</td>
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<td>18,399</td>
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<td>TOTAL TORREAL, SCR, S.A.</td>
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<td>0</td>
<td>64,528</td>
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<td>TORREAL, S.A.</td>
<td>D. PEDRO DEL CORRÓ GARCÍA A LOMAS</td>
<td>SACYR VALLEHERMOSO, S.A.</td>
<td>Purchase of 0.57% of SUFI</td>
<td>0</td>
<td>824</td>
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<td>D. LUIS JIMÉNEZ CORTÉS DOMÍNGUEZ DOMÍNGUEZ</td>
<td>D. MATÍAS CORTÉS DOMÍNGUEZ DOMÍNGUEZ</td>
<td>SACYR VALLEHERMOSO, S.A.</td>
<td>Sales</td>
<td>420</td>
<td>1,730</td>
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<td>TELBASA CONSTRUCCIONES E INVERSIONES</td>
<td>D. MANUEL MANRIQUE CEO LÍA</td>
<td>VALLEHERMOSO DIVISIÓN</td>
<td>Residential sales</td>
<td>0</td>
<td>664</td>
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<tr>
<td></td>
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<td>PROMOCION, S.A.U.</td>
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<td></td>
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<tr>
<td></td>
<td></td>
<td>SACYR, S.A.</td>
<td>Office rental</td>
<td>6</td>
<td>6</td>
</tr>
<tr>
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<td>TOTAL TELBASA CONSTRUCCIONES E INVERSIONES</td>
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<td>6</td>
<td>670</td>
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<td>GRUPO SATOCÁN, S.A.</td>
<td>GRUPO SATOCÁN, S.A.</td>
<td>VALLEHERMOSO DIVISIÓN</td>
<td>Purchase of lot</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>
25. SUBSEQUENT EVENTS

The most important events to have taken place since the balance sheet date 2006 were:

• On January 11, 2007, Sacyr Vallehermoso via its subsidiary Sacyr Vallehermoso Participaciones Mobiliarias, S. L. received from REPSOL YPF, S.A. a EUR 0.36 per share gross dividend, generating total net income of EUR 72.12 million.

• On January 16, 2007, Sacyr Vallehermoso distributed to its shareholders a gross dividend of EUR 0.105 per share, in respect of its 2006 profit.

• In January, Salvador Font Estrany joined Grupo Sacyr Vallehermoso, as a new deputy general manager reporting to the President, with strategic responsibility for the energy business. The Group has redoubled its commitment to this industry, convinced that the long term track-record and extensive professional experience of Salvador Font will make a decisive contribution to consolidating SyV’s presence in the sector. Salvador Font has long experience in the energy sector, discharging senior responsibilities in oil company Cepsa and power group Iberdrola.

• On January 31, the board of directors of Repsol YPF, on the proposal of Sacyr Vallehermoso, appointed José Manuel Loureda Mantiñán as external independent director. José Manuel Loureda was the founder of Sacyr and has held numerous positions of responsibility in the Group during his career, including CEO until 2000 when he took over as President. After the merger with Vallehermoso, he was appointed President of the Group and currently acts as director of Sacyr Vallehermoso and President of Valoriza, the Group’s services subsidiary. This new appointment means that Sacyr Vallehermoso now has three directors on the board of the power company.

• On March 7, 2007, the board of directors of Sacyr Vallehermoso approved a gross dividend, in respect of 2006 profit, of EUR 0.1850 per share. This dividend will be payable on April 13.

This distribution brings the total remuneration to shareholders in respect of the 2006 financial year to EUR 0.50 per share, a 19% increase on 2005.

The pay-out (i.e. the percentage of profit for the year that the Company allocates to dividends) is 26.05%.

In the Group’s Construction division, the divisional parent company Sacyr, S.A.U., has won the following tenders for projects since the end of 2006:

• Construction, as a joint venture with fellow construction company Grupo Cavosa, of the “Parbayón-Cacicedo” stretch of the S-30 motorway, the Santander Bay by-pass, in Cantabria, for a total of EUR 67.4 million (not including VAT).

• Construction, as a joint venture with construction company Grupo Prinur, of the link-up stretch of the A-7 motorway’s new Malaga west by-pass, for a total of EUR 60.35 million (not including VAT).

• Construction of the new Hospital de Manises (Valencia) with a EUR 26.29 million budget (not including VAT). The winning consortium is a joint venture between Sacyr, 60%, Rover Alcisa, 20%, and Secop, 20%.

• Construction of a platform and railway in the Castellbisbal junction for the branch line linking Vallés to the Port of Barcelona and Can Tunis. The project has a EUR 22.05 million budget and a schedule of 12 months. The winning consortium is composed of Sacyr Group companies, 40%, Scrinser, 30% and Portuguese subsidiary Neopul, 30%.

• Construction of the link between the lower Guadalquivir canal and the Torre de Águila basin, in Utrera (Seville), for EUR 19.38 million (not including VAT).

• Construction of 117 homes in the “Los Cardos, Phase II” project in Malaga, with a budget of EUR 17.6 million.

• Construction of 161 homes in the “Campus de la Salud, phase IV”, Granada, for EUR 15.8 million.

• Construction of the “high-resolution” hospital in Alcalá la Real (Jaén), for EUR 12.09 million scheduled for completion in 26 months. The new medical centre will have 25,000 square meters of space and serve a population of 28,500 people.

• Construction of 84 homes as part of the “Marqués de Montelú” project in Barcelona, for EUR 11.08 million.
• Construction of 83 homes in Sotorrebollo, Saragossa, in a EUR 7.7 million project.
• Urban development in San Juan de Aznalfarache, Seville, for EUR 5.6 million.
• Construction, as part of a joint venture with another Group construction company, Prinur, of a reception centre for visitors next to the port of Puente Romano, in Cordoba, for EUR 4.01 million (not including VAT).

In the Services segment, headed by Valoriza Gestión, S.A., the most notable events since the balance sheet date were as follows:
• On January 29, 2007, Sufi, the Group’s environmental services subsidiary, won the tender for project design, construction and operation of a Construction and Demolition Waste treatment centre in the Madrid municipality of Arganda del Rey, and operation of the transfer centre at Villarejo de Salvanés, also in Madrid, for a total of EUR 17.2 million. The contract, awarded by the Department for Environmental Management and Development of the Comunidad de Madrid (GEDESMA), is scheduled to last two years, extendible for another two years, and will serve a population of 350,000 people.
• In January 2007, Sufi also won the tender for the cleaning and collection of urban waste in the port of La Cruz (Tenerife) worth EUR 14.75 million over 10 years.

In the Property Development division, headed by Vallehermoso División Promoción, the most notable events since the balance sheet date were as follows:
• Independent consultants CB Richard Ellis valued the property assets of the Property Development division, as of December 31, 2006, at EUR 7,800 million, compared to EUR 6,130 million in 2005. This represents a 27.2% increase with unrealized gains of EUR 3,309 million, compared to EUR 2,338 million in 2005 (a 41.5% increase). Of this value, EUR 4,704 million related to land and EUR 3,096 to work in progress and other assets.

In the Property Management division, headed by Testa Inmuebles en Renta, the most notable events since the balance sheet date were as follows:
• On January 11, 2007, Testa signed an agreement with cosmetics group L’Oréal España, to lease it a building currently being refurbished. The building is 20,000 square meters and will be available for rent from 2008, allowing the company to combine the

26. ENVIRONMENTAL ISSUES

In line with its environmental policy the Group has a number of ongoing activities and projects to ensure it complies with legislation in this area. Regarding possible contingencies in the environmental area, the Group considers that these are adequately covered by the civil liability insurance policies outstanding, and has therefore not created any specific environmental contingencies provisions in the balance sheets at December 31, 2005 and 2006.

27. AUDIT FEES

Audit fees paid to all the auditors of the Parent Company and its subsidiaries in the consolidation scope were EUR 1,537,692 in 2006 and EUR 1,200,863 in 2005.

28. PERSONNEL

The average number of employees in 2005 and 2006 was as follows:

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<tr>
<th>AVERAGE HEADCOUNT</th>
<th>2006</th>
<th>2005</th>
</tr>
</thead>
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<td>University graduates</td>
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<td>1,615</td>
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<tr>
<td>Other qualified staff</td>
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<td>934</td>
</tr>
<tr>
<td>Skilled technicians</td>
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<tr>
<td>Administrative staff</td>
<td>1,778</td>
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</tr>
<tr>
<td>Other</td>
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<tr>
<td>TOTAL AVERAGE HEADCOUNT</td>
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</tbody>
</table>
29. SEGMENT INFORMATION

Sacyr Vallehermoso Group uses two types of segmentation for its activities:

- **Primary:** by business area, as this is the most transparent way to reflect the source and nature of the Group’s risks and returns.
- **Secondary:** by geographical areas, differentiating between the businesses in different markets.

The primary segmentation reflects the Group’s current organization and management structure, which is based around seven business areas:

- **Holding company:** the Group’s corporate structure, represented by its holding company Sacyr Vallehermoso, S.A. and Inchisacyr, S.A.
- **Construction:** the civil engineering and building business in Spain, Portugal, Chile, Italy, Costa Rica and other markets (Sacyr and Somague groups)
- **Concessions:** motorway concession business (Itinere and Europistas groups)
- **Services:** multi-services group (Valoriza and Emmasa groups)
- **Repsol YPF:** shareholding in the Repsol YPF group and its holding company.
- **Property Development:** property development business (Vallehermoso group)
- **Property management:** the property management business (Testa Group)
- **Effage:** the Group’s stake in the Effage Group.

The secondary segmentation breaks down each primary business segment by geographical area, providing information on:

- External income, based on location of clients.
- Gross assets, including: property, plant and equipment, concession projects, investment property and intangible assets, based on the location of each asset.
- Additions to fixed assets, including: property, plant and equipment, concession projects, investment property and intangible assets, based on the location of each asset.

The segment information also includes a column for “Consolidation adjustments.”
<table>
<thead>
<tr>
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<th>HOLDING</th>
<th>CONSTRUCTION</th>
<th>CONCESSIONS</th>
<th>SERVICES</th>
<th>REPSOL</th>
<th>VIF</th>
<th>PROPERTY</th>
<th>DEVELOPMENT</th>
<th>MANAGEMENT</th>
<th>EIFFAGE</th>
<th>ADJUSTMENTS</th>
<th>TOTAL</th>
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<tr>
<td><strong>A) NON-CURRENT ASSETS</strong></td>
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<td></td>
<td></td>
<td></td>
<td></td>
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<td>395,737</td>
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<td>130,701</td>
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<td>4,512,544</td>
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<td>12,961</td>
<td>618</td>
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<td>422,921</td>
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<td>128,887</td>
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<td>69,882</td>
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<td><strong>A) EQUITY</strong></td>
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<td>1,016,012</td>
<td>376,247</td>
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<td>464,517</td>
<td>1,148,827</td>
<td>69,882</td>
<td>1,413,676</td>
<td>3,008,300</td>
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<td>266,258</td>
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<td>69,882</td>
<td>1,413,676</td>
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<td>0</td>
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<td>814,820</td>
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<td>5,927,258</td>
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<td>1,891,018</td>
<td>1,801,642</td>
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<td>2,408,401</td>
<td>17,922,733</td>
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<td>447</td>
<td>1,696</td>
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<td>0</td>
<td>400,758</td>
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<td>34,137</td>
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<td>3,501</td>
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<td>0</td>
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<td>III. Long-term loans and borrowings</td>
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<td>5,175,000</td>
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<td>16,372,263</td>
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<td>506,911</td>
<td>60,627</td>
<td>1,174,600</td>
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<td>701,397</td>
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### 2006 (Thousands of euros)

#### INCOME STATEMENT

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<th>Holding</th>
<th>Construction</th>
<th>Concessions</th>
<th>Services</th>
<th>Repsol YPF</th>
<th>Property Development</th>
<th>Property Management</th>
<th>Eiffage</th>
<th>Adjustments</th>
<th>Total</th>
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<td>64,765</td>
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<td>(161,325)</td>
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<td>(6,629)</td>
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<td>(582,610)</td>
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<td>(96,750)</td>
<td>(18,972)</td>
<td>(2,557)</td>
<td>(41,643)</td>
<td>(1,872)</td>
<td>(207,290)</td>
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<td>(33)</td>
<td>(2,070)</td>
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<td>(754,265)</td>
<td>(76,572)</td>
<td>(80,171)</td>
<td>(46,045)</td>
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<td>(518)</td>
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<td>(153)</td>
<td>(839)</td>
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<td>(225,983)</td>
<td>(542,013)</td>
<td>(901,381)</td>
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<td>(9,028,455)</td>
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<td>0</td>
<td>(1,872)</td>
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<td>861,920</td>
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<td>6,674</td>
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<td>4,442</td>
<td>14</td>
<td>2,692</td>
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<td>84,855</td>
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<td>(36,807)</td>
<td>(209,493)</td>
<td>(13,454)</td>
<td>(20,387)</td>
<td>(13,778)</td>
<td>(78,926)</td>
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<td>(445,699)</td>
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<td>1,730</td>
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<td>15,538</td>
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<tr>
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<td>(698)</td>
<td>(0)</td>
<td>(139)</td>
<td>0</td>
<td>0</td>
<td>(1,350)</td>
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<tr>
<td>Other interest and similar expenses</td>
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<td>(447)</td>
<td>(772)</td>
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<td>0</td>
<td>3,731</td>
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<td>2,516</td>
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<td>(100,860)</td>
<td>(25,855)</td>
<td>(185,553)</td>
<td>(12,932)</td>
<td>(20,387)</td>
<td>(13,778)</td>
<td>(78,926)</td>
<td>0</td>
<td>(528,855)</td>
</tr>
<tr>
<td><strong>Net finance costs</strong></td>
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<td>(9,027)</td>
<td>(28,373)</td>
<td>(15,564)</td>
<td>(64,616)</td>
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<td>(167,497)</td>
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<td>(11,797)</td>
<td>759</td>
<td>88,838</td>
<td>(903)</td>
<td>(177)</td>
<td>102,108</td>
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<td>Net gain (loss) on disposal of assets</td>
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<td>(380)</td>
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<td>64,248</td>
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<td>60,464</td>
<td>311,747</td>
<td>91,077</td>
<td>102,108</td>
<td>722,846</td>
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<td>(6,182)</td>
<td>9,933</td>
<td>(117,304)</td>
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<td>(161,184)</td>
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<tr>
<td><strong>Profit for the Year</strong></td>
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<td>105,549</td>
<td>29,193</td>
<td>19,198</td>
<td>70,395</td>
<td>214,463</td>
<td>66,206</td>
<td>102,108</td>
<td>561,662</td>
</tr>
</tbody>
</table>

Attributeable to:

- **Minority interests** | (123,829) | 103,590 | 15,533 | 17,954 | 70,395 | 214,690 | 65,633 | 102,108 | (171,615) |
- **Parent company** | 123,829    | 103,590   | 15,533  | 17,954   | 70,395   | 214,463  | 65,633  | 102,108   | 542,207  |
## 2005 (Thousands of euros)

### ASSETS

| PROPERTY / CONSTRUCTION / CONCESSIONS / SERVICES / PROPERTY / MANAGEMENT / CONSOLIDATION / ADJUSTMENTS | TOTAL |
|---|---|---|---|---|---|---|---|---|
| **A) NON-CURRENT ASSETS** | 2,042,745 | 792,132 | 5,134,438 | 462,002 | 286,933 | 2,453,734 | (2,314,826) | 8,849,598 |
| I. Property, plant & equipment | 4,616 | 180,132 | 39,426 | 261,396 | 8,963 | 347,831 | 3 | 639,467 |
| II. Concession projects | 0 | 0 | 4,194,103 | 0 | 0 | 0 | 0 | 4,194,103 |
| III. Investment properties | 0 | 0 | 0 | 0 | 60,947 | 1,836,077 | 111,121 | 2,008,134 |
| IV. Other intangible assets | 1,784 | 32,730 | 36,423 | 28,450 | 17 | 112,731 | 0 | 212,125 |
| V. Goodwill | 0 | 27,467 | 13,663 | 127,166 | 1,874 | 0 | 85,607 | 255,777 |
| VI. Investments in associates | 0 | 1,967 | 104,716 | 10,688 | 16,481 | 7,355 | 0 | 141,287 |
| VII. Non-current financial assets | 2,020,647 | 499,435 | 505,046 | 29,524 | 16,853 | 147,024 | (2,511,543) | 707,006 |
| VIII. Deferred tax assets | 12,297 | 2,391 | 264,061 | 4,196 | 179,267 | 2,716 | 0 | 464,928 |
| IX. Other non-current assets | 3,321 | 18,430 | 0 | 582 | 4,531 | 0 | (3) | 26,861 |
| **B) CURRENT ASSETS** | 2,371,751 | 1,512,254 | 196,700 | 333,583 | 3,504,253 | 29,200 | (182,927) | 5,457,086 |
| I. Inventories | 810 | 181,222 | 3,124 | 18,352 | 3,265,357 | 75 | (1,598) | 3,477,499 |
| II. Trade and other receivables | 21,083 | 1,311,382 | 123,559 | 233,559 | 261,047 | 7,452 | (178,638) | 1,551,424 |
| III. Current financial assets | 5 | 17,805 | 853 | 640 | 12,261 | 0 | 12 | 31,576 |
| IV. Cash and cash equivalents | 13 | 170,041 | 66,586 | 91,103 | 23,586 | 21,661 | 98 | 375,035 |
| V. Other current assets | 0 | 10,794 | 3,571 | 0 | 0 | 0 | (2,801) | 11,564 |
| **TOTAL ASSETS** | 2,044,716 | 2,273,826 | 5,354,198 | 795,583 | 3,833,184 | 2,482,942 | (2,497,753) | 14,306,696 |

### EQUITY AND LIABILITIES

<table>
<thead>
<tr>
<th>EQUITY ATTRIBUTABLE TO THE PARENT</th>
<th>949,063</th>
<th>558,569</th>
<th>375,467</th>
<th>264,450</th>
<th>331,709</th>
<th>1,075,338</th>
<th>(1,584,176)</th>
<th>3,197,340</th>
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<tr>
<td>EQUITY ATTRIBUTABLE TO MINORITY</td>
<td>949,063</td>
<td>553,750</td>
<td>297,873</td>
<td>255,382</td>
<td>318,704</td>
<td>1,075,338</td>
<td>(1,615,752)</td>
<td>3,834,258</td>
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</tbody>
</table>

**B) NON-CURRENT LIABILITIES** | 2,548,964 | 2,544,085 | 4,566,024 | 238,720 | 1,089,319 | 3,135,824 | (780,424) | 8,100,834 |
| I. Deferred income | 0 | 0 | 444,064 | 7,361 | 62 | 4,820 | (1) | 456,274 |
| II. Provisions for contingencies and expenses | 2,474 | 28,535 | 0 | 7,132 | 13,877 | 3,432 | 0 | 55,570 |
| III. Long-term loans and borrowings | 362,432 | 183,950 | 3,327,543 | 255,382 | 318,704 | 1,075,338 | (1,681,029) | 6,881,029 |
| IV. Non-current payables | 161,040 | 43,300 | 754,298 | 48,667 | 317,213 | 45,724 | (780,424) | 610,019 |
| V. Deferred tax liabilities | 0 | 0 | 40,117 | 3,359 | 162,022 | 2,163 | 0 | 207,101 |
| VI. Non-current payables to associates | 0 | 0 | 0 | 749 | 0 | 0 | (2) | 881 |

**C) CURRENT LIABILITIES** | 1,800,787 | 1,460,153 | 412,707 | 292,700 | 2,413,196 | 93,879 | (132,582) | 4,316,072 |
| I. Short-term loans and borrowings | 505,165 | 112,649 | 311,394 | 66,314 | 758,852 | 54,480 | 1 | 1,810,865 |
| II. Current payables | 72,521 | 1,295,818 | 99,782 | 223,339 | 830,320 | 32,588 | (149,300) | 2,385,969 |
| III. Current payables to associates | 0 | 0 | 1,531 | 0 | 0 | 0 | 0 | 1,531 |
| IV. Trade provisions | 12,021 | 51,877 | 0 | 1,205 | 51,401 | 2,106 | (1) | 128,699 |
| V. Other current liabilities | 0 | 9 | 1,555 | 1,023 | 695 | (2,262) | 0 | 207,101 |
| **TOTAL LIABILITIES** | 2,044,716 | 2,273,827 | 5,354,198 | 795,583 | 3,833,184 | 2,482,941 | (2,497,753) | 14,306,696 |
### 2005 (Thousands of euros)

#### INCOME STATEMENT

<table>
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<tr>
<th></th>
<th>HOLDING</th>
<th>CONSTRUCTION</th>
<th>CONCESSIONS</th>
<th>SERVICES</th>
<th>PROPERTY DEVELOPMENT</th>
<th>PROPERTY MANAGEMENT</th>
<th>CONSOLIDATION ADJUSTMENTS</th>
<th>TOTAL</th>
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<td>Revenue</td>
<td>2,056</td>
<td>2,278,555</td>
<td>362,955</td>
<td>367,578</td>
<td>1,249,302</td>
<td>209,058</td>
<td>(290,647)</td>
<td>4,176,857</td>
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<td>12,799</td>
<td>12,415</td>
<td>27,144</td>
<td>40</td>
<td>3,925</td>
<td>47,875</td>
<td>104,196</td>
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<tr>
<td>Other operating income</td>
<td>45,828</td>
<td>55,686</td>
<td>25,433</td>
<td>3,613</td>
<td>450</td>
<td>395</td>
<td>38,402</td>
<td>93,013</td>
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<tr>
<td>Capital grants recognized</td>
<td>0</td>
<td>0</td>
<td>334</td>
<td>283</td>
<td>30</td>
<td>0</td>
<td>0</td>
<td>647</td>
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<tr>
<td>Other gains</td>
<td>236</td>
<td>542</td>
<td>1,383</td>
<td>15,438</td>
<td>2,853</td>
<td>551</td>
<td>20,805</td>
<td></td>
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<tr>
<td><strong>OPERATING INCOME</strong></td>
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<td>2,341,802</td>
<td>420,330</td>
<td>418,016</td>
<td>2,497,616</td>
<td>214,029</td>
<td>(291,174)</td>
<td>4,305,840</td>
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<td>Change in inventories</td>
<td>(54)</td>
<td>5,753</td>
<td>0</td>
<td>733</td>
<td>335,566</td>
<td>11</td>
<td>0</td>
<td>342,009</td>
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<tr>
<td>Supplies</td>
<td>0</td>
<td>(1,202,176)</td>
<td>(16,558)</td>
<td>(226,517)</td>
<td>(1,227,727)</td>
<td>(720)</td>
<td>(223,875)</td>
<td>(2,449,823)</td>
</tr>
<tr>
<td>Personnel expenses</td>
<td>(16,964)</td>
<td>(267,445)</td>
<td>(42,231)</td>
<td>(94,697)</td>
<td>(21,176)</td>
<td>(6,295)</td>
<td>32</td>
<td>(448,776)</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>(3,456)</td>
<td>(29,760)</td>
<td>(145,138)</td>
<td>(20,975)</td>
<td>(1,601)</td>
<td>(32,041)</td>
<td>(1,759)</td>
<td>(234,720)</td>
</tr>
<tr>
<td>Impairment of goodwill</td>
<td>0</td>
<td>0</td>
<td>(221)</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>(221)</td>
<td></td>
</tr>
<tr>
<td>Changes in trade provisions</td>
<td>(9,796)</td>
<td>(28,862)</td>
<td>(80)</td>
<td>(3,992)</td>
<td>(26,384)</td>
<td>(349)</td>
<td>0</td>
<td>(66,384)</td>
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<tr>
<td>Other operating costs</td>
<td>(32,623)</td>
<td>(725,042)</td>
<td>(55,286)</td>
<td>(52,242)</td>
<td>(59,572)</td>
<td>(41,710)</td>
<td>57,308</td>
<td>(899,177)</td>
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<tr>
<td>Other losses</td>
<td>64</td>
<td>(2,836)</td>
<td>(1,367)</td>
<td>(1,194)</td>
<td>(33)</td>
<td>(902)</td>
<td>0</td>
<td>(6,368)</td>
</tr>
<tr>
<td><strong>OPERATING COSTS</strong></td>
<td>(62,835)</td>
<td>(2,929,398)</td>
<td>(260,640)</td>
<td>(386,504)</td>
<td>(1,000,927)</td>
<td>(82,056)</td>
<td>270,456</td>
<td>(3,715,850)</td>
</tr>
<tr>
<td><strong>OPERATING PROFIT</strong></td>
<td>(14,709)</td>
<td>97,194</td>
<td>141,890</td>
<td>15,552</td>
<td>248,748</td>
<td>132,813</td>
<td>(1,718)</td>
<td>619,770</td>
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<tr>
<td>Revenue from equity investments</td>
<td>119,838</td>
<td>0</td>
<td>0</td>
<td>100</td>
<td>15</td>
<td>0</td>
<td>(109,607)</td>
<td>10,446</td>
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<tr>
<td>Revenue from other securities and loans</td>
<td>3,630</td>
<td>8,448</td>
<td>2,785</td>
<td>416</td>
<td>2,227</td>
<td>0</td>
<td>(13,198)</td>
<td>4,490</td>
</tr>
<tr>
<td>Other interest and similar income</td>
<td>145,295</td>
<td>33,348</td>
<td>19,380</td>
<td>2,065</td>
<td>955</td>
<td>6,477</td>
<td>(7,029)</td>
<td>200,887</td>
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<td>Net finance costs related to investment</td>
<td>0</td>
<td>0</td>
<td>26,378</td>
<td>24</td>
<td>0</td>
<td>0</td>
<td>26,402</td>
<td></td>
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<tr>
<td>Exchange rate differences</td>
<td>(2)</td>
<td>(2,450)</td>
<td>25,455</td>
<td>(120)</td>
<td>0</td>
<td>2,006</td>
<td>0</td>
<td>24,490</td>
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<tr>
<td><strong>FINANCE REVENUE</strong></td>
<td>298,835</td>
<td>39,346</td>
<td>137,054</td>
<td>2,317</td>
<td>3,197</td>
<td>8,493</td>
<td>(129,834)</td>
<td>206,435</td>
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<tr>
<td>Interest and similar expenses</td>
<td>(38,859)</td>
<td>(25,654)</td>
<td>(248,756)</td>
<td>(8,612)</td>
<td>(16,371)</td>
<td>(56,160)</td>
<td>20,108</td>
<td>(365,504)</td>
</tr>
<tr>
<td>Change in financial instruments carried at fair value through profit and loss</td>
<td>2,075</td>
<td>64</td>
<td>2,413</td>
<td>0</td>
<td>0</td>
<td>1,307</td>
<td>(29)</td>
<td>5,830</td>
</tr>
<tr>
<td>Changes in provisions for financial assets</td>
<td>(777)</td>
<td>(138)</td>
<td>427</td>
<td>(923)</td>
<td>(4,308)</td>
<td>0</td>
<td>0</td>
<td>(4,809)</td>
</tr>
<tr>
<td>Change in provisions for intangible assets, P, P&amp;G and long-term investment securities</td>
<td>(362)</td>
<td>0</td>
<td>(163)</td>
<td>0</td>
<td>10,140</td>
<td>82</td>
<td>9,257</td>
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<tr>
<td><strong>FINANCE COSTS</strong></td>
<td>(28,558)</td>
<td>(25,490)</td>
<td>(245,816)</td>
<td>(9,539)</td>
<td>(119,591)</td>
<td>(44,735)</td>
<td>10,361</td>
<td>(584,526)</td>
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<td><strong>NET FINANCE COSTS</strong></td>
<td>239,277</td>
<td>13,856</td>
<td>(172,008)</td>
<td>(6,851)</td>
<td>(16,382)</td>
<td>(36,230)</td>
<td>(109,673)</td>
<td>(80,011)</td>
</tr>
<tr>
<td>Profit of associates</td>
<td>0</td>
<td>(858)</td>
<td>(14,503)</td>
<td>2,246</td>
<td>(323)</td>
<td>14</td>
<td>0</td>
<td>(13,424)</td>
</tr>
<tr>
<td>Net gain (loss) on disposal of assets</td>
<td>0</td>
<td>22,549</td>
<td>183</td>
<td>94,586</td>
<td>(216)</td>
<td>140</td>
<td>(21,572)</td>
<td>95,870</td>
</tr>
<tr>
<td><strong>PROFIT BEFORE TAX</strong></td>
<td>224,568</td>
<td>132,741</td>
<td>(44,438)</td>
<td>105,533</td>
<td>231,827</td>
<td>96,737</td>
<td>(132,963)</td>
<td>614,005</td>
</tr>
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<td>Income tax</td>
<td>(39,018)</td>
<td>(34,217)</td>
<td>10,483</td>
<td>(9,402)</td>
<td>(83,532)</td>
<td>(36,021)</td>
<td>27</td>
<td>(191,660)</td>
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<tr>
<td><strong>PROFIT FOR THE YEAR</strong></td>
<td>185,550</td>
<td>98,524</td>
<td>(33,955)</td>
<td>96,131</td>
<td>148,315</td>
<td>60,716</td>
<td>(132,936)</td>
<td>422,245</td>
</tr>
</tbody>
</table>

