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INCOME STATEMENT

The income statement of the consolidated Sacyr Vallerhermoso group, which was created last June, with book effects as from 1 January 2003, is compared with the pro forma figures for 2002, which implies that the bases of presentation are homogeneous. However, two M&A operations which took place in 2003 should be mentioned:

- The agreement reached in December whereby Sacyr Vallehermoso will acquire the majority of capital of the Portuguese construction group Somague. In 2003 Somague's financial statements are consolidated through global integration with effects as from 1 January, since this agreement

CONSOLIDATED INCOME STATEMENT (Thousands of Euros)

	2002*	2003	%03/02
Net Revenues	2,064,152	3,333,748	61.5
Other Revenues	151,580	79,192	-47.8
Total Operating Revenues	2,215,732	3,412,939	54.0
External and Operating Expenses**	-1,761,811	-2,836,058	61.0
Gross Operating Income	453,921	576,882	27.1
Fixed Asset Depreciation	-54,172	-92,446	70.7
Allocation to the Reversion Fund	-8,607	-16,961	97.1
Working Capital Provisions	6,541	-16,297	-349.2
Net Operating Income	397,683	451,178	13.5
Financial Results	-108,373	-106,217	-2.0
Results from Companies carried through the Equity Method	4,594	-2,665	-158.0
Provisions for Financial Investments	-10,735	-2,896	-73.0
Goodwill Amortization	1,439	7,751	438.8
Ordinary Income	284,608	347,152	22.0
Net Extraordinary Income	121,984	121,550	-0.4
TOTAL INCOME BEFORE TAX	406,592	468,702	15.3
Corporate Tax	-72,958	-111,245	52.5
TOTAL INCOME	333,634	357,457	7.1
Attributable to Minorities	-2,550	-23,108	806.2
ATTRIBUTABLE NET INCOME	331,084	334,348	1.0%

* Sacyr Vallehermoso pro forma.

** Including operating and other expenses.

gives Sacyr Vallehermoso effective control over it. However, in 2002 it was integrated through the proportional method which corresponded to the 29.69% stake.

- The acquisition of 50% of ENA's capital, formalized in October 2003, implied its consolidation through global integration as from 1 October, since Sacyr Vallehermoso effectively controls management.

REVENUES

The 61.5% increase in revenues, which rose to Euros 3,333.8 million, is due to both the larger

contribution as a result of the changes in the consolidation perimeter and the positive performance of the different business divisions.

Thus, revenues from the construction division, grew by 38.6% to reach Euros 1,109 million. Sales of housing developments increased by 42.7% to total Euros 965.5 million. Revenues from rentals and property management amounted to Euros 181.6 million, up 26.3% on the same period the previous year, largely due to the new areas that came on

stream, which grew by 11.3%, and to the 8.3% increase in average rental tariffs. The increase in motorway traffic, the higher tariffs and the incorporation of three months of the motorways corresponding to the ENA group led revenues in this division to increase by 24.5% to reach Euros 158.9 million.

The geographical breakdown of revenues reflects a large domestic component, 70.5% of the total. In the foreign markets, the largest revenues come from Somague, the work done in Chile, basically on the Group's contracts there, and from the concessions already in operation, with the building leased in Miami making a marginal contribution.

Revenue performance by business was as follows:



Loranca Station, Metrosur. Madrid

REVENUES BY BUSINESS (Thousands of Euros)

	2002	2003	%03/02
Sacyr	800,112	1,109,004	38.6
Vallehermoso	679,331	969,463	42.7
Itinere	127,655	158,943	24.5
Testa	143,814	181,604	26.3
Valoriza	49,826	48,343	-3.0
Somague	227,971	876,518	284.5
Holding and Others	35,443	-10,127	-128.6
TOTAL	2,064,152	3,333,748	61.5

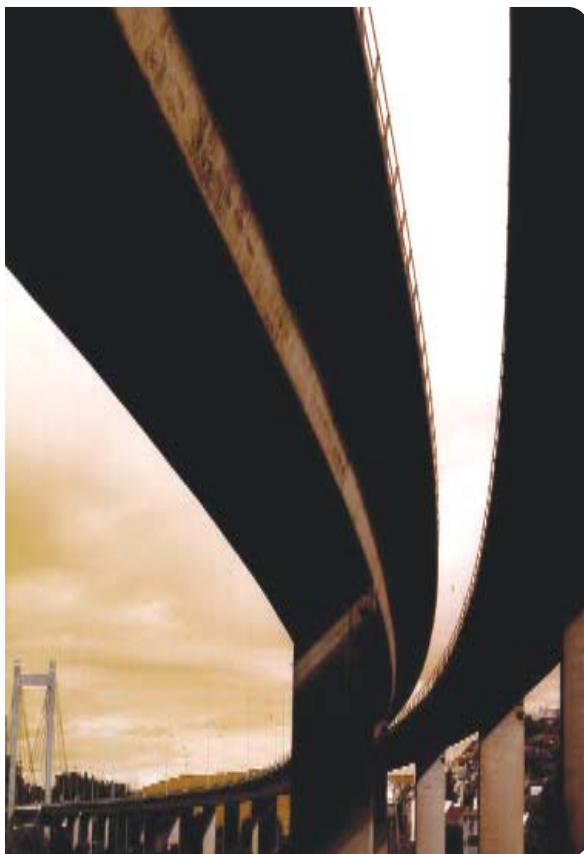
REVENUES BY GEOGRAPHICAL REGION (Thousands of Euros)

	2002	2003	%03/02
Spain	1,771,807	2,350,993	32.7%
Chile	58,059	106,237	83.0%
Portugal	227,971	815,162	257.6%
Other countries	6,315	61,356	871.6%
TOTAL	2,064,152	3,333,748	61.5%

GROSS OPERATING INCOME (EBITDA)

The Group's gross operating income totalled Euros 576.9 million, a 27.1% increase on the same period the previous year. This was due to the larger contribution from all the divisions, but especially the most stable businesses with the largest operating margins, namely concessions and property.

The contribution of recurrent businesses, infrastructure concessions, property for rental and services, accounted for 44.7% of the total, at Euros 257.6 million, as against the Euros 186 million or 40.9% of 2002. The increase in the relative weight of the recurrent businesses will intensify in 2004 and subsequent years, as the contribution of the ENA group, acquired and only consolidated as from last October, was small in 2003.



Atlántico Motorway

The growth businesses and others (construction, housing development and holding) accounted for 55.3% of gross operating income, at Euros 319.3 million, while in 2002 these same activities contributed Euros 267.8 million, equivalent to 59% of total gross operating income.

FINANCIAL RESULTS AND AMORTIZATION OF GOODWILL

In 2003 the performance of net financial results was very positive. They fell by 2% to Euros 106.2 million, despite the increase in bank debt to finance the investments made in 2003, especially in concessions and property. The reasons for this were the lower average cost of debt and the positive effect of translation differences thanks to the strong Euro, which brought revenues of Euros 39.4 million, largely from the contracting business in Chile. Capitalized and deferred interest expenses, mainly deriving from infrastructure concessions in progress and in operation, amounted to Euros 30.5 million.

In 2003 the amortization of goodwill registered a net positive balance of Euros 7.8 million, as the whole of the loss in consolidation existing as a result of Sacyr Chile was carried to results.

Ordinary income amounted to Euros 347.1 million, which was a 21.9% increase with respect to 2002.

