

Financial Report



→ *Third Quarter 2004*



SyV



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## I. HIGHLIGHTS

| OPERATING DATA                                  |                    |                     | September |         | %<br>Change |
|---|--------------------|---------------------|-----------|---------|-------------|
|   |                    |                     | 2003      | 2004    |             |
| <b><u>CONSTRUCTION- SACYR/SOMAGUE</u></b>       |                    |                     |           |         |             |
| ORDER BOOK                                      | Euros Mn€          | 2.729               | 2.934     | 7.5%    |             |
|   | Months of Activity | 16.4                | 18.0      | 9.5%    |             |
|   | Domestic/Total     | In %                | 58.9%     | 57.2%   | (2.8%)      |
| <b><u>HOUSING DEVELOPMENT- VALLEHERMOSO</u></b> |                    |                     |           |         |             |
| HOUSING   | Committed sales    | N° houses           | 2,588     | 2,669   | 3.1%        |
|   |                    | Euros thds €        | 587,789   | 658,129 | 12.0%       |
| LAND  | Committed sales    | Euros thds €        | 24,657    | 29,455  | 19.5%       |
| LAND RESERVE ( End of quarter ): TOTAL          |                    | Thds m <sup>2</sup> | 3,260     | 3,996   | 22.6%       |
|   | Housing            | %                   | 88.0%     | 91.0%   | 3.4%        |
| <b><u>CONCESSIONS -ITINERE</u></b>              |                    |                     |           |         |             |
| ORDER BOOK                                      |                    | Euros thds €        | 33,833    | 49,307  | 45.7%       |
| <b><u>PROPERTY -TESTA</u></b>                   |                    |                     |           |         |             |
| INCOME  |                    | Euros thds €        | 136,009   | 142,894 | 5.1%        |
| NET SURFACE ( End of quarter )                  |                    | Thds m <sup>2</sup> | 1,411.4   | 1,383.8 | (2.0%)      |
| OCCUPANCY                                       |                    | %                   | 96.7      | 97.5    | 0.8%        |

## I. HIGHLIGHTS

| ECONOMIC FINANCIAL DATA      |                    | September |           | %<br>Change |
|------------------------------|--------------------|-----------|-----------|-------------|
|                              |                    | 2003      | 2004      |             |
| NET INCOME                   | Euros thds €       | 1,939,092 | 2,516,016 | 29.75%      |
| EBITDA                       | Euros thds €       | 329,496   | 547,987   | 66.31%      |
| By activity:                 |                    |           |           |             |
| Growth                       | Sacyr/ Somague     | 61,365    | 111,578   | 81.83%      |
|                              | Vallehermoso       | 118,495   | 148,795   | 25.57%      |
| Recurrent                    | Itinere            | 63,078    | 185,673   | 194.36%     |
|                              | Testa              | 99,639    | 108,854   | 9.25%       |
|                              | Valoriza           | 557       | 2,197     | 294.56%     |
|                              | Others and Holding | (13,639)  | (9,110)   | (33.21%)    |
| NET ATTRIBUTABLE PROFIT      | Euros thds €       | 234,161   | 235,414   | (0.54%)     |
| EPS*                         | €                  | 0.93      | 0.88      | (4.83%)     |
| CASH-FLOW                    | Euros thds €       | 303,526   | 365,732   | 20.49%      |
| Equity (as of end of period) | Euros thds €       | 1,254,215 | 1,661,111 | 32.44%      |
| CORPORATE DEBT               | Euros thds €       | 854,724   | 1,162,891 | 36.05%      |
| %Over Total Financial Debt   | %                  | 20.60%    | 16.37%    | (20.50%)    |

\* Adjusted in 2003 by capital share increase of 1x40 (effective in 2004).

## II. FINANCIAL STATEMENTS

| <b>CONSOLIDATED PROFIT AND LOSS<br/>(Thds Euros)</b> | <b>Sept 03</b>   | <b>Sept 04</b>   | <b>Change<br/>04/03</b> |
|--|------------------|------------------|-------------------------|
| Net Income   | 1,939,092        | 2,516,016        | 29.8%                   |
| Other Income   | 313,399          | 394,299          | 25.8%                   |
| <b>Total Income</b>                                  | <b>2,252,491</b> | <b>2,910,315</b> | <b>29.2%</b>            |
| External and Operating expenses*                     | (1,922,996)      | (2,362,328)      | 22.8%                   |
| <b>Gross Operating Profit</b>                        | <b>329,496</b>   | <b>547,987</b>   | <b>66.3%</b>            |
| Depreciation   | (53,450)         | (81,719)         | 52.9%                   |
| Reversion Fund                                       | (7,999)          | (28,918)         | 261.5%                  |
| Trade Provisions                                     | 4,376            | (9,733)          | (322.4%)                |
| <b>Net Operating Profit</b>                          | <b>272,423</b>   | <b>427,617</b>   | <b>57.0%</b>            |
| Financial Results                                    | (75,469)         | (120,909)        | 60.2%                   |
| Results from equity accounted subsidiaries           | 1,427            | 7,983            | 459.2%                  |
| Financial Provisions                                 | (7,444)          | (149)            | (98.0%)                 |
| Goodwill   | (4,849)          | (9,799)          | 102.1%                  |
| <b>Ordinary Profit</b>                               | <b>186,089</b>   | <b>304,743</b>   | <b>63.8%</b>            |
| Net Extraordinary Results                            | 115,440          | 33,774           | (70.7%)                 |
| <b>PROFIT BEFORE TAXES</b>                           | <b>301,529</b>   | <b>338,517</b>   | <b>12.3%</b>            |
| Corporate Tax  | (62,846)         | (73,585)         | 17.1%                   |
| <b>TOTAL PROFIT</b>                                  | <b>238,683</b>   | <b>264,932</b>   | <b>11.0%</b>            |
| Minorities   | (4,522)          | (29,518)         | 552.8%                  |
| <b>NET ATTRIBUTABLE PROFIT</b>                       | <b>234,161</b>   | <b>235,414</b>   | <b>0.5%</b>             |