**Attributable to:**

<p>| MINORITY INTERESTS | 0 | (1,461) | (13,998) | (1,902) | 212 | 0 | 7,810 | (19,219) |
| PARENT COMPANY | 185,550 | 97,063 | (47,953) | 94,329 | 148,487 | 60,716 | (125,066) | 413,126 |</p>
<table>
<thead>
<tr>
<th></th>
<th>2006 GROSS ASSETS</th>
<th>ACQUISITIONS OF FIXED ASSETS</th>
<th>2005 GROSS ASSETS</th>
<th>ACQUISITIONS OF FIXED ASSETS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>EXTERNAL REVENUE</strong></td>
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<td></td>
<td></td>
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<tr>
<td>HOLDING COMPANY</td>
<td>447</td>
<td>81,475</td>
<td>63,964</td>
<td>333</td>
</tr>
<tr>
<td>Spain</td>
<td>447</td>
<td>81,475</td>
<td>63,964</td>
<td>333</td>
</tr>
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<td>CONSTRUCTION</td>
<td>2,295,129</td>
<td>480,988</td>
<td>150,849</td>
<td>2,025,476</td>
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<td>1,560,104</td>
<td>244,397</td>
<td>132,305</td>
<td>1,150,435</td>
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<tr>
<td>Portugal</td>
<td>638,286</td>
<td>174,952</td>
<td>7,558</td>
<td>716,283</td>
</tr>
<tr>
<td>Chile</td>
<td>49,771</td>
<td>37,440</td>
<td>3,653</td>
<td>111,489</td>
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<tr>
<td>Italy</td>
<td>24,814</td>
<td>5,919</td>
<td>3,035</td>
<td>23,239</td>
</tr>
<tr>
<td>Other</td>
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<td>24,030</td>
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<td>2,321</td>
<td>5,435</td>
<td>839</td>
<td>0</td>
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<td>CONCESSIONS</td>
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<td>236,584</td>
<td>360,922</td>
</tr>
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<td>314,966</td>
<td>5,822,162</td>
<td>181,995</td>
<td>283,658</td>
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<td>63,142</td>
<td>870,014</td>
<td>39,458</td>
<td>44,814</td>
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<td>Brazil</td>
<td>32,631</td>
<td>106,277</td>
<td>10,367</td>
<td>30,592</td>
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<td>Portugal</td>
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<td>1,758</td>
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<tr>
<td>Costa Rica</td>
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<td>5,145</td>
<td>4,762</td>
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<td>SERVICES</td>
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<td>555,836</td>
<td>133,175</td>
<td>343,298</td>
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<td>Spain</td>
<td>378,029</td>
<td>347,630</td>
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<td>252,268</td>
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<td>Portugal</td>
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<td>204,102</td>
<td>57,993</td>
<td>64,158</td>
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<td>China</td>
<td>22,722</td>
<td>3,766</td>
<td>476</td>
<td>21,784</td>
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<td>Algeria</td>
<td>14,404</td>
<td>32</td>
<td>26</td>
<td>531</td>
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<tr>
<td>Brazil</td>
<td>4,431</td>
<td>306</td>
<td>31</td>
<td>4,557</td>
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<td>PROPERTY DEVELOPMENT</td>
<td>1,245,272</td>
<td>70,068</td>
<td>4,998</td>
<td>1,241,079</td>
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<td>1,226,983</td>
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<td>1,215,200</td>
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<td>Portugal</td>
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<td>52,388</td>
<td>1,251</td>
<td>25,879</td>
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<td>205,849</td>
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<td>203,186</td>
<td>2,590,459</td>
<td>152,794</td>
<td>191,577</td>
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<tr>
<td>France</td>
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<td>598,491</td>
<td>598,491</td>
<td>0</td>
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<tr>
<td>USA</td>
<td>19,220</td>
<td>150,741</td>
<td>47,221</td>
<td>14,272</td>
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<tr>
<td><strong>TOTAL</strong></td>
<td>4,684,664</td>
<td>11,331,730</td>
<td>1,388,076</td>
<td>4,176,957</td>
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</tbody>
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## Appendix I

NOTE: Indirect shareholdings are calculated based on the company that holds the stake.

### SCOPE OF CONSOLIDATION 2006

<table>
<thead>
<tr>
<th>COMPANY</th>
<th>PERCENTAGE OWNERSHIP</th>
<th>COMPANY HOLDING THE INVESTMENT</th>
<th>CONSOLIDATION METHOD</th>
<th>ACTIVITY</th>
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</thead>
<tbody>
<tr>
<td><strong>SACYR VALLEHERMOSO GROUP</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>PARENT AND HOLDING COMPANIES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sacyr Vallehermoso, S.A. Madrid.</td>
<td></td>
<td></td>
<td></td>
<td>Holding company for Sacyr Vallehermoso Group</td>
</tr>
<tr>
<td>Eiffage, S.A. France.</td>
<td>32.61%</td>
<td>Sacyr Vallehermoso, S.A.</td>
<td>Equity method</td>
<td>French multi-services group</td>
</tr>
<tr>
<td>Sacyr Vallehermoso Participaciones, S.L. Madrid.</td>
<td>100.00%</td>
<td>Sacyr Vallehermoso, S.A.</td>
<td>Full consolidation</td>
<td>Investment vehicle for stake in Europistas Conc. Esp., S.A.</td>
</tr>
<tr>
<td>Sacyr Vallehermoso Participaciones Mobiliarias, S.L. Madrid.</td>
<td>100.00%</td>
<td>Sacyr Vallehermoso, S.A.</td>
<td>Full consolidation</td>
<td>Investment vehicle for stake in Repsol YPF, S.A.</td>
</tr>
<tr>
<td><strong>CONSTRUCTION</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>PARENT AND HOLDING COMPANIES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sacyr, S.A.U. Madrid.</td>
<td>100.00%</td>
<td>Sacyr Vallehermoso, S.A.</td>
<td>Full consolidation</td>
<td>Construction Holding company</td>
</tr>
<tr>
<td>Inchisacyr, S.A. Madrid.</td>
<td>90.25% 9.75%</td>
<td>Sacyr Vallehermoso, S.A. Sacyr, S.A.U.</td>
<td>Full consolidation</td>
<td>Investment vehicle for stakes in Sacyr Chile</td>
</tr>
<tr>
<td>Sacyr Chile, S.A. Chile.</td>
<td>91.75% 8.25%</td>
<td>Sacyr, S.A.U. Inchisacyr</td>
<td>Full consolidation</td>
<td>Investment vehicle for stakes in Chilean construction firms</td>
</tr>
<tr>
<td>Somague, S.G.P.S. Portugal.</td>
<td>100.00%</td>
<td>Sacyr Vallehermoso, S.A.</td>
<td>Full consolidation</td>
<td>Holding company for Somague Engenharia</td>
</tr>
<tr>
<td><strong>CONSTRUCTION</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cavosa, Obras y Proyectos, S.A. Madrid.</td>
<td>91.00% 9.00%</td>
<td>Prinur, S.A.U. Sacyr, S.A.U.</td>
<td>Full consolidation</td>
<td>Explosives, blasting and drilling/boring</td>
</tr>
<tr>
<td>Scrinser, S.A. Barcelona.</td>
<td>85.00%</td>
<td>Sacyr, S.A.U.</td>
<td>Full consolidation</td>
<td>Construction Civil engineering</td>
</tr>
<tr>
<td>Prinur, S.A.U. Seville.</td>
<td>100.00%</td>
<td>Sacyr, S.A.U.</td>
<td>Full consolidation</td>
<td>Construction Civil engineering</td>
</tr>
<tr>
<td>Prinur Centroamérica, S.A. El Salvador.</td>
<td>100.00%</td>
<td>Prinur, S.A.U.</td>
<td>Full consolidation</td>
<td>Construction Civil engineering</td>
</tr>
<tr>
<td>Ideyo, S.A.U. Toledo.</td>
<td>100.00%</td>
<td>Prinur, S.A.U.</td>
<td>Full consolidation</td>
<td>Technical trials and quality control</td>
</tr>
<tr>
<td>Cavosa Chile, S.A. Chile.</td>
<td>100.00%</td>
<td>Cavosa, S.A.</td>
<td>Full consolidation</td>
<td>Explosives, blasting and drilling/boring</td>
</tr>
<tr>
<td>Febide, S.A.U. Vizcaya.</td>
<td>100.00%</td>
<td>Sacyr, S.A.U.</td>
<td>Full consolidation</td>
<td>Construction Civil engineering</td>
</tr>
<tr>
<td>Constructora ACS-Sacyr, S.A. Chile.</td>
<td>50.00%</td>
<td>Sacyr Chile, S.A.</td>
<td>Proportionate consolidation</td>
<td>Construction in Chile</td>
</tr>
</tbody>
</table>
### SCOPE OF CONSOLIDATION 2006

#### COMPANY PERCENTAGE COMPANY HOLDING CONSOLIDATION ACTIVITY

<table>
<thead>
<tr>
<th>COMPANY</th>
<th>PERCENTAGE OWNERSHIP</th>
<th>COMPANY HOLDING</th>
<th>CONSOLIDATION METHOD</th>
<th>ACTIVITY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constructora Sacyr-Necso, S.A. Chile.</td>
<td>50.00%</td>
<td>Sacyr Chile, S.A.</td>
<td>Proportionate</td>
<td>Construction in Chile</td>
</tr>
<tr>
<td>Constructora Necso-Sacyr, S.A. Chile.</td>
<td>50.00%</td>
<td>Sacyr Chile, S.A.</td>
<td>Proportionate</td>
<td>Construction in Chile</td>
</tr>
<tr>
<td>Obras y Servicios de Galicia y Asturias, S.A.U. Santiago de Compostela.</td>
<td>100.00%</td>
<td>Sacyr S.A.U.</td>
<td>Full consolidation</td>
<td>Construction Civil engineering</td>
</tr>
<tr>
<td>Consorcio Cavosa Agecomet Chile.</td>
<td>60.00%</td>
<td>Cavosa Chile, S.A.</td>
<td>Full consolidation</td>
<td>Construction in Chile</td>
</tr>
<tr>
<td>Tecnológica Lena, S.L. Asturias.</td>
<td>35.00% 15.00%</td>
<td>Sacyr S.A.U. Cavosa, S.A.</td>
<td>Proportionate consolidation</td>
<td>Construction in Chile</td>
</tr>
<tr>
<td>Intercambiador de Transporte de Plaza Elíptica, S.A. Madrid.</td>
<td>80.00%</td>
<td>Sacyr S.A.U.</td>
<td>Full consolidation</td>
<td>Construction and operation of the Plaza Elíptica interchange</td>
</tr>
<tr>
<td>Constructora San José - San Ramón, S.A. Costa Rica.</td>
<td>33.00%</td>
<td>Sacyr S.A.U.</td>
<td>Proportionate</td>
<td>Construction of road corridor San José-San Ramón</td>
</tr>
<tr>
<td>Sacyr Italia, S.p.A. Italy.</td>
<td>100.00%</td>
<td>Sacyr S.A.U.</td>
<td>Full consolidation</td>
<td>Construction in Italy</td>
</tr>
<tr>
<td>SIS, S.C.P.A. Italy.</td>
<td>60.00%</td>
<td>Sacyr S.A.U.</td>
<td>Full consolidation</td>
<td>Construction in Italy</td>
</tr>
<tr>
<td>Nodo Di Palermo, S.p.A. Italy.</td>
<td>99.80%</td>
<td>SIS, S.C.P.A.</td>
<td>Full consolidation</td>
<td>Construction in Italy</td>
</tr>
<tr>
<td>Somague Engenharia, S.A. Portugal.</td>
<td>100.00%</td>
<td>Somague, SGPS</td>
<td>Full consolidation</td>
<td>Construction Civil engineering and building</td>
</tr>
<tr>
<td>Sacyr Costa Rica, S.A. Costa Rica.</td>
<td>100.00%</td>
<td>Sacyr S.A.U.</td>
<td>Full consolidation</td>
<td>Construction in Costa Rica</td>
</tr>
<tr>
<td>Eurolink, S.c.p.A. Italy.</td>
<td>18.70%</td>
<td>Sacyr S.A.U.</td>
<td>Equity method</td>
<td>Construction in Italy</td>
</tr>
<tr>
<td><strong>NEW TECHNOLOGIES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Aurentia, S.A. Madrid.</td>
<td>74.95% 25.05%</td>
<td>Prínur, S.A.U. Sacyr, S.A.U.</td>
<td>Full consolidation</td>
<td>Integrated internet services</td>
</tr>
<tr>
<td>Build2Edifica, S.A. Madrid.</td>
<td>6.16%</td>
<td>Sacyr S.A.U.</td>
<td>Equity method</td>
<td>Construction internet portal</td>
</tr>
<tr>
<td><strong>CONCESSIONS</strong></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Itinere Infraestructuras, S.A. Madrid.</td>
<td>91.38%</td>
<td>Sacyr Vallehermoso, S.A.</td>
<td>Full consolidation</td>
<td>Holding company concessions</td>
</tr>
<tr>
<td>Itinere Chile, S.A. Chile.</td>
<td>88.26% 7.06% 4.68%</td>
<td>Itinere Infraestructuras, S.A.  Inchiary Ena Infraestructuras, S.A.</td>
<td>Full consolidation</td>
<td>Concession operator in Chile</td>
</tr>
<tr>
<td>Somague Itinere - Concessoes de Infraestructuras, S.A. Portugal.</td>
<td>80.00% 20.00%</td>
<td>Somague Infraestructuras, S.A.</td>
<td>Full consolidation</td>
<td>Operation of concessions</td>
</tr>
<tr>
<td>Europlast Concesionaria Española, S.A. Madrid.</td>
<td>50.00%</td>
<td>Sacyr Vallehermoso Participaci., S.L.</td>
<td>Full consolidation</td>
<td>Construction and operation of the AP-1 Burgos-Armiñón motorway</td>
</tr>
<tr>
<td>Ena Itinere, S.L.U. Madrid.</td>
<td>100.00%</td>
<td>Itinere Infraestructuras, S.A</td>
<td>Full consolidation</td>
<td>Stake in ENA Infraestructuras, S.A.</td>
</tr>
</tbody>
</table>
## SCOPE OF CONSOLIDATION 2006 (Continued)

<table>
<thead>
<tr>
<th>COMPANY</th>
<th>PERCENTAGE OWNERSHIP</th>
<th>COMPANY HOLDING THE INVESTMENT</th>
<th>CONSOLIDATION METHOD</th>
<th>ACTIVITY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Avasacyr, S.L.U. Madrid.</td>
<td>100.00%</td>
<td>Itinere Infraestructuras, S.A.</td>
<td>Full consolidation</td>
<td>Stake in Autopista Vasco Aragonesa, S.A.</td>
</tr>
<tr>
<td>ENA Infraestructuras, S.A. Madrid.</td>
<td>100.00%</td>
<td>Enatinere, S.L.U.</td>
<td>Full consolidation</td>
<td>Construction and operation of motorways</td>
</tr>
<tr>
<td>Itinere Costa Rica, S.A. Costa Rica.</td>
<td>100.00%</td>
<td>Itinere Infraestructuras, S.A.</td>
<td>Full consolidation</td>
<td>Investment vehicle for stakes in Costa Rica concessions</td>
</tr>
</tbody>
</table>

### CONCESSION COMPANIES

<table>
<thead>
<tr>
<th>COMPANY</th>
<th>PERCENTAGE OWNERSHIP</th>
<th>COMPANY HOLDING THE INVESTMENT</th>
<th>CONSOLIDATION METHOD</th>
<th>ACTIVITY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Autopistas del Atlántico, C.E.S.A. (AUDASA) La Coruña.</td>
<td>100.00%</td>
<td>ENA Infraestructuras S.A.</td>
<td>Full consolidation</td>
<td>Motorway concession El Ferrol-Toy</td>
</tr>
<tr>
<td>Autopista Concesionaria Astur-Leonesa, S.A. (AUCALSA) Asturias.</td>
<td>100.00%</td>
<td>ENA Infraestructuras S.A.</td>
<td>Full consolidation</td>
<td>Motorway concession Campomanes-Léon</td>
</tr>
<tr>
<td>Autopista de Navarra, S.A. (AUDENASA) Navarra.</td>
<td>50.00%</td>
<td>ENA Infraestructuras S.A.</td>
<td>Full consolidation</td>
<td>Motorway concession Irún-Zaragoza, Ebro</td>
</tr>
<tr>
<td>Autoestradas de Galicia, S.A. (AUTOESTRADAS) La Coruña.</td>
<td>100.00%</td>
<td>ENA Infraestructuras S.A.</td>
<td>Full consolidation</td>
<td>Motorway concession A Coruña-Carballo</td>
</tr>
<tr>
<td>Neopistas, S.A.U. (NEOPISTAS) Madrid.</td>
<td>100.00%</td>
<td>Itinere Infraestructuras, S.A.</td>
<td>Full consolidation</td>
<td>Construction and operation of service stations</td>
</tr>
<tr>
<td>Autopista Vasco Aragonesa C.E., S.A. (AVASA) Vizcaya.</td>
<td>50.00%</td>
<td>Avasacyr, S.A.U.</td>
<td>Proportionate</td>
<td>Concession A-68 Motorway</td>
</tr>
<tr>
<td>Infraestructuras y Radiales, S.A. (IRASA) Madrid.</td>
<td>15.00%</td>
<td>Autopista Vasco Aragonesa C.E., S.A. (AVASA)</td>
<td>Equity method</td>
<td>Concession R-2 Motorway</td>
</tr>
<tr>
<td>Aeropuertos de la Región de Murcia, S.A. Murcia.</td>
<td>12.50%</td>
<td>Itinere Infraestructuras, S.A.</td>
<td>Equity method</td>
<td>Construction and operation of airports</td>
</tr>
<tr>
<td>Autovía del Noroeste Concesionaria de la CARM, S.A. (AUNOR) Murcia.</td>
<td>100.00%</td>
<td>Itinere Infraestructuras, S.A.</td>
<td>Full consolidation</td>
<td>Concession Autovía del Noroeste</td>
</tr>
<tr>
<td>Metro de Sevilla Sociedad Conc. de la Junta de Andalucía, S.A. Seville.</td>
<td>31.13%</td>
<td>Itinere Infraestructuras, S.A.</td>
<td>Equity method</td>
<td>Operation of Line 1 of the Seville metro</td>
</tr>
<tr>
<td>Alazor Inversiones, S.A. (ALAZOR) Madrid.</td>
<td>13.50%  11.66%</td>
<td>Itinere Infraestructuras, S.A.</td>
<td>Equity method</td>
<td>Concession R-3 y R-5 Motorways</td>
</tr>
<tr>
<td>Tacel Inversiones, S.A. (TACEL) Madrid.</td>
<td>9.36%  9.00%</td>
<td>ENA Infraestructuras S.A.</td>
<td>Equity method</td>
<td>Motorway concession Stgo. Compostela-Alto Sto.Domingo</td>
</tr>
<tr>
<td>Sociedad Concesionaria del Elqui, S.A. Chile.</td>
<td>75.00%</td>
<td>Itinere Chile, S.A.</td>
<td>Full consolidation</td>
<td>Concession Ruta 5 Chile (Los Villos-La Serena)</td>
</tr>
<tr>
<td>Sociedad Concesionaria de Los Lagos, S.A. Chile.</td>
<td>99.95%</td>
<td>Itinere Chile, S.A.</td>
<td>Full consolidation</td>
<td>Concession Ruta 5 Chile (Rio Bueno-Pro.Montt)</td>
</tr>
<tr>
<td>Sociedad Concesionaria Rutas del Pacífico, S.A. Chile.</td>
<td>50.00%</td>
<td>Itinere Chile, S.A.</td>
<td>Proportionate</td>
<td>Concession Ruta 68 Chile (Santiago-Valparaiso-Vilas del Mar)</td>
</tr>
<tr>
<td>Sociedad Concesionaria Litoral Central, S.A. Chile.</td>
<td>50.00%</td>
<td>Itinere Chile, S.A.</td>
<td>Proportionate</td>
<td>Concession Red Vial Litoral Central (Algarrobo-Casablanca-Cartagena)</td>
</tr>
<tr>
<td>Sociedad Concesionaria de Vespucio Sur, S.A. Chile.</td>
<td>48.00%  2.00%</td>
<td>Itinere Chile, S.A.</td>
<td>Proportionate</td>
<td>Ring-road concession (Américo Vespucio-Chile)</td>
</tr>
</tbody>
</table>
### SCOPE OF CONSOLIDATION 2006 (Continued)

#### COMPANY

<table>
<thead>
<tr>
<th>COMPANY</th>
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<th>COMPANY HOLDING THE INVESTMENT</th>
<th>CONSOLIDATION METHOD</th>
<th>ACTIVITY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sociedad Concesionaria de Rutas II, S.A. Chile</td>
<td>50.00%</td>
<td>Itinere Chile, S.A.</td>
<td>Proportionate consolidation</td>
<td>Construction and operation of service stations (Vella Veramonte)</td>
</tr>
<tr>
<td>Sociedad Concesionaria de Autopista Nororient, S.A. Chile</td>
<td>99.90% 0.10%</td>
<td>Itinere Chile, S.A.</td>
<td>Full consolidation</td>
<td>Concession for North-east access - Santiago</td>
</tr>
<tr>
<td>Sociedad Concesionaria de Palma-Manacor, S.A. Baleares Islands</td>
<td>35.00% 5.00%</td>
<td>Itinere Infraestructuras, S.A.</td>
<td>Equity method</td>
<td>Concession C-715 motorway Palma-Manacor</td>
</tr>
<tr>
<td>Gestora de Autopistas, S.A. (GESA) Chile</td>
<td>49.00%</td>
<td>Itinere Chile, S.A.</td>
<td>Proportionate consolidation</td>
<td>Operation of concessions in Chile</td>
</tr>
<tr>
<td>Gestión Vial, S.A. (GESVIAL) Chile</td>
<td>99.99%</td>
<td>Itinere Chile, S.A.</td>
<td>Full consolidation</td>
<td>Operation of concessions in Chile</td>
</tr>
<tr>
<td>Operadora del Pacífico, S.A. (OPSA) Chile</td>
<td>50.00%</td>
<td>Itinere Chile, S.A.</td>
<td>Proportionate consolidation</td>
<td>Operation of concessions in Chile</td>
</tr>
<tr>
<td>Sociedad de Operación y Logística, S.A. Chile</td>
<td>50.00%</td>
<td>Itinere Chile, S.A.</td>
<td>Proportionate consolidation</td>
<td>Exploitation de concesiones en Chile</td>
</tr>
<tr>
<td>Inversora de Autopistas del Sur, S.L. Madrid</td>
<td>25.00% 10.00%</td>
<td>Europistas Conc. Española, S.A.</td>
<td>Equity method</td>
<td>Concession R-4 Motorway</td>
</tr>
<tr>
<td>Autovía del Turia, Conc. de la Generalitat Valenciana, S.A. Valencia</td>
<td>60.00% 20.00%</td>
<td>Itinere Infraestructuras, S.A.</td>
<td>Full consolidation</td>
<td>Concession Autovía CV-35 and CV-50 northern relief road</td>
</tr>
<tr>
<td>Viastur Concesionaria del Principado de Asturias, S.A. Asturias</td>
<td>47.50% 22.50%</td>
<td>Itinere Infraestructuras, S.A.</td>
<td>Full consolidation</td>
<td>Motorway concession AS-18 and widening of AS-17</td>
</tr>
<tr>
<td>Itinere CR Valle del Sol, S.A. Costa Rica</td>
<td>100.00%</td>
<td>Itinere Costa Rica, S.A.</td>
<td>Full consolidation</td>
<td>Exploitation de concesiones</td>
</tr>
<tr>
<td>Autopista del Valle S.A. Costa Rica</td>
<td>35.00%</td>
<td>Itinere Costa Rica, S.A.</td>
<td>Proportionate consolidation</td>
<td>Concession Corridor San José-San Ramón</td>
</tr>
<tr>
<td>Intercambiador de Transportes de Moncloa, S.A. Madrid</td>
<td>60.00% 20.00%</td>
<td>Itinere Infraestructuras, S.A.</td>
<td>Full consolidation</td>
<td>Construction and operation of Moncloa interchange</td>
</tr>
<tr>
<td>Autovía del Eresma Conc. de la Junta de Castilla y León, S.A. Burgos</td>
<td>53.00% 20.00%</td>
<td>Itinere Infraestructuras, S.A.</td>
<td>Full consolidation</td>
<td>Construction and operation of Valladolid-Sevilla highway</td>
</tr>
<tr>
<td>Autopista del Sol, S.A. Costa Rica</td>
<td>35.00%</td>
<td>CR Valle del Sol</td>
<td>Proportionate consolidation</td>
<td>Operation of San José-La Caldera Motorway</td>
</tr>
<tr>
<td>Autovía del Barbanza Conc. de la Xunta de Galicia, S.A. La Coruña</td>
<td>80.00%</td>
<td>Itinere Infraestructuras, S.A.</td>
<td>Full consolidation</td>
<td>Construction and operation of Barbanza Highway</td>
</tr>
<tr>
<td>Autopista del Guadalmedina Concesionaria Española, S.A. Málaga</td>
<td>70.00% 10.00%</td>
<td>Itinere Infraestructuras, S.A.</td>
<td>Full consolidation</td>
<td>Construction and operation of Málaga Motorway</td>
</tr>
<tr>
<td>Túneles de Artxanda, S.A. Vizcaya</td>
<td>50.00%</td>
<td>Europistas Conc. Española, S.A.</td>
<td>Proportionate consolidation</td>
<td>Concession holder for the Tunnels of Artxanda</td>
</tr>
<tr>
<td>Autopistas de Bizkaia, S.A. Vizcaya</td>
<td>50.00%</td>
<td>Europistas Conc. Española, S.A.</td>
<td>Equity method</td>
<td>Maintenance and operation of A-8 Motorway</td>
</tr>
<tr>
<td>Inversora Autopista de Levante, S.L. Madrid</td>
<td>40.00%</td>
<td>Europistas Conc. Española, S.A.</td>
<td>Equity method</td>
<td>Concession Ocaña-La Rota Motorway</td>
</tr>
</tbody>
</table>