EXTRAORDINARY RESULTS

The extraordinary results of Euros 121.5 million were 0.3% higher than the previous year. The bulk of these came from the sale of properties in the

asset turnover process typical of the business. Although it is ordinary business for a property company like Testa, according to the General Accounting Charter it has to be posted under extraordinary items. On the one hand the housing for lease in the streets Emilio Jiménez Millas 2 and Princesa 3 were sold, bringing Euros 56.1 million in revenues. In July an office building was divested of in Madrid with a margin of Euros 40.5 million and some housing was also sold, contributing a further Euros 20.6 million to extraordinary income. This put total income before tax at Euros 468.7 million, 15.3% more than in the same period in 2002.

The higher tax rate accrued during the period as the tax credits available in the property business in 2003 were exhausted, together with the larger share of minorities in the income of Group

companies (basically ENA and Somague) put attributable income at Euros 334.3 million, 1.0% more than in 2002.

REVENUE PORTFOLIO

The backlog orders in hand which guarantee future revenues in the different business divisions totalled Euros 38,515.6 million in December 2003, with an implicit operating margin, according to the margin obtained in 2003, of Euros 25,705.9 million, 184.2% more than in 2002. This sharp increase in future revenues was supported especially by the acquisition and incorporation of ENA which, with long contract periods guaranteed makes it possible to safely forecast substantial revenues and permits a high level of outside financing specific to each project.

REVENUE PORTFOLIO (Thousands of Euros)

DECEMBER 2003	PORTFOLIO	% EBITDA*	EBITDA PORTFOLIO
Sacyr (Backlog orders)	2,124.6	8.5	179.5
Somague (Backlog orders)	1,076.3	5.3	56.7
Itinere (Revenue portfolio)	32,789.2	73.0	23,926.0
Testa (Rentals at expiry)	1,807.0	77.2	1,394.0
Vallehermoso (Pre-sales portfolio)	719.0	20.8	149.8
TOTAL 2003	38,515.6	66.7	25,705.9
DECEMBER 2002			
Sacyr (Backlog orders)	1,635.3	10.8	175.9
Somague (Backlog orders)	297.0	4.7	14.1
Itinere (Revenue portfolio)	11,314.1	65.3	7,390.5
Testa (Rentals at expiry)**	1,806.5	71.4	1,289.1
Vallehermoso (Pre-sales portfolio)	728.0	24.1	175.1
TOTAL 2002	15,780.9	57.3	9,044.7

* Fiscal Ebitda margin as of December 2003.

** Portfolio corresponding to 2003.

BALANCE SHEET

BALANCE SHEET PERFORMANCE

Like the income statement, the balance sheet for 2003 is the one resulting from the merger between Vallehermoso and grupo Sacyr when the former absorbed the latter, while the balance sheet for 2002 is the pro forma for the Sacyr Vallehermoso group as of 31 December.

The 85.5% growth of the balance sheet is largely due to the following factors:

- The consolidation of Somague through global integration instead of the proportional method used in 2002, which implied an increase in assets/liabilities of Euros 576.9 million;
- The acquisition of the concessionaire group ENA, which contributed Euros 2,981 million in new assets/liabilities;
- The increase in investments in land and developments in progress at Vallehermoso, with Euros 1,042 million in investments during the year;
- And, lastly, the acquisitions and investments in assets for rental at Testa, which produced a Euros 490 million increase in its balance sheet as of December.

The table below shows the breakdown and the movements of the main items on the balance sheet.

CONSOLIDATED BALANCE SHEET (Thousands of Euros)

ASSETS	2002*	2003	%03/02
Shareholders' Debt	3,156	0	-3,156
Fixed Assets	3,225,828	6,719,120	3,493,292
Goodwill in Consolidation	109,726	79,917	-29,809
Deferred Charges	266,344	589,873	323,529
Current Assets	2,511,915	3,956,469	1,444,554
TOTAL ASSETS/LIABILITIES	6,116,969	11,345,379	5,228,410
LIABILITIES			
Shareholders' Equity	1,080,078	1,312,054	231,976
Minority Interests	36,478	736,239	699,761
Losses in Consolidation	13,879	612	-13,267
Deferred Revenues	40,426	140,353	99,927
Provisions for Contingencies and Expenses	312,336	572,231	259,895
Long-term Accounts Payable	2,844,814	4,991,187	2,146,373
Short-term Accounts Payable	1,788,958	3,592,703	1,803,745

* Sacyr Vallehermosos pro forma.



Interior of Diagonal 605. Barcelona

FIXED ASSETS

The breakdown of fixed assets as of 31 December 2003 is as shown below:

FIXED ASSETS (Thousands of Euros)

	2002	2003	%03/02
Start-up Expenses	6,093	14,627	8,534
Net Intangible Fixed Assets	105,220	449,628	344,408
Net Tangible Fixed Assets	2,895,624	5,958,560	3,062,936
Financial Investments and Long-term Accounts Receivable	210,560	294,599	84,039
Controlling Company Treasury Stock	8,331	1,705	-6,626
TOTAL	3,225,828	6,719,120	3,493,292

Intangible fixed assets include, amongst other items, the purchase through leasing of twelve properties rented to the Endesa group for Euros 385 million in February 2003.

The most significant fixed assets are land and properties for rental for a total of Euros 1,574.0 million and investment in motorways and other toll roads for Euros 4,107.2 million, with Euros 4,060.7 million corresponding to roads in operation and Euros 46.5 million to work in progress. The rest corresponds to machinery, technical installations and other fixed assets, with the total balance of accumulated depreciation amounting to Euros 397.0

million. In 2003 the existing investments in process continued, with no substantial variations in the amount.

Financial investments include, amongst others, the holdings carried through equity accounting amounting to Euros 134.7 million. In 2003, Guadlametro, the concessionaire company for Line 1 of the new Seville Metro, was added with Euros 23.9 million in attributable investment. This heading also includes other holdings in the securities portfolio amounting to Euros 84.2 million; notable amongst these is the MAAG Holding, with a balance of Euros 38.5 million as of 31 December 2003. Other loans totalling Euros 73.5 million are also posted under the same caption.

CURRENT ASSETS

Overall, current assets increased by Euros 1,444.6, up 57.5% with respect to 2002. This was largely the result of:

- The effect of the global consolidation of the Somague group, mentioned earlier, with an additional contribution of Euros 305.3 million in accounts receivable in the construction business.
- An increase in inventories, largely stemming from the increase in stocks in the residential development business and amounting to Euros 392.4 million, as a result of land purchases and construction in progress on new developments (the higher sales in 2003 with respect to 2002 imply larger investment).
- The growth of accounts receivable deriving from the 42.7% increase in sales reported and the non-renewal of the contracts granting collection rights at Vallehermoso, which had a balance of Euros 228.3 million granted in December 2002.

The movements in current assets are as shown below:



Interior of the Conde de Xiquena Building. Madrid

CURRENT ASSETS (Thousands of Euros)

	2002	2003	%03/02
Inventories	1,388,829	1,844,645	455,816
Accounts Receivable	890,613	1,844,107	953,494
Cash and ST Fin. Inv.	228,265	260,971	32,706
Other Current Assets	4,208	6,747	2,539
TOTAL	2,511,915	3,956,469	1,444,554

SHAREHOLDERS' EQUITY

The Euros 232.4 million increase in shareholders' equity during the period comes from the attributable income of Euros 334.3 million, partially offset by the interim dividend of Euros 66.4 million paid for the year and by the adjustment of the value of the stakes in subsidiaries outside the Euro zone.

Capital stock is represented by 245.81 million shares, each with a par value of Euros 1.00.

FINANCIAL DEBT

The Group's financial debt is reported on the balance sheets of each of the five main business subsidiaries. In this way, it is easier to identify the structure, type of funding, maturities and financial instruments which are most appropriate for each of them, according to the cyclical nature and stability of the different businesses, such as Testa's property business, Itinere's concessions and Vallehermoso's housing development business.