\*Includes Supplies

### RESULTS PERFORMANCE

First, it is important to highlight that the combination of a string rise in all chapters in the period, both in sales, operating income and ordinary revenue, with a rise of up to 63.8%, contrast against a slight rise in attributable net profit. This is due to the effect of lower extraordinary income generated on the turnover of rental property assets. Thus, management's decision as to how to modulate the realization of rental property assets in no way affects their contribution to the group's value, but requires them to be reflected for accounting purposes as extraordinary income when sold and which contribution was reduced a 70.7% in the period, which explains the soft growth in attributable net profit in the period of 0.5% to 235.4 million euros.

Furthermore, it is appropriate to highlight the effect which two corporate events have had on the income statement for the period:

- The acquisition made in the third quarter by which SyV acquires an additional 69.62% of the capital of the Portuguese construction and services group Somague, up to 99.31% of the total. This signifies its inclusion by global consolidation in 2004, as opposed to proportional consolidation in 2003, in line with the group's economic and political percentage holding in the company, which was 29.69%.
- In order to carry out this transaction, in the month of July Sacyr Vallehermoso implemented a capital increase for 13,850,948 new shares and launched a tender offer whose deadline for acceptance concluded in August, on 6.07% of the remaining capital.

- The acquisition of 50% of the capital of ENA, a public service transport infrastructure concession group, was made in October 2003. This transaction is included under global consolidation in the concessions business area in the 2004 figures.

## TURNOVER

Net turnover surged 29.8% to 2,516 million euros. This was due to a great extent to the effect of the corporate operations discussed above, together with the growth in the majority of business areas.

The concessions business area grew 170.1% in sales to 241.5 million euros, a combination of the acquisition of ENA and the favorable evolution of traffic and increase in highway tolls.

The construction line of business operated by Sacyr-Somague achieved turnover of 1,470 million euros, down 1.7% on the same quarter last year in the homogeneous perimeter. This slight reduction in sales was due to the seasonal nature of the annual schedule, and is expected to revert to slight growth by year-end. Construction sales represented 58.5% of the group's total sales.

In spite of the temporary situation of lower activity facing the Portuguese market, Somague achieved revenues of 629.4 million euros. For its part, Sacyr posted 841.5 million euros in revenues.

Housing development, with 736.5 million euros, contributed 29.3% to consolidated revenues and its net turnover grew significantly (+16.1%) with respect to the same period last year. Contracted sales, which reflect the performance of commercial activity in the period, grew 12.3% to 687.6 million euros, with a total of 2,669 units sold at the close of September.

The services business posted a considerable increase of 62.1% to 54.2 million euros, as a consequence of the implementation of various alternative energy projects and the opening of new road service area concessions over recent months.

In rental property, Testa increased its revenues 5.1% to 142.9 million euros. This performance is a combination of the growth in the provision of rental property management services to third parties, in the occupancy level and the 4.7% rise in the average rents of the rental property portfolio, which completely offset the slight 0.5% decline in lettable surface area.

A 69.8% of turnover is generated in Spain. Outside of Spain, Portugal deserves important mention, due to Somague's construction business, as well as Chile, which reflects revenues from operating concessions held in that country together with construction works executed for them.

The breakdown of turnover by business activity was as follows:

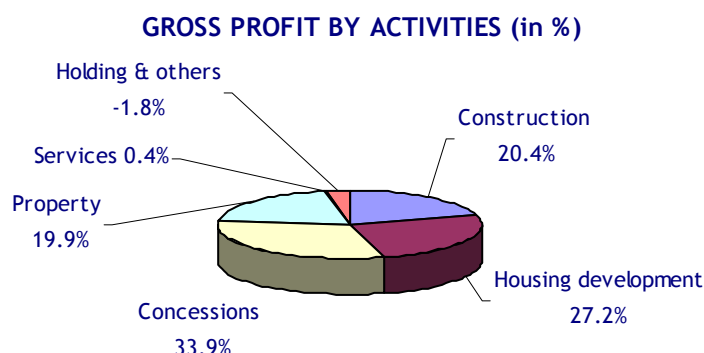
| TURNOVER by business area<br>(Thds Euros) | September        |                  | %<br>Change  |
|---|------------------|------------------|--------------|
|   | 2003             | 2004             |              |
| Construction                              | 1,039,212        | 1,470,920        | 41.5%        |
| - Sacyr                                   | 845,877          | 841,526          | (0.5%)       |
| - Somague                                 | 193,335          | 629,393          | 225.5%       |
| Vallehermoso                              | 634,576          | 736,543          | 16.1%        |
| Itinere                                   | 89,430           | 241,546          | 170.1%       |
| Testa                                     | 136,009          | 142,894          | 5.1%         |
| Valoriza                                  | 33,431           | 54,185           | 62.1%        |
| Adjustments                               | 6,435            | (130,071)        | (2,121.4%)   |
| <b>TOTAL</b>                              | <b>1,939,092</b> | <b>2,516,016</b> | <b>29.8%</b> |

| TURNOVER by geographical area<br>(Thds Euros) | September        |                  | %<br>Change  |
|---|------------------|------------------|--------------|
|   | 2003             | 2004             |              |
| Spain   | 1,656,475        | 1,755,733        | 6.0%         |
| Chile   | 79,807           | 121,271          | 52.0%        |
| Portugal and others                           | 193,335          | 629,393          | 225.5%       |
| USA   | 9,475            | 9,619            | 1.5%         |
| <b>TOTAL</b>                                  | <b>1,939,092</b> | <b>2,516,016</b> | <b>29.8%</b> |

**GROSS OPERATING PROFIT (EBITDA)**

The group's gross operating profit grew 63.3% on the same period last year to 548 million euros. Growth was favorable in all areas of business.