#### SERVICES

| PARENT AND HOLDING COMPANIES | | | | |
|------------------------------|---------------------|------------------|------------------|
| Valoriza Gestión, S.A.U. Madrid | 100.00% | Sacyr Vallehermoso, S.A. | Full consolidation | Holding company services |
## SCOPE OF CONSOLIDATION 2006

### COMPANY

<table>
<thead>
<tr>
<th>COMPANY</th>
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<th>COMPANY HOLDING THE INVESTMENT</th>
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<th>ACTIVITY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Somague Ambiente, S.A.</td>
<td>100.00%</td>
<td>Valoriza Gestión, S.A.U.</td>
<td>Full consolidation</td>
<td>Environmental consultancy and management</td>
</tr>
<tr>
<td>Valoriza Energía, S.L.U.</td>
<td>100.00%</td>
<td>Valoriza Gestión, S.A.U.</td>
<td>Full consolidation</td>
<td>Power generation projects</td>
</tr>
<tr>
<td>Valoriza Agua, S.L.</td>
<td>100.00%</td>
<td>Valoriza Gestión, S.A.U.</td>
<td>Full consolidation</td>
<td>Environmental consultancy and management</td>
</tr>
<tr>
<td>Valoriza Facilities, S.A.U.</td>
<td>100.00%</td>
<td>Valoriza Energía, S.L.U.</td>
<td>Full consolidation</td>
<td>Property management</td>
</tr>
<tr>
<td>Sufi, S.A</td>
<td>93.47%</td>
<td>Valoriza Gestión, S.A.U.</td>
<td>Full consolidation</td>
<td>Environmental management</td>
</tr>
<tr>
<td>Sufi, S.A</td>
<td>6.53%</td>
<td>Hidroandaluz, S.A.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### SERVICES

#### Environmental

| Environmental | Valoriza Conservación de Infraestructuras, S.A. | 100.00% | Valoriza Gestión, S.A.U. | Full consolidation | Environmental consultancy and management |

#### Energy

<table>
<thead>
<tr>
<th>Energy</th>
<th>Repsol YPF, S.A.</th>
<th>20.01%</th>
<th>Sacyr Vallehermoso Partíc Móbil, S.L.</th>
<th>Equity method</th>
<th>International integrated oil and gas company</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Iberese, S.A.</td>
<td>100.00%</td>
<td>Valoriza Energía, S.L.U.</td>
<td>Full consolidation</td>
<td>Power generation projects</td>
</tr>
<tr>
<td></td>
<td>Vizcaya.</td>
<td>72.59%</td>
<td>Valoriza Energía, S.L.U.</td>
<td>Full consolidation</td>
<td>Power generation projects</td>
</tr>
<tr>
<td></td>
<td>Olextra, S.A.</td>
<td>12.00%</td>
<td>Iberese, S.A.</td>
<td></td>
<td>Power generation projects</td>
</tr>
<tr>
<td></td>
<td>Seville.</td>
<td>43.76%</td>
<td>Valoriza Energía, S.L.U.</td>
<td>Full consolidation</td>
<td>Power generation projects</td>
</tr>
<tr>
<td></td>
<td></td>
<td>25.00%</td>
<td>Iberese, S.A.</td>
<td></td>
<td>Power generation projects</td>
</tr>
<tr>
<td></td>
<td>Extragol, S.L.</td>
<td>83.28%</td>
<td>Valoriza Energía, S.L.U.</td>
<td>Full consolidation</td>
<td>Energy recovery from kernel oil projects</td>
</tr>
<tr>
<td></td>
<td></td>
<td>15.00%</td>
<td>Iberese, S.A.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Secaderos de Biomasa, S.A. (SEDEBISA)</td>
<td>83.08%</td>
<td>Valoriza Energía, S.L.U.</td>
<td>Full consolidation</td>
<td>Power generation projects</td>
</tr>
<tr>
<td></td>
<td></td>
<td>15.00%</td>
<td>Iberese, S.A.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Biomasa de Puente Genil, S.L.</td>
<td>83.08%</td>
<td>Valoriza Energía, S.L.U.</td>
<td>Full consolidation</td>
<td>Power generation projects</td>
</tr>
<tr>
<td></td>
<td></td>
<td>15.00%</td>
<td>Iberese, S.A.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Compañía Energética de Pata de Mulo, S.L.</td>
<td>83.08%</td>
<td>Valoriza Energía, S.L.U.</td>
<td>Full consolidation</td>
<td>Power generation projects</td>
</tr>
<tr>
<td></td>
<td></td>
<td>15.00%</td>
<td>Iberese, S.A.</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>Compañía Energética de La Roda, S.L.</td>
<td>75.00%</td>
<td>Valoriza Energía, S.L.U.</td>
<td>Full consolidation</td>
<td>Power generation projects</td>
</tr>
<tr>
<td></td>
<td></td>
<td>15.00%</td>
<td>Iberese, S.A.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Compañía Energética Barragua, S.L.</td>
<td>90.00%</td>
<td>Valoriza Energía, S.L.U.</td>
<td>Full consolidation</td>
<td>Power generation and research projects</td>
</tr>
<tr>
<td></td>
<td></td>
<td>90.00%</td>
<td>Valoriza Energía, S.L.U.</td>
<td>Full consolidation</td>
<td>Power generation and research projects</td>
</tr>
<tr>
<td></td>
<td>Compañía Energética Las Villas, S.L.</td>
<td>90.00%</td>
<td>Valoriza Energía, S.L.U.</td>
<td>Full consolidation</td>
<td>Power generation and research projects</td>
</tr>
<tr>
<td></td>
<td></td>
<td>90.00%</td>
<td>Valoriza Energía, S.L.U.</td>
<td>Full consolidation</td>
<td>Power generation and research projects</td>
</tr>
<tr>
<td></td>
<td>Compañía Energética Puente del Obispo, S.L.</td>
<td>90.00%</td>
<td>Valoriza Energía, S.L.U.</td>
<td>Full consolidation</td>
<td>Power generation and research projects</td>
</tr>
<tr>
<td></td>
<td></td>
<td>90.00%</td>
<td>Valoriza Energía, S.L.U.</td>
<td>Full consolidation</td>
<td>Power generation and research projects</td>
</tr>
<tr>
<td></td>
<td>Biomasa de las Navas, S.L.</td>
<td>100.00%</td>
<td>Valoriza Energía, S.L.U.</td>
<td>Full consolidation</td>
<td>Power generation and research projects</td>
</tr>
<tr>
<td></td>
<td>Compañía Energética Espiel, S.L.</td>
<td>100.00%</td>
<td>Valoriza Energía, S.L.U.</td>
<td>Full consolidation</td>
<td>Power generation and research projects</td>
</tr>
<tr>
<td></td>
<td>Geolit Climatización, S.L.</td>
<td>63.50%</td>
<td>Valoriza Energía, S.L.U.</td>
<td>Full consolidation</td>
<td>Power generation and research projects</td>
</tr>
<tr>
<td></td>
<td>Desarrollos Édificos Extremeños, S.L. Cáceres.</td>
<td>50.00%</td>
<td>Valoriza Energía, S.L.U.</td>
<td>Proportionate consolidation</td>
<td>Power generation and research projects</td>
</tr>
</tbody>
</table>
### Scope of Consolidation 2006 (Continued)

<table>
<thead>
<tr>
<th>Company</th>
<th>Percentage Ownership</th>
<th>Company Holding the Investment</th>
<th>Consolidation Method</th>
<th>Activity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Compañía Energética Linares, S.L. Seville.</td>
<td>45.00%</td>
<td>Valoriza Energía, S.L.U.</td>
<td>Proportionate consolidation</td>
<td>Power generation and research projects</td>
</tr>
<tr>
<td><strong>New technologies</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Compañía Energética Escombreras, S.L. Madrid.</td>
<td>100.00%</td>
<td>Valoriza Energía, S.L.U.</td>
<td>Full consolidation</td>
<td>Telecommunications services IT</td>
</tr>
<tr>
<td>Buromsoft, Sistemas de Información, S.L. Madrid.</td>
<td>70.00%</td>
<td>Valoriza Facilities, S.A.U.</td>
<td>Full consolidation</td>
<td>Systems development</td>
</tr>
<tr>
<td><strong>Water supply</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Empresa Mixta de Aguas de Santa Cruz de Tenerife, S.A. (EMMASA) Canary Islands.</td>
<td>94.64%</td>
<td>Sacyr Vallehermoso, S.A.</td>
<td>Full consolidation</td>
<td>Water supply</td>
</tr>
<tr>
<td>Aguas de Toledo, A.I.E. Toledo.</td>
<td>50.00%</td>
<td>Valoriza Gestión, S.A.U.</td>
<td>Proportionate consolidation</td>
<td>Toledo water supply</td>
</tr>
<tr>
<td>Geida Skikda, S.L. Madrid.</td>
<td>25.00%</td>
<td>Sociedad Anónima Depuración y Tratamientos (SADYT)</td>
<td>Equity method</td>
<td>Operator of desalination plants</td>
</tr>
<tr>
<td>Geida Beni Safi, S.L. Madrid.</td>
<td>25.00%</td>
<td>Sociedad Anónima Depuración y Tratamientos (SADYT)</td>
<td>Equity method</td>
<td>Operator of desalination plants</td>
</tr>
<tr>
<td>Geida Tlemcen, S.L. Madrid.</td>
<td>33.00%</td>
<td>Sociedad Anónima Depuración y Tratamientos (SADYT)</td>
<td>Equity method</td>
<td>Operator of desalination plants</td>
</tr>
<tr>
<td>Empresa Mixta de Aguas de Las Palmas, S.A. (EMALSA) Canary Islands.</td>
<td>33.00%</td>
<td>Nueva Nuinsa, S.L.</td>
<td>Proportionate consolidation</td>
<td>Water supply in Las Palmas</td>
</tr>
<tr>
<td>Sociedad Anónima Depuración y Tratamientos (SADYT) Murcia.</td>
<td>100.00%</td>
<td>Valoriza Gestión, S.A.U.</td>
<td>Full consolidation</td>
<td>Water treatment and purification</td>
</tr>
<tr>
<td>Santacrucera de Aguas, S.L. Canary Islands.</td>
<td>100.00%</td>
<td>Valoriza Agua, S.A.</td>
<td>Full consolidation</td>
<td>Water treatment and purification</td>
</tr>
<tr>
<td><strong>Sufi Group</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Omicrón Amepro, S.A. Madrid.</td>
<td>100.00%</td>
<td>Sufi, S.A.</td>
<td>Full consolidation</td>
<td>Civil engineering and environmental studies, projects, supplies and services</td>
</tr>
<tr>
<td>Promociones Renovables del Maestrazgo, S.L. Seville.</td>
<td>100.00%</td>
<td>Sufi, S.A.</td>
<td>Full consolidation</td>
<td>Treatment of urban and residual solid waste, biomass, etc.</td>
</tr>
<tr>
<td>Gestión Partícipes del Biorreciclaje, S.A Cádiz.</td>
<td>33.34%</td>
<td>Sufi, S.A.</td>
<td>Equity Method</td>
<td>Activities related to the management and treatment of urban solid waste</td>
</tr>
<tr>
<td>Tecnologías Avanzadas Asturianas, S.L. Asturias.</td>
<td>100.00%</td>
<td>Sufi, S.A.</td>
<td>Full consolidation</td>
<td>Maintenance of parks and gardens, urban street and interior cleaning</td>
</tr>
<tr>
<td>Compost del Pirineo, S.A. Huesca.</td>
<td>50.00%</td>
<td>Sufi, S.A.</td>
<td>Proportionate consolidation</td>
<td>Development of composting plants</td>
</tr>
<tr>
<td>Sufi Cantabria, S.L. Madrid.</td>
<td>100.00%</td>
<td>Sufi, S.A.</td>
<td>Full consolidation</td>
<td>Application of digital environmental systems to treatment of urban solid waste</td>
</tr>
<tr>
<td>Metrofangs, S.L. Barcelona.</td>
<td>21.60%</td>
<td>Sufi, S.A.</td>
<td>Proportionate consolidation</td>
<td>Management &amp; construction over 15 years of San Adrián de Besós purification plant</td>
</tr>
<tr>
<td>COMPANY</td>
<td>PERCENTAGE OWNERSHIP</td>
<td>COMPANY HOLDING</td>
<td>CONSOLIDATION METHOD</td>
<td>ACTIVITY</td>
</tr>
<tr>
<td>---------------------------------------------</td>
<td>----------------------</td>
<td>-----------------</td>
<td>----------------------</td>
<td>--------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Boremer, S.A. Madrid.</td>
<td>50.00%</td>
<td>Sufi, S.A.</td>
<td>Proportionate</td>
<td>Contracting and management of project cleaning services</td>
</tr>
<tr>
<td>Biomasas del Pirineo, S.A. Huesca.</td>
<td>44.00%</td>
<td>Sufi, S.A.</td>
<td>Equity method</td>
<td>Development of biomass energy systems</td>
</tr>
<tr>
<td>Valdemingómez 2000, S.A. Madrid.</td>
<td>40.00%</td>
<td>Sufi, S.A.</td>
<td>Proportionate</td>
<td>Degasification project at the Valdemingómez landfill site</td>
</tr>
<tr>
<td>Cultivos Energéticos de Castilla, S.A. Burgos.</td>
<td>44.00%</td>
<td>Sufi, S.A.</td>
<td>Equity method</td>
<td>Development of biomass energy systems</td>
</tr>
<tr>
<td>Central Térmica la Torrecilla, S.A. Madrid.</td>
<td>50.00%</td>
<td>Sufi, S.A.</td>
<td>Proportionate</td>
<td>Development of power generation plants</td>
</tr>
<tr>
<td>Infsos Estacionamiento Regulado, A.I.E. Madrid.</td>
<td>16.67%</td>
<td>Sufi, S.A.</td>
<td>Equity method</td>
<td>Auxiliary services to the control of regulated on-street parking in Madrid</td>
</tr>
<tr>
<td>Gestora Canaria de Lodos de Depuradora, S.A. Canary Islands.</td>
<td>85.00%</td>
<td>Sufi, S.A.</td>
<td>Full consolidation</td>
<td>Contracting with producers of solid waste</td>
</tr>
<tr>
<td>Parque Eólico la Sotonera, S.L. Saragossa.</td>
<td>30.16%</td>
<td>Sufi, S.A.</td>
<td>Equity method</td>
<td>Production of renewable energy</td>
</tr>
<tr>
<td>Consultora de Ingeniería y Empresa S.L. La Coruña.</td>
<td>100.00%</td>
<td>Omicrón Amepro S.A.</td>
<td>Full consolidation</td>
<td>Studies, project and site management in the field of engineering consultancy</td>
</tr>
<tr>
<td>Hidroandaluza, S.A. Seville.</td>
<td>100.00%</td>
<td>Sufi, S.A.</td>
<td>Full consolidation</td>
<td>Buying and selling IT equipment</td>
</tr>
<tr>
<td>Comercializadora del Compost, S.A. Madrid.</td>
<td>100.00%</td>
<td>Sufi, S.A.</td>
<td>Full consolidation</td>
<td>Drains, waste water purification and sewage systems</td>
</tr>
<tr>
<td>Gestión de Infraest. Canarias, S.A. Canary Islands.</td>
<td>27.00%</td>
<td>Sufi, S.A. Tecnologías Avanzadas de Macaronesia, S.A.</td>
<td>Full consolidation</td>
<td>Studies, work and projects</td>
</tr>
<tr>
<td>Participes del Biorreciclaje, S.A. Madrid.</td>
<td>33.34%</td>
<td>Sufi, S.A.</td>
<td>Equity method</td>
<td>Waste management</td>
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<tr>
<td>Biorreciclaje de Cádiz, S.A. Cádiz.</td>
<td>49.00%</td>
<td>Participes del Biorreciclaje S.A.</td>
<td>Equity method</td>
<td>Management, storage, transport treatment and elimination of waste</td>
</tr>
<tr>
<td>Iniciativas Medioambientales del Sur, S.L. Cádiz.</td>
<td>50.00%</td>
<td>Sufi, S.A.</td>
<td>Proportionate</td>
<td>Street cleaning, collection, transport and treatment of waste, water purification, etc.</td>
</tr>
<tr>
<td>Inte RCD, S.L. Seville.</td>
<td>25.00%</td>
<td>Sufi, S.A.</td>
<td>Equity method</td>
<td>Construction and demolition waste services</td>
</tr>
<tr>
<td>Inte RCD Bahía de Cádiz, S.L. Cádiz.</td>
<td>60.00%</td>
<td>Inte RCD, S.L.</td>
<td>Equity method</td>
<td>Construction and demolition waste services</td>
</tr>
<tr>
<td>Eurocomercial, S.A.U. Asturias.</td>
<td>100.00%</td>
<td>Sufi, S.A.</td>
<td>Full consolidation</td>
<td>Engineering, consultancy and import/export of products for deposit and sale</td>
</tr>
</tbody>
</table>

(Continued)
### SCOPE OF CONSOLIDATION 2006

(Continued)

<table>
<thead>
<tr>
<th>COMPANY</th>
<th>PERCENTAGE OWNERSHIP</th>
<th>COMPANY HOLDING THE INVESTMENT</th>
<th>CONSOLIDATION METHOD</th>
<th>ACTIVITY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Desgasificación de Vertederos, S.A. Madrid.</td>
<td>50.00%</td>
<td>Eurocomercial, S.A.U.</td>
<td>Proportionate consolidation</td>
<td>Recovery of biogas from degasification of landfill sites</td>
</tr>
<tr>
<td>Biomeruelo de Energía, S.A. Cantabria.</td>
<td>20.00%</td>
<td>Eurocomercial, S.A.U.</td>
<td>Equity method</td>
<td>Operation of power plants</td>
</tr>
<tr>
<td>Tecnologías Avanzadas de la Macaronesia, S.A. Canary Islands.</td>
<td>50.00%</td>
<td>Omicron Amepro, S.A.</td>
<td>Proportionate consolidation</td>
<td>Civil engineering and environmental studies, projects, supplies and services</td>
</tr>
<tr>
<td>Gicsa Zona Verde y Paisajismo, A.I.E. Canary Islands.</td>
<td>50.00%</td>
<td>Gestión e Infraestructuras de Canarias, S.A.</td>
<td>Proportionate consolidation</td>
<td>Projects and maintenance of green spaces in the Canaries</td>
</tr>
</tbody>
</table>

### Other services

<table>
<thead>
<tr>
<th>COMPANY</th>
<th>PERCENTAGE OWNERSHIP</th>
<th>COMPANY HOLDING THE INVESTMENT</th>
<th>CONSOLIDATION METHOD</th>
<th>ACTIVITY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cafestore, S.A. Madrid.</td>
<td>100.00%</td>
<td>Valoria Gestión, S.A.U.</td>
<td>Full consolidation</td>
<td>Catering services and retail outlets</td>
</tr>
</tbody>
</table>

### PROPERTY DEVELOPMENT

<table>
<thead>
<tr>
<th>COMPANY</th>
<th>PERCENTAGE OWNERSHIP</th>
<th>COMPANY HOLDING THE INVESTMENT</th>
<th>CONSOLIDATION METHOD</th>
<th>ACTIVITY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vallehermoso División Promoción, S.A.U. Madrid.</td>
<td>100.00%</td>
<td>Sacyr Vallehermoso, S.A.</td>
<td>Full consolidation</td>
<td>Holding company property development</td>
</tr>
<tr>
<td>Somague Inmobiliaria, S.A. Portugal.</td>
<td>100.00%</td>
<td>Vall. Div. Promoción, S.A.U.</td>
<td>Full consolidation</td>
<td>Holding company property development in Portugal</td>
</tr>
</tbody>
</table>

### PROPERTY DEVELOPERS

<table>
<thead>
<tr>
<th>COMPANY</th>
<th>PERCENTAGE OWNERSHIP</th>
<th>COMPANY HOLDING THE INVESTMENT</th>
<th>CONSOLIDATION METHOD</th>
<th>ACTIVITY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Erantos, S.A.U. Madrid.</td>
<td>100.00%</td>
<td>Vall. Div. Promoción, S.A.U.</td>
<td>Full consolidation</td>
<td>Property development</td>
</tr>
<tr>
<td>Navinca, S.A. Barcelona.</td>
<td>100.00%</td>
<td>Vall. Div. Property, S.A.U.</td>
<td>Full consolidation</td>
<td>Property development</td>
</tr>
<tr>
<td>Iparan Promociones Inmobiliarias, S.L. Vizcaya.</td>
<td>100.00%</td>
<td>Vall. Div. Property, S.A.U.</td>
<td>Full consolidation</td>
<td>Property development</td>
</tr>
<tr>
<td>Prosacyr Ocio, S.L. Madrid.</td>
<td>100.00%</td>
<td>Vall. Div. Property, S.A.U.</td>
<td>Full consolidation</td>
<td>Property development</td>
</tr>
<tr>
<td>Tradirmi, S.L.U Madrid.</td>
<td>100.00%</td>
<td>Vall. Div. Property, S.A.U.</td>
<td>Full consolidation</td>
<td>Property development</td>
</tr>
<tr>
<td>Capace, S.L.U. Madrid.</td>
<td>100.00%</td>
<td>Vall. Div. Property, S.A.U.</td>
<td>Full consolidation</td>
<td>Property development</td>
</tr>
<tr>
<td>Tricéfalo, S.A. Madrid.</td>
<td>60.00%</td>
<td>Vall. Div. Property, S.A.U.</td>
<td>Full consolidation</td>
<td>Property development</td>
</tr>
<tr>
<td>Aplicaçao Urbana, S.A. Portugal.</td>
<td>25.00%</td>
<td>Vall. Div. Property, S.A.U.</td>
<td>Proportionate consolidation</td>
<td>Property development</td>
</tr>
<tr>
<td>Nova Cala Villajoyosa, S.A. Madrid.</td>
<td>25.00%</td>
<td>Vall. Div. Property, S.A.U.</td>
<td>Equity method</td>
<td>Property development</td>
</tr>
</tbody>
</table>
### SCOPE OF CONSOLIDATION 2006

#### COMPANY
<table>
<thead>
<tr>
<th>COMPANY</th>
<th>PERCENTAGE OWNERSHIP</th>
<th>COMPANY HOLDING THE INVESTMENT</th>
<th>CONSOLIDATION METHOD</th>
<th>ACTIVITY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Promociones Residenciales Sofetral, S.A. Madrid.</td>
<td>30.00%</td>
<td>Vallehermoso División Property, S.A.U.</td>
<td>Proportionate consolidation</td>
<td>Property development</td>
</tr>
<tr>
<td>Club de Campo As Mariñas, S.A. La Coruña.</td>
<td>19.99%</td>
<td>Vallehermoso División Property, S.A.U.</td>
<td>Equity method</td>
<td>Property development</td>
</tr>
<tr>
<td>Mola 15, S.L. Madrid.</td>
<td>20.00%</td>
<td>Vallehermoso División Property, S.A.U.</td>
<td>Equity method</td>
<td>Property development</td>
</tr>
<tr>
<td>Camarate Golf, S.A. Madrid.</td>
<td>26.00%</td>
<td>Vallehermoso División Property, S.A.U.</td>
<td>Equity method</td>
<td>Property development</td>
</tr>
<tr>
<td>Claudia Zahara 22, S.L. Seville.</td>
<td>40.00%</td>
<td>Vallehermoso División Property, S.A.U.</td>
<td>Proportionate consolidation</td>
<td>Property development</td>
</tr>
<tr>
<td>M. Capital, S.A. Málaga.</td>
<td>7.45%</td>
<td>Vallehermoso División Property, S.A.U.</td>
<td>Equity method</td>
<td>Property development</td>
</tr>
<tr>
<td>Puerta de Oro Toledo, S.L. Madrid.</td>
<td>35.00%</td>
<td>Vallehermoso División Property, S.A.U.</td>
<td>Equity method</td>
<td>Property development</td>
</tr>
<tr>
<td>Habitat Baix, S.L. Barcelona.</td>
<td>100.00%</td>
<td>Vallehermoso División Property, S.A.U.</td>
<td>Full consolidation</td>
<td>Property development</td>
</tr>
<tr>
<td>Fortuna Golf, S.L. Madrid.</td>
<td>100.00%</td>
<td>Vallehermoso División Property, S.A.U.</td>
<td>Full consolidation</td>
<td>Property development</td>
</tr>
<tr>
<td>Habitat Network, S.A. Madrid.</td>
<td>9.09%</td>
<td>Vallehermoso División Property, S.A.U.</td>
<td>Equity method</td>
<td>Property development</td>
</tr>
<tr>
<td>Cortijo del Moro, S.A. Seville.</td>
<td>100.00%</td>
<td>Claudia Zahara, S.L.</td>
<td>Proportionate consolidation</td>
<td>Property development</td>
</tr>
</tbody>
</table>

#### PROPERTY MANAGEMENT

<table>
<thead>
<tr>
<th>PARENT AND HOLDING COMPANIES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Testa Inmuebles en Renta, S.A. Madrid.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>PROPERTY MANAGEMENT COMPANIES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nisa, V.H., S.A.U. Barcelona.</td>
</tr>
<tr>
<td>Trade Center Hotel, S.L.U. Barcelona.</td>
</tr>
<tr>
<td>Testa Residencial, S.L.U. Madrid.</td>
</tr>
<tr>
<td>Testa American Real State Corporation USA.</td>
</tr>
<tr>
<td>Gesfontestea, S.A. Madrid.</td>
</tr>
<tr>
<td>Prosacyr Hoteles, S.A. Madrid.</td>
</tr>
<tr>
<td>Gescentestea, S.A. Madrid.</td>
</tr>
<tr>
<td>Itaceco, S.L. Madrid.</td>
</tr>
<tr>
<td>Bardiomar, S.L. Barcelona.</td>
</tr>
<tr>
<td>COMPANY</td>
</tr>
<tr>
<td>----------------------------------------------</td>
</tr>
<tr>
<td>Provitae Centros Asistenciales, S.L. Madrid</td>
</tr>
<tr>
<td>PK Inversiones, S.L. Madrid.</td>
</tr>
<tr>
<td>PK Hoteles, S.L. Madrid.</td>
</tr>
<tr>
<td>Parking Palau, S.A. Valencia.</td>
</tr>
<tr>
<td>Hospitalaria de Parla, S.A. Madrid.</td>
</tr>
<tr>
<td>Hospitalaria del Noreste, S.A. Madrid.</td>
</tr>
<tr>
<td>Centre d’Oci Les Gavarres, S.L. Barcelona.</td>
</tr>
<tr>
<td>Tesfrán, S.A. France.</td>
</tr>
<tr>
<td>Pazo de Congresos de Vigo, S.A. Pontevedra.</td>
</tr>
<tr>
<td>Hospital de Majadahonda, S.A. Madrid.</td>
</tr>
</tbody>
</table>
### SCOPE OF CONSOLIDATION 2005