CONSOLIDATED INCOME STATEMENT AS OF 31 DECEMBER 2002* (Thousands of Euros)

	SACYR	ITINERE	VALLEHERMOSO	TESTA	VALORIZA	SOMAGUE	HOLDING	ADJUSTS.	TOTAL
Net Revenues	800,112	127,655	679,331	143,814	49,826	227,971	60,765	-25,322	2,064,152
Other Revenues	104,785	51,669	3,785	3,678	492	2,847	-4,229	-11,447	151,580
Total Operating Revenues	904,897	179,324	683,116	147,492	50,318	230,818	56,536	-36,769	2,215,732
External and Operating Expenses**	-818,818	-95,938	-519,716	-44,866	-50,284	-220,022	-48,076	35,909	-1,761,811
Gross Operating Income	86,079	83,386	163,400	102,626	34	10,796	8,460	-860	453,921
Fixed Asset Depreciation	-8,082	-15,133	-68	-20,951	-809	-5,239	-2,396	-1,494	-54,172
Allocation to the Reversion Fund	0	-8,607	0	0	0	0	0	0	-8,607
Working Capital Provisions	7,922	0	-164	327	-646	0	-901	3	6,541
Net Operating Income	85,919	59,646	163,168	82,002	-1,421	5,557	5,163	-2,351	397,683
Financial Results	-11,022	-26,641	-28,004	-30,201	-1,213	-1,966	104,207	-113,533	-108,373
Results from Companies carried through the Equity Method	20,105	1,677	2,325	252	200	0	0	-19,965	4,594
Provisions for Financial Investments	0	0	0	-7,981	-26	0	901	-3,629	-10,735
Goodwill Amortization	-7,407	2,167	0	-18	-300	-1,057	0	8,054	1,439
Ordinary Income	87,595	36,849	137,489	44,054	-2,760	2,534	110,271	-131,424	284,608
Net Extraordinary Income/Loss	123,626	-92	-2,172	97,408	2,947	3	-680	-99,056	121,984
TOTAL INCOME BEFORE TAX	211,221	36,757	135,317	141,462	187	2,537	109,591	-230,480	406,592
Corporate Tax	-36,708	-9,719	-45,567	-842	1,395	-1,632	7,613	12,502	-72,958
TOTAL INCOME	174,513	27,038	89,750	140,620	1,582	905	117,204	-217,978	333,634
Attributable to Minorities	-380	-1,298	0	0	-131	199	0	-940	-2,550
ATTRIBUTABLE NET INCOME	174,133	25,740	89,750	140,620	1,451	1,104	117,204	-218,918	331,084

* Sacyr Vallehermoso pro forma.

** Including operating and other expenses.

By type of instrument, bank debt predominated, accounting for 76.8% of the total. In terms of maturities, long-term debt carried the heaviest weight, with 73.5% of the total.

Debt at a guaranteed interest rate represented 53.9% of the total and was concentrated in the businesses with the most recurrent and most permanent assets on the balance sheet (concessions and property for rental).

CONSOLIDATED INCOME STATEMENT AS OF 31 DECEMBER 2003 (Thousands of Euros)

	SACYR	ITINERE	VALLEHERMOSO	TESTA	VALORIZA	SOMAGUE	HOLDING	ADJUSTS.	TOTAL
Net Revenues	1,109,004	158,943	969,463	181,604	48,343	876,518	25,566	-35,693	3,333,748
Other Revenues	8,669	48,233	1,020	5,563	534	15,453	85	-365	79,192
Total Operating Revenues	1,117,674	207,175	970,483	187,167	48,877	891,971	25,651	-36,058	3,412,939
External and Operating Expenses*	-1,023,954	-91,196	-768,568	-47,039	-47,373	-845,771	-48,214	36,057	-2,836,058
Gross Operating Income	93,719	115,979	201,915	140,128	1,504	46,200	-22,563	0	576,882
Fixed Asset Depreciation	-11,988	-24,735	-328	-28,442	-1,494	-18,627	-5,282	-1,549	-92,446
Allocation to the Reversion Fund	0	-16,961	0	0	0	0	0	0	-16,961
Working Capital Provisions	-4,787	-78	-5,045	-247	91	-795	-5,436	0	-16,297
Net Operating Income	76,943	74,204	196,543	111,439	101	26,779	-33,281	-1,550	451,178
Financial Results	10,212	-4,382	-24,915	-46,385	-377	-7,552	125,775	-158,594	-106,217
Results from Companies carried through the Equity Method	27	385	292	-3,364	-432	427	-	0	-2,665
Provisions for Financial Investments	61	0	0	-7,439	-701	-1,336	71	0	-9,344
Goodwill Amortization	13,102	-258	-13	0	-790	-3,233	-	-1,057	7,751
Ordinary Income	100,345	69,950	171,907	54,251	-2,198	15,084	92,565	-161,201	340,703
Net Extraordinary Income/Loss	4,652	2,852	-41	125,411	-259	3,475	-1,312	-6,778	127,999
TOTAL INCOME BEFORE TAX	104,997	72,802	171,866	179,662	-2,458	18,559	91,253	-167,979	468,702
Corporate Tax	-32,963	-15,804	-60,462	-17,936	933	-8,629	23,584	32	-111,245
TOTAL INCOME	72,034	56,998	111,404	161,726	-1,524	9,930	114,836	-167,947	357,457
Attributable to Minorities	-427	-14,610	141	0	162	-1,058	-	-7,315	-23,108
ATTRIBUTABLE NET INCOME	71,607	42,388	111,545	161,726	-1,363	8,871	114,836	-175,262	334,348

* Including operating and other expenses.

The Group's financial situation is analyzed in greater detail in the financing section in this chapter.

CONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2003 (Thousands of Euros)

	SACYR	ITINERE	VALLEHERMOSO	TESTA	VALORIZA	SOMAGUE	HOLDING	ADJUSTS.	TOTAL
FIXED ASSETS	130,053	4,618,640	239,209	2,215,718	58,586	298,352	1,454,713	-1,626,360	7,388,910
Tangible	38,533	4,107,232	2,900	1,573,990	36,835	99,346	3,992	95,732	5,958,560
Intangible	34,476	820	2,165	399,912	6,559	498	5,200	0	449,628
Financial Investments and Other	56,523	509,846	234,145	241,815	14,454	123,763	1,445,521	-1,725,264	900,804
Goodwill	520	742	0	0	738	74,744	0	3,172	79,917
CURRENT ASSETS	976,990	184,476	2,471,768	51,753	41,931	517,498	181,676	-469,622	3,956,469
Inventories	73,151	2,039	1,695,492	862	3,599	51,402	843	17,257	1,844,645
Accounts Receivable	536,267	66,894	770,880	37,382	29,432	431,406	67,497	-95,652	1,844,107
Other	367,571	115,543	5,396	13,509	8,899	34,690	113,337	-391,228	267,718
ASSETS = LIABILITIES	1,107,043	4,803,115	2,710,977	2,267,470	100,516	815,850	1,636,390	-2,095,982	11,345,379
PERMANENT RESOURCS	486,581	4,083,258	1,023,224	2,179,501	69,636	403,730	1,111,270	-1,604,522	7,752,676
Shareholders' Equity	334,423	245,760	391,869	921,139	25,703	159,434	661,942	-1,428,217	1,312,054
Interest-free LT Debt	24,905	1,412,248	149,063	40,139	9,836	104,580	197,354	-176,305	1,761,819
LT Financial Debt	127,252	2,425,250	482,292	1,218,222	34,097	139,716	251,974	0	4,678,804
CURRENT LIABILITIES	620,462	719,858	1,687,753	87,969	30,880	412,120	525,120	-491,460	3,592,703
Interest-free ST Debt	609,321	406,104	774,096	29,101	23,239	328,502	224,740	-491,460	1,903,642
ST Financial Debt	11,141	313,754	913,658	58,869	7,641	83,618	300,380	0	1,689,061



Torrente Dike. Huesca



Los Carneros Viaduct. Extremadura

GROWTH DIVISIONS

SACYR GROUP

The Sacyr group's revenues, including those corresponding 100% to Somague, amounted to Euros 1,985.5 million, an increase of 93.1%. If the impact of the incorporation of 100% of Somague in 2003 compared to the 29.69% of 2002 is excluded, growth on a like-for-like basis would also have been significant, 33.2%, as a result of the sharp increase in the backlog orders in hand at the end of 2002.