The contribution from recurrent businesses (infrastructure concessions, rental property and services) represented 54.1% of the total, to 296.7 million euros. The contribution made by concessions following the acquisition of ENA was noteworthy, as much as Itinere already represents 33.9% of gross operating profit as at September 2004.



Growth businesses (construction, residential development) and holding contributed 45.9% (251.3 million euros) to consolidated operating profit. These businesses achieved an increase of 51.2% with respect to 2003 due to organic growth, as well as to the acquisition of the majority of the Somague group.

### FINANCIAL RESULTS AND AMORTIZATION OF GOODWILL

The 60.2% increase in net financial results in 2004 to 120.9 million euros, is explained by the following factors:

- Increase in average indebtedness as a consequence of investments undertaken in the period, especially in the area of concessions due to the acquisition of ENA in October 2003, in land purchases for development of new housing projects, and the acquisition of a building site for 140 million euros for development by Testa of a unique commercial-use building in Madrid CBD.
- Negative effect of 6.0 million euros caused by exchange rate differences pertaining to the concessions business in Chile.
- The positive effect of 41.2 million euros due to the sale of 100% of an asset holding company which owns a portfolio of rent-controlled houses closed this past March.

Deferred financial expenses originated by operating infrastructure concessions, which rose to 37.3 million euros.

Financial provisions improved their balance in 2004, since no charge was taken like the one for 7.3 million euros taken in the third quarter of 2003, due to the depreciation of Testa's holding in the listed company Maag Holding.

Income from companies carried by the equity method grew considerably to 7.9 million euros, as opposed to 1.4 million euros last year. This is explained by the growing contribution of services included in the Somague group and the greater visibility of this group after it was wholly acquired in the third quarter of the year.

### ORDINARY REVENUE

Ordinary revenue grew 63.8% to 304.7 million euros in the third quarter of the year, after discounting the debt servicing on the financing of the productive asset base.

### EXTRAORDINARY INCOME

Extraordinary income (33.8 million euros) declined 70.7% year-on-year, due mostly to the sale of a building site owned by the Testa group with a very low historical cost basis.

This lower contribution of extraordinary income placed the total pre-tax profit at 338.5 million euros, up 12.3% on the same period in 2003.

A sustained tax rate accrued in the period and similar to the one recorded last year, together with the increase in the stake in profit from minorities in



Concessions, caused attributable profit to reach 235.4 million euros, a 0.5% upturn on 2003.

**INCOME PORTFOLIO**

The portfolio of assured future income in the different business areas as at September 2004 reached 58,410.9 million euros. The operating profit implicit in the portfolio, according operating margin achieved in 2003, reached 38,093.9 million euros. This volume of future revenues is supported to a great extent at Itinere (84.4% of the total), since it enjoys long periods of concessions, thereby allowing for a high forecast and certainty of revenues.

| <b>ORDER BOOK</b><br>(Thds Euros)                                   | September 2004    |              |                   |
|---|-------------------|--------------|-------------------|
|   | Order Book        | %Ebitda      | O. Book Ebitda    |
| Sacyr (Order Book)  | 1,906,900         | 8.5%         | 161,147           |
| Somague (Order Book, concessions, services and Housing development) | 3,450,800         | 5.3%         | 181,887           |
| Itinere (Concessional Income)                                       | 49,306,500        | 73.0%        | 35,978,467        |
| Testa (Lease contracts to maturity)                                 | 2,073,300         | 77.2%        | 1,599,785         |
| Vallehermoso (Pre-sales Book)                                       | 680,600           | 20.8%        | 141,752           |
| Valoriza (Income Order)   | 992,800           | 3.1%         | 30,885            |
| <b>TOTAL</b>  | <b>58,410,900</b> | <b>65.2%</b> | <b>38,093,923</b> |

\*Ebitda margin as of end of 2003

## II. FINANCIAL STATEMENTS:

| <b>CONSOLIDATED BALANCE SHEET<br/>(Thds Euros)</b> | <b>Sept 03</b>   | <b>Sept 04</b>    | <b>Change<br/>04/03</b> |
|--|------------------|-------------------|-------------------------|
| <b>ASSETS</b>                                      |                  |                   |                         |
| Shareholders Debt                                  | 255              | 7                 | (248)                   |
| Fixed assets                                       | 3,594,856        | 7,209,178         | 3,614,322               |
| Goodwill in Consolidation                          | 100,405          | 126,326           | 25,921                  |
| Deferred expenses                                  | 367,515          | 596,902           | 229,387                 |
| Current assets                                     | 3,387,477        | 4,590,589         | 1,208,111               |
| <b>TOTAL ASSETS/LIABILITIES</b>                    | <b>7,450,507</b> | <b>12,528,000</b> | <b>5,077,493</b>        |
| <b>LIABILITIES</b>                                 |                  |                   |                         |
| Equity   | 1,254,215        | 1,661,111         | 406,896                 |
| Minorities Interests                               | 42,033           | 641,823           | 599,791                 |
| Translation Differences                            | 14,080           | 11,100            | (2,979)                 |
| Deferred revenues                                  | 50,914           | 79,934            | 29,020                  |
| Provisions for contingencies and credit expenses   | 314,127          | 595,808           | 281,682                 |
| Long term creditors                                | 3,293,822        | 6,325,641         | 3,031,819               |

### BALANCE SHEET

The expansion of 5,077.51 million euros (up 68.1%) posted on the balance sheet, is due fundamentally to:

- Investments made in concessions with the acquisition of the ENA concessions group, contributing 2,981 million euros in new assets/liabilities
- The incorporation through global consolidation of Somague as opposed to the proportional consolidation carried out in 2003, implying a greater contribution to the balance sheet of 665.3 million euros
- The increase in Vallehermoso's investments in land and product in progress, with an increase of 430.2 million euros and in debtors and other current assets by 124.8 million euros, due to the projected expansion of business and delivery of residential units in the upcoming months
- The growth in rental property assets by 261.5 million euros, of which the purchase of a commercial-use building site for a value of 140 million euros is worthy of mention

The composition and movement in the core headings on the balance sheet are shown below.