<table>
<thead>
<tr>
<th>COMPANY</th>
<th>PERCENTAGE OWNERSHIP</th>
<th>COMPANY HOLDING THE INVESTMENT</th>
<th>CONSOLIDATION METHOD</th>
<th>ACTIVITY</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>PARENT AND HOLDING COMPANIES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sacyr Vallehermoso, S.A.</td>
<td>100.00%</td>
<td>Sacyr Vallehermoso, S.A.</td>
<td>Full consolidation</td>
<td>Holding company of Grupo Sacyr Vallehermoso</td>
</tr>
<tr>
<td>Sacyr, S.A.U.</td>
<td>100.00%</td>
<td>Sacyr Vallehermoso, S.A.</td>
<td>Full consolidation</td>
<td>Holding company for Construction</td>
</tr>
<tr>
<td>Itinere Infraestructuras, S.A.</td>
<td>82.75%</td>
<td>Sacyr Vallehermoso, S.A.</td>
<td>Full consolidation</td>
<td>Holding company for concessions</td>
</tr>
<tr>
<td>Valoriza Gestión, S.A.U.</td>
<td>100.00%</td>
<td>Sacyr Vallehermoso, S.A.</td>
<td>Full consolidation</td>
<td>Holding company for services</td>
</tr>
<tr>
<td>Vallehermoso División Promoción, S.A.U.</td>
<td>100.00%</td>
<td>Sacyr Vallehermoso, S.A.</td>
<td>Full consolidation</td>
<td>Holding company for Property development</td>
</tr>
<tr>
<td>Testa, S.A.</td>
<td>99.33%</td>
<td>Sacyr Vallehermoso, S.A.</td>
<td>Full consolidation</td>
<td>Holding company for Property management</td>
</tr>
<tr>
<td>Somague, S.G.P.S. Portugal.</td>
<td>100.00%</td>
<td>Sacyr Vallehermoso, S.A.</td>
<td>Full consolidation</td>
<td>Holding company for Somague Engenharia</td>
</tr>
<tr>
<td>Inchisacyr, S.A.</td>
<td>88.26%</td>
<td>Itinere Infraestructuras, S.A.U</td>
<td>Full consolidation</td>
<td>Investment vehicle for stake in Sacyr Chile, S.A.</td>
</tr>
<tr>
<td>Cavosa, Obras y Proyectos, S.A.</td>
<td>91.00%</td>
<td>Sacyr, S.A.U.</td>
<td>Full consolidation</td>
<td>Investment vehicle for stake in Chilean constr. firms</td>
</tr>
<tr>
<td>Itinere Chile, S.A.</td>
<td>88.26%</td>
<td>Itinere Infraestructuras, S.A.U</td>
<td>Full consolidation</td>
<td>Investment vehicle for stake in Chilean concessions</td>
</tr>
<tr>
<td>Enaitinere, S.A.U.</td>
<td>100.00%</td>
<td>Itinere Infraestructuras, S.A.U</td>
<td>Full consolidation</td>
<td>Investment vehicle for stake in ENA, S.A.</td>
</tr>
<tr>
<td>Avasacyr, S.L.U.</td>
<td>100.00%</td>
<td>Itinere Infraestructuras, S.A.U</td>
<td>Full consolidation</td>
<td>Investment vehicle for stake in AUSA</td>
</tr>
<tr>
<td>ENA Infraestructuras, S.A.U.</td>
<td>100.00%</td>
<td>Enaitinere, S.A.U.</td>
<td>Full consolidation</td>
<td>Holding company of Grupo ENA</td>
</tr>
<tr>
<td>Itinere Costa Rica, S.A.</td>
<td>100.00%</td>
<td>Itinere Infraestructuras, S.A.U</td>
<td>Full consolidation</td>
<td>Investment vehicle for stake in Costa Rica concessions</td>
</tr>
<tr>
<td>Valoriza Energía, S.L.U.</td>
<td>100.00%</td>
<td>Valoriza Gestión, S.A.U.</td>
<td>Full consolidation</td>
<td>Holding company for energy companies</td>
</tr>
<tr>
<td><strong>CONSTRUCTION</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cavosa, Obras y Proyectos, S.A.</td>
<td>91.00%</td>
<td>Prinur, S.A.U.</td>
<td>Full consolidation</td>
<td>Blasting, explosives and boring/drilling</td>
</tr>
<tr>
<td>Scrinser, S.A.</td>
<td>85.00%</td>
<td>Sacyr, S.A.U.</td>
<td>Full consolidation</td>
<td>Civil Engineering Construction</td>
</tr>
<tr>
<td>Prinur, S.A.U.</td>
<td>100.00%</td>
<td>Sacyr, S.A.U.</td>
<td>Full consolidation</td>
<td>Civil Engineering Construction</td>
</tr>
<tr>
<td>Ideyco, S.A.U.</td>
<td>100.00%</td>
<td>Prinur, S.A.U.</td>
<td>Full consolidation</td>
<td>Technical trials and quality control</td>
</tr>
<tr>
<td>Cavosa Chile, S.A.</td>
<td>100.00%</td>
<td>Cavosa, S.A.</td>
<td>Full consolidation</td>
<td>Blasting, explosives and boring/drilling</td>
</tr>
</tbody>
</table>

NOTE: Indirect shareholdings are calculated based on the company that holds the stake.
### SCOPE OF CONSOLIDATION 2005

<table>
<thead>
<tr>
<th>COMPANY</th>
<th>PERCENTAGE OWNERSHIP</th>
<th>COMPANY HOLDING THE INVESTMENT</th>
<th>CONSOLIDATION METHOD</th>
<th>ACTIVITY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Febide, S.A.U. Bilbao</td>
<td>100.00%</td>
<td>Sacyr, S.A.U.</td>
<td>Full consolidation</td>
<td>Civil Engineering Construction</td>
</tr>
<tr>
<td>Constructora ACS-Sacyr, S.A. Chile</td>
<td>50.00%</td>
<td>Sacyr Chile, S.A.</td>
<td>Proportionate consolidation</td>
<td>Construction in Chile</td>
</tr>
<tr>
<td>Constructora Sacyr-Necso, S.A. Chile</td>
<td>50.00%</td>
<td>Sacyr Chile, S.A.</td>
<td>Proportionate consolidation</td>
<td>Construction in Chile</td>
</tr>
<tr>
<td>Constructora Necso-Sacyr, S.A. Chile</td>
<td>50.00%</td>
<td>Sacyr Chile, S.A.</td>
<td>Proportionate consolidation</td>
<td>Construction in Chile</td>
</tr>
<tr>
<td>Obras y Servicios de Galicia y Asturias, S.A.U. Santiago de Compostela</td>
<td>100.00%</td>
<td>Sacyr, S.A.U.</td>
<td>Full consolidation</td>
<td>Civil Engineering Construction</td>
</tr>
<tr>
<td>Consorcio Cavosa Agecomet Chile</td>
<td>60.00%</td>
<td>Cavosa Chile, S.A.</td>
<td>Full consolidation</td>
<td>Construction in Chile</td>
</tr>
<tr>
<td>Tecnológica Lena, S.L. Asturias</td>
<td>35.00%</td>
<td>Sacyr, S.A.U.</td>
<td>Proportionate consolidation</td>
<td>Civil Engineering Construction</td>
</tr>
<tr>
<td>Intercambiador de Transporte de Plaza Elíptica, S.A. Madrid</td>
<td>80.00%</td>
<td>Sacyr, S.A.U.</td>
<td>Full consolidation</td>
<td>Construction, maintenance and operation of Plaza Elíptica interchange</td>
</tr>
<tr>
<td>Sacyr Italia, S.p.A. Italy</td>
<td>100.00%</td>
<td>Sacyr, S.A.U.</td>
<td>Full consolidation</td>
<td>Construction in Italy</td>
</tr>
<tr>
<td>SIS, S.C.P.A. Italy</td>
<td>60.00%</td>
<td>Sacyr, S.A.U.</td>
<td>Full consolidation</td>
<td>Construction in Italy</td>
</tr>
<tr>
<td>Nodo Di Palermo, S.p.A. Italy</td>
<td>99.80%</td>
<td>SIS, S.C.P.A.</td>
<td>Full consolidation</td>
<td>Construction in Italy</td>
</tr>
<tr>
<td>Somague Engenharia, S.A. Portugal</td>
<td>100.00%</td>
<td>Somague, SGPS</td>
<td>Full consolidation</td>
<td>Civil Engineering Construction and building</td>
</tr>
</tbody>
</table>

### CONCESSIONS

<p>| AUTOPISTAS DEL ATLÁNTICO, C.E.S.A.U. (AUDASA) A Coruña | 100.00% | ENA Infraestructuras, S.A.U. | Full consolidation | Motorway concession El Ferrol-Tuy |
| Autopista Concesionaria Astur-Leonesa, S.A.U. (AUCALSA) Oviedo | 100.00% | ENA Infraestructuras, S.A.U. | Full consolidation | Motorway concession Campomanes-León |
| Autopista de Navarra, S.A. (AUDENASA) Pamplona | 50.00% | ENA Infraestructuras, S.A.U. | Full consolidation | Motorway concession Irurtzun-Autop. Ebro |
| Autoestradas de Galicia, S.A.U. (AUTOESTRADAS) A Coruña | 100.00% | ENA Infraestructuras, S.A.U. | Full consolidation | Motorway concession A Coruña-Carballo |
| Neopistas, S.A.U. (NEOPISTAS) Madrid | 100.00% | Itinere Infraestructuras, S.A. | Full consolidation | Construction and operation of service stations |
| Autopista Vasco Aragonesa C.E., S.A. (AVASA) Vizcaya | 50.00% | Avascry, S.A.U. | Proportionate consolidation | Concession A-88 motorways |
| Infraestructuras y Radiales, S.A. (Irasa) Madrid | 15.00% | Autopista Vasco Aragonesa C.E., S.A. (AVASA) | Equity method | Concession R-2 motorways |
| Aeropuertos de la Región de Murcia, S.A. Murcia | 12.50% | Itinere Infraestructuras, S.A. | Equity method | Construction and operation of airports |
| Autovía del Noroeste Concesionaria de la CARM, S.A.U. (AUNOR) Murcia | 100.00% | Itinere Infraestructuras, S.A. | Full consolidation | Concession Autovía del Noroeste |</p>
<table>
<thead>
<tr>
<th>COMPANY</th>
<th>PERCENTAGE OWNERSHIP</th>
<th>COMPANY HOLDING THE INVESTMENT</th>
<th>CONSOLIDATION METHOD</th>
<th>ACTIVITY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Metro de Sevilla Sociedad Conc. de la Junta de Andalucía, S.A. Seville</td>
<td>27.83%</td>
<td>Itinere Infraestructuras, S.A.</td>
<td>Equity method</td>
<td>Operation of Line 1 of the Seville metro</td>
</tr>
<tr>
<td>Alazor Inversiones, S.A. (ALAZOR) Madrid</td>
<td>13.50%</td>
<td>Itinere Infraestructuras, S.A.</td>
<td>Equity method</td>
<td>Concession R-3 y R-5 motorways</td>
</tr>
<tr>
<td>Sociedad Concesionaria del Elqui, S.A. Chile</td>
<td>72.66%</td>
<td>Itinere Chile, S.A.</td>
<td>Full consolidation</td>
<td>Concession Ruta 5 Chile (Los Vilos-La Serena)</td>
</tr>
<tr>
<td>Sociedad Concesionaria de Los Lagos, S.A. Chile</td>
<td>99.95%</td>
<td>Itinere Chile, S.A.</td>
<td>Full consolidation</td>
<td>Concession Ruta 5 Chile (Río Bueno-Pto.Montt)</td>
</tr>
<tr>
<td>Sociedad Concesionaria Rutas del Pacífico, S.A. Chile</td>
<td>50.00%</td>
<td>Itinere Chile, S.A.</td>
<td>Proportionate consolidation</td>
<td>Concession Ruta 68 Chile (Santiago-Valparaiso-Villas del Mar)</td>
</tr>
<tr>
<td>Sociedad Concesionaria Litoral Central, S.A. Chile</td>
<td>50.00%</td>
<td>Itinere Chile, S.A.</td>
<td>Proportionate consolidation</td>
<td>Concession Red Vial Litoral Central (Algarrobo-Casablanca-Cartagena)</td>
</tr>
<tr>
<td>Sociedad Concesionaria de Vespucio Sur, S.A. Chile</td>
<td>48.00%</td>
<td>Itinere Chile, S.A.</td>
<td>Proportionate consolidation</td>
<td>Concession ring-road (Américo Vespucio-Chile)</td>
</tr>
<tr>
<td>Sociedad Concesionaria de Rutas II, S.A. Chile</td>
<td>50.00%</td>
<td>Itinere Chile, S.A.</td>
<td>Proportionate consolidation</td>
<td>Construction and operation of service stations (Vella Veramonte)</td>
</tr>
<tr>
<td>Sociedad Concesionaria de Autopista Nororiente, S.A. Chile</td>
<td>99.90%</td>
<td>Itinere Chile, S.A.</td>
<td>Full consolidation</td>
<td>Concession North-eastern access - Santiago</td>
</tr>
<tr>
<td>Sociedad Concesionaria de Palma-Manacor, S.A. Palma de Mallorca</td>
<td>35.00%</td>
<td>Itinere Infraestructuras, S.A.</td>
<td>Equity method</td>
<td>Concession C-T15 highway Palma-Manacor</td>
</tr>
<tr>
<td>Gestora de Autopistas, S.A. (Gesa) Chile</td>
<td>49.00%</td>
<td>Itinere Chile, S.A.</td>
<td>Proportionate consolidation</td>
<td>Operation of concessions in Chile</td>
</tr>
<tr>
<td>Gestión Vial, S.A. (Gesvial) Chile</td>
<td>99.99%</td>
<td>Itinere Chile, S.A.</td>
<td>Full consolidation</td>
<td>Operation of concessions in Chile</td>
</tr>
<tr>
<td>Operadora del Pacífico, S.A. Chile</td>
<td>50.00%</td>
<td>Itinere Chile, S.A.</td>
<td>Proportionate consolidation</td>
<td>Operation of concessions in Chile</td>
</tr>
<tr>
<td>Sociedad de Operación y Logística, S.A. Chile</td>
<td>50.00%</td>
<td>Itinere Chile, S.A.</td>
<td>Proportionate consolidation</td>
<td>Operation of concessions in Chile</td>
</tr>
<tr>
<td>Inversora de Autopistas del Sur, S.L. Madrid</td>
<td>10.00%</td>
<td>ENA Infraestructuras, S.A.U.</td>
<td>Equity method</td>
<td>Holding company for R-4 Motorway concession</td>
</tr>
<tr>
<td>Autovía del Turia, Conc. de la Generalitat Valenciana, S.A. Valencia</td>
<td>60.00%</td>
<td>Itinere Infraestructuras, S.A.</td>
<td>Full consolidation</td>
<td>Concession CV-35 highway and CV-50 northern relief road</td>
</tr>
<tr>
<td>Viatstur Concesionaria del Principado de Asturias, S.A. Oviedo</td>
<td>47.50%</td>
<td>Itinere Infraestructuras, S.A.</td>
<td>Full consolidation</td>
<td>Motorway concession AS-18 and widening of AS-17</td>
</tr>
<tr>
<td>Itinere CR Valle del Sol, S.A. Costa Rica</td>
<td>100.00%</td>
<td>Itinere Infraestructuras, S.A.</td>
<td>Full consolidation</td>
<td>Operation of concessions</td>
</tr>
<tr>
<td>Autopistas del Valle S.A. Costa Rica</td>
<td>35.00%</td>
<td>Itinere Costa Rica, S.A.</td>
<td>Proportionate consolidation</td>
<td>Concession Corredor San José-San Román</td>
</tr>
<tr>
<td>COMPANY</td>
<td>PERCENTAGE OWNERSHIP</td>
<td>COMPANY HOLDING THE INVESTMENT</td>
<td>CONSOLIDATION METHOD</td>
<td>ACTIVITY</td>
</tr>
<tr>
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<td>---------</td>
</tr>
<tr>
<td>Somague Itinere - Concessoes de Infraestruturas, S.A. Portugal.</td>
<td>80.00%</td>
<td>Itinere Infraestruturas, S.A. Somague Ambiente, S.A.</td>
<td>Full consolidation</td>
<td>Operation of concessions</td>
</tr>
<tr>
<td></td>
<td>20.00%</td>
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</table>

**PROPERTY DEVELOPMENT**

<table>
<thead>
<tr>
<th>COMPANY</th>
<th>PERCENTAGE OWNERSHIP</th>
<th>COMPANY HOLDING THE INVESTMENT</th>
<th>CONSOLIDATION METHOD</th>
<th>ACTIVITY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Erantos, S.A.U. Madrid.</td>
<td>100.00%</td>
<td>Vall. Div. Promoción, S.A.U.</td>
<td>Full consolidation</td>
<td>Property development</td>
</tr>
<tr>
<td>Navínca, S.A.U. Barcelona.</td>
<td>100.00%</td>
<td>Vall. Div. Promoción, S.A.U.</td>
<td>Full consolidation</td>
<td>Property development</td>
</tr>
<tr>
<td>Iparan Promociones Inmobiliarias, S.L.U. Bilbao.</td>
<td>100.00%</td>
<td>Vall. Div. Promoción, S.A.U.</td>
<td>Full consolidation</td>
<td>Property development</td>
</tr>
<tr>
<td>Prosacry Ocio, S.L.U. Madrid.</td>
<td>100.00%</td>
<td>Vall. Div. Promoción, S.A.U.</td>
<td>Full consolidation</td>
<td>Property development</td>
</tr>
<tr>
<td>Tradírm, S.L.U. Madrid.</td>
<td>100.00%</td>
<td>Vall. Div. Promoción, S.A.U.</td>
<td>Full consolidation</td>
<td>Property development</td>
</tr>
<tr>
<td>Capace, S.L.U. Madrid.</td>
<td>100.00%</td>
<td>Vall. Div. Promoción, S.A.U.</td>
<td>Full consolidation</td>
<td>Property development</td>
</tr>
<tr>
<td>Tricéfaló, S.A. Madrid.</td>
<td>60.00%</td>
<td>Vall. Div. Promoción, S.A.U.</td>
<td>Full consolidation</td>
<td>Property development</td>
</tr>
<tr>
<td>Aplicação Urbana, S.A. Portugal.</td>
<td>25.00%</td>
<td>Vall. Div. Promoción, S.A.U.</td>
<td>Equity method</td>
<td>Property development</td>
</tr>
<tr>
<td>Nova Cala Villajoyosa, S.A. Madrid.</td>
<td>25.00%</td>
<td>Vall. Div. Promoción, S.A.U.</td>
<td>Equity method</td>
<td>Property development</td>
</tr>
<tr>
<td>Promociones Residenciales Sofetral, S.A. Madrid.</td>
<td>30.00%</td>
<td>Vall. Div. Promoción, S.A.U.</td>
<td>Equity method</td>
<td>Property development</td>
</tr>
<tr>
<td>Mola 15, S.L. Madrid.</td>
<td>20.00%</td>
<td>Vall. Div. Promoción, S.A.U.</td>
<td>Equity method</td>
<td>Promoción development</td>
</tr>
<tr>
<td>Claudia Zahara 22, S.L. Madrid.</td>
<td>40.00%</td>
<td>Vall. Div. Promoción, S.A.U.</td>
<td>Equity method</td>
<td>Property development</td>
</tr>
<tr>
<td>M. Capital, S.A. Málaga.</td>
<td>7.45%</td>
<td>Vall. Div. Promoción, S.A.U.</td>
<td>Equity method</td>
<td>Property development</td>
</tr>
<tr>
<td>Puerta Oro Toledo, S.L. Madrid.</td>
<td>35.00%</td>
<td>Vall. Div. Promoción, S.A.U.</td>
<td>Equity method</td>
<td>Property development</td>
</tr>
<tr>
<td>Habitat Baix, S.L. Barcelona.</td>
<td>70.00%</td>
<td>Vall. Div. Promoción, S.A.U.</td>
<td>Full consolidation</td>
<td>Property development</td>
</tr>
<tr>
<td>Fortuna Golf, S.L.U. Madrid.</td>
<td>100.00%</td>
<td>Vall. Div. Promoción, S.A.U.</td>
<td>Full consolidation</td>
<td>Property development</td>
</tr>
</tbody>
</table>
### SCOPE OF CONSOLIDATION 2005

**COMPANY** | **PERCENTAGE OWNERSHIP** | **COMPANY HOLDING THE INVESTMENT** | **CONSOLIDATION METHOD** | **ACTIVITY**
---|---|---|---|---
Somague Inmobiliara, S.A. | 100.00% | Vall. Div. Promoción, S.A.U. | Full consolidation development | Property management

**PROPERTY MANAGEMENT**

| COMPANY | PERCENTAGE OWNERSHIP | COMPANY HOLDING THE INVESTMENT | CONSOLIDATION METHOD | ACTIVITY |
---|---|---|---|---
Nisa, V.H., S.A.U. | 100.00% | Testa, Patrimonio en Renta, S.A. | Full consolidation | Property management
Trade Center Hotel, S.L.U. | 100.00% | Testa, Patrimonio en Renta, S.A. | Full consolidation | Property management
Testa Residencial, S.L.U. | 100.00% | Testa, Patrimonio en Renta, S.A. | Full consolidation | Property management
Testa American Real State Corporation USA | 100.00% | Testa, Patrimonio en Renta, S.A. | Full consolidation | Property management
Gesfontesta, S.A.U. | 100.00% | Testa, Patrimonio en Renta, S.A. | Full consolidation | Property management
Prosacyr Hoteles, S.A.U. | 100.00% | Testa, Patrimonio en Renta, S.A. | Full consolidation | Property management
Gescentesta, S.A.U. | 100.00% | Testa, Patrimonio en Renta, S.A. | Full consolidation | Property management
Itaccco, S.L.U. | 100.00% | Testa, Patrimonio en Renta, S.A. | Full consolidation | Property management
Bardiomar, S.L. | 50.00% | Testa, Patrimonio en Renta, S.A. | Proportionate consolidation | Property management
Provitae Centros Asistenciales, S.L. | 50.00% | Testa, Patrimonio en Renta, S.A. | Proportionate consolidation | Property management
PK Inversiones, S.L. | 50.00% | Testa, Patrimonio en Renta, S.A. | Proportionate consolidation | Property management
PK Hoteles, S.L. | 32.50% | Testa, Patrimonio en Renta, S.A. | Equity method | Property management
Parking Palau, S.A. | 33.00% | Testa, Patrimonio en Renta, S.A. | Equity method | Property management
Testa Hospitalaria de Parla, S.A. | 60.00% | Testa, Patrimonio en Renta, S.A. | Full consolidation | Construction and operation of Parla hospital
| 35.00% | Sacyr, S.A.U. | Full consolidation | Construction and operation of Parla hospital
| 5.00% | Valoriza Facilities, S.A.U. | Full consolidation | Construction and operation of Parla hospital
Testa Hospitalaria de Coslada, S.A. | 60.00% | Testa, Patrimonio en Renta, S.A. | Full consolidation | Construction and operation of Coslada hospital
| 35.00% | Sacyr, S.A.U. | Full consolidation | Construction and operation of Coslada hospital
| 5.00% | Valoriza Facilities, S.A.U. | Full consolidation | Construction and operation of Coslada hospital
Centre d’Oci Les Gavarres, S.L. | 21.50% | Testa, Patrimonio en Renta, S.A. | Equity method | Property management