Combined net income from the construction business (Sacyr + Somague) amounted to Euros 80.5 million, a lower figure than the one posted in 2002, although they are not comparable, because in 2002 a high extraordinary income figure was reported, as a result of the sale of the holding in Iberpistas (Euros 30.8 million) and another Euros 92.8 million from the sale of

Prosacyr. The latter was eliminated on the consolidated financial statements because it corresponded to an internal transaction between Group companies.

The consolidation of Somague through global integration in 2003 stems from the agreement reached on 11 December with the majority shareholders of Somague, the leading Portuguese construction and services company, for incorporating it into the Sacyr Vallehermoso group, which already owned 29.69% of capital. In order to do this, Sacyr Vallehermoso will conduct a rights issue in 2004 and will then launch a take-over bid in the Portuguese market for the remaining 6.03% of Somague's capital.

The object of this operation is to enhance the group's competitive position in the construction sector in countries such as Portugal and Brazil, where major infrastructure projects are being developed, and to increase the order book for the group's other businesses, in view of Somague's presence in both infrastructure contracts and real estate and services.

At the end of 2003, there was Euros 3,200.9 million in the backlog orders in hand, equivalent to 19.3 months of activity. The increase with respect to 2002 was due to both Somague's higher relative weight (21.6% of the total in 2003) and the good performance of contracting last year.

BACKLOG ORDERS IN HAND (Millions of Euros)

	2001	2002	2003
Spain	1,201.4	1,496.3	1,839.2
Portugal *	412.3	297.0	1,076.3
Other Countries	203.0	139.0	285.4
TOTAL	1,816.7	1,932.3	3,200.9

* Through Somague by proportional integration in 2001 and 2002 and by global integration in 2003.

The majority of backlog orders are still from the domestic market, which accounts for 57.5% of the total and, despite the sharp increase in the work executed in 2003, the order book grew by 65.6%.

The most important contracts won during the year were as shown below:

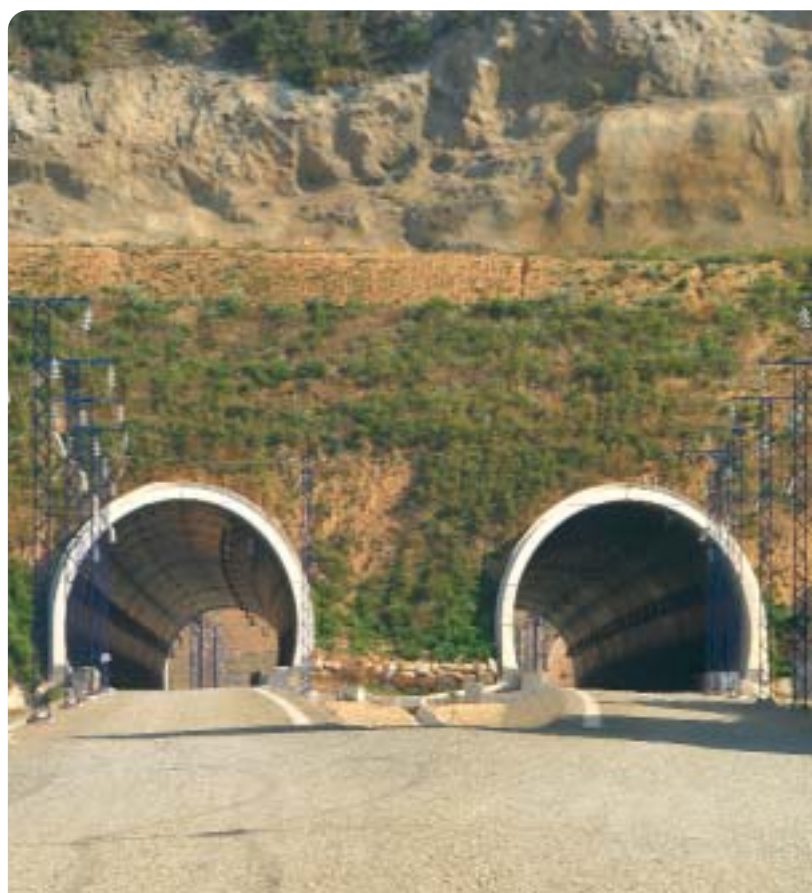
MAIN CONTRACTS (Millions of Euros)

	2003
Seville Metro	121.9
Pajares High-speed Rail Tunnels	119.6
North-eastern Access	108.9
C-Real Airport	63.4
Track for Alcira-Algemessi High-speed Rail Link	39.5
Stretches 4,5 and 18 of the Navarra Canal	31.1
Palencia-Ahuilar del Campoo Dual Carriageway	20.8
Contadores Irrigation Facilities	24.1
Other Civil Works	356.5
CIVIL WORKS	885.8
BSCH-Stage 2 Hotel and Training Centre	29.9
Pórtico Building	24.2
Señorio del Pinar Housing	20.1
Nova Benicalap Housing	11.0
Sanchinarro TR2 Housing	13.3
Refurbishment of Capitán Haya Building	12.0
Refurbishment of Principe de Vergara, 187	10.5
Other Building	167.2
BUILDING	288.2

The work adjudicated last year amounted to Euros 2,079.7 million. Notable amongst the main contracts won are the following:

- Railway works contracted by the GIF (railway infrastructure manager), on the stretches of the high-speed rail link in the Pajares tunnel for Euros 119.6 million and the track for the Alcira-Algemessi stretch for Euros 39.5 million.
- Motorway accessing the northeast of Santiago de Chile (Autopista de Acceso Nororiental) for an adjudicated amount of Euros 108.9 million.
- Litoral Centro motorway, adjudicated to Somague for Euros 125 million.
- Construction of Line 1 of Seville's future Metro for an attributable amount of Euros 121.9 million, won in conjunction with other companies.
- Execution of the first stage of Ciudad Real airport, for Euros 63.4 million.
- Execution of the second stage of the Campo Lúdico in Alcachete, work to be executed by Somague for Euros 49.8 million.

Roda de Bara Tunnels. Tarragona



VALLEHERMOSO

In 2003 Vallehermoso's sales rose by a notable 42.7% to Euros 969.5 million, with net income of Euros 111.5 million, 24.2% more than in 2002. Sales corresponding to housing amounted to Euros 928.9 million and the remaining Euros 40.6 million comes from the sale of land and other products.

The sales margin was of 20.8%, as compared to the 24.1% of 2002. This reduction is explained by the fact that several developments with a very low historical land cost were reported, including Prado de Somosaguas in Madrid.

Housing sales contracted performed consistently during the period, to reach Euros 901.6 million, up 7.9% with respect to 2002. As of 31 December 2003 the sales commitments pending reporting amounted to Euros 719.0 million.