### FIXED ASSETS

The balance as of September 30, 2004 is broken down as follows:

| <b>FIXED ASSETS</b>                   |                  |                  | <b>Change</b>    |
|---------------------------------------|------------------|------------------|------------------|
| <b>(Thds Euros)</b>                   | <b>Sept 03</b>   | <b>Sept 04</b>   | <b>04/03</b>     |
| Start Up Expenses                     | 13,434           | 13,381           | (53)             |
| Net Intangible Fixed Assets           | 451,326          | 518,476          | 67,150           |
| Net Tangible Fixed Assets             | 2,944,962        | 6,170,183        | 3,225,221        |
| Financial Assets & LT debtors         | 175,723          | 498,404          | 322,681          |
| Own shares of the controlling company | 9,411            | 8,734            | (677)            |
| <b>Total Fixed Assets</b>             | <b>3,594,856</b> | <b>7,209,178</b> | <b>3,614,322</b> |

Intangible fixed assets include, among other line-items, 333 million euros pertaining to the leasing of 12 properties leased to the Endesa group, as well as other assets operated under rental pursuant to a long-term concession, for an additional amount of 122.2 million euros.

The most significant items of tangible assets pertain to the leased land and buildings with 1,682.5 million euros, as well as toll roads in operation with 4,200.8 million euros. Investments in progress continued during the period, both in rental properties as well as highway concessions, with an amount of 272.9 million euros and 55.2 million euros, respectively. Among these, the incorporation of a building site for construction of a commercial-use tower in Madrid for 140 million euros this past month of June, is worthy of mention. The remainder pertains to machinery, technical facilities and other fixed assets, with total cumulative depreciation of 447.5 million euros.

The financial fixed assets heading includes, inter alia, holdings valued by the equity method worth 207.9 million euros. Highlighted among these holdings are Somague's investment in services and concessions for 81.0 million euros and Itinere's stake in Alazor (Madrid radial highways 3 and 5) worth 36 million euros, as well as the addition of the Palma-Manacor concessionaire for 7 million euros. This heading also includes other holdings in the securities portfolio worth 105.4 million euros. The latter most notably includes MAAG holding with a balance of 38.5 million euros at the close of the third quarter of 2004 and minority investments in the Madrid-Sur (R-4) highway, with 19.3 million euros, and the airport Axis with 13.2 million euros.

**CURRENT ASSETS**

The development in current assets is shown below:

| <b>CURRENT ASSETS</b>                   |                  |                  | <b>Change</b>    |
|---|------------------|------------------|------------------|
| <b>(Thds Euros)</b>                     | <b>Sept 03</b>   | <b>Sept 04</b>   | <b>04/03</b>     |
| Inventories                             | 1,723,724        | 2,221,406        | 497,682          |
| Debtors                                 | 1,321,784        | 2,077,100        | 755,315          |
| Cash & Short term financial investments | 341,969          | 297,083          | (44,886)         |
| <b>Total</b>                            | <b>3,387,477</b> | <b>4,595,589</b> | <b>1,208,111</b> |

Current assets grew by 1,208 million euros, 35.7% up on the same period in 2003. This is fundamentally due to the following:

- The aforementioned effect of including the Somague group through global integration, with an additional contribution of 376.6 million euros in the construction business in the accounts receivable balance.
- An increase in stock, mainly caused by the increase in stock in the residential development business worth 430.2 million euros, due to purchases of land and works in progress for new developments.
- The increase in accounts receivable in the housing business by 124.8 million euros as a result of the 16.1% surge in annualized recorded sales and the non-renewal as from the end of last year of Vallehermoso's collection right assignment contracts, which had an assigned balance of 124.7 million euros in September 2003

**SHAREHOLDERS' EQUITY**

Shareholders' equity increased 406.9 million euros in the period. Of this growth, 159.2 million euros are a consequence of the capital increase carried out in July for the acquisition of Somague and which entailed a share capital increase of 13.8 million euros and paid-in surplus of 145.4 million euros. The remainder of the increase is caused by the cumulative attributable profit from September 2003 of 335.5 million euros and by dividends paid in the same period for a total amount of 124.4 million euros.

During the month of September a capital increase of 6,491,544 shares each having a par value of €1 was carried out and charged against reserves. Therefore at September 30 2004, the share capital was represented by 266.15 million shares each having a par value of €1.

**FINANCIAL DEBT**

Most of the group's financial debt is on the balance sheets of the five main business subsidiaries. In this manner, the structure, kind of financing, terms and financial instruments most suitable for each of them are clearly identified, in function of the nature of the various businesses, such as Testa's property business or Itinere's concessions and Vallehermoso's housing development projects.

As far as the kind of instrument is concerned, bank debt predominates with 76.3% of the total and, with regards to the terms, long-term debt accounted for 82.8% of the total.

At the close of the third quarter, fixed interest rate debt amounted to 47.8% of the total and was mainly concentrated in areas with more recurring business and assets held on the balance sheet for longer (concessions and rental property).