**SERVICES**

**Environment**

| COMPANY | PERCENTAGE OWNERSHIP | COMPANY HOLDING THE INVESTMENT | CONSOLIDATION METHOD | ACTIVITY |
---|---|---|---|---
Microtec Ambiente, S.A.U. | 100.00% | Valoriza Gestión, S.A.U. | Full consolidation | Environmental consultancy and management
Sociedad Anónima Depuración y Tratamientos (SADYT) Murcia | 100.00% | Valoriza Gestión, S.A.U. | Full consolidation | Water purification and treatment
<table>
<thead>
<tr>
<th>COMPANY</th>
<th>PERCENTAGE OWNERSHIP</th>
<th>COMPANY HOLDING THE INVESTMENT</th>
<th>CONSOLIDATION METHOD</th>
<th>ACTIVITY</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Energy</strong></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Iberese, S.A.</td>
<td>100.00%</td>
<td>Valoriza Energía, S.L.U.</td>
<td>Full consolidation</td>
<td>Power generation projects</td>
</tr>
<tr>
<td>Vizcaya</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Olextra, S.A.</td>
<td>75.59%</td>
<td>Valoriza Energía, S.L.U.</td>
<td>Full consolidation</td>
<td>Power generation projects</td>
</tr>
<tr>
<td>Seville</td>
<td>12.00%</td>
<td>Iberese, S.A.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Extragol, S.L.</td>
<td>43.76%</td>
<td>Valoriza Energía, S.L.U.</td>
<td>Full consolidation</td>
<td>Power generation projects</td>
</tr>
<tr>
<td>Seville</td>
<td>25.00%</td>
<td>Iberese, S.A.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Secaderos de Biomasa, S.A. (SEDEBISA)</td>
<td>83.28%</td>
<td>Valoriza Energía, S.L.U.</td>
<td>Full</td>
<td>Energy recovery from kernel oil</td>
</tr>
<tr>
<td>Seville</td>
<td>15.00%</td>
<td>Iberese, S.A.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Biomasas de Puente Genil, S.L.</td>
<td>83.08%</td>
<td>Valoriza Energía, S.L.U.</td>
<td>Full</td>
<td>Power generation projects</td>
</tr>
<tr>
<td>Seville</td>
<td>15.00%</td>
<td>Iberese, S.A.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Compañía Energética de Pata de Mulo, S.L.</td>
<td>83.08%</td>
<td>Valoriza Energía, S.L.U.</td>
<td>Full</td>
<td>Power generation projects</td>
</tr>
<tr>
<td>Seville</td>
<td>15.00%</td>
<td>Iberese, S.A.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Compañía Energética de La Roda, S.L.</td>
<td>75.00%</td>
<td>Valoriza Energía, S.L.U.</td>
<td>Full</td>
<td>Power generation projects</td>
</tr>
<tr>
<td>Seville</td>
<td>15.00%</td>
<td>Iberese, S.A.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Compañía Energética Barragana, S.L.</td>
<td>90.00%</td>
<td>Valoriza Energía, S.L.U.</td>
<td>Full</td>
<td>Power generation and research projects</td>
</tr>
<tr>
<td>C/ Luis Montoto 107-113, Edificio Cristal, portal B 1º, Módulo Q. Seville</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Compañía Energética Las Villas, S.L.</td>
<td>90.00%</td>
<td>Valoriza Energía, S.L.U.</td>
<td>Full</td>
<td>Power generation and research projects</td>
</tr>
<tr>
<td>J. aén</td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Compañía Energética Puente del Obispo, S.L.</td>
<td>90.00%</td>
<td>Valoriza Energía, S.L.U.</td>
<td>Full</td>
<td>Power generation and research projects</td>
</tr>
<tr>
<td>Seville</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Services</strong></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Valoriza Facilities, S.A.U.</td>
<td>100.00%</td>
<td>Valoriza Energía, S.L.U.</td>
<td>Full consolidation</td>
<td>Property management</td>
</tr>
<tr>
<td>Madrid</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cafestore, S.A.</td>
<td>100.00%</td>
<td>Valoriza Gestión, S.A.U.</td>
<td>Full consolidation</td>
<td>Catering services and retail outlets</td>
</tr>
<tr>
<td>Madrid</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Madrid</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Somague Ambiente, S.A.</td>
<td>100.00%</td>
<td>Valoriza Gestión, S.A.U.</td>
<td>Full consolidation</td>
<td>Environmental consultancy and management</td>
</tr>
<tr>
<td>Portugal</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>New technologies</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Aurentia, S.A.</td>
<td>74.95%</td>
<td>Primur, S.A.U.</td>
<td>Full consolidation</td>
<td>Internet services</td>
</tr>
<tr>
<td>Madrid</td>
<td>25.05%</td>
<td>Sacyr, S.A.U.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Build2Edifica, S.A.</td>
<td>6.16%</td>
<td>Sacyr, S.A.U.</td>
<td>Equity method</td>
<td>Construction internet portal</td>
</tr>
<tr>
<td>Madrid</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Compañía Energética Escombreras, S.L.U.</td>
<td>100.00%</td>
<td>Valoriza Energía, S.L.U.</td>
<td>Full consolidation</td>
<td>Telecommunications services</td>
</tr>
<tr>
<td>Madrid</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Burosoft, Sistemas de Información, S.L.</td>
<td>70.00%</td>
<td>Valoriza Facilities, S.A.U.</td>
<td>Full consolidation</td>
<td>Development of IT systems</td>
</tr>
<tr>
<td>Madrid</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Water supply</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Valoriza Agua, S.L.U.</td>
<td>100.00%</td>
<td>Valoriza Gestión, S.A.U.</td>
<td>Full consolidation</td>
<td>Environmental consultancy and management</td>
</tr>
<tr>
<td>Mérida</td>
<td></td>
<td></td>
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<tr>
<td>COMPANY</td>
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<td>COMPANY HOLDING THE INVESTMENT</td>
<td>CONSOLIDATION METHOD</td>
<td>ACTIVITY</td>
</tr>
<tr>
<td>----------------------------------------------</td>
<td>----------------------</td>
<td>-------------------------------</td>
<td>----------------------</td>
<td>-----------------------------------------------</td>
</tr>
<tr>
<td>Aguas de Toledo, A.I.E. Toledo.</td>
<td>50.00%</td>
<td>Valoriza Gestión, S.A.U.</td>
<td>Proportionate</td>
<td>Water supply in Toledo</td>
</tr>
<tr>
<td>Geida Skikda, S.L. Madrid.</td>
<td>25.00%</td>
<td>Sociedad Anónima Depuración y Tratamientos (SADYT)</td>
<td>Equity method</td>
<td>Operation of desalination plants</td>
</tr>
<tr>
<td>Geida Beni Saf, S.L. Madrid.</td>
<td>25.00%</td>
<td>Sociedad Anónima Depuración y Tratamientos (SADYT)</td>
<td>Equity method</td>
<td>Operation of desalination plants</td>
</tr>
<tr>
<td>Empresa Mixta de Aguas de Las Palmas, S.A. (EMALSA) Las Palmas.</td>
<td>33.00%</td>
<td>Valoriza Agua, S.L.U.</td>
<td>Equity method</td>
<td>Water supply in Las Palmas</td>
</tr>
<tr>
<td>Sufi</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sufi, S.A. Madrid.</td>
<td>93.47%</td>
<td>Valoriza Gestión, S.A.U.</td>
<td>Full consolidation</td>
<td>Environmental management</td>
</tr>
<tr>
<td>Osimón Amepró, S.A. Madrid.</td>
<td>6.53%</td>
<td>Osimón Amepró, S.A.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Aplicaciones de la Biomasa, S.A.U. Seville.</td>
<td>100.00%</td>
<td>Sufi, S.A.</td>
<td>Full consolidation</td>
<td>Treatment of urban and residual solid waste biomass, etc.</td>
</tr>
<tr>
<td>Gestión Partícipes del Biorreciclaje, S.A Cádiz.</td>
<td>33.34%</td>
<td>Sufi, S.A.</td>
<td>Equity method</td>
<td>Activities related to the management and treatment of urban solid waste, projects, supplies and services</td>
</tr>
<tr>
<td>Compost del Pirineo, S.A.U. Huesca.</td>
<td>100.00%</td>
<td>Sufi, S.A.</td>
<td>Full consolidation</td>
<td>Development of composting plants</td>
</tr>
<tr>
<td>Sufi Cantabria, S.L.U. Madrid.</td>
<td>100.00%</td>
<td>Sufi, S.A.</td>
<td>Full consolidation</td>
<td>Application of digital environmental systems to treatment of urban solid waste</td>
</tr>
<tr>
<td>Metrofangs, S.L. Barcelona.</td>
<td>21.60%</td>
<td>Sufi, S.A.</td>
<td>Proportionate</td>
<td>Management &amp; construction of 15 years of San Adriá de Besós purification plant</td>
</tr>
<tr>
<td>Boremer, S.A. Madrid.</td>
<td>50.00%</td>
<td>Sufi, S.A.</td>
<td>Proportionate</td>
<td>Contracting and management of project cleaning services</td>
</tr>
<tr>
<td>Biomasas del Pirineo, S.A. Huesca.</td>
<td>44.00%</td>
<td>Sufi, S.A.</td>
<td>Equity method</td>
<td>Development of biomass energy systems</td>
</tr>
<tr>
<td>Valdementómez 2000, S.A. Madrid.</td>
<td>40.00%</td>
<td>Sufi, S.A.</td>
<td>Proportionate</td>
<td>Degasification project at the Valdementómez landfill site</td>
</tr>
<tr>
<td>Cultivos Energéticos de Castilla, S.A. Burgos.</td>
<td>44.00%</td>
<td>Sufi, S.A.</td>
<td>Equity method</td>
<td>Development of biomass energy systems</td>
</tr>
<tr>
<td>Central Término la Torrecilla, S.A. Madrid.</td>
<td>50.00%</td>
<td>Sufi, S.A.</td>
<td>Proportionate</td>
<td>Development of power generation plants</td>
</tr>
<tr>
<td>Infosfer Estacionamiento Regulado, A.I.E. Madrid.</td>
<td>16.67%</td>
<td>Sufi, S.A.</td>
<td>Equity method</td>
<td>Auxiliary services to the control of regulated on-street parking in Madrid</td>
</tr>
<tr>
<td>Gestora Canaria de Lodos de Depuradora, S.A. Las Palmas.</td>
<td>85.00%</td>
<td>Sufi, S.A.</td>
<td>Full consolidation</td>
<td>Contracting with producers of solid waste</td>
</tr>
</tbody>
</table>

(Continued)
<table>
<thead>
<tr>
<th>COMPANY</th>
<th>PERCENTAGE OWNERSHIP</th>
<th>COMPANY HOLDING THE INVESTMENT</th>
<th>CONSOLIDATION METHOD</th>
<th>ACTIVITY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Promociones Eólicas del Altiplano, S.A.</td>
<td>50.00%</td>
<td>Sufi, S.A.</td>
<td>Proportionate consolidation</td>
<td>Production of renewable energy</td>
</tr>
<tr>
<td>Parque Eólico la Sotonera, S.L.</td>
<td>30.16%</td>
<td>Sufi, S.A.</td>
<td>Equity method</td>
<td>Production of renewable energy</td>
</tr>
<tr>
<td>Consultora de Ingeniería y Empresa, S.L. A Coruña.</td>
<td>35.67%</td>
<td>Sufi, S.A.</td>
<td>Full consolidation</td>
<td>Studies, project and site management in the field of engineering consultancy</td>
</tr>
<tr>
<td>Gestión de Infraest Canarias, S.A. Sta. Cruz de Tenerife.</td>
<td>27.00% 70.00%</td>
<td>Sufi, S.A. Tecn Avanz. Macaronesia, S.A.</td>
<td>Full consolidation</td>
<td>Studies and projects</td>
</tr>
<tr>
<td>Partícipes del Biorreciclaje, S.A. Madrid.</td>
<td>33.34%</td>
<td>Sufi, S.A.</td>
<td>Equity method</td>
<td>Waste management</td>
</tr>
<tr>
<td>Biorreciclaje de Cádiz, S.A. Cádiz.</td>
<td>49.00%</td>
<td>Partícipes del Biorreciclaje, S.A.</td>
<td>Equity method</td>
<td>Management, storage, transport, treatment and disposal of waste</td>
</tr>
<tr>
<td>Iniciativas Medioambientales del Sur, S.L. Cádiz.</td>
<td>50.00%</td>
<td>Sufi, S.A.</td>
<td>Proportionate consolidation</td>
<td>Street cleaning, collection, transport and treatment of waste, water purification</td>
</tr>
<tr>
<td>Inte RCD, S.L. Seville.</td>
<td>25.00%</td>
<td>Sufi, S.A.</td>
<td>Equity method</td>
<td>Recovery of construction and demolition waste</td>
</tr>
<tr>
<td>Inte RCD Bahía de Cádiz, S.L. Cádiz.</td>
<td>60.00%</td>
<td>Inte RCD, S.L.</td>
<td>Equity method</td>
<td>Recovery of construction and demolition waste</td>
</tr>
<tr>
<td>Eurocomercial, S.A.U. Oviedo.</td>
<td>100.00%</td>
<td>Sufi, S.A.</td>
<td>Full consolidation</td>
<td>Engineering, consultancy and import/export of products for deposit and sale</td>
</tr>
<tr>
<td>Desgasificación de Vertederos, S.A. Madrid.</td>
<td>50.00%</td>
<td>Eurocomercial, S.A.U.</td>
<td>Proportionate consolidation</td>
<td>Recovery of biogas from degasification of landfill sites</td>
</tr>
<tr>
<td>Biomeruelo de Energía, S.A. Cantabria.</td>
<td>20.00%</td>
<td>Eurocomercial, S.A.U.</td>
<td>Equity method</td>
<td>Operation of power generation plants</td>
</tr>
<tr>
<td>Tecnologías Avanzadas de la Macaronesia, S.A. Las Palmas.</td>
<td>50.00%</td>
<td>Omicron Amepro, S.A.</td>
<td>Proportionate consolidation</td>
<td>Civil engineering and environmental studies, projects, supplies and services</td>
</tr>
<tr>
<td>Gicsa Zona Verde y Paisajismo, A.I.E. Tenerife.</td>
<td>50.00%</td>
<td>Gestión e Infraestructuras de Canarias, S.A.</td>
<td>Proportionate consolidation</td>
<td>Projects and maintenance of green spaces in the Canaries</td>
</tr>
</tbody>
</table>
1. TRENDS IN THE ECONOMY AND IN SYV’S SECTORS OF ACTIVITY IN 2006

1.1. The international economic environment

The world’s economy enjoyed another year of satisfactory growth in 2006. The year ended with global GDP growth of 5.1%, the strongest in recent years. Driving this growth were the emerging markets, led by Asia. Global trade volumes grew by 9.6%, 2.2 percentage points faster than in 2005. All the main economies enjoyed positive performances, as we shall see below. Of the three major blocks, the EU and Japan grew faster than forecast and the US slightly slower than expected. The US grew GDP by 3.3% in 2006, underlining once again the strength of the world’s leading economy.

On prices, the US will end 2006 with headline inflation of 2.5% and core inflation of 2.6%, the best rate of the last three years. Good though this is, however, it is still above the 2% target set by the US monetary authorities. The lower price growth in 2006 coincides with a slight economic slowdown in the US, as well as the dip in crude oil prices during the last few months of the year, which, we should not forget, are at historical highs.

Another point to highlight internationally was the steady rise in the euro versus the dollar, up by 11.42% since 2005. This prevented a stronger recovery by the European export sector but it also helped damp down inflationary pressures.

The key problem facing the US economy in 2006 is, as in previous years, the yawning deficit in its trade balance. The deficit stood at USD 763,588 million in 2006, having grown by 6.5% since 2005. This imbalance was due to the two items most heavily in deficit in the US trade accounts. The first of these is oil, where purchases exceeded sales by USD 270,918 million. The second is imports from China, which were USD 232,549 million higher than exports, a 15.4% increase in net imports for 2005. Total goods and services imports by the US were USD 2.2 billion, compared to exports of USD 1.4 billion.

Regarding interest rates, the Federal reserve raised rates at three consecutive meetings in the year to 5.25%. All these increases were in the first half of the year, and were designed to damp down the impact of high energy product prices on the country’s inflation. In 2007, it is expected that rates will remain at this rate and could even be cut by the odd quarter point if inflation remains contained.

In the European Union, 2006 turned out to be a better-than-expected year for the economy. According to Eurostat (the European Community statistics office), euro zone GDP rose by 2.7%, nearly double the 1.4% growth achieved in 2005 and the strongest since 2001. We have to go back to 2000 to find the last time the European economy grew faster than this, at 3.8%. The wider European Union economy also grew, by 2.9% compared to 1.7% in 2005.

In 2007, the world’s foremost economy is expected to continue its growth, with GDP forecast to rise by between 2.5% and 3%.

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In 2007, the world’s foremost economy is expected to continue its growth, with GDP forecast to rise by between 2.5% and 3%.
By country, on data published to date, the highest growth was in Poland, which grew GDP by 5.8% followed by Spain, with 3.9%, the Netherlands with 2.9% and Germany and the UK, both growing by 2.7%. In contrast, France and Italy had the slowest growth, with GDP up by 1.9%.

Annual inflation in 2006 was 1.9% in the euro zone, three tenths below the rate achieved in 2005, and 2.1% in the wider 25 member state European Union. By country, the highest inflation was in Greece, with 3.2%, followed by Spain with 2.7%, Portugal with 2.5% and Ireland with 2.4%. In contrast, the lowest inflation was in Finland with 1.2%, Sweden and Germany, both with 1.4%, and Austria, with 1.6%. Outside the euro zone Malta stood out with inflation of just 0.8%, while Latvia had 6.8%, Hungary 6.6% and the UK 3%.

As for euro zone interest rates, the European Central Bank raised rates five consecutive times in the year, each time by a quarter point, taking the refinancing rate to 3.5% at December 31. These increases were fundamentally due to the inflationary upticks caused by the rise in the price of energy products in the first half of the year. Outside the euro zone, the Bank of England in 2006 as it tries to damp down local inflation.

The outlook for 2007 is far from encouraging, with analysts agreed that the European Central Bank will raise rates further to around 3.75% or 4% by the end of the year.

In Japan, 2006 was another excellent year for the economy which grew at its fastest pace for three years. GDP grew by 4.8%, exceeding all forecasts, driven by a revival in household consumption which makes up 55% of GDP.

As for interest rates, the Japanese monetary authorities lifted the rate in July to 0.25%, having held rates at zero for six years to reactivate an economy plagued by low growth, rising unemployment and deflation. This rate was maintained throughout the year and could rise in 2007 if the Japanese economy continues to recover.

In 2007 expectations are for a slightly slower pace of growth, with the rate of increase of GDP falling to around 4.2% as a consequence of the slowdown in the global economy and likely resulting fall in the prices of raw materials. Some countries, such as Mexico, Venezuela, Trinidad and Tobago, Colombia and Ecuador will continue to benefit from sustained demand and high prices for oil.

1.2. The Spanish economy

The Spanish economy grew by 3.9% in 2006, up from 3.4% in 2005 and the fastest growth rate since 2000, when GDP rose by 5%. It was also, for yet another year, the fastest-expanding economy in the euro zone, growing one percentage point above the EU average and 1.2 points above the average for the other EU countries.

The Chinese economy grew by 10.7% in 2006, once again beating all expectations, and posting its fourth successive year of double digit growth. With a GDP of EUR 2.05 trillion it is now the world’s fourth largest economy. If growth continues at this pace it would knock Germany off third place in 2008. The Chinese authorities are much concerned, however, as they want to see growth based more on domestic consumption and less on exports and investments.
Demand contributed 4.9 percentage points to GDP compared to 5.2 points in 2005 as spending by final consumers and gross fixed capital formation eased.

Meanwhile, external demand reduced its negative contribution to GDP by 0.7 points in 2006, from -1.7 points in 2005 to -1 point, as exports grew faster than imports.

Looking in more detail at external demand, exports of goods and services grew by 6.2% compared to 1.5% the previous year. Goods exports, which had been unchanged in 2005, accelerated by 5.6% in 2006 while services also accelerated their growth, though more modestly, to 7.5% compared to 4.5% in 2005.

Spain, despite mitigating the negative impact of the export balance on GDP, saw its current account deficit to the euro zone move further into the red due to the negative performance of income from abroad and current and capital transfers. The economy’s borrowing requirement was over EUR 76,000 million (or 7.8% of GDP), compared to EUR 59,000 million in 2005 (6.5% of GDP).

On the supply side, we note that all the major sectors of the Spanish economy contributed positively to GDP growth. Once again, construction was the most dynamic sector, expanding by 6% on the back of both residential and infrastructure building. It was followed by services, which grew by 3.6%, the industrial sector, by 3.3%, energy with 2% and the primary sector with 0.3%.

In 2006, manufacturing maintained a continuous growth rate, notably in machinery and electrical equipment as well as electronics and optics and, to a lesser extent, the auto industry. There was also a recovery by the textile industry, in leather goods and manufacturing. Market services slowed their pace of growth in 2006, to 3.4% compared to 4.6% in 2005, with the standouts being financial intermediation and, to a lesser degree, information and communication technologies as well as corporate services.

Regarding the labor market, data reported in the Economically Active Population Survey (EAPS) for 2006 was very positive. Unemployment was measured at 8.3% of the active population, the lowest rate for 27 years. Numbers of unemployed fell by 30,600 in 2006 to 1,810,600. Over the year 687,600 jobs were created, an increase of 3.56% on the previous period, with the total number of those in employment reaching a new all-time high of 20,001,800 people.

Spain’s Social Security system ended the year with 601,025 new registered contributors, taking the average number registered to 18,915,407. Year-on-year growth, as of December, was 3.28%, compared to 3.08% at the end of 2005, without taking account of the Normalization of Foreign Workers Process to regularize migrants working in the black economy. In 2006, the majority of new registrations were for Spaniards, who made up 77.95% of the total, the remaining 22.05% being foreigners. Breaking this down by Social Security regime, the General scheme rolls rose by 4.52% with 652,881 new members, and the Self-Employed scheme by 2.87%, which equates to 85,133 new members.

By sector of activity, the highest number of registrations were in Education, which rose by 10.38% and had 54,453 new registrations. In Construction, the pace of jobs growth eased to 6.96%, or 120,763 new employees. Another major growth area was in Real Estate, Property Rentals and Corporate Services which rose by 8.71% compared to 2005, with 164,346 new members.

By gender, men made up 58.44% of registrations, 11,053,606, and women 41.56%, with 7,861,801. Regarding foreigners, non-Spanish workers registered with the Social Security rose by 8.02%, a total of 1,823,974 people, of whom 350,298 are EU citizens and 1,473,676 from outside the EU.

As for prices, Spanish inflation in 2006 was 2.7% compared to 3.7% in 2005. This was the lowest year end inflation rate since 2003 and was due to the controlled rise in energy prices.

The inflation gap to the rest of the euro zone also narrowed sharply, to 0.8 percentage points, boosting Spain’s competitiveness in comparison to that of other member states.

The healthy trend in oil prices in the second half of 2006, mainly due to unseasonably warm temperatures mitigating domestic consumption, drove this healthy price performance. The sectors that saw the strongest price increases this year were housing, up by 4.9%, followed by education and hotels and restaurants, both rising by 4.4%. In contrast, two areas saw falls in prices: communications by 1.5% and leisure and culture by 0.6%. By regional government, the lowest inflation was in the Canary Islands, with 2%, and Navarre, with 2.1%, and the highest in Andalusia and Aragon, with inflation of 2.9%, and Catalonia and the Baleares, with rises of 2.8%.

Core inflation, which excludes volatile fresh food and energy products from the calculation, eased considerably to 2.5%, two tenths of a percentage point less than in 2005.
In 2007, the price index is expected to show a rise of 2.8%. Until September it is likely to remain around 2.5% before spiking in the final quarter, depending as ever on what happens to oil prices.

Regarding the Spanish central government budget, the national accounts for the year to November showed a surplus of EUR 21,951 million, equivalent to 2.26% of GDP. This compares to a EUR 14,709 million surplus, 1.62% of GDP, for the same period 2005. The surplus is the gap between the central government's non-financial sources of funds, which came to EUR 136,734 million and non-financial applications, which came to EUR 114,783 million.

Total non-financial income from the central and regional governments was EUR 177,769 million in the first eleven months of 2006, a 10.3% increase on 2005. Of this, direct taxes contributed EUR 94,855 million, up by 15.2%, with notable rises in the proceeds from personal income tax, up by 14.4%, and from corporate income tax, up by 17%, following a high take from the second installment of payments for the year. Income from indirect taxes in the first eleven months of 2006 was EUR 72,403 million, a 7.8% increase on the previous year. The VAT take was EUR 52,638 million, up by 9.7% on 2005. Special taxes raised EUR 17,001 million, a 2.6% increase on the previous year. Proceeds from the hydrocarbons tax rose by 1.8% on 2005, to EUR 9,499 million, and those from the Tobacco Tax by 1.4% to EUR 5,486 million.

Non-financial expenses in the year to November totaled EUR 115,292 million, a 6.2% rise year-on-year. Personnel costs were EUR 19,293 million, up by 7.4% on 2005 due to wage increases for some areas of the civil service. Financial expense was EUR 15,470 million, a 11.9% decrease on the previous year. Current transfers rose by 13.7% to November driven by transfers to regional governments. In capital transactions, there was a 1.6% increase in payments to finance real investment. Over the first eleven months of the year the central government had a budget surplus of EUR 5,145 million compared to a borrowing requirement of EUR 5,145 million in the equivalent period 2005.

On the Spanish stock market, the key indicator, the selective Ibex-35 index, returned a yield of 31.79% in 2006 on record trading volumes of more than a trillion euros. This is the market's fourth successive year of gains, which together amount to a rally of 134.33%. It has also broken a series of records, including trading volumes, dividends, company profits and stock market flotations, making the Ibex the top performer by yield of any of the world's main indices and making 2006 the best ever year in the stock market's history. The final trading session of the year closed with the index on 14,146.5 points, well above the previous high of 12,968.5, achieved intraday on March 7, 2000.

By sector, the best performers were Property, Electricity Utilities and Banks. The Ibex's leading companies were: Metrovacesa, with gains of 152% due to the ongoing bids for the company, Sacyr Vallehermoso, up by 140%, if we include dividends and the bonus rights issue and, some way behind, Acerinox and FCC, with rallies of 79% and 71.4%, respectively. Total remuneration to shareholders was nearly EUR 23,000 million, triple that of 2000. Foreign investment accounted for more than half the market's trading volumes, at 60%, with financial institutions and mutual funds each accounting for 19% of the remainder.

Finally, we should mention the euro's trend versus the US dollar in 2006. The euro ended the year close to highs at 1.3144 dollars. This is an 11.42% rise on the year, the biggest since 2003 when it jumped by 20.04%. The US economy is losing momentum as a result of a cooling construction sector and this has been reflected in the fall in its currency. Forecasts for the euro in 2007 see it making further gains versus the dollar to near its December 2004 high, when it was trading at 1.36 dollars. Some analysts have raised concerns that such levels could stifle European exports and seriously harm the current expansion of the European economy.

1.3. SyV's business sectors

1.3.1. The construction sector

In 2006, the construction sector was once again the main driver for the Spanish economy, growing by 6% on 2005. This was 2.1 percentage points more than the overall expansion of GDP, which, as we said above, was 3.9%.

Cement consumption in 2006 grew for the tenth year in succession to a record 55.74 million tonnes, an 8.2% increase on 2005. This made Spain the EU's largest consumer of cement and the fifth in the world, behind China, India, the US and Japan. The cement sector imported 15% more cement and clinker (the raw material for cement) than in 2005, a total of 12.3 million tonnes, mainly from China and Egypt. Spain is Europe's biggest importer of this product and the world's second largest, after the USA. Exports fell for...
Public sector tenders held in 2006 awarded contracts worth 47,187.48 million euros, a 19.5% increase on 2005. Breaking this down by type of project, the largest figure was for motorways, with EUR 11,297.94 million, 24.2% of the total, followed by social infrastructure (in education, health, sports and other fields) with EUR 9,493.04 million, 20.3% of the total, urban development, with EUR 7,258.29 million, 15.5%, railways with EUR 6,299.48 million, 13.5%, and water supply projects with EUR 5,932.12 million, 12.7% of the total contracts tendered.

Within the central government, which increased the value of contracts put out for tender in the year by 35.3% compared to 2005, the Environment Ministry increased its tenders by 124%, largely due to a 329.4% rise in tenders by the State Water Companies from EUR 275.24 million to EUR 1,181.97 million. In the same Ministry, the Directorate General for the Coasts expanded its tendering by 122.6% and the Directorate General for Water by 117.2%.

In the Development Ministry, the Directorate General for Railways expanded its tendering by 127.9%, from EUR 589.47 million to EUR 1,343.48 million. There were also large increases in volumes put out to tender by the publicly owned bodies AENA and ADIF, which contracted EUR 1,364.91 million and EUR 3,350.64 million of work, respectively, increases of 47.5% and 8.6%, respectively. Note too the EUR 1,417.87 million tendered by the new publicly owned company for land transport infrastructure, the Sociedad Estatal de Infraestructuras del Transporte Terrestre (SEITT). In contrast, the Port Authorities reduced the volumes of contracts put out for tender by 49.5% compared to the previous year, to EUR 479.15 million from EUR 948.65 million in 2005.

The volumes tendered by Spain’s regional governments rose by 30.4% while those awarded by local government fell by 1.7%, compared to 2005. By regional government, the biggest rises were in the Canary Islands, up by 220.1% with a total of EUR 934.34 million, Cantabria, up by 206.3% to EUR 499.96 million, Castille-La Mancha, up by 200.5% to EUR 1,785.95 million, the Autonomous City of Ceuta, with an increase of 113.7% to EUR 30.36 million, Navarre, up by 96.4% to EUR 287.4 million, Extremadura, with an 84.4% increase to EUR 431.66 million, Valencia, with a 55.3% rise to EUR 1,585.33 million and Andalusia, up by 53.4% to EUR 2,183.44 million. In contrast, the regional governments that curtailed their tenders most strongly were the Autonomous City of Melilla, which reduced its contracts tendered by 63% to EUR 14.47 million, the Region of Murcia, down by 57.2% to EUR 234.73 million, the Baleares Isles, down by 48.3% to EUR 138.09 million, Castille and Leon, down by 21.7% to EUR 969.62 million and Galicia, down by 18.3% to 711.11 million.