The following table shows the performance of sales contracted and the operating margin on housing and land in 2003:



Vinjoy Development. Asturias

Land purchases were particularly notable in 2003, with investment of Euros 579.1 million, equivalent to 7,246 homes. The breakdown of the land purchased in the different geographical regions was as follows:

Location	Equivalent Product
• Centre	1,516 homes
• East	1,571 homes
• North	2,622 homes
• Northeast	539 homes
• Canaries	430 homes
• South	568 homes
TOTAL	7,246 homes

CONTRACTED SALES (Thousands of Euros)

	2002		2003	
	SALES	MARGIN*	SALES	MARGIN*
Land	38,797	13,222	41,469	2,770
Development	835,410	204,956	901,586	218,723
Other products	3,426	793	0	0
TOTAL	877,633	218,971	943,055	221,493

* Direct margin (only including direct operating expenses).

Thus, the land bank for the residential product totalled 2.95 million sq. metres last December, equivalent to 17,566 homes and a guaranteed period of work of 4.6 years, a 15% increase on the 4 years' future work at the end of 2002. This policy ensures activity in the long term because the land bank is extensive, geographically diversified and is sufficiently advanced in terms of planning permission and other formalities.

RECURRENT DIVISIONS

ITINERE

Itinere Infraestructuras' contracting business performed well, with revenues amounting to Euros 158.9 million, 24.5% more than in 2002, thanks to the good traffic performance in the different contracts, the opening of new stretches of existing dual carriageways and the acquisition of the ENA group in October 2003.

In 2003 average daily traffic increased in all the franchises with respect to the previous year. On the roads in Spain, the increase outstripped general economic growth by 2%, with notable increases on the major roads. Thus, at Audasa, with 20,583 vehicles a day, traffic grew at a year-on-year rate of 5.4% and the length of road increased by 13% towards the end of the year, with the addition of the last stretch of the contract won, the northern access to Ferrol, with a further 24.7 km in operation. Traffic at Aucalsa and Audenasa increased by 4.6% and 4.9% respectively, while Avasa registered a 3.9% rise in the volume of vehicles during the year. Aunor and Euroglosa M-45 reached record traffic levels when the two franchises came on stream, with growth rates well above 10% in both cases with respect to the previous year.

Business in Chile, where revenues are high and guaranteed in the concession framework, gradually improved in terms of traffic levels from the beginning of the year, in line with the progressive recovery of the economy. Thus, the opening of the two stretches of the Red Vial Litoral Central contracts and the 36 km Viña del Mar-Quilpué stretch, in the Rutas del Pacifico contract in the second half of the year, had a notable effect and led to considerable traffic growth.

The new contracts obtained in 2003 were for Line 1 of Seville Metro, with total revenues foreseen for the whole of the period of the contract of Euros 592.5 million and the Acceso Nororientado a Santiago de Chile, consisting of a 21.5 km motorway for a period of 40 years, with a forecast contribution of Euros 822.7 million during the time it is operated.

Worth a special mention is the adjudication last May of the privatization of ENA to the consortium led by Itinere with a 50% stake, for Euros 1,586 million plus the shareholders' equity generated until the date of transfer of the balance sheet, which resulted in a final quantity of Euros 1,621 million.

This operation was formalized in October and its contribution to results for the year corresponded to the last three months, since the accounting date of the transfer balance sheet acquired was 30 September 2003. Its contribution boosted the concessions portfolio to over 2,600 km of motorways in operation. ENA has a total of 474 km of motorways in operation divided between five contracts in Spain and other minority stakes in Spain and Chile. This acquisition will also imply an increase of over 50% of Itinere's forecast revenues as from 2004.

TRAFFIC (Average Daily Traffic)

COMPANY	STRETCH	2003	2002	%03/02
Avasa	Bilbao - Zaragoza	12,843	12,358	3.9
Audasa	Ferrol - Tuy	20,583	19,521	5.4
Audenasa	Irurzun - Tudela	14,883	14,194	4.9
Aucalsa	León - Campomanes	8,049	7,696	4.6
Aunor *	Alcantarilla - Caravaca	9,881	8,408	17.5
Autoestradas	A Coruña - Carballo	11,554	10,885	6.1
Autoestradas	Puxeiros - Val Minor	6,887	6,426	7.2
Euroglosa 45	Tramo N-V a N-IV	78,495		
TOTAL SPAIN		84,680	79,488	6.5
S. C. Del Elqui	Los Vilos - La Serena	2,838	2,881	0.0
S. C. De Los Lagos	Rio Bueno - Puerto Montt	4,008	3,933	0.0
S. C. Rutas del Pacifico	Santiago - Valparaiso	16,193	14,204	0.0
S. C. Red Vial Litoral Central	Algarrobo - Casablanca	2,851		
TOTAL CHILE		25,890	21,018	23.2
TOTAL IN OPERATION		110,570	100,506	10.0

* In 2002 through equity accounting.

The acquisition of ENA was effected by means of a syndicated loan for Euros 1,200 million, agreed between the purchasing consortium and the forty financial institutions forming part of it. Thus, considering the foreseen revenues from ENA, together with the Itinere group's other contracts, total future revenues grew significantly to Euros 32,789 million as of December 2003, 189.8% more than in 2002.

This significant growth of recurrent revenues from the business implies that revenues forecast for

2004, when the acquisition of ENA will have full effect, represent just over 1% of the total portfolio existing last December, with over 90% coming from the domestic market.

In respect of the current investments in operation, apart from the acquisition of ENA mentioned above, the contribution of Avasa's 300 km Bilbao-Zaragoza motorway should be highlighted. Work in progress on other highways involved an investment of Euros 115.6 million.

INVESTMENTS (Millions of Euros)

	SyV INVESTMENT
Avasa	659.8
Audasa	1,641.0
Audenasa	340.3
Aucalsa	727.6
Aunor	43.6
Acega	2.3
Autoestradas	141.0
Euroglosa 45	7.4
TOTAL SPAIN	3,569.1
S. C. Del Elqui	205.5
S. C. De Los Lagos	215.1
S. C. Rutas del Pacifico	167.4
S. C. Red Vial Litoral Central	13.4
TOTAL CHILE	601.5
TOTAL IN OPERATION	4,170.5


Atlántico Motorway
TESTA

In 2003 Testa reported Euros 181.6 million in revenues from rentals and property management, 26.3% more than in 2002. Net income rose to Euros 161.7 million, a 15% increase on the preceding year, despite being affected by the normalization of the tax cost, after the offset of all the negative tax bases pending at the end of 2002 was completed.

Revenue growth is due to the 15.3% increase in average leasable area, because the average unit revenue rose by 7.0% as a result of rent revision and the incorporation of assets with a higher level of average revenues by area.