As of September 30, 2004, the group's debt is broken down as:

| <b>FINANCIAL DEBT</b><br>(Thds Euros) | SyV Group        |                 | Related to Intensive<br>Cap. Activities | Total            |
|---------------------------------------|------------------|-----------------|---|------------------|
|                                       | Corporate Debt   | Structured Debt |   |                  |
| Long term                             | 697,782          | 124,161         | 5,062,751                               | 5,884,695        |
| Short term                            | 465,108          | 31,402          | 720,860                                 | 1,217,370        |
| <b>TOTAL</b>                          | <b>1,162,891</b> | <b>155,563</b>  | <b>5,783,611</b>                        | <b>7,102,065</b> |

The amount of debt in capital-intensive businesses (concessions, rental property and residential development) reached 5,783.6 million euros, 81.4% of the total

Among such businesses, it is important to highlight the weight of debt committed to project financing for transportation concessions, which reached 2,839.3 million euros this past September, 40.0% of the group total and 66.7% of the book value of highway investments, which reached 4,256 million euros at the close of the period. This financing is linked to specific business involving public service concessions, toll highways, which provides great security and stability to the revenues and cash flow generated by the operations. In this regard, worthy of mention is the successful refinancing carried out at two important concessionaires, Audasa and Aucalsa, in the amount of 364 million euros this past June, which was closed at a fixed rate of only 4% for a term of 10 years, supported by the recurrence of revenues and cash flows of this business, as discussed above.

In the property area, debt is almost entirely materialized in mortgage loans and leasing agreements amounting to 1,456.9 million, which finance assets under operation. According to the last available valuation by an independent expert, on December 2003, together with the net variance of investments, purchases and sales

of rental property assets as at September 2004, had a market value of 2,801 million euros, yielding a loan-to-value ratio of only 52.0%.

Finally, the development business had debt of 1,487.4 million euros in September to finance the stocks shown on Vallehermoso's balance sheet with a book value of 2,027.5 million euros. On the same date, contracted sales pending delivery to customers amounted to 680.6 million euros and the number of homes sold grew 3.1% to 2,669 units.

Structured debt in other businesses, including financing by the German method (payment at works completion) at Sacyr, with 102.9 million euros, and environmental project financing at Valoriza, with another 23.7 million euros, reached a total of 155.6 million euros.

Finally, the group's gross corporate debt, 16.4% of that existing in September, was 1,162.9 million euros measured against equity of 1,661.1 million euros on that date, with a relative weighting on the total 20.5% less than in the same period in 2003.

### III. PERFORMANCE OF BUSINESS AREAS

| <b>CONSOLIDATED PROFIT AND LOSS AS OF 30 TH SEPTEMBER 2004</b> |                |                |                     |                |                 |                |                 |                    |                  |
|--|----------------|----------------|---------------------|----------------|-----------------|----------------|-----------------|--------------------|------------------|
| <b>(Thds Euros)</b>  | <b>Sacyr</b>   | <b>Itinere</b> | <b>Vallehermoso</b> | <b>Testa</b>   | <b>Valoriza</b> | <b>Somague</b> | <b>Holding</b>  | <b>Adjustments</b> | <b>TOTAL</b>     |
| Net Income   | 841,526        | 241,546        | 736,543             | 142,894        | 54,185          | 629,393        | 249             | (130,321)          | 2,516,016        |
| Other Income   | 35,462         | 8,101          | 302,197             | 871            | 1,130           | 7,301          | 22,018          | 17,219             | 394,299          |
| <b>Total Income</b>  | <b>876,989</b> | <b>249,647</b> | <b>1,038,741</b>    | <b>143,764</b> | <b>55,315</b>   | <b>636,694</b> | <b>22,267</b>   | <b>(113,101)</b>   | <b>2,910,315</b> |
| External and Operating expenses*                               | (799,783)      | (63,974)       | (889,946)           | (34,910)       | (53,118)        | (602,321)      | (30,884)        | 112,608            | (2,362,328)      |
| <b>Gross Operating Profit</b>                                  | <b>77,205</b>  | <b>185,673</b> | <b>148,795</b>      | <b>108,854</b> | <b>2,197</b>    | <b>34,373</b>  | <b>(8,617)</b>  | <b>(493)</b>       | <b>547,987</b>   |
| Depreciation   | (11,595)       | (27,499)       | (144)               | (22,638)       | (1,721)         | (12,412)       | (4,547)         | (1,163)            | (81,719)         |
| Reversion Fund   | 0              | (28,918)       | 0                   | 0              | 0               | 0              | 0               | 0                  | (28,918)         |
| Trade Provisions   | (10,830)       | (723)          | 1,388               | (489)          | (46)            | (1,104)        | 2,070           | 0                  | (9,733)          |
| <b>Net Operating Profit</b>                                    | <b>54,780</b>  | <b>128,533</b> | <b>150,039</b>      | <b>85,727</b>  | <b>431</b>      | <b>20,857</b>  | <b>(11,094)</b> | <b>(1,656)</b>     | <b>427,617</b>   |
| Financial Results  | 9,992          | (73,364)       | (23,464)            | 2,220          | (813)           | (16,360)       | 46,433          | (65,552)           | (120,909)        |
| Results from equity accounted subsidiaries                     | 20             | (82)           | 285                 | 295            | 0               | 7,465          | 0               | 0                  | 7,983            |
| Financial Assets Provisions                                    | 0              | 0              | 0                   | 0              | 0               | (207)          | 59              | 0                  | (149)            |
| Goodwill   | (132)          | (186)          | 0                   | 0              | (199)           | (4,068)        | 0               | (5,214)            | (9,799)          |
| <b>Ordinary Profit</b>   | <b>64,660</b>  | <b>54,901</b>  | <b>126,860</b>      | <b>88,242</b>  | <b>(582)</b>    | <b>7,686</b>   | <b>35,398</b>   | <b>(72,422)</b>    | <b>304,743</b>   |
| Net Extraordinary Results                                      | (1,064)        | (2,394)        | 122                 | 31,589         | (624)           | 4,834          | 1,312           | 0                  | 33,774           |
| <b>PROFIT BEFORE TAXES</b>                                     | <b>63,596</b>  | <b>52,507</b>  | <b>126,982</b>      | <b>119,830</b> | <b>(1,206)</b>  | <b>12,520</b>  | <b>36,710</b>   | <b>(72,422)</b>    | <b>338,517</b>   |
| Corporate Tax  | (20,944)       | (16,629)       | (44,214)            | (26,284)       | 618             | (4,009)        | 37,878          | 0                  | (73,585)         |
| <b>TOTAL PROFIT</b>  | <b>42,652</b>  | <b>35,878</b>  | <b>82,768</b>       | <b>93,546</b>  | <b>(588)</b>    | <b>8,511</b>   | <b>74,588</b>   | <b>(72,422)</b>    | <b>264,932</b>   |
| Minorities   | 191            | (28,522)       | 85                  | 0              | (27)            | (567)          | 0               | (678)              | (29,518)         |
| <b>NET ATTRIBUTABLE PROFIT</b>                                 | <b>42,842</b>  | <b>7,356</b>   | <b>82,853</b>       | <b>93,546</b>  | <b>(615)</b>    | <b>7,944</b>   | <b>74,588</b>   | <b>(73,100)</b>    | <b>235,414</b>   |