Breaking down the volume of contracts tendered by local government, with EUR 1,13 million tonnes which was 22.10% less than in 2005.

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mergers and acquisitions have placed the big
Spanish groups among the top ten infrastructure
managers in the world, a development that has not
been lost on either Spanish or foreign investors who
once again made construction the top performing
sector on the Spanish stock market in 2006. The five
big Spanish groups all have market capitalisations of
over EUR 8,900 million, with Sacyr Vallehermoso the
second largest at EUR 12,808 million. On the
European scale, Spanish companies are only
outstripped by the big French groups Bouygues
and Vinci.

In 2006, there were 3,099.57 km of toll motorways
open in Spain, an increase of 9.05% on 2005, and
another 354 km of the network under construction.
Both these figures include free access roads. Another
526.5 km are under study.

Forecasts for the sector in 2007 remain very bullish,
as the Spanish central government budget is again
likely to prioritize infrastructure development.

Over the coming year, the central government plans
to spend EUR 14,169 million on infrastructure, a 9.6%
increase on 2006. In addition to this there is spending
by the public bodies and companies operating under
the auspices of the Ministry of Development and the
Ministry of the Environment, which is budgeted at
EUR 21,849 million, an 8.6% increase on 2005. The
largest budget item will be the EUR 17,420 million
earmarked for investment, which will be targeted at
three broad areas: transport; water management,
infrastructure and quality; and environmental projects.

The railways will absorb the largest share of funds,
EUR 5,568 million, followed by roads, with EUR 4,186
million to extend and maintain the Spanish road
network, water infrastructure, with a budget of EUR
3,520 million, airports and air security, with EUR 2,058
million and port developments, with EUR 1,288
million.

These funds will continue to support, among other
initiatives, the Strategic Transport Infrastructure Plan
2005-2020 (STIP) and the AGUA program. These are
described in more detail in the section on Services
below.

Key projects for the next year include: construction of
the “San Sebastián-Vitoria” and “Vitoria-Bilbao” rail
links, known as the “Basque Y” with an investment
budget of over EUR 4,178 million, construction of the
second bridge in Cadiz, for an estimated investment
of EUR 300 million (this will be the highest bridge in
Spain and the second highest in Europe, with 180
meter piers), and contracts for the upgrade and
maintenance of Spain’s ageing first generation
motorways (A-1, A-2, A-3 and A-4) with a planned
investment budget of EUR 6,300 million.

1.3.2. The motorway concessions sector

Over 2006, 240.7 km of new toll roads were opened to
traffic: the AP-36 “Madrid-Levante” motorway, running
between the Ocaña district of Toledo and La Roda in
Albacete, the AP-41 “Madrid-Toledo” road, which links
the M-40 in Madrid to the Toledo ring-road, and the
MA-15 “Palma-Manacor” shadow-toll motorway in the
Balearic Islands, which is part owned by SyV via Itinere.

Spain can expect another round of tenders for major
projects in 2007. These include the following for which
Itinere has already submitted a tender or is considering
bidding:

• Region of Murcia airport: to be built on land owned
by the Murcia municipality, on the Campo de
Cartagena, with an estimated surface area of 327
hectares. This is a build, operate and maintain
project with a 40-year duration. The project includes
construction of a 3,000 meter runway, two
emergency exit roads, an exit perpendicular to the
runway, a taxiway parallel to the runway and an
80,000 square meter aircraft parking apron, as well
as construction of a new passenger terminal,
control tower, baggage terminal, car park and
airport access roads.

The total investment budget is EUR 220 million and
contracts are expected to be awarded in early 2007.
Forecast income over the lifetime of the concession
is 3,714 million.

• The M-404 shadow-toll motorway linking the M-407
and the M-307 in Madrid: this project, put out to
tender by the Comunidad de Madrid Transport and
Infrastructure Council, involves widening the M-404
motorway serving the Madrid neighborhoods of
Serranillos del Valle, Griñón, Cubas de la Sagra,
Torrejón de la Calzada, Torrejón de Velasco,
Valdemoro and Ciempozuelos. Forecast investment
is EUR 146.5 million and the concession runs for 30 years. It is expected that 18,000 vehicles will use the motorway every day. Results of the tender are expected in early 2007.

• Conservation and Maintenance Plan for Spain’s ageing “first generation” motorways (A-1, Madrid-Irún, A-2, Madrid-Saragossa, A-3, Madrid-Valencia, and A-4, Madrid-Córdoba). In 2006, the Development Ministry gave the green light to this ambitious project to conserve and maintain the whole of the 2,096 km of first generation motorways in Spain, also incorporating a percentage of new build work, with a total budget of over EUR 6,300 million. Concession contracts will be for 20 years financed via shadow tolls. The winning consortia are paid by traffic volumes and the government sets a system of penalties for failure to meet criteria for quality and availability of infrastructure. Overall, the project involves 18 contracts put up for tender, 11 being imminent as they do not require environmental impact assessments. The Spanish Council of Ministers authorised the Development Ministry in 2006 to tender concessions for the repair, upgrade and maintenance of eight stretches of motorway, totaling 750.6 km on the motorways A-31, A-1, A-2 and A-4 with a total cost of nearly EUR 5,197 million.

• Various regional governments also plan to tender new shadow toll roads in 2007. Valencia plans to invite bids for three new stretches of road. Catalonia plans four and Galicia two. Also planned are some tram and light metro lines such as the “Móstoles-Navalcarnero” link, put out to tender by the Madrid regional government.

The international outlook for motorway concessions is also good. In the next few years many countries will put numerous projects up for tender, notably the following in which Sacyr Vallehermoso Group, via Itinere Infraestructuras, S.A. already has a presence or is studying a bid:

• Ireland: Itinere has passed the prequalification phase for the build, finance, operate contract on the M-50 Dublin ring road. With an approximate investment budget of EUR 350 million and a 35-year concession, the Irish National Roads Authority is expected to award the tender early in 2007. Itinere has also been selected to carry out another project, the M7-M8 toll motorway between Portlaoise and Castletown. This concession also runs for 35 years, and has an investment budget of EUR 300 million. It, too, should be decided in the first quarter of 2007. Other projects up for tender in Ireland include the Dublin North Metro, with an investment of over EUR 1,500 million, and concessions for many hospitals, prisons, schools, etc.

• Portugal: four major toll motorway projects are under way in Portugal, including the “Great Lisbon” road, already under construction, and the A4/IP4 “Amarante-Vila Real” motorway, which has just been put out to tender. Another core piece of infrastructure that will be put up for tender in early 2007 is the new Lisbon airport, which will be built 50 km south of the capital, for an investment, including all port facilities, of EUR 3,500 million. Concessions will also be invited on three hospitals.

• Brazil: the concession program for seven stretches of the Federal Motorways network, tenders for which are about to be launched, was twice delayed because 2006 was an election year and the Federal Government introduced new amendments.

• United States of America: various US states are drawing up plans to develop new infrastructure, mainly for transport, and privatizing toll motorways. At the moment there are at least ten interesting projects in the pipeline, involving investments of more than EUR 15,000 million. The most recent invitations to tender were for: the U.S. Route-460 Corridor between Richmond and Norfolk, Virginia, budgeted at approximately USD 1,400 million, the North Tarrant Express in Fort worth, Texas, with an investment of approximately USD 650 million and the privatization of the Northwest Parkway in Denver, Colorado, with an investment of close to USD 400 million. Itinere is either bidding or planning to bid for all these concessions.

• Chile: Chile has invited tenders for the new concession to run the “La Serena-Caldera” stretch of the Ruta 5 North motorway, an existing road 411 km in length. The new concession will involve completing 98 km of second lanes, 26 km of slow lanes and 40 km of resurfacing of existing road plus other improvements, at a total estimated investment for the civil engineering work of UF 4.6 million (EUR 105 million). At the moment, Itinere Infraestructuras, via Itinere Chile, has the concession for the previous 240 km stretch, “Los Vilos-La Serena”, which is now in operation. Another project under consideration by the Chilean government is for a 73 km “Concepción-Cabrero” highway with a budget of approximately EUR 130 million. A number of private initiatives are also being studied, one of these put forward by SyV group: A concession for Ruta 5 South “Puerto Montt-Pargua”, 54 km in length for an estimated investment of USD 70 million.
The program now looks set to launch in 2007, with the first contracts being put up for tender by the states of Santa Catarina, Paraná, São Paulo, Rio de Janeiro, Espirito Santo and Minas Gerais. Taken together, these projects concern 2,600 kilometers of road for an investment of over EUR 7.350 million. Concessions will be for extendible terms of 25 years.

1.3.3. The housing market

For yet another year the housing market was the main driver of the Spanish economy. This, despite the forecasts of a slowdown in the face of high prices and successive rate rises by the European Central Bank. In fact, 2006 proved to be another record year for house building and completions, as well as for the number of project permits granted. According to figures published by sector specialist Sociedad de Tasación in 2006 developments were initiated for 798,700 homes and 584,500 homes were completed. Meanwhile, 820,100 new projects received official approval, an increase of 22.86% on the previous year.

The prices of new and existing homes continued to rise in 2006. Based on data from the Spanish Housing Ministry, prices per square meter were 9.1% higher than in 2005 at year end, at EUR 1,990.50.

New homes, across all Spanish provincial capitals, were selling for EUR 2,763 per square meter of built floorspace, a 9.8% rise on 2005. In other cities, prices rose by 12.3% to EUR 2,066 per square meter. Since December 1985 average home prices in Spain have risen by a cumulative annual 10.7%.

Recently, the most expensive cities for buying new homes were Barcelona, averaging EUR 4,192 per square meter, Madrid, averaging EUR 3,870 and San Sebastián, at EUR 3,807. The lowest prices were in Pontevedra, at EUR 1,405 per square meter, Badajoz, at EUR 1,423, and Lugo, at EUR 1,452 per square meter. The sharpest increases were in Saragossa, where prices rose by 17.4% on 2005, Albacete, with a 17.1% rise and Cuenca, up by 16.1%. At the other extreme were cities such as Vitoria, which recorded the slowest inflation in the price of new homes over the last 12 months, up by 1.7%, Oviedo, up by 3.9% and Zamora, up by 4.9%.

Analysing the increases by region, once again the above average market prices were to be found in Madrid, at EUR 3,870 per square meter, Catalonia, at EUR 3,837 and the Basque Country, with EUR 3,248. Again in 2006, it was the Basque Country that was the sole multi-province regional government to report prices above EUR 3,000 per square meter in all its provincial capitals. In contrast, the lowest market prices compared to the national average were in Extremadura, with EUR 1,524 per square meter, Murcia, with EUR 1,613 and Galicia, with EUR 1,699.

The region with the largest overall rise in average prices was Aragon, with a 16.9% rise on 2005, followed by Castile-La Mancha, with 13.2%, Valencia with 13.1% and Catalonia with 13%. The most moderate increases in growth were in Asturias, with 3.9%, the Basque Country, with 5.8% and the Madrid region, where rises were just 6.6%.
price of land, as well as in regions near major capitals which are experiencing the “metropolis effect” such as Castille-La Mancha with Madrid.

In 2007, the housing market should remain very active. The number of homes built should be more than 600,000. The areas with the greatest scope for development remain Madrid, where most new housing will be concentrated in the metropolitan belt (particularly to the south and north-east), Barcelona, Valencia and Valladolid. The market should also be vigorous in Segovia, Guadalajara, Cuenca and Toledo, cities near the Spanish capital currently undergoing heavy investment in their infrastructure.

The Spanish coastal market should continue the dynamic development seen in recent years, with rises in both supply and demand. Spain’s fine climate and easy access from the rest of Europe makes it one of the most attractive destinations for residential tourism. Spanish and foreign buyers are increasingly looking for the services and additional facilities that add value to major developments. Facilities such as golf courses, a natural environment and thermal spas are becoming increasingly important and necessary selling points, ahead of other qualities such as being right on the beach. Also, the big coastal developments are paying increasing attention to environmental issues and non-leisure services such as health services and transport.

The Costa del Sol, in Andalusia, and the Costa Blanca, in Alicante, remain the zones most in demand, followed by the Costa Cálida (Murcia), Baleares, the Costa del Azahar (Castellón), and the Costa de la Luz (Huelva). Annual projections for holiday homes range from 120,000 to 140,000 units, more than 20% of all home-building in Spain.

Immigration continues to be a positive factor for the Spanish property market. In 2006, immigrants bought some 50,000 homes in Spain and were involved in one of every three home purchases, mainly of existing buildings. Since their buying power is low they are tending to buy the homes least in demand by Spanish citizens, which allows the Spaniards to sell these homes and move into more expensive properties. There are more than four million foreigners living in Spain, suggesting that in four years’ time, annual purchases by this segment will reach 60,000 homes of which around 15,000 will be new build.

In summary, investor confidence in the property sector should be sustained in 2007 by the strength of the market and the opportunities the sector offers.

The Spanish economy should grow faster than average for the European Union and the euro zone for another year and the market should therefore be able to absorb the supply of housing at an adequate pace.

1.3.4. The property management sector

The market for rental property in Madrid proved well able to cope with supply in 2006. Gross absorption was close to 800,000 square meters over the year, the highest for six years according to a report by Jones Lang LaSalle. Vacancy rates remained very low. Inside the M 30, office vacancies are just 2.9%.

In the business district there is still a shortage of space, which has reduced vacancies in the prime segment to around 2%. Remaining office space coming onto the market amounted to around 310,000 square meters, more than half of which was in Teléfonica’s Communications City located in the Tablas district. In 2007, the imbalance should ease somewhat as some high-quality office space comes onto the market in the Torre Espacio, the first of the four blocks being built in the Cuatro Torres Business Area.

Investment in Madrid office space totaled EUR 2,500 million in 2006, 25% more than in 2005. For every development that came onto the market there were at least eight investors willing to pay the asking price. In 2006, there were more than 35 deals involving more than 450,000 square meters of space. Meanwhile, international demand remains strong, particularly from private Swiss and Dutch investors looking to break into the local market, although they are finding this hard in the face of scarce supply. The same phenomenon is affecting Spanish investors seeking opportunities abroad. This is pushing up prices and driving down returns, to around 6%. The outskirts of the city offer the highest yields. Areas off the A-1 have proved one of the most attractive locations, thanks to their excellent communications while buildings in the city centre are being bought up with a view to a change of use.

Overall vacancy rates fell in 2006, to 5.4%, equivalent to a million square meters of space.

Demand in 2006 beat all expectations and outstripped 2005. Gross absorption was 970,000 square meters. Annual net absorption increased by 220,000 square meters, which augurs well for the immediate future. In 2006, there were 815 transactions, the highest number since 2000 and 5.15% up on the previous year.

The geographical breakdown shows that new space coming onstream was largely outside the centre,
86% being located on the city’s periphery. This was also the zone that saw the biggest developments (24,000 square meters in four buildings in la Foresta, 20,000 square meters in Manoteras and 20,000 square meters in j Josefa Valcárcel). Average space per contract in 2006 was around 1,000 square meters. This, however, is only indicative of the average trend and disguises marked geographical variations. As a result of rising prices, average size of rental contracts in the city centre was slightly above 600 square meters compared to an average 1,230 square meters in the city outskirts. Overall, 49% of transactions were in the city centre and 51% outside.

Looking at the market by type of building, the units most in demand are buildings that are purely for office use. These account for 74% of annual volumes and 67% of deals done.

The maximum price in the business district was around EUR 34.50 per square meter per month, a 26% rise on the previous year. In and around the Paseo Castellana and surrounding streets, prices rose by 16% although the total increase within the M-30 was 12%. The rise since the start of the year in the prime property market was 30%, outstripping the most bullish forecasts.

In 2007 the current supply of office space is expected to expand by 850,000 square meters, of which 15.5% is pre-sold. Future supply promises to be plentiful with vacancy rates set to rise considerably according to Aguirre Newman. Key points to note include the delivery of Phase II of the Almeda Park (55,000 square meters) and the Meridian Building (22,000 square meters).

In Barcelona, total vacant office space on the market continued its downtrend, falling to 220,000 square meters by the end of 2006, giving an overall vacancy rate of 4.72%, one percentage point below the rate in 2005. Vacancies fell in all districts of the city, except the new business areas which added 31,200 square meters to the city’s office space with the delivery of the first building in the Arlington Business Park, in Viladecans, and the vacancy of three new buildings in Sant Cugat plus one in Cornellá, Parque Arboritum.

Breaking down supply by geographical sector, the highest rents for prime space were being charged in the business district, averaging EUR 25.50 per square meter/month, followed by the city centre, with EUR 22.40 per square meter/month, the new business areas, with EUR 22 and, lastly, the periphery with EUR 16 per square meter/month. Overall, rents were on the rise with the biggest gains being seen in the New Business Areas.
Breaking down shopping centers by type, shows the following picture: the biggest single group are the small shopping centers, which make up 29.2% of the total with a GLA of 1,583,039 square meters. In second place are the Hypermarkets, with 22.5% and a GLA of 1,221,927 square meters. In third place are malls classed as mid-sized shopping centers, with 21.6% of the total and a combined GLA of 2,864,072 square meters.

Geographically, 18.8% of the GLA available is in the Madrid Region and Andalusia. Catalonia has the fourth largest amount of space, with 8.6% of total GLA. The greatest density of shopping centers is in Madrid, with 416 square meters of GLA/1,000 inhabitants, and Asturias, with 396 square meters of GLA/1,000 people.

In 2007, 30 new centers are slated to open, which will add a further 900,000 square meters of floorspace. The trend of recent years is likely to continue, with new GLA added close to the average levels seen over the last five years. Data from consultancy Jones Lang Lasalle indicates that this level of available floorspace, coupled with the large number of projects under development, will lead to a future density of 370 square meters of GLA for every 1,000 Spanish residents.

The new types of retail offer, which have emerged in recent years, have added value to the products and this is reflected in the breakdown of their respective GLA absorption figures: factory outlets (69%), shopping centers (59%) and leisure centers (28%).

1.3.5. The services and environmental sector

European policy in the energy sector is to obtain a sustainable, competitive and secure supply of energy. Renewable energies are playing a key and active part in the struggle against climate change and for energy security. EC Directive 2001/77 set the objective of generating 22.1% of the EU’s electricity consumption from renewable sources by 2010. Since the start of 2007, the European Commission has implemented an action plan to respond to the main challenges facing the sector.

Spain is equally committed to renewable energies and has set a target, in the context of the Directive, that 29.4% of its electricity consumption should be from renewables by 2010.

In the sphere of public policy, one indication of Spain’s commitment to clean energies is the launch of the multi-year Renewable Energies Plan (REP) for 2005-10, designed to raise the percentage of Spanish power consumption coming from renewable sources to 12.5% over the period, an increase of 6.7% on 2005. This is backed with a package of incentives for renewable power worth EUR 1,828 million by 2010.

Renewable energies are seen as strategically important in at least three respects. Environmentally, they make an effective contribution to the reduction in greenhouse gases, particularly CO2. In energy terms, they help reduce Spain’s reliance on oil products and diversify sources of energy by boosting domestic resources. Economically, the sector creates new jobs.

Among emerging renewable energies, photovoltaic (PV) solar energy is one alternative to fossil fuels, particularly since installation subsidies are available from central and from various regional and local governments. Investment in PV farms generating power for sale is a real alternative for investors seeking new outlets for their risk capital.

Over the last 10 years the PV market has been expanding at annual rates of over 40%. In 2006, there were 6,000 MWp of installed capacity worldwide, of which 54 MWp was in Spain, according to statistics from World Watch. It is estimated that another 85,000 MWp needs to be installed to make this energy competitive on the market. This will require investment of close to EUR 50,000 million. Spain has great potential for solar power as daily solar radiation is more than 4 kwh/square meter across nearly the whole of the country. Expert projections suggest it is feasible to be generating 1,000 MWp by 2010. Also, the Spanish PV industry is the second largest in Europe and the fourth-largest world-wide.

Forecasts indicate Spain should become a global leader in this sector, given its combination of plentiful energy resources (solar radiation received plus number of hours sunshine per year), adequate land (appropriate sites) and the technology necessary to generate this form of energy.

There are plans in place to build thermal-solar plants across the southern half of the peninsular, which receives the greatest quota of sunshine, especially in the arid regions of the south-east. The big players of the energy sector are taking steps to identify the best sites for thermal-solar plants. The REP sets a target for this type of power supply of 500 MW installed capacity by 2010.

Biomass currently provides 14% of the world’s total energy needs. But in the European Union as a whole, and in Spain, the proportions are considerably lower at 3.7% and 3% respectively. Nonetheless, the potential...
of biomass as a power source for Spain is, based on World Watch estimates, 24.7 Mtep, if we include urban solid waste, sludge from purification plants, and industrial, forestry, agricultural and livestock waste. The REP provides for biomass to generate 2,039 ktep in 2010, of which 583 ktep will come from thermal biomass generation. The aim for electricity output from biomass is to grow generation by 1,695 MW over the period of the plan through a program that aims to use existing thermal power stations to burn a mixture of biomass and coal.

Regarding the water market, Spain consumes 22,771 million cubic meters/year, according to Spanish National Statistics Office figures for 2005. Of this, 77.7% is for agricultural uses, 15.5% for the household mains supply and 6.8% for industrial use.

As water resources are limited the country is looking to technologies based on desalination of sea water to help keep pace with the current rate of increase in demand.

According to Environment Ministry figures, desalination plants are currently producing 500 cubic hectometers/year. Over the next few years, it is estimated that this volume could be raised to 1,100 cubic hectometers/year. Nearly three quarters of desalinated water is for household and industrial use with the rest being used for irrigation.

Spain currently has over 900 desalination plants in operation. Installed capacity is more than 1.45 million cubic meters/day. Turnover generated by the construction and operation of desalination plants was EUR 360 million last year, an increase of 9% on previous years. Spain has the world’s fourth largest desalination capacity, after Saudi Arabia, the United Arab Emirates and the USA.

Energy efficiency in the desalination process has improved significantly in recent years, making it one of the best policy options. The possible drawbacks of residual brine left over from the process can be perfectly addressed using currently available techniques.

The cost of desalinated water has fallen very substantially over the last few years, basically as a result of reduced energy costs, technological advances and the development of new markets. For instance, the cost of desalinating water for agricultural use has fallen in a brief time from EUR 3/cubic meter to between EUR 0.70-0.45/cubic meter at the plant output.

2007 will be a key year for the AGUA program (action for the management and use of water), an ambitious project that seeks to guarantee 1,100 cubic hectometers of water a year using desalination and other techniques, enough to supply 10 million people.

Of the 31 plants currently planned only 6 are currently onstream. Construction work on most of the remainder is scheduled to start next year. The remaining 25 plants are all expected to be onstream by the start of 2009. Acuamed, the state-owned company responsible for managing most of the infrastructure in the Mediterranean basin, has a budget of EUR 3,000 million. As at December 31, 28% of projects were under construction and 34% had been put out for tender. Calls for tender on the remaining 38% will be launched in 2007.

2. DEVELOPMENT OF THE SACYR VALLEHERMOSO GROUP

2.1. Diversification and growth of a major group

Sacyr Vallehermoso Group produced another exceptional financial performance in 2006, which was a landmark year for all its five divisions: Construction (headed by Sacyr and Somague), Concessions (Itinere), Property Development (Vallehermoso), Property Management (Testa) and Services (Valoriza).

Sacyr Vallehermoso has shown itself to be one of the most profitable and solid companies in the sector both in Spain and on a European scale. This view was shared by the majority of investors who bid up the Company’s share price by 118.45% in 2006, making it the second-highest yielding share in the Ibex-35 index of leading Spanish companies, and valuing the Company at a market capitalization of EUR 12,808.63 at year end. Sacyr Vallehermoso is now the second largest construction group in Spain and the fourth largest in Europe. Its shares ended 2006 on EUR 45, and returned earnings per share (EPS) of EUR 1.95, a 28.29% increase on the EUR 1.52 generated in 2005.

The Group’s expansion and strength over the year were reflected in the consolidated financial statements. Sacyr Vallehermoso’s revenue totaled EUR 4,684.66 million, a 12.15% increase on 2005. Attributable profit was EUR 542.21 million, up by 31.24% on the previous period, which meant the Group was one of the most profitable in the sector. Gross margin, defined as profits from operations as a percentage of revenue, was 18.4%, confirming for another year the Group’s healthy levels of profitability.

The Group made EBITDA of EUR 1,065.74 million in 2006, a 15.39% increase on 2005, giving an EBITDA of...
margin of 22.7% compared to 22.1% the previous year. Cash flow was EUR 744.87 million, a 4.65% increase on 2005.

The balance sheet total at end 2006 was EUR 27,125.84 million, an 89.61% rise on 2005, and equity stood at EUR 3,008.90 million, a 51.98% rise on 2005.

These improvements in growth and profitability in 2006 are locked in going forward by the Group’s healthy backlog in Construction, Concessions, Services, Property Development and Property Management. At December 31, the order book stood at EUR 77,964.56 million, a 14.6% increase on the year before.

The total value of the Group’s property assets (Vallehermoso group and Testa Group) came to EUR 12,392 million at December 31, up by 28.9% on 2005, with unrealized capital gains of EUR 4,841 million, up by 38% on the previous year.

Sacyr Vallehermoso Group invested EUR 11,739 million in 2006, as follows:

- Acquisition of 20.01% of energy company Repsol YPF, S.A. for EUR 6,526 million.
- Acquisition of 30.33% of Eiffage, taking Sacyr Vallehermoso’s total stake in the French company to 32.61%, for EUR 1,780 million.
- In Concessions, the division invested EUR 1,456 million, including EUR 615.77 million to acquire Europistas.
- In Property Development, the division invested EUR 847 million in land and work in progress for new housing developments.
- In Property management, investment was EUR 775 million, including EUR 600 million to buy the “Tour Adria” in Paris, France, and EUR 51 million to buy the Brickell 1401 building in Miami, USA.
- The Services division invested EUR 231 million in developing new energy, water, environmental and multi-service services.

Over the next few pages we set out some of the most significant events that occurred in 2006, followed by reports on events in each business unit.

In 2006, Sacyr Vallehermoso became the leading shareholder of the French multi-services group Eiffage, with 32.21% of the share capital and a total investment valued at EUR 1,868.88 million.

Eiffage is France’s third largest construction company, after Vinci and Bouygues, and European number six by volume of sales. It was founded in 1844 and over its long history has built a series of famous projects such as the Eiffel Tower (1889) in Paris and the Millau Viaduct (2004) in Aveyron, which at 343 meters is the world’s highest bridge.