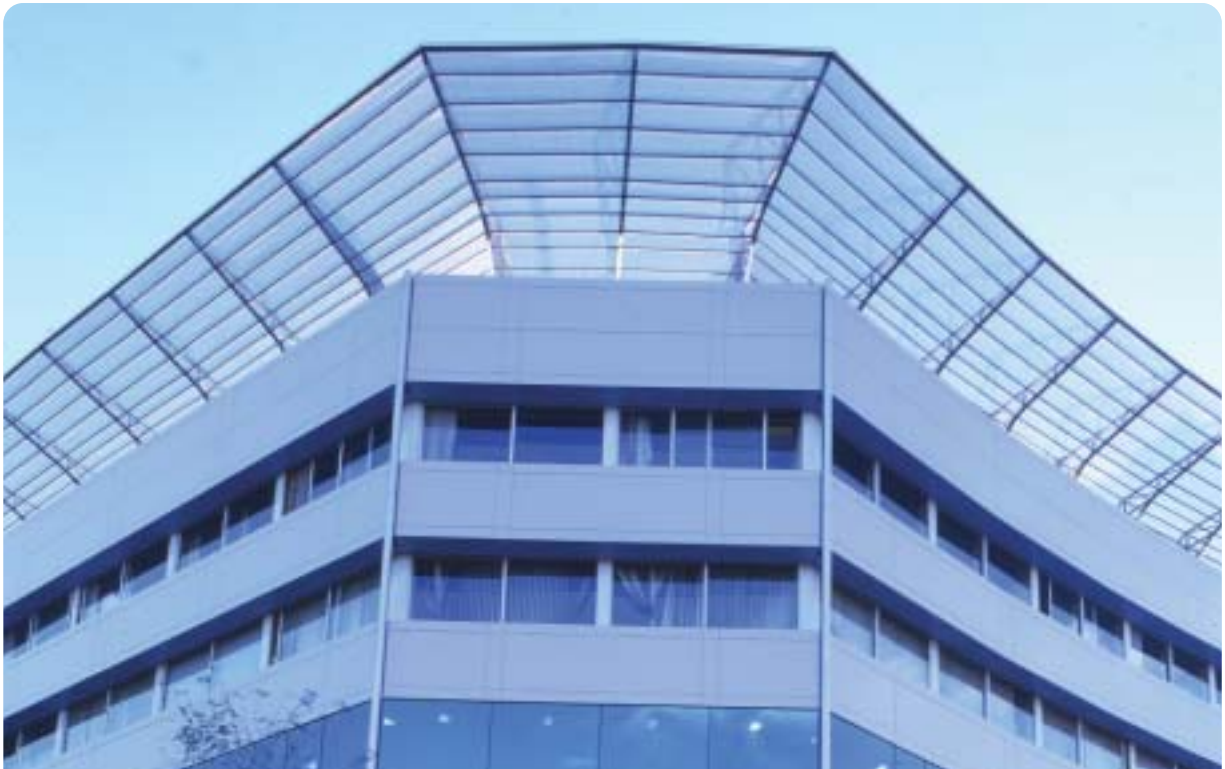
The following table shows the performance of the factors which explain the variation in revenues from rentals:

RENTALS

	2002	2003	%03/02
Revenues (Euros '000)	143,814	178,508	24.1
Average Occupied Area (m ²)	1,134,358	1,315,350	16.0
Average Unit Revenue (€/m ² /month)	10.57	11.31	7.0
Average Leasable Area (m ²)	1,216,270	1,401,771	15.3
Average Occupancy Rate (%)	93.3	93.8	0.6

The reduction in the occupancy rate in respect of the previous year is entirely due to the fact that two office buildings in Madrid started to be refurbished. Pre-marketing of these buildings is well advanced: a contract has been signed for one of them, which will be the future head office of Uría y Menéndez, and the outlook is positive for the other. Thus, if the occupancy rate for all the assets in operation is adjusted for this effect, it would have been 96.5% last December.

Amongst the most significant investments is the purchase of twelve office buildings from Endesa for Euros 385 million, with an area of 110,491 sq. metres. The company remains in the buildings as a tenant for periods of between 5 and 25 years. This transaction increased office space by 26% and implies 28% growth of Testa's net revenues from rentals.



Pedro de Valdivia Building. Madrid

The transaction was completed on 15 February 2003 and was financed through long-term leasing (14 years).

The main asset disposals were the 414 apartments in the streets Princesa 3 and Emilio Jiménez Millas 2, for Euros 70.9 million, which contributed a margin of Euros 56.1 million.

Moreover, in July, the office building in street Martínez Villergas in Madrid was sold for Euros 79 million. This sale brought a margin of Euros 40.5 million.

According to the latest appraisal conducted by the independent expert C.B. Richard Ellis, as of 31 December 2003 the market value of the property assets amounted to Euros 2,737.2 million, 12.3% more than in 2002.

PROPERTY (Thousands of Euros)

	SALES		RESULT IN SALES	
	2002	2003	2002	2003
Philips Building		79,000		40,457
Princesa 3		58,193		46,042
Emilio Jiménez Millas 2		12,727		10,049
Others	191,534	33,101	76,792	27,200
TOTAL	191,534	183,021	76,792	123,748





Avenida del Partenón Building. Madrid

• Financing

One of Sacyr Vallehermoso group's strengths is its balance sheet structure, which corresponds to the nature of its business activities.

The Group has substantial capital investments to carry out its real estate activities (Testa), residential development (Vallehermoso) and the operation of infrastructure concessions (Itinere).

These activities present balance sheets showing fixed assets (Testa in the form of property for rental, and Itinere, motorways and other toll roads) and current assets (Vallehermoso for the purchase of land and investment in construction in progress) which generate recurrent revenues and cash flow, and also bring high margins. Investments have mostly been financed in the medium and long term with leverage.

The Group also carries out cash-flow generating activities such as services (Valoriza) and construction (Sacyr + Somague) which require operating investments which are included in current

assets and are financed at shorter terms than the investments mentioned earlier.

The table below shows the details of Group's interest-bearing debt and its repayment terms, separating the debt held by Itinere, Testa and Vallehermoso's (activities with capital investment) from the rest.

BREAKDOWN OF NET DEBT (Thousands of Euros)

	SyV GROUP		CAPITAL INV. BUSINESSES	TOTAL
	CORPORATE	ASSOC. PROJECTS		
Long-term	453,822	99,221	4,060,390	4,613,433
Short-term	391,687	11,095	1,279,496	1,682,278
Total Debt	845,509	110,316	5,339,886	6,295,711
NET DEBT	716,500	110,316	5,207,924	6,034,740
SHAREHOLDERS' EQUITY	1,312,054			
Leverage	54.6%			

Real estate assets (Testa and Vallehermoso) were valued by the independent expert C.B. Richard Ellis as of 31 December 2003, and the motorway concessions amount to an investment (at cost) in toll roads of more than Euros 4,300 million.

The total amount of these assets can be broken down as follows:

The group has assets with a market value or investment cost of Euros 9,370.9 million. As the Sacyr Vallehermoso Group's total net debt amounts to Euros 6,034.7 million, if the assets of Testa, Vallehermoso and Itinere were sold, not only would the debt be reduced by that amount but there would be a cash surplus of Euros 3.336,1 million.

LEVERAGE (Thousands of Euros)

	TOTAL
CB Richard Ellis Valuation of Testa	2,737,200
CB Richard Ellis Valuation of Vallehermoso	2,317,648
Motorways in operation and under construction	4,316,032
TOTAL ASSETS	9,370,880
Total Net Debt	6,034,740
DEBT/ASSET VALUE	64.4%

DEBT OF ITINERE, TESTA AND VALLEHERMOSO

BREAKDOWN OF NET DEBT (Thousands of Euros)

	ITINERE	TESTA*	VALLEHERMOSO	TOTAL
Non-convertible bonds	915,936	0	0	915,936
Promissory Notes	186,000	0	0	186,000
BONDS AND OTHER MARKETABLE SECURITIES	1,101,936	0	0	1,101,936
Mortgages	0	932,271	8,476	940,747
Transferable Mortgages	0	0	191,279	191,279
Leasing	34	257,091	803	257,928
Loans	1,592,579	0	228,970	1,821,549
Credit Lines	29,837	6,268	950,145	986,251
Discount of Drafts	0	32	12,459	12,491
German Method	0	0	0	0
DUE TO BANKS	1,622,450	1,195,662	3,818	2,821,930
TOTAL DEBT	2,724,386	1,195,662	1,392,132	5,312,180
Accrued Interest	14,612	9,276	3,818	27,706
ST Financial Investments and Cash	-113,286	-13,511	-5,165	-131,962
NET DEBT	2,625,712	1,191,427	1,390,785	5,207,924

* Euros 72,151 thousand in interest on leasing not included.