\*Includes operating expenses and other expenses

| <b>CONSOLIDATED PROFIT AND LOSS AS OF 30 TH SEPTEMBER 2003</b> |                |                |                     |                |                 |                |                 |                    |                  |
|--|----------------|----------------|---------------------|----------------|-----------------|----------------|-----------------|--------------------|------------------|
| <b>(Thds Euros)</b>  | <b>Sacyr</b>   | <b>Itinere</b> | <b>Vallehermoso</b> | <b>Testa</b>   | <b>Valoriza</b> | <b>Somague</b> | <b>Holding</b>  | <b>Adjustments</b> | <b>TOTAL</b>     |
| Net Income   | 845,877        | 89,430         | 634,576             | 136,009        | 33,431          | 193,335        | 25,403          | (18,968)           | 1,939,092        |
| Other Income   | 19,505         | 31,725         | 261,000             | 28             | 247             | 5,014          | 85              | (4,205)            | 313,399          |
| <b>Total Income</b>  | <b>865,382</b> | <b>121,155</b> | <b>895,576</b>      | <b>136,037</b> | <b>33,678</b>   | <b>198,349</b> | <b>25,488</b>   | <b>(23,173)</b>    | <b>2,252,491</b> |
| External and Operating expenses*                               | (813,461)      | (58,077)       | (777,081)           | (36,398)       | (33,121)        | (188,904)      | (39,127)        | 23,173             | (1,922,996)      |
| <b>Gross Operating Profit</b>                                  | <b>51,921</b>  | <b>63,078</b>  | <b>118,495</b>      | <b>99,639</b>  | <b>557</b>      | <b>9,444</b>   | <b>(13,638)</b> | <b>0</b>           | <b>329,496</b>   |
| Depreciation   | (9,228)        | (12,651)       | (143)               | (21,240)       | (678)           | (4,513)        | (3,834)         | (1,163)            | (53,450)         |
| Reversion Fund   | 0              | (7,999)        | 0                   | 0              | 0               | 0              | 0               | 0                  | (7,999)          |
| Trade Provisions   | 2,341          | (128)          | (724)               | (273)          | 259             | (117)          | 3,020           | 0                  | 4,376            |
| <b>Net Operating Profit</b>                                    | <b>45,033</b>  | <b>42,299</b>  | <b>117,628</b>      | <b>78,126</b>  | <b>138</b>      | <b>4,814</b>   | <b>(14,452)</b> | <b>(1,163)</b>     | <b>272,423</b>   |
| Financial Results  | 7,143          | (8,483)        | (17,562)            | (32,942)       | (85)            | (2,694)        | 73,941          | (94,787)           | (75,469)         |
| Results from equity accounted subsidiaries                     | 11             | 439            | 325                 | 199            | (289)           | 742            | 0               | 0                  | 1,427            |
| Financial Assets Provisions                                    | (132)          | 0              | 0                   | (7,333)        | 0               | 0              | 0               | 21                 | (7,444)          |
| Goodwill   | (132)          | (3,439)        | (15)                | 0              | (470)           | 0              | 0               | (793)              | (4,849)          |
| <b>Ordinary Profit</b>   | <b>51,923</b>  | <b>30,817</b>  | <b>100,376</b>      | <b>38,050</b>  | <b>(707)</b>    | <b>2,862</b>   | <b>59,489</b>   | <b>(96,721)</b>    | <b>186,089</b>   |
| Net Extraordinary Results                                      | 5,255          | 534            | 875                 | 118,222        | 288             | 667            | (3,726)         | (6,674)            | 115,440          |
| <b>PROFIT BEFORE TAXES</b>                                     | <b>57,178</b>  | <b>31,351</b>  | <b>101,252</b>      | <b>156,272</b> | <b>(419)</b>    | <b>3,529</b>   | <b>55,762</b>   | <b>(103,395)</b>   | <b>301,529</b>   |
| Corporate Tax  | (18,867)       | (6,202)        | (35,472)            | (13,840)       | 104             | (1,144)        | 12,574          | 0                  | (62,846)         |
| <b>TOTAL PROFIT</b>  | <b>38,311</b>  | <b>25,149</b>  | <b>65,780</b>       | <b>142,432</b> | <b>(315)</b>    | <b>2,385</b>   | <b>68,337</b>   | <b>(103,395)</b>   | <b>238,683</b>   |
| Minorities   | (587)          | (2,882)        | 105                 | 0              | (10)            | (194)          | 0               | (954)              | (4,522)          |
| <b>NET ATTRIBUTABLE PROFIT</b>                                 | <b>37,724</b>  | <b>22,267</b>  | <b>65,885</b>       | <b>142,432</b> | <b>(325)</b>    | <b>2,191</b>   | <b>68,337</b>   | <b>(104,349)</b>   | <b>234,161</b>   |