Eiffage, currently has more than 54,000 employees in an international network that spans 500 subsidiaries, grouped into five divisions:

- Eiffage Construction: the division that brings together all the building and property activities of the group, including construction of homes, shopping centers, industrial buildings, offices and hospitals as well as refurbishment and renovation of historic buildings. In 2006, revenue in this branch of the business was EUR 3,370 million, a 7.7% increase on 2005. Of this, EUR 520 million came from the property business.
- Eiffage Civil Engineering: headed by Appia this division is responsible for all activities related to civil engineering. From construction and maintenance of motorways, ports and high-speed rail links, to the manufacture of mastic, decommissioning and excavation. In 2006, this was the highest earning division in the Eiffage Group, with revenue of EUR, 3,635 million, an 11.6% increase on 2005.
- Forclum: a division bringing together all the group’s electrical and air-conditioning installation activities, including design, installation, operation and management of power and communications (fiber optic) grids. In 2006, revenue in this business was EUR 2,006 million, up by 14.4% on 2005.
- Eiffel: this branch of the business develops all types of metal structures, including oil platforms, metal roofs for buildings, bridges, artworks etc. In 2006, sales from this activity were EUR 244 million, a 31.2% increase on 2005.
- Eiffage Concessions: this division is responsible for construction, operation and maintenance of transport infrastructure concessions. A key point to note is Eiffage’s presence in the company Autoroutes Paris Rhin Rhone (APRR), which was partially privatized by the French government in 2005, and which manages and operates 2,205 km of motorway in the Paris-Dijon-Lyon-Grenoble-Clermont Ferrand corridor. This has made Eiffage one of Europe’s leading concession groups.

Another company to highlight, in this division, is the Compagnie d’Eiffage du Viaduc de Millau which runs the concession on the Millau Viaduct. In 2006, with first-time consolidation of APRR, revenue in the division was EUR 1,490 million, up from EUR 106 million in 2005.
Eiffage has a strong presence across Europe. Outside France its subsidiaries are active in countries including Belgium, Spain, Germany, Poland, Portugal, Italy and Luxembourg.

In 2006, Eiffage made revenue of EUR 10,745 million, a 27.4% increase on 2005, largely thanks to the integration of APRR. Of this, EUR 9,199 million was generated in France (85.61%), EUR 1,421 million in the rest of Europe (13.22%) and EUR 125 million in the rest of the world (1.17%). Profit attributable to the group was EUR 377 million, a 24.8% increase on the prior year period.

In 2006, Eiffage paid a gross dividend of EUR 1.5 per share. Sacyr Vallehermoso's share of this payout came to EUR 21.6 million.

Eiffage's order book stood at EUR 8,740 million in 2006, a 17.3% increase on 2005.

Eiffage is listed on the Paris stock market and ended 2006 with a share price of EUR 72.05, a rally of 57.83% over the year valuing the company at a market capitalization of EUR 6,713.07 million.

In July, Sacyr Vallehermoso and Eiffage formed a coordination group to discuss outlook, strategy and possible joint projects between the two companies. The coordination group comprises the President and CFO of each company and meetings alternate with those of the Eiffage board to consider issues being discussed within each of the two groups.

On August 4, 2006, Sacyr Vallehermoso, via its subsidiary Sacyr Vallehermoso Participaciones S.L.U., acting in cooperation with Telekubx, S.L., launched a full takeover bid for all the shares of Europistas Concesionaria Española, S.A.. The bid was conditional on its securing 27% of the company's capital (36,340,254 shares) and priced at EUR 6.13 per share in cash. Telekubx, S.L., is a company owned by Basque financial institutions Bilbao Bizkaia Kutxa, “BBK”, Caja de Ahorros de Vitoria y Alava, “Caja Vital”, and Caja de Ahorros y Monte de Piedad de Guipúzcoa y San Sebastián, “La Kutxa”. At the time of the bid it held 32.387% of Europistas' share capital.

On October 16, 2006, as a result of the emergence of a rival bidder for Europistas, Sacyr Vallehermoso Participaciones and Telekubx, amended their August offer, raising the price to EUR 9.15 per share. The Spanish market regulator the Comisión Nacional del Mercado de Valores (CNMV) authorised the change to the bid on November 2 and the extension of the term for acceptance of the offer to November 21.

On November 23, the CNMV announced the results of the bid. The joint offer by Sacyr Vallehermoso Participaciones and Telekubx attracted 79,163,578 shares. This was 86.99% of the effective potential take-up of the offer and 58.82% of the Europistas' capital. The bid was therefore successful, exceeding the minimum take-up threshold of 27% set by the bidders.

It left Sacyr Vallehermoso Participadas and Telekubx holding a combined 91.21% stake in Europistas (50% owned by Sacyr Vallehermoso and 41.21% by the Basque savings banks). The aim of the transaction is to develop a long-term industrial project by merging Europistas with Itinere Infraestructuras, S.A., the company heading Sacyr Vallehermoso Group's Concessions division. The merger is scheduled to take place in 2007, and the merged company will trade on the Spanish stock market with a market capitalization of close to EUR 5,000 million, bolstering Itinere's current position as one of the global market leaders in the infrastructure concessions business.

Europistas was created as a public limited company in May 1968. Its main corporate purpose is the construction, maintenance and operation of motorways, tunnels, bridges and toll roads. On December 31, 2006, the company had stakes in the following concessions:

- The AP-1 "Burgos Armiñón" toll motorway: wholly owned by Europistas. This concession expires in August 2018.
- Túneles de Artxanda Concesionaria de la Diputación Foral de Bizcaia, S.A.: Europistas has a 50% stake in this company, the concession holder for the tunnels of Artxanda, which link central Bilbao to the Txorierri corridor, giving access to Bilbao airport. The concession ends in 2048.
- Autopistas de Bizcaia, S.A.: 50% owned by Europistas, this is the operating company for the Bizkaia stretch of the A-8 motorway. The concession ends in 2013.
- Autopista Madrid Levante Concesionaria Española, S.A.: 40% owned by Europistas via Inversora de Autopistas de Levante, S.L., this company holds the concession for the Ocaña (Toledo) to La Roda
The concession ends in 2039, with the option of an extension for another four years.

- Autopista Madrid Sur Concesionaria Española, S.A.: 25% owned by Europistas via Inversora de Autopistas del Sur, S.L., a company in which Sacyr Vallehermoso also has a 10% stake via Itinere Infraestructuras. This is the concession holder for the R-4 Madrid-Ocaña radial motorway. The concession ends in 2065.

Europistas made revenue totaling EUR 69.90 million in 2006 and an attributable profit of EUR 26.05 million. The company is listed on the Spanish Continuous market and ended 2006 with a share price of EUR 7.90 and market capitalization of EUR 1,063.29 million.

On December 22, 2006, the Europistas board of directors endorsed its new membership, appointing Francisco Javier Pérez Gracia as the new President, and Alicia Vivanco González as Vice-Chair, representing Bilbao Bizkaia Kutxa, “BBK”. Also appointed directors were Luis del Rivero, President of Sacyr Vallehermoso, Manuel Manrique, First Vice President and CEO of Sacyr Vallehermoso, Francisco Javier Pérez Gracia, CEO of Itinere, José María Orihuela, general operations manager at Itinere, and Carlos Mijangos Gorozarri, head of Toll Motorways in Spain at Itinere.

In December 2006, Sacyr Vallehermoso, acting through its subsidiary Sacyr Vallehermoso Participaciones Mobiliarias, S.L., became the first leading shareholder of Repsol YPF, S.A.. The position held in the oil company at December 31, was 20.01% after early cancellation of financial instruments contracted with the banks Santander and Citigroup on Repsol YPF shares and direct purchases made in September.

The total investment to secure this position was EUR 6,525.55 million, of which EUR 5,175 million was financed through a long-term syndicated loan, lead arranged by Santander, Citigroup, Calyon and Caja Madrid and involving another twenty-five Spanish and international financial institutions.

The investment in Repsol YPF is in line with Sacyr Vallehermoso’s strategy of diversification and growth and is designed to complement the Group’s other divisions by participating in a long-term business offering sustained profitability which will boost the Group’s margins and profits.

Repsol YPF is the leading oil company in Spain and one of the top ten private oil concerns in the world. It is the leading operator of service stations in Spain and Argentina, with nearly seven thousand filling stations world-wide. It is also the leading distributor of Liquefied Petroleum Gas (LPG) in Spain and Latin America and the world’s number three, with annual volume sales of over 3.6 million tonnes to more than 15 million customers. In chemical products it is the market leader in Spain and Portugal, offering a range of over 2,500 products and is the world leader in agricultural plastics.

Repsol YPF owns stakes in the energy companies Gas Natural SDG, S.A., with 30.847%, and Compañía Logística de Hidrocarburos CLH, S.A. with 25%.

It has nearly 36,000 employees and an international presence in more than 30 countries on five continents through its four main divisions:

- Oil and gas Exploration and Production (E&P): strongly positioned in the strategic regions of South America, the Gulf of Mexico, Caribbean and North Africa.
- Refining and Marketing (R&M): mainly in South America and Europe.
- Chemicals: in countries including Argentina, Mexico, Spain, Portugal, Italy, Denmark and Algeria.
- Gas and electricity: with a strong presence in Spain, South America and Italy.

Repsol YPF’s strong performance in 2006 was reflected in its financial statements. Over the year revenue totaled EUR 53,092 million, a 6.02% increase on 2005. EBITDA was EUR 9,053 million and attributable profit was EUR 3,124 million. Forecasts for the next few years are bullish, being driven by rising demand for oil and gas in both industrialized and emerging economies.

Repsol YPF is listed in Spain, where it forms part of the Ibex-35 index of leading Spanish companies, and in the USA. It ended 2006 with a share price of EUR 26.20 and a market capitalization of EUR 31,986.62 million, making it the sixth largest company in the index and the fifth-ranked in the European oil sector.

On November 29, 2006, the Repsol YPF board appointed Luis del Rivero, President of Sacyr Vallehermoso and Juan Abelló, second Vice President as directors.

Other significant events affecting the Group during the year, in chronological order, were as follows:

At the meeting of the Sacyr Vallehermoso Group board on January 11, 2006, J José Vaz Guedes offered his resignation as director. He was then proposed as Vice-President of Itinere to bolster the international profile of...
the division. He also acts as Vice-President of Somague SGPS, Vice-President of the Brazilian motorway concession company Triângulo do Sol, and director of the Brazilian company Braest as well as director of Sofip SGPS.

To replace Vaz Guedes on the board, the board of directors co-opted Francisco Javier Pérez Gracia, the then corporate general manager of the Company and now CEO of Itinere and President of Europistas.

On March 10, 2006, Sacyr Vallehermoso bought 12,113,908 shares in Itinere Infraestructuras, S.A. (representing 8.625% of the share capital) from CXG Corporación Caixagalicia, S.A., for EUR 119.75 million. Since then it has owned 91.376% of Itinere, the subsidiary that heads the Group’s Concessions division.

On May 5, 2006, the Group held its Shareholders’ Meeting in Madrid. Besides approving the financial statements for 2005, shareholders at the meeting voted to approve, among other measures, a EUR 10,165,579 capital increase via the issue of EUR 10,165,579 shares, each with a nominal value of one euro, charged against unrestricted voluntary reserves, in the ratio of one new share for each 27 old shares. The purpose of this operation was to remunerate shareholders to compensate for their loss of purchasing power due to the rise in the Consumer Price Index (CPI) in 2005. Following the capital increase, the share capital of Sacyr Vallehermoso was composed of 284,636,313 shares, each with a nominal value of one euro. This figure has remained unchanged until the time of writing. The new shares were admitted for trading on July 10, 2006.

Shareholders at the Meeting also went on to ratify in their posts the new directors Satocan Group S.A., represented by Juan Miguel Sanjuán Jover, and Francisco Javier Pérez Gracia with a five-year term of service. The number of board members was set at fifteen, below the statutory maximum of eighteen members.

On October 4, 2006, the board of directors of Sacyr Vallehermoso appointed as a director Carlos Cutillas Cordón as representative of the insurance company Mutua Madrileña.

In 2006, as we explain below, Sacyr Vallehermoso Group continued to grow in all segments where it is active.

2.1.1. Construction (Sacyr-Somague)

The Group’s Construction division maintained its rapid pace of growth in 2006. The Group, in the construction field, won major contracts put up for tender by the various tiers of central government (Development Ministry, Environment Ministry, ADIF, AENA, etc), regional government (Comunidades Autónomas) and local government (municipalities) as well as numerous civil engineering and building contracts won at tenders held by the private sector.

Tenders awarded to Sacyr Vallehermoso in 2006 in Spain include, notably:

- Construction of the Malaga AP-46 “Alto de Las Pedrizas-Málaga” motorway, with a budget of EUR 227.68 million. The mountainous terrain of the project will necessitate the construction of three double tunnels and 18 double viaducts. The road will run for a total of 24.5 km from El Alto de Las Pedrizas to Puerto de La Torre, where it will feed into the western Malaga ring road. The motorway will be run by Group company Itinere under a 36-year concession, extendible to 40 years.

On March 10, 2006, Sacyr Vallehermoso bought 12,113,908 shares in Itinere Infraestructuras, S.A. (representing 8.625% of the share capital) from CXG Corporación Caixagalicia, S.A., for EUR 119.75 million. Since then it has owned 91.376% of Itinere, the subsidiary that heads the Group’s Concessions division.

- Construction of the desalination plant of Águilas-Guadalentín in Murcia. With a total budget of EUR 205.80 million and a scheduled time for completion of 22 months, the project involves construction of a new desalination plant with annual capacity of 60 cubic hectometers (180,000 cubic meters a day). Water produced will supply the community of los Canales del Taibilla (household mains supply to Águilas and Alto Guadalentín) and the water management communities of Águilas, Lorca and Puerto Lumbreras, as well as the water management community of Pulpí. The winning consortium comprises Group companies Sacyr, 25% and Sadyt, 25%, plus the external companies Ferrovial Agromán, 25%, and Cadagua, 25%. The project is part of the Environment Ministry’s ambitious AGUA program.

- Construction of the Valladolid-Segovia “Eresma Highway” between Segovia and Cuellar. The project has a EUR 95 million budget and a schedule of 32 months. The winning consortium comprises Sacyr, 73%, Río Los Ausines, 20%, and Construcciones Lerma, 7%.
• AVE (high-speed railway): Upgrade to 220 km/h of the "Alcázar de San Juan-Manzanares" stretch of the "Madrid-Alcázar de S. J uan" high-speed rail link. The project has a budget of EUR 80.9 million and the winning consortium is composed of Sacyr Group companies and the specialist railways subsidiary, Neopul.

• Construction of the platform for the "Madrid-Saragossa-French frontier" AVE line: on the "Cornellá del Terri-Vilademuls" stretch (Barcelona), with a budget of EUR 80.39 million. The winning consortium is composed of Sacyr Group companies Cavosa, 35%, and Scrinser, 35%.

• Demolition and construction of the new Vigo auditorium and conference centre with a budget of approximately EUR 85.7 million.

• Construction of the shadow-toll motorway between Padron and Santa Uxía de Ribeira (La Coruña), the "Barbanza Highway", for EUR 78.45 million.

• Modernization of the irrigation network in Viar (Sevilla). The project involves work on the irrigation network, including filtering and remote control facilities at the neighborhoods of Cantillana, Villaverde del Río, Burguillos, Guillena, Alcalá del Río and La Algaba. It has a EUR 52.44 million budget and a schedule of 36 months. The winning consortium comprises Sacyr, 80%, and Dominion Instalaciones y Montajes, 20%.

• Extension of the water purification plant at Abrera (Barcelona). With a budget of EUR 48.7 million and a schedule of 22 months to complete, the plant will be the world’s biggest desalination plant using electrodialysis. It will purify 200,000 cubic meters of water a day, enough to supply a population of 800,000. The winning consortium is owned 50/50 by Sacyr Group companies and Sadyt.

• Construction of 500 homes in the municipality of La Línea de la Concepción (Cádiz), for the developer Promaga, S.A.U. with a budget of EUR 44.4 million.

• Construction of 153 homes in Cambrils (Tarragona), for the developer Luma Nuevo Milenio, with a budget of EUR 15.97 million.

• Construction of the link to the industrial estates of Cabanillas del Campo (Guadalajara), with a total budget of EUR 14.42 million. The winning joint venture is owned 50/50 by Sacyr and Rayet Construcción.

• Urban development in the new S4 and S5 sectors of Madrid’s Pinto district, with a budget of EUR 31.95 million.

• Construction of a new building in San Pablo airport (Seville) for EADS-CASA with a budget of EUR 10.96 million.

• Water supply expansion project in Aranjuez (Madrid) and the surrounding region, carrying the Almoguera-Algodar mains supply to the neighborhoods of Colmenar de Oreja and Aranjuez itself. The project has a budget of EUR 28.93 million and a schedule for completion of 14 months. The winning consortium is composed of Sacyr, 80%, and CIOPSA, 20%.

• Construction of the local police station in Saragossa. The project has a budget of EUR 27.27 million and the winning consortium is formed by Sacyr, 65% and Marcobar Ebro, 35%.

• Construction of the new Vic-Olot motorway. The stretch of the C-37 from the Northern exit of the Bracons tunnel-Sant Esteve d’en Bas (la Vall d’en Bas), (Gerona), with a budget of EUR 77.4 million.

• Construction of the new Hospital de Valdemoro (Madrid). With a budget of EUR 38.89 million, this hospital complex will serve a population of over 100,000 inhabitants. It will have 133 beds in individual rooms and is expected to open in 2007.

• Connection between the water purification plants of “La Pedrera” and “Torrealta” in Alicante. The project has a budget of EUR 20.99 million and is scheduled for completion in 18 months. It will supply water from a number of desalination plants to thirteen municipalities in Alicante and to the city of Murcia, serving a total population of 600,000.

• Work on the integrated water supply system for the city of Lugo: construction of a new drinking water treatment plant, a pumping station to move the treated water to a new reservoir and the various pipes that will feed the water infrastructure, with a total budget of EUR 20.61 million. The winning consortium is composed of Sacyr Group companies, 70%, and Sadyt, 30%.

• Renovation of the Catalonia regional police stations of Sant Feliu, El Prat and Sabadell, for EUR 19.09 million.

• Construction of the access to the port of Malaga, phase 2, MA-21 A stretch, with a total budget of EUR 17.73 million.

• Construction of the new Saragossa conference centre. With a budget of EUR 11.13 million, the new 22,285 square meter facility, with capacity for an audience of 1,450, will be built on the site for the 2008 Saragossa Universal Exhibition.

• Construction of a new building in San Pablo airport (Seville) for EADS-CASA with a budget of EUR 10.96 million.
Internationally, the Group won the following project commissions:

• In March, Sacyr Vallehermoso, bidding via a consortium of Itinere, FCC, Portuguese company Soares da Costa Concessoes and Costa Rican company, Corporación M&S Internacional, won the build, finance, operate and maintain concession for the toll motorway “Autopista del Sol” between San José and Caldera, in Costa Rica. The road will be 77 km in length and involve a total investment of EUR 204 million. Construction work will be by Sacyr Costa Rica, S.A. and Itinere Costa Rica will operate the concession over its 25-year life.

• In May, Sacyr won, via its Italian subsidiary SIS, the contract for work to modernize and upgrade a stretch of the old “Salerno-Reggio Calabria” highway in Italy. The road is 31 km in length and the project has an estimated budget of EUR 815 km. The stretch of road covered by the tender runs from the Calore Viaduct (at the 108 km point of the motorway) and the Lauria North link, (at the 139 km point). Due to the mountainous nature of the region, it will be necessary to build 36 new viaducts with a total length of 12.65 kilometers, 13 double tunnels with a length of 14.12 kilometers and 6 double cut-and-cover tunnels totaling 2 km in length.

• On July 24, Sacyr Vallehermoso, bidding as part of a consortium with Itinere, FCC and PJ Hegarty was selected as preferred bidder in a tender process for the design, construction, financing and operation of the “Galway-Ballinasloe” N6 toll motorway in Ireland. The road will be 56 km long with 32 km of access roads and has a budget of EUR 288 million for the construction phase alone. The operating concession, with a 36-year life extendible to 40, will be run by Itinere Infraestructuras.

The Group’s Construction division, headed by Sacyr, S.A.U. and Somague generated revenue in 2006 of EUR 2,620.82 million, an increase of 6.72% on 2005. Gross margin, defined as profits from operations as a percentage of revenue, was 4.9%, confirming the high level of profitability achieved by the division.

EBITDA (operating profit plus amortization and change in traffic provisions) was EUR 190.56 million, a 22.28% increase on 2005, which gave the division an EBITDA margin of 7.27%.

Balance sheet assets for the Construction activity in 2006 were EUR 3,108.24 million.

2.1.2. Concessions (Sacyr-Somague)

Itinere Infraestructuras, S.A., the company that heads Sacyr Vallehermoso Group’s concession business, continued its strong growth in 2006. At December 31, 2006, Itinere had stakes in 20 motorway concessions that were already open for traffic, totaling 2,435 km of road. It was also participating in 13 new concessions currently under construction which will add a further 859 km between them. Geographically, it is present in Spain, Portugal, Chile, Brazil, Costa Rica and Bulgaria. As a result, Itinere ranks as Spain’s second largest motorway operator with a market share of 21.7% by kilometers of road and 17% by revenue. Itinere is also one of the world’s leading infrastructure managers and the number one motorway operator in Chile.

In 2006, Itinere was awarded, in chronological order, the following concessions:

• In January the Castille and Leon Regional Government chose a consortium led by Itinere for a build, maintain and operate shadow-toll concession on the Segovia-Cuellar stretch of the “Eresma Highway” which runs from Valladolid to Segovia. The stretch is 48.5 km in length and will require an investment of EUR 95 million for construction work and another EUR 196 million over the lifetime of the concession. The winning consortium comprises Itinere, 53%, Sacyr, 20%, Río Los Ausines, 20%, and Construcciones Lerma, 7%. The concession will run for 35 years during which time Itinere expects to receive EUR 461 million. The schedule for the road to come into service is 32 months, and ADT is estimated at 10,000 vehicles in the first year of operation.

• On January 26 a consortium including Itinere (60%) and Sacyr (20%) were awarded a 35-year concession to build, maintain and operate the new transport interchange at Moncloa (Madrid). The construction contract for the facility is worth EUR 97 million and work began last March and is due to be completed by May 2007. When completed, it will serve 140,000 bus users a day and another 170,000 metro passengers making it the largest of its type in Spain.
The complex is built on three levels: the first level will have 36 bus bays, the third level will house the metro platforms and the intermediate level will provide the connection between the two services. Feeding into the interchange will be lines 3 and 6 of the Madrid metro, 20 city bus routes and 55 intercity bus routes.

Also under construction is an underground car park for the Moncloa municipal council which will also house the travelers’ lobby.

• On February 10, the Galician regional government awarded a consortium comprising Itinere (80%) and CXG Corporación Caixagalicia, S.A. (20%) the contract for the construction, maintenance and operation of the shadow-toll motorway between Padrón and Santa Uxía de Ribeira, in the province of La Coruña, known as the “Barbanza Highway.”

The concession will run for 30 years and will require an estimated EUR 94 million of investment. The road is 40 km long and, due to the local topography will require 11 viaducts, 31 overpasses, 51 underpasses and one cut-and-cover tunnel. In its first year of operation, it is expected to provide transit for 16,000 vehicles per day, rising to 40,000 by the end of the concession.

• In March, a consortium of Itinere, FCC, Portuguese company Soares da Costa Concessoes and Costa Rican company, Corporación M&S Internacional, won the build, finance, operate and maintain concession for the toll motorway “Autopista del Sol” between San José and Caldera, in Costa Rica. The new road will be 77 km and consists of three stretches: the first, from San José to Ciudad Colón, is 14.2 km in length. The second, between Ciudad Colón and Orotina will be newly built and run for 38.8 km. The third, is an existing 23.8 km single carriageway road between Orotina and Caldera that will be widened and upgraded. The project will require a total investment of around EUR 204 million. Construction work will last for two years and the concession will run for 25 years.

• On July 24, the National Roads Authority selected the consortium formed by Itinere, 45%, FCC, 45%, and PJ Hegarty, 10%, as preferred bidder in the call for tender for the design, build, finance and operate contract for the N6 “Galway-Ballinasloe” toll road in Ireland. The project is in the strategic east-west corridor that will link Dublin to Galway and, besides cutting journey times, will help develop the central and western regions of the country.

The project involves building a 56 km dual carriageway, a 7 km single lane link to the Loughrea bypass and 32 km of access roads. It will also require 4 linking roads, at Glennascaul, Athenry, Carrowkeel and West Ballinasloe, 26 overpass, 6 underpasses, 3 rail crossings, 1 viaduct and a toll terminal close to Cappataggle.

The concession will last for a period of 30-35 years, to be negotiated between the winning bidder and the Irish government and total investment will be around EUR 350 million, of which EUR 288 million will go on construction of the road.

• On September 1 the Spanish Development Ministry awarded the consortium led by Itinere (70%) and Sacyr (10%) the contract to build, maintain and operate the AP-46 “Alto de Las Pedrizas-Málaga” motorway. This contract was the biggest awarded by the Ministry in 2006, with total forecast investment of EUR 367 million and a life of 36 years, extendible to 40. The new road will be 24.5 km long. It starts at El Alto de Las Pedrizas, in Villanueva de Cauche, and passes through the municipalities of Antequera, Casabermeja and Almogia, before ending at Puerto de La Torre (north-east of Malaga), where it will feed into the planned western ring road of the city.

The project passes through particularly difficult landscape which will require the construction of three double tunnels, with a total of 1,863 meters underground and 18 double viaducts, including the Viaduct 12.7 which will have more than 25,000 square meters of roadway slung from piers more than 60 meters high.

The winning bid includes toll-free operation year-round between midnight and 6.00 a.m. for light vehicles and between 10.00 p.m. and 8.00 a.m. for heavy vehicles which is 42% of all the hours in the year. There will also be substantial discounts for regular use, pensioners and people with reduced mobility.

The project will deploy state-of-the-art traffic management technology, notably including automatic tolls, automatic incident detection and direct communications links to the traffic control department. The road will open to the public in December 2009 and is expected to have ADT of 17,000 vehicles.

• In November 2006, Itinere, via its Chilean subsidiary Gesvial, won the tender held by the Chilean Civil Engineering Ministry’s Roads Department, for two
motorway maintenance contracts on the island of Chiloé, Chile. The first of these, which forms part of the Chiloé Investment Plan, is the “Global Conservation North of Ancud Stage I” concession which provides for work on 36 roads in the district of Ancud. The road network to maintain totals 313.5 km with a budget of EUR 1.81 million. The second contract is the “Global Conservation Quellón Stage I, Chiloé Province”, and covers work on 43 roads in the municipalities of Chonchi, Queilen and Quellón. The road network to maintain totals 335.56 km with a budget of EUR 1.52 million.

In December, Itinere opened the final stretch of the MA-15 “Palma Manacor” shadow-toll motorway in the Baleares islands, after three years of intensive work. The opening ceremony was attended by the President of the Mallorca Local Government, Maria Antonia Munar, Vice Presidents Nadal and Mule and other councilors and mayors from the region who emphasized the high quality and modernity of the work done. The road is 41.7 km long, required an investment of EUR 117.81 million and the concession runs for 33 years.