As mentioned earlier, these activities have assets whose market value or investment cost amounts to Euros 9,370.9 million and they also have the highest EBITDA margins. They have a portfolio of recurrent revenues based on documents signed by customers in the case of the

housing rental or sale/purchase contracts, and based on expected traffic in the case of motorways, which enables revenues to be forecast with a high degree of accuracy and certainty, and permits a high level of use of specific outside financing for each project.

REVENUE PORTFOLIO 2003 (Millions of Euros)

	PORTFOLIO	%EBITDA*	EBITDA PORTFOLIO
Itinere (Revenue portfolio)	32,789.2	73.0	23,926.0
Testa (Rentals at expiry)	1,806.5	77.2	1,393.9
Vallehermoso (Pre-sales portfolio)	719.0	20.8	149.8
TOTAL	35,314.7	72.1	25,469.6

* Fiscal Ebitda margin as of December 2003.

ITINERE

Itinere's debt corresponds to the financing of infrastructure concession projects (mainly toll motorways), and is linked to the cash flows generated by these projects; its debt structure

depends on the concession holders' economic-financial plans, and debt is repaid using their net revenues and dividends.

DEBT: BREAKDOWN OF BONDS AND OTHER MARKETABLE SECURITIES (Thousands of Euros)

	AMOUNT	CURRENCY	ISSUE YEAR	MAT.YEAR	INTEREST RATE	COMPANY	L. TERM	S. TERM	TOTAL
Bonds	50,643	Euro	1996	2006	4.3%	Aucalsa	50,643	0	50,643
Bonds	193,000	Euro	2003	2013	3.8%	Audasa	193,000	0	193,000
Bonds	180,304	Euro	2002	2012	4.3%	Audasa	180,304	0	180,304
Bonds	66,111	Euro	2001	2011	4.2%	Audasa	66,111	0	66,111
Bonds	65,327	Euro	1998	2008	3.5%	Audasa	65,327	0	65,327
Bonds	63,124	Euro	1996	2006	4.7%	Audasa	63,124	0	63,124
Bonds	59,773	Euro	1995	2005	5.1%	Audasa	59,773	0	59,773
Bonds	30,004	Euro	1997	2007	Libor-1.7%	Audasa	30,004	0	30,004
Bonds	53,197	Euro	1995	2005	3.5%	Audenasas	53,197	0	53,197
Bonds	22,584	Euro	1996	2006	2.0%	Audenasas	22,584	0	22,584
Bonds	5,712,000	Chile UF	2002	2026	6%-6.3%	R. Pacifico	131,869	0	131,869
Promissory Notes	186,000	Euro	2003	2004	2.5%	Aucalsa	0	186,000	186,000
TOTAL							915,936	186,000	1,101,936



La Carmelina Development. Cantabria

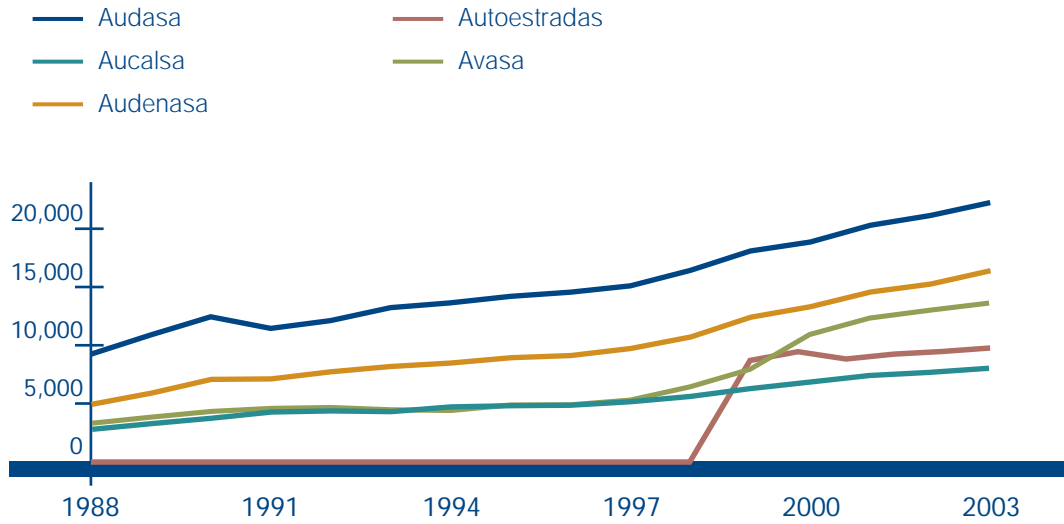
BREAKDOWN OF BANK DEBT (Thousands of Euros)

	AMOUNT	CURRENCY	ISSUE YEAR	MAT.YEAR	INTEREST RATE	L. TERM	S. TERM	TOTAL
LOANS								
Aucalsa						2,372		2,372
Audasa	156,128	Euros	1996/2003	2006/2010	3.56%-5.07%	141,420	3,677	145,097
Audenasa	3,239,000	Yens	1988	2005	2.15%	795	18,029	18,824
Autoestradas	15,025	Euros	1998	2005/2016	5.07%	15,151		15,151
Enaitinere	600,000	Euros	2003	2010	Euribor + 170bp	600,000		600,000
Aunor	28,905	Euros	2000	2023	Euribor + 115bp	27,704	1,201	28,905
Avasa/Avasacyr	501,680	Euros	1996/2001	2004/2013	Eb + 110pb/175bp	451,265	18,257	469,522
Sacyr Chile/Cavosa/UTES		Euros	2002/2003	2005/2006	Average: Eb + 100bp	16,111	32,300	48,411
Elqui	142,595	USD	2002	2010	2.76%	101,255	10,587	111,842
Litoral Central	1,145,000	Chile UF	2000	2024	Bank rate + 190bp		18,464	18,464
Los Lagos	170,820	USD	1999	2012	2.76%	126,880	7,111	133,991
TOTAL LOANS						1,482,953	109,626	1,592,579
LOAN AGREEMENTS								
Avasa	16,500	Euros	2001/2003	2004	Euribor + 30bp		3,494	3,494
Itinere Infraestructuras	46,500	Euros	2003	2005/2006	Eb + 35pb/ + 50bp	26,343		26,343
TOTAL AGREEMENTS						26,343	3,494	29,837
Leasing						13	21	34
TOTAL BANK DEBT						1,509,309	113,141	1,622,450
Accrued Interest							14,612	14,612
Cash							113,286	-113,286
TOTAL						2,425,245	427,039	2,625,712