\*Includes operating expenses and other expenses



| <b>CONSOLIDATED BALANCE SHEET</b> |                  |                  |                  |                  |                |                |                  |                    |                   |
|-----------------------------------|------------------|------------------|------------------|------------------|----------------|----------------|------------------|--------------------|-------------------|
| <b>As of September 30th 2004</b>  |                  |                  |                  |                  |                |                |                  |                    |                   |
| (Thds €)                          | Sacyr            | Itinere          | Vallehermoso     | Testa            | Valoriza       | Somague        | Holding          | Adjustments        | TOTAL             |
| <b>FIXED ASSETS</b>               | <b>448,657</b>   | <b>4,799,930</b> | <b>243,293</b>   | <b>2,501,099</b> | <b>80,506</b>  | <b>335,345</b> | <b>1,696,424</b> | <b>(2,172,843)</b> | <b>7,932,412</b>  |
| Tangible                          | 39,685           | 4,131,845        | 3,625            | 1,740,279        | 56,547         | 100,319        | 3,313            | 94,569             | 6,170,183         |
| Intangible                        | 60,544           | 819              | 775              | 443,012          | 8,691          | 852            | 3,783            | 0                  | 518,476           |
| Financial and Other               | 345,706          | 164,950          | 233,867          | 237,644          | 9,091          | 161,748        | 1,687,347        | (2,319,827)        | 520,526           |
| Goodwill                          | 388              | 557              | 0                | 0                | 539            | 72,426         | 0                | 52,415             | 126,326           |
| Deferred expenses                 | 2,334            | 501,758          | 5,025            | 80,164           | 5,639          | 0              | 1,981            | 0                  | 596,902           |
| <b>CURRENT ASSETS</b>             | <b>854,468</b>   | <b>228,332</b>   | <b>2,771,799</b> | <b>48,303</b>    | <b>38,781</b>  | <b>611,006</b> | <b>98,327</b>    | <b>(55,428)</b>    | <b>4,595,589</b>  |
| Stocks                            | 117,058          | 1,967            | 2,027,459        | 78               | 4,179          | 51,588         | 1,219            | 17,858             | 2,221,406         |
| Debtors                           | 658,369          | 73,736           | 740,359          | 32,999           | 29,403         | 517,159        | 95,495           | (70,420)           | 2,077,100         |
| Others                            | 79,041           | 152,630          | 3,982            | 15,226           | 5,198          | 42,259         | 1,613            | (2,866)            | 297,083           |
| <b>ASSETS = LIABILITIES</b>       | <b>1,303,125</b> | <b>5,028,262</b> | <b>3,015,091</b> | <b>2,549,402</b> | <b>119,287</b> | <b>946,352</b> | <b>1,794,752</b> | <b>(2,228,271)</b> | <b>12,528,000</b> |
| <b>LONG TERM FUNDS</b>            | <b>598,745</b>   | <b>4,677,690</b> | <b>1,783,911</b> | <b>2,448,306</b> | <b>73,856</b>  | <b>452,585</b> | <b>1,430,728</b> | <b>(2,150,403)</b> | <b>9,315,419</b>  |
| Equity                            | 357,131          | 255,023          | 426,608          | 1,014,680        | 25,037         | 194,206        | 833,344          | (1,444,919)        | 1,661,111         |
| Minorities interests              | 1,096            | 616,549          | 3,210            | 0                | 2,990          | 9,883          | 0                | 8,097              | 641,823           |
| Long term creditors               | 9,209            | 1,156,742        | 336,651          | 37,693           | 5,876          | 34,241         | 260,958          | (713,581)          | 1,127,790         |
| Long term interest bearing debt   | 231,309          | 2,649,377        | 1,017,442        | 1,395,933        | 39,953         | 214,255        | 336,426          | 0                  | 5,884,695         |
| <b>CURRENT LIABILITIES</b>        | <b>704,380</b>   | <b>350,572</b>   | <b>1,231,181</b> | <b>101,096</b>   | <b>45,431</b>  | <b>493,766</b> | <b>364,023</b>   | <b>(77,868)</b>    | <b>3,212,581</b>  |
| Trade creditors                   | 523,211          | 21,110           | 592,042          | 16,304           | 32,907         | 249,455        | 2,488            | 1,367              | 1,438,884         |
| Trade provisions                  | 30,092           | 747              | 86,051           | 1,861            | 320            | 11,134         | 9,268            | 0                  | 139,472           |
| Short term creditors              | 105,251          | 138,770          | 83,156           | 21,948           | 4,449          | 83,449         | 59,066           | (79,234)           | 416,855           |
| Short term interest bearing debt  | 45,826           | 189,946          | 469,931          | 60,983           | 7,755          | 149,728        | 293,201          | 0                  | 1,217,370         |