Itinere Group also saw the following corporate events in 2006:

• On January 2006 10, Itinere increased its stake in the company Metro de Sevilla Sociedad Concesionaria de la Junta de Andalucía, S.A. to 31.13%. This associate has as its corporate purpose the construction and operation of Line 1 of the metro in Seville and Itinere already had a 27.83% interest in the company, acquired when Rusvel Concesiones, S.A. sold out of the project.

• In June, Portuguese subsidiary Somague Itinere sold its interest in Brazilian company Viaovite in which it had a 12.49% stake via Somague Itinere Brasil, booking a gain of EUR 3.91 million.

• In August, with the aim of strengthening Itinere’s organizational structure and to be able to implement the Group’s growth and geographical diversification plans with total confidence, Javier Pérez Gracia, was appointed as CEO of Itinere. He also sits on the board of Sacyr Vallehermoso and has, among other positions, been corporate general manager of the Group since June 2003.

• On 30 October, Itinere Chile S.A. completed its purchase of the 42 shares in S. C. del Elqui formerly owned by Excavaciones y Proyectos de Chile S.A. (EPISA).

• In December, with the aim of enhancing the Company’s management structure, the Portuguese concessionaires Oesterota and Autoestradas do Oeste were merged.

• In December, Fernando Ferreyra was appointed CEO of Itinere Norteamérica. He will be in charge of running all Itinere’s US and Canadian operations from the company offices in Washington. DC. Mr Ferreyra, is a graduate in International Relations with an MBA in International Economics and has been involved in more than 45 infrastructure deals in the US, Canada, Spain, Singapore and Latin America. He has held various posts of responsibility, most notably as general manager of Depfa Bank, Vice President of Dexia Credit Local in New York and investment manager at the Inter-American Development Bank in Washington.

In terms of finance, 2006 was another highly significant year for Itinere. The biggest transactions were as follows:

• In April, Itinere signed the contract to fund the building of the AS-18 shadow-toll motorway between Gijón and Oviedo in Asturias, for EUR 105 million with a maturity of 25 years. Putting up the funding were Banesto, Bank of Scotland and Caixa Banco de Investimento, with Jones Day acting as legal advisor.

• In May 2006, the Group refinanced part of the debt of concession companies Autopistas del Atlántico (Audasa) and Autopista Astur Leonesa (Aucalsa), both members of the subsidiary group ENA. This involved a successful issue of tax efficient bonds by these companies for a total of EUR 117.4 million. Specifically, Audasa raised EUR 68.6 million (102.69% of the face value of its issue) and Aucalsa EUR 51.26 million (101.23% of the value of the issue) which illustrates the healthy reception afforded the issue by investors. Given the strong demand, the bonds had to be apportioned pro rata among the would-be subscribers.

• In December, funding was raised for the Group’s specialist service station company, Neopistas. The loan raised was for EUR 12.7 million, arranged with Banco Espíritu Santo. It matures in 14 years with interest paid half-yearly.

Total revenue for the Concessions division headed by Itinere Infraestructuras in 2006 was EUR 411.63 million, a 13.4% increase on 2005, thanks to the healthy growth in traffic for all its concessions and authorised...
toll increases. Gross margin was 53.9%, underlining the sound profitability of this business.

Attributable profit was EUR 19.88 million.

EBITDA was EUR 316.21 million, a 10.1% rise on 2005, giving an EBITDA margin of 76.8%.

The balance sheet total was EUR 5,390.16 million and investment in motorways and other toll roads was EUR 5,306.66 million, with construction capex being EUR 255.87 million. Equity, at December 31, was EUR 418.66 million.

The levels of growth and high profitability of this business are guaranteed going forward by the ample order book, which, at December 31, stood at EUR 55,828.32 million.

2.1.3. Services (Valoriza-Emmasa)

Sacyr Vallehermoso Group’s services business, headed by Valoriza Gestión, S.A., had another good year financially in 2006. The strategy continues to focus on growth and diversification in the services area.

We briefly summarize below the main events affecting each of the business lines that form this unit of the Group: environment, water, energy and multi-services.

Environment

The environment business is run by Sufi. This business line ended 2006 with revenue of EUR 235.21 million, a 22.74% increase on 2005, and profit of EUR 8.13 million. EBITDA was EUR 22.18 million. The balance sheet total was EUR 292 million and equity stood at EUR 65.23 million.

The balance sheet total was EUR 292 million and equity stood at EUR 65.23 million.

Over the year, the division won the following major contracts:

• Management of the Controlled Parking Services in Madrid, Zone 6, covering the districts of Imperial, Acacias, Chopera, Legazpi, Delicias, Adelfas, Estrella and part of Atocha. The winning consortium, in which Sufi has a 60% stake, will be responsible for a total of 29,085 parking spaces controlled by 707 parking meters and patrolled by 300 wardens. The initial term of the contract is eleven years, with the option to extend it for a further 14 years. Total revenue is EUR 336.8 million.

• Cleaning services in Madrid’s Parla district. With a budget of EUR 168.71 million and a duration of ten years.

Water

Since the start of 2006, all activities related to the water cycle, from collection of water to recycling and return to the environment, have been grouped under the brands Valoriza Agua in Spain and AGS in Portugal and Brazil. In 2006, the Group has expanded its full cycle management business by bidding successfully in the biggest privatization tender for a water management business seen in Spain in recent years. For the next 25 years Valoriza Agua will take over responsibility for managing Emalsa, the company responsible for the water cycle in the city of Santa Cruz de Tenerife, serving a population of 220,000 with daily consumption of 55,000 cubic meters. Facilities that will be managed by the company include a seawater desalination plant that treats 21,000 cubic meters of salt water every day.

This new contract is linked to the purchase, in mid-2005, of 33% of Emalsa, the company charged with managing the full cycle for the supply of drinking water to the four largest cities on the island of Gran Canaria, including the regional capital Las Palmas. Emalsa supplies more than 400,000 people and has,
among other facilities, a seawater desalination plant with a daily output capacity of 800,000 cubic meters of water.

Sacyr Vallehermoso has long experience in water management. As well as being the leading supplier in the Canary Islands market it has an extensive presence in Portugal, supplying 1.3 million people in 15 municipalities, including Setúbal, Cascais, Gondomar and Barcelos. It is also active in Brazil where it runs two concessions in Sao Paulo state.

Sadyt is a Valoriza subsidiary and a leading player in the field of desalination. It continued its vigorous expansion in 2006 both in Spain and internationally. Key projects for which it won tenders in Spain in 2006 were as follows:

• Construction of a desalination plant at Águilas-Guadalentín in Murcia. The 60 cubic hectometers annual capacity (180,000 cubic meters per day) will supply the community of los Canales del Taibilla (household mains supply to Águilas and Alto Guadalentín) and water management communities of Águilas, Lorca and Puerto Lumbreras, as well as the water management community of Pulpí. The project is part of the Environment Ministry’s ambitious AGUA program and has a total budget of EUR 205.8 million. The winning consortium includes, among others, Sadyt, 25%, and Sacyr, 25%.

• Integrated water supply system for the city of Lugo: construction of a new drinking water treatment plant, a pumping station to move the treated water to a new reservoir and the various pipes that will feed the water infrastructure, with a budget of EUR 20.61 million.

Outside Spain, in February Sadyt won the contract to supply a desalination plant for the city of Djerba (Tunis) for the state company Sonede (National company for the exploitation and distribution of water). Sadyt will supply the plant pre-assembled in containers, as two lines, each having a capacity of 5,000 cubic meters per day. The plant will then be assembled on its final site. The contract is worth EUR 1.8 million.

Energy

The energy business is conducted under the Valoriza Energy brand. In 2006, the Group continued to develop new engineering projects as well as the construction and management of biomass co-generation plants. Valoriza, and its subsidiary Iberese, have built 80 co-generation plants for private sector clients with a total installed capacity of 800 MW.

The significant events of 2006 affecting Valoriza energy were as follows:

• In November, the Integral Biomass Treatment Complex at Puente Genil (Cordoba) came onstream. This is a pioneering installation that provides end-to-end management for the olive oil industry via three subsidiaries. Secaderos de Biomasa is concerned with extracting olive kernel oil. Compañía Energética Pata de Mulo treats and reduces olive waste at its cogeneration plant. And Biomasas de Puente Genil operates a biomass energy recovery plant to reuse the remaining kernels, olive pulp and other available biomass. Power generated through this last process is fed directly into the grid.

• Also in November, Valoriza Energía reached a cooperation agreement with Israeli company Solel, one of the world leaders in technology for exploiting solar energy, to develop projects in Spain and abroad. The consortium created will initially promote three solar plants with installed capacity of 150 MW, involving investment of more than EUR 700 million.

Multi-services

In the multi-services business, the Group company Valoriza Facilities, a specialist in integrated building cleaning, had an excellent year in 2006, winning major contracts, including:

• Cleaning services on Madrid Metro lines 3, 4, 6, 8, 9 and 11. This includes cleaning 91 stations (74 already built and 17 due to open shortly) and part of the rolling stock, trains and cars. The contract will run for four years, extendible by another year, and will be worth a total of EUR 72 million. An estimated 600 employees will be needed to provide the service.

• Cleaning the buildings and facilities of the University of Malaga, a two-year contract, extendible for a further two years, with a budget of EUR 12 million for the first two years and employing 250 people.

• Cleaning services for the University Hospital of La Princesa (Madrid), a EUR 9 million contract, with a life of two years, extendible for two years more.

• Cleaning of trains used on the Madrid commuter rail network operating out of the stations of Chamartín, Alcalá de Henares, Alcobendas-San...
Sebastián de Los Reyes, Cercedilla, Colmenar Viejo, El Escorial, Guadalajara, Príncipe Pío and Villalba. The contract is for both interior and exterior cleaning, has an EUR 8.2 million budget and runs for two years, extendible by another two.

- Integrated cleaning services for the facilities of the municipality of Leganés (Madrid): sports centers, colleges, old people’s centers, etc. The contract is for EUR 4.3 million and runs for two years, extendible for two years more.
- Cleaning of the centers and facilities of the University of Cantabria, a EUR 2.75 million contract, with a life of two years, extendible for two years more.

Cafestore, a Group company specializing in the operation of motorway service stations, opened the following stations in 2006:

- “Valtierra”: at the 14 km mark of the AP-15, “Navarre Motorway”, in the municipality of Valtierra.
- “Ugaldebieta”: at the 131 km mark of the AP-8 “Cantábrico Motorway”, in the municipality of Abanto-Izerbana (Vizcaya).
- “Manzanares”: at the 167.1 km mark of the A-4 motorway, at Manzanares (Ciudad Real).
- “Quintanilla”: at the 15.4 km mark of the A-52 “Rías Bajas Motorway”, in the municipality of Quintanilla de Urz (Zamora).
- “Hoznayo”: at the 195 km mark of the A-8 motorway in Entrabasaguas (Cantabria).

Valoriza Infraestructuras is the Group’s specialist in road maintenance and conservation. At the end of 2006 it was responsible for maintaining more than 2,300 km of roadway.

The Services division of Sacyr Vallehermoso Group, which also includes management of Emmasa, a subsidiary directly owned by the Group’s Parent Company, ended 2006 with revenue of EUR 512.05 million, a 39.3% increase on 2005. Attributable profit was EUR 17.95 million.

EBITDA was EUR 52.82 million and EBITDA margin was 10.3%.

Cash flow for the sub-group was EUR 196.77 million, a 9.4% increase on 2005.

The Group’s activity in this area over the next few years is assured by an order book that, at December 31, 2006, stood at EUR 9,890.42, a 44% increase on 2005.

The targets for 2007 and subsequent years are focused on the organic development of existing businesses in a bid to achieve the critical mass that will allow the division to optimise profitability in each of its business lines. That said, the Group will be ready to develop new opportunities that allow it to improve profitability and consolidate synergies with other Group activities.

2.1.4. Property Development (Vallehermoso)

The Group’s Property Development division had an excellent year in 2006. It sold 5,131 homes (a 6.36% increase on 2005) generating revenue of EUR 1,654, up by 8.2% on 2005. The number of homes delivered was 3,775.

The geographical distribution of sales contracted in 2006 is as follows: northern zone 24.3%, central zone 22.6%, Catalonia 11.3%, Andalusia 15.6%, Levante 9.1%, Galicia 5.6%, Other 11.5%.

Over the year, Vallehermoso invested a total of EUR 769.2 million in land acquisition, raising its land bank at December 31, to EUR 15.96 million square meters, including 4.2 million square meters developable land, enough for more than 32,448 homes.

Independent consultants CB Richard Ellis valued the property assets of the Property Development division, as of the balance sheet date, at EUR 7,800 million, compared to EUR 6,130 million in 2005. This represents a 27.2% increase with unrealized gains of EUR 3,309 million, compared to EUR 2,338 million in 2005 (a 41.5% increase). Of this value, EUR 4,704 million related to land and EUR 3,096 to work in progress and other assets.

Total revenue for Vallehermoso Group in 2006 was EUR 1,246.75 million. Attributable profit was EUR 214.69 million, an increase of 44.6% on 2005 results and a massive outperformance of the forecasts made in the year.

EBITDA for the division was EUR 330.39 million, an increase of 19.4% on 2005, yielding an EBITDA margin of 26.5%.

Cash flow for the sub-group was EUR 196.77 million, a 9.4% increase on 2005.
The balance sheet total for 2006 was EUR 4,634.06 million and equity stood at EUR 464.52 million, up by 44.39% on 2005.

Contracted sales pending recognition in the income statement at December 31, came to EUR 2,445.69 million, a 20.85% increase on the same date 2005.

2.1.5. Property management (Testa)

The Testa Group, which is responsible for Sacyr Vallehermoso Group’s Property Management division, also had a very good financial year.

In early March 2006, the Vigo municipality awarded the contract for construction and operation of the new “Casa Mar” Auditorium-Conference Centre, to a consortium including companies from Testa Group and Sacyr, with 40% and 10% stakes, respectively. The project has an estimated budget of EUR 85.7 million and the concession is for 35 years. The new building is scheduled for completion in three years.

It is situated on Vigo’s Avenida Beiramar and will incorporate four auditoriums, a hotel, a leisure and shopping centre and a car park.

In 2006, Testa continued its international expansion. At the end of March, it made its first foray into France, buying the “Tour Adria” office block in the exclusive Parisian business district of La Défense. The block has a total of 54,000 square meters floorspace, spread over 40 storeys. The building was completed in 2002 and is fully rented to the multinational oil services company Technip under a long-term lease.

The total investment was EUR 600 million and was made through Tesfran, a new subsidiary set up to handle Testa’s business in France. Tesfran was listed on July 28, 2006 on the Paris stock market at a price of EUR 20 per share, which is its nominal share price. At the end of 2006, Tesfran was trading at EUR 19.5 per share, a decline of 2.56% over the year.

On March 27, 2006, Testa completed the acquisition of an office building in Miami, USA. The building is at 1401 Brickell avenue, Miami’s top business district. It has 17,300 square meters of space on 14 storeys and has just been fully renovated. It is fully rented, its principal tenant being Santander Group, which occupies nearly a third of the lettable area. In 2005, net rents were USD 3.24 million.

As part of the same deal, Testa acquired the option to build a new building on the same lot with a lettable surface area of 38,100 square meters, for EUR 51 million.

These transactions are indicative of the steady consolidation of the business in Miami. Testa already has another building at 111 Brickell Avenue, the “Mellon Financial Center”. Its lettable surface for offices is 48,000 square meters, on 30 storeys, with 1,105 parking spaces. The building occupancy is close to 100%. Tenants include Spanish financial institutions such as Caixanova and CXG Corporación Caixagalicia, S.A., as well as American companies and law firms such as Mellon and Wachovia.

In 2006, the Sacyr Vallehermoso Tower, owned by Testa reached 144 meters in height with 36 floors, giving some idea of the state of progress for this iconic building in Madrid’s new business district. It is scheduled for completion in 2008, when it will measure 235 meters tall with 52 storeys. The building was designed by Spanish architects Enrique Alvarez-Sala and Carlos Rubio Carvajal and will be the only of the four tower complex being built on Real Madrid’s old sporting complex to combine offices with a five star hotel. The hotel will have 450 rooms and services such as a spa, swimming pool and restaurant and be managed by Hotusa group.

The average occupancy across all buildings was 97.9%, a 0.62% increase on 2005, and average annual revenue per occupied square meter was EUR 15.39, a 12.8% increase on 2005.

In the office market, Testa owns 1,542,789 square meters of rental assets which in 2006 generated a total of EUR 245.5 million in rental revenue. Of total rental income, 64.9% is earned from office space (EUR 159.3 million), 15.4% from shopping centers (EUR 37.9 million), 8% from hotels (EUR 19.7 million) and the remaining 11.7% (EUR 28.6 million) from rental of industrial premises, housing, senior citizens’ homes and car parks.

In 2005 Testa set up Gescentesta to improve management of its seven shopping centers, plus those belonging to the real estate investment funds that were
also managed by the division. These are located in various Spanish cities. GescenTesta is thus responsible for a total of 140,014 square meters and 836 commercial units, providing a wide range of commercial, leisure and restaurant services. Occupancy is 92.6%.

In residential letting, Testa manages a stock of 1,355 properties and 1,137 parking spaces, providing a total of 104,803 square meters of space, mainly in Madrid and its suburbs.

Testa's nine hotels provide a total floorspace of 85,674 square meters and 1,884 rooms. These are all high class establishments, fully equipped, and classed as four or five star hotels. For operational purposes they are leased out to top hotel operating chains.

Testa Group generated revenue of EUR 251.17 million in 2006, a 19.6% increase on 2005. Attributable profit was EUR 65.64 million, an 8.1% increase on the previous year. Gross margin was 59.3%, underlining the high profitability of this division.

EBITDA was EUR 190.81 million, a 15.5% rise on 2005 which meant the division generated an excellent 76% EBITDA margin.

Cash flow for the sub-group was EUR 103.85 million, a 25.2% increase on 2005.

The balance sheet total for 2006 was EUR 3,295.54 million and equity stood at EUR 1,148.83 million, up by 6.84% on 2005.

The property assets of Testa Group were valued by the independent consultants CB Richard Ellis at EUR 4,592 million, a 31.9% increase on 2005, with unrealized gains of EUR 1,532 million, a 31.1% increase on the previous year.

2.2. Geographical market

Sacyr Vallehermoso is active, through its subsidiaries, throughout the world. In 2006, it continued to consolidate its business in countries where it is already established such as Chile, Portugal, Italy, the USA, Costa Rica, Brazil, Algeria, etc.

The Group also pursued its firm policy of internationalization and diversification, seeking new geographical areas that offered business opportunities. These included the global presence provided by the Group’s stake in leading energy company Repsol YPF which, as we explain above, has a strong presence in the whole of the Americas, Africa, Europe and Asia.
• Electro-mechanical installations in the New Fatima Church, for EUR 11.5 million.

Outside Portugal, Somague continued to win major projects in all countries where it has a presence, Spain, Angola and Cape Verde. It also continued its geographical expansion, winning an important contract in Ireland. Other notable contracts included:

• Construction of the “Riu Boavista” hotel in the Isla de Boavista (Cape Verde), with a budget of EUR 24.94 million.

• Construction of 58 residential blocks in the Morro Bento Condominium, Luanda (Angola), with a budget of EUR 23.34 million.

• Upgrade to 220 km/h of the “Alcazar de San J uan-Manzanares” stretch of the “Madrid-Alcazar de S. Juan” high-speed rail link. This has a budget of EUR 20.22 million and the winning consortium includes Somague Group’s specialist rail subsidiary, Neopul.

Somague was the most successful of Portugal’s construction companies in riding out the severe economic crisis that has afflicted the country and which has impacted all sectors, including the building industry. Invitations for construction tenders are expected to recover in coming years as a number of important projects are under consideration, in which Somague will also have a presence. These include the new Lisbon international airport, which will require investment of over EUR 3,500 million, the Badajoz-Lisbon and Lisbon-Oporto high-speed rail links, with an estimated investment of over EUR 8,000 million, and the A4/IP4 “Amarante-Vila Real” toll motorway.

Somague ended 2006 with sales of EUR 662.02 million and profit after tax of EUR 7.53 million. EBITDA was EUR 34.4 million, giving the group an EBITDA margin of 5.2%.

The balance sheet total for 2006 was EUR 726.54 million and equity stood at EUR 143.7 million.

In 2006, Sacyr Vallehermoso Group continued to consolidate its Italian presence. Italian subsidiary SIS won a tender for another important project, the modernization and upgrade of a stretch of the old “Salerno-Reggio Calabria” highway into a full motorway. This stretch of road is 31 km long, has an estimated budget of EUR 815 million, and runs between the Calore Viaduct (km 108) and the Lauria North link (km 139). The work passes through a mountainous region and will require the construction of 36 new viaducts with a total length of 12.65 km, 13 double tunnels with a total length of 14.12 km, and 6 double cut-and-cover tunnels with a total length of 2 km.

Another country where the Group continued to develop its presence was Costa Rica. In early February, Group subsidiary Itinere Costa Rica won the concession to build, finance, operate and maintain a toll motorway between San José and Caldera. The road, christened the “Autopista del Sol” will be 77 km in length and will cost a total investment of EUR 204 million. The concession will run for 25 years and construction work is scheduled to take two years.

Itinere Chile has consolidated its position, for another year, as the leading concession company in the country. It has total committed investment of more than EUR 1,600 million and over 620 km of motorways in operation. The following roads are currently in operation: Concesiones del Elqui (228.65 km of roads between Los Vilos and La Serena), Concesión de Los Lagos (Río Bueno to Puerto Montt, 136 km), Ruta 68 motorway (between Santiago and Valparaíso, 109 km) and the Central Coast Road Network (between Cartagena and Algarrobo, 72 km).

Construction work on the Santiago north-east access motorway is progressing on schedule and due for completion by the end of 2008. The new road will become the fifth urban motorway in Santiago, the Chilean capital. It will be 21.5 km in length, with investment forecast at over EUR 160 million. It will provide a high-speed route to the northern and eastern zones of the city, serving a population of over 500,000. It will also pave the way for future development of the Chacabuco Valley, opening up new urban areas for the city of Santiago.

In 2006, Itinere Chile, via subsidiary Gesvial, won several motorway maintenance contracts on the Island of Chiloé. The first of these, which forms part...
of the Chiloé Investment Plan, is the “Global Conservation North of Ancud Stage I” concession which provides for work on 36 roads in the municipality of Ancud. The road network to maintain totals 313.5 km with a budget of EUR 1.81 million.

The second contract is the “Global Conservation Quellón Stage I, Chiloé Province” concession, and covers work on 43 roads in the municipalities of Chonchi, Queilen and Quellón. The road network to maintain totals 335.56 km with a budget of EUR 1.52 million.

Itinere Chile is studying new motorway projects in Chile worth a combined total of USD 330 million. One of these relates to an initiative proposed by the Sacyr Vallehermoso Group to the Chilean government and which has been recognized as in the country’s public interest. This is the concession for Ruta 5 South “Puerto Montt-Pargua”, a 54 km road concession with an estimated investment budget of USD 70 million. Also under consideration is another stretch of the Ruta 5, corresponding to the Northern access to La Serena-Caldera, with a budget of USD 130 million. The concession would include the building, maintenance and operation of 414.4 km of motorway, road widening to dual carriageway over 100 km and upgrade works on the remaining length. The concession would run for 22 years. Another project under study is the 73 km Concepción-Cabrero motorway with a budget of EUR 130 million.

Itinere Chile Group ended 2006 with sales of EUR 63.31 million and profit after tax of EUR 15.7 million. EBITDA was EUR 57.94 million, giving the group an EBITDA margin of 91.5%.

The balance sheet total for 2006 was EUR 1,235.39 million and equity stood at EUR 205.1 million.

Sacyr Vallehermoso Group will continue with its policy of internationalization over coming years, and infrastructure projects and concessions are coming up for tender, including the USA, Brazil, Greece and the new countries of the European Union.

3. TREASURY SHARES

As at December 31, 2006, the Parent Company owned none of its own shares. Having begun 2006 with 2,518,068 Sacyr Vallehermoso shares at the start of 2006 over the course of the year it bought 14,685,962 and sold 17,345,312 shares.

At the Ordinary Shareholders’ Meeting of May 5, 2006, it was resolved to compensate shareholders for the loss in their purchasing power due to the rise in the CPI by increasing share capital by EUR 10,165,579, through an issue of 10,165,579 new shares with a nominal value of one euro each charged to unrestricted voluntary reserves at the rate of one new share for each 27 outstanding. As a result of this operation, the Parent Company acquired a total of 141,282 new shares.

At the balance sheet date, Sacyr Vallehermoso’s share price was EUR 45, a rally of 118.45% over the year which made the Group the second best performer in the Ibex-35.
4. MAIN RISKS AND UNCERTAINTIES FACING SACYR VALLEHERMOSO GROUP

The Sacyr Vallehermoso Group is exposed to a number of risks and uncertainties. The main financial risks are as follows:

- **Interest rate risk:** this is the main risk to which the Group is exposed because of its debt to financial institutions as detailed in the management report. To minimize exposure to this risk the Group's financial management contracts financial instruments to act as cash-flow hedges in respect of interest rates, including swaps, forward rate agreements, options, collars, etc, that will hedge the Company against future foreseeable rate rises.

- **Foreign exchange risk:** it is Group policy to denominate each business's borrowings in the same currency as its cash flows. This level of matching means that at present the Group is not exposed to material exchange rate risk. One risk to note within this category is translation exchange risk, i.e. risks arising from the translation of the financial statements of foreign investments whose operating currency is not the euro.

- **Credit risk:** much of the Group’s revenue comes directly from Spain’s central, regional and local government bodies and those of other geographical markets where the Group is active. These public authorities pay punctually, in accordance with the terms stated in the contracts signed with them. All enjoy excellent credit ratings. For these reasons, the Group has no significant credit risk due to the high levels of solvency of its clients and the short payment periods negotiated with them.

- **Liquidity risk:** The Group maintains adequate liquidity to cover its forecast obligations for the short and medium terms term by arranging credit lines with banks and by making short-term financial investments. Occasional short-term cash surpluses, where it accords with best financial management practice, are invested as highly liquid risk-free deposits. The Group would never consider acquiring share options or futures or any other high risk deposit as a means of investing its cash surpluses.

Other risks to which the Group is exposed are:

- **Environmental risks**
- **Risks of damages caused by construction work.**
- **Risks regarding the anticipation of workplace risks.**
- **Risks of loss of assets.**

The bulk of the Company’s foreign investment is in Chile, a country characterized by a high degree of economic, political and social stability. That said, the Group’s rapid geographical expansion of recent years means that in future it may encounter situations that give rise to foreign exchange risk. In these circumstances, it will consider how this risk can best be minimized through the use of hedging instruments while remaining within the framework laid down by corporate policy.

Uncertainties faced by the Group mainly relate to the Concessions division, headed by Itinere, because of possible changes in the application of EU international financial reporting standards (EU-IFRS), which could have a very substantial impact on present or future reported results of the division and hence the results of Sacyr Vallehermoso. A number of different interpretations of the standards are currently under discussion by the relevant authorities both in Spain and at European level.