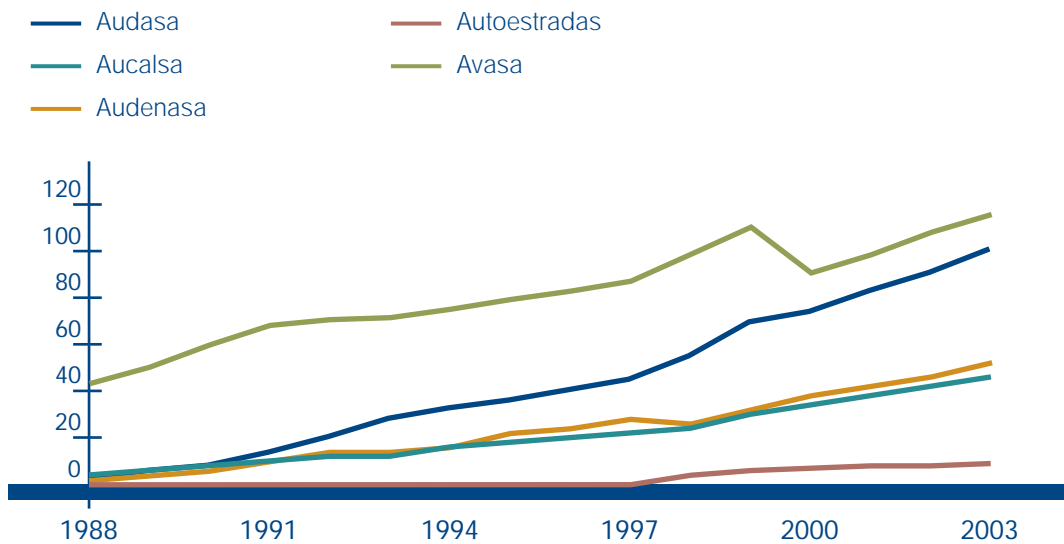
The most important loans are those held by the subgroup Enaitinere (Audasa, Aucalsa, Autoestradas Audenasa and Enaitinere) and by Avasa, which are well established motorway concession companies, with a proven capacity for cash generation thanks to the stability of their

revenues. The Bilbao-Zaragoza motorway operated by Avasa was opened in 1976 and, since then, its traffic levels and toll revenues have grown constantly, as have those of the five motorways operated by concession holders in the subgroup Enaitinere.

TRAFFIC: ADT (Average Daily Traffic)



TOLL REVENUES (Millions of euros)



Itinere uses interest rate hedging transactions to guarantee the return on its different projects.

INTEREST HEDGING (Thousands of Euros)

COMPANY	AMOUNT
Avasa	210,825
Avasacyr	132,291
Aunor	22,062
Enaitinere	480,000
Enaitinere	1,199,919
Rutas del Pacifico	131,869
HEDGED	2,176,966
% of Total	79.9%

TESTA

Testa's debt consists mostly of mortgages taken out on certain of its leased properties, plus the real estate leasing used to finance the acquisition of 12 properties leased to Endesa in 2003.

According to the appraisal effected by CB Richard Ellis, at 31 December 2003 the market value of the assets amounted to Euros 2,737.2 million, which implies that only 43.5% of that value is leveraged. At the same date there were assets with a market value of Euros 608.1 million on which there are no mortgages or encumbrances whatsoever.

LEVERAGE (Thousands of Euros)

USE	AMOUNT
Offices	888,221
Shopping Centres	184,605
Industrial	52,061
Hotels	31,500
Housing	26,782
Residences and Homes	6,193
TOTAL	1,189,362
CB Richard Ellis Valuation	2,737,200
% OF MARKET VALUE	43.5%

These assets are rented to tenants of proven solvency such as Endesa, Indra, Amena, Cepsa, Inditex Group, Sol Meliá Chain, etc., under long term contracts expiring in 5 to 20 years.

The average interest rates on the loans and credits mentioned above are between 3.01% and 4.73%.

Testa uses interest rate hedging transactions to cover the risk of possible future increases in interest rates.

INTEREST HEDGING (Thousands of Euros)

	AMOUNT
Testa	120,000
Testa	80,000
Testa	517,803
HEDGED	717,803
% of Total	60.0%

VALLEHERMOSO

The company arranges transferable mortgages on its developments so that when properties are handed over to customers, the mortgages held by the issuing financial institution are subrogated to them. The cost of these loans is Euribor plus 15 basis points and they have an average maturity of 25 years.

Until the development can be financed via transferable mortgages - in other words, until the deed of horizontal division is obtained - short and medium-term loans and credit policies are drawn up. These policies or loans are renewed as they fall due, until they are converted into mortgages. The cost of these loans varies between Euribor plus 15 and Euribor plus 30 basis points.

It should be noted that Vallehermoso has a bank of 3.2 million square metres of building land above grade, of which 28% is already being developed. The land was valued by C.B. Richard Ellis at Euros 2,317.6 million as of 31 December 2003. This means that the market value of the company's assets exceeded the Euros 1,390.8 million in net debt at the end of the year.

LEVERAGE (Thousands of Euros)

	TOTAL
CB Richard Ellis Valuation	2,317,648
TOTAL ASSETS	2,317,648
Total Net Debt	1,390,785
DEBT/ASSET VALUE	60.0%

The company also has sales contracts with customers worth Euros 719.0 million, which will be collected when the homes are handed over.

OTHER DEBT

The Group's debt which is unrelated to activities and has a large long-term investment component can be broken as follows:



San Amaro Development. A Coruña

BREAKDOWN OF DEBT (Thousands of Euros)

	SyV		SACYR		VALORIZA		SOMAGUE		TOTAL
	L.TERM	S.TERM	L.TERM	S.TERM	L.TERM	S.TERM	L.TERM	S.TERM	
Bonds	103,415	0					5,193	8,109	116,717
Promissory Notes	0	249,950							249,950
BONDS AND OTHER	103,415	249,950	0	0	0	0	5,193	8,109	366,667
MARKETABLE SECURITIES									
Mortgages									0
Transferable Mortgages								0	
Leasing									0
Loans	148,560	46,815					48,526	42,274	286,175
Credit Lines	0	0	43,014	1,175	16,316	2,341	86,000	33,236	182,082
Discount of Drafts			2,762	3,994	36				6,792
German Method				0					0
DUE TO BANKS	148,560	46,815	45,776	5,169	16,352	2,341	134,526	75,510	475,049
TOTAL	251,975	296,765	45,776	5,169	16,352	2,341	139,719	83,619	841,716
Accrued Interest		3,615		91		87			3,793
ST Financial Investments and Cash		-600		-88,470		-8,824		-31,115	-129,009
TOTAL	251,975	299,780	45,776	-83,210	16,352	-6,396	139,719	52,504	716,500

SACYR VALLEHERMOSO, S.A.

The company has a programme of commercial papers with a maximum outstanding balance of Euros 250 million. The face value of these securities is Euros 1,000. The programme consists of successive issues of commercial papers, represented by book entries, with no coupon payments as the yield is included in the face value paid on the maturity date. Maturity can be at 1, 3, 6, 9, 12 or 18 months.

There are also two issues of outstanding bonds, issued in May 1998 and November 1999, worth Euros 43.4 and 60 million respectively, which mature in 2006, and are at a fixed interest rate of 5.2% and Euribor plus 70 basis points respectively.

The company also has loans from different financial institutions amounting to Euros 195.4 million.

Debt maturities are as shown below:

MATURITY (Thousands of Euros)

YEAR	AMOUNT
2004	296,274
2005	45,014
2006	136,337
2007	45,000
Subsequent	26,115
TOTAL	548,740

SOMAGUE

Somague Group's debt is to finance its investments in infrastructure concessions, windfarms, water supply concessions, etc.

offices at street Padilla 17 in Madrid, and its so-called "German method" or deferred payment debt). It has cash and cash equivalents amounting to Euros 88.5 million, giving a net cash position of Euros 37.6 million.

SACYR

As a result of the company's operations in Chile, the Sacyr Group has debt worth Euros 50.9 million (not counting the debt resulting from the lease of

VALORIZA

All the group's project-related debt corresponds to the financing of biomass combustion energy projects. The remainder is from existing credit lines.

To sum up, the group has assets with a market value or investment cost of Euros 9.370,9 million. Sacyr Vallehermoso group's total net debt amounts to Euros 6.034,7 million. Thus, if the assets of Testa, Vallehermoso and Itinere were sold, not only would the debt be reduced by that amount but there would be a cash surplus of Euros 3.336,1 million.

SyV