| <b>CONSOLIDATED BALANCE SHEET</b> |                  |                  |                  |                  |               |                |                  |                    |                  |
|-----------------------------------|------------------|------------------|------------------|------------------|---------------|----------------|------------------|--------------------|------------------|
| <b>As of September 30th 2003</b>  |                  |                  |                  |                  |               |                |                  |                    |                  |
| (Thds €)                          | Sacyr            | Itinere          | Vallehermoso     | Testa            | Valoriza      | Somague        | Holding          | Adjustments        | TOTAL            |
| <b>FIXED ASSETS</b>               | <b>174,629</b>   | <b>1,551,100</b> | <b>48,785</b>    | <b>2,245,919</b> | <b>63,731</b> | <b>77,189</b>  | <b>1,424,534</b> | <b>(1,522,858)</b> | <b>4,063,030</b> |
| Tangible                          | 23,647           | 1,214,502        | 2,938            | 1,520,438        | 35,332        | 25,476         | 26,510           | 96,119             | 2,944,962        |
| Intangible                        | 34,890           | 87               | 2,207            | 401,327          | 6,910         | 164            | 5,740            | 0                  | 451,326          |
| Financial and Other               | 87,465           | 23,604           | 35,365           | 240,515          | 17,460        | 30,558         | 1,386,464        | (1,622,608)        | 198,823          |
| Goodwill                          | 564              | 71,386           | 0                | 0                | 4,029         | 20,990         | 0                | 3,436              | 100,405          |
| Deferred expenses                 | 28,063           | 241,522          | 8,275            | 83,640           | 0             | 0              | 5,820            | 196                | 367,515          |
| <b>CURRENT ASSETS</b>             | <b>1,104,320</b> | <b>271,073</b>   | <b>2,218,643</b> | <b>55,341</b>    | <b>24,333</b> | <b>166,425</b> | <b>99,647</b>    | <b>(552,306)</b>   | <b>3,387,477</b> |
| Stocks                            | 79,065           | 999              | 1,597,231        | 6,810            | 3,219         | 18,307         | 835              | 17,257             | 1,723,724        |
| Debtors                           | 530,421          | 34,952           | 615,542          | 31,074           | 13,068        | 140,505        | 26,985           | (70,763)           | 1,321,784        |
| Others                            | 494,834          | 235,122          | 5,870            | 17,457           | 8,046         | 7,613          | 71,827           | (498,800)          | 341,969          |
| <b>ASSETS = LIABILITIES</b>       | <b>1,278,949</b> | <b>1,822,173</b> | <b>2,267,428</b> | <b>2,301,261</b> | <b>88,065</b> | <b>243,614</b> | <b>1,524,181</b> | <b>(2,075,163)</b> | <b>7,450,507</b> |
| <b>LONG TERM FUNDS</b>            | <b>613,305</b>   | <b>1,480,164</b> | <b>1,115,921</b> | <b>2,191,807</b> | <b>62,919</b> | <b>99,405</b>  | <b>906,722</b>   | <b>(1,501,052)</b> | <b>4,969,190</b> |
| Equity                            | 314,752          | 223,022          | 380,107          | 916,830          | 28,301        | 47,775         | 659,143          | (1,315,715)        | 1,254,215        |
| Minorities interests              | 1,332            | 27,364           | 3,331            | 0                | 0             | 6,180          | 0                | 3,825              | 42,033           |
| Long term creditors               | 35,993           | 316,986          | 346,485          | 42,352           | 6,953         | 11,856         | 14,379           | (189,163)          | 585,842          |
| Long term interest bearing debt   | 261,227          | 912,791          | 385,998          | 1,232,625        | 27,665        | 33,594         | 233,200          | 0                  | 3,087,100        |
| <b>CURRENT LIABILITIES</b>        | <b>665,644</b>   | <b>342,010</b>   | <b>1,151,507</b> | <b>109,454</b>   | <b>25,146</b> | <b>144,209</b> | <b>617,459</b>   | <b>(574,111)</b>   | <b>2,481,317</b> |
| Trade creditors                   | 491,835          | 16,775           | 483,731          | 24,331           | 13,671        | 69,172         | 10,067           | 302                | 1,109,886        |
| Trade provisions                  | 21,028           | 3,734            | 87,381           | 2,172            | 226           | 0              | 1,995            | 0                  | 116,536          |
| Short term creditors              | 95,293           | 237,833          | 46,412           | 27,606           | 2,651         | 26,674         | 331,598          | (575,997)          | 192,069          |
| Short term interest bearing debt  | 57,488           | 83,667           | 533,983          | 55,344           | 8,597         | 48,364         | 273,799          | 1,583              | 1,062,825        |

### III. PERFORMANCE OF BUSINESS AREAS

#### SACYR/SOMAGUE

Revenues of this area reached 1,470.9 million euros, up 41.5%. This change entailed a decrease of 1.7% if the 100% integration of Somague in 2003 is considered in a homogeneous perimeter. This slight reduction is due to the forecasted evolution in the annual activity scheduling, this yielding an expected soft increase in sales for the year as a whole.

The performance of operating margin was noteworthy (7.6% of sales as opposed to 5.9% last year), allowing Ebitda of 111.6 million euros to be achieved, up 81.8% on 2003. This expansion is due to both the greater return on projects underway, as well as the increase in contribution produced by the acquisition of the majority of the Somague group.

The net profit of the construction area (Sacyr + Somague) amounted to 50.8 million euros, up 27.3% on the 39.9 million euros in 2003, due both to the acquisition of the majority of Somague, as commented above, as well as a comparative improvement in margins occurring at the two groups forming the business group.

At the close of September 2004, the works portfolio amounted to 2,934.1 million euros, equivalent to 18 months of business. The increase with respect to 2003 was 7.5%.

The breakdown of the works portfolio is as follows:

| ORDER BACKLOG<br>(Mn Euros) | September    |              | %Change     |
|-----------------------------|--------------|--------------|-------------|
|                             | 2003         | 2004         | 04/03       |
| Spain                       | 1,607        | 1,680        | 4.5%        |
| Portugal                    | 806          | 1,027        | 27.5%       |
| Other Countries             | 316          | 227          | (28.0%)     |
| <b>TOTAL</b>                | <b>2,729</b> | <b>2,934</b> | <b>7.5%</b> |

Some 92.2% of the portfolio is located in the European Union, with 57.2% belonging to Spain, 35% to Portugal, and the rest (7.7%), to other countries, nearly all of which coming from infrastructure concession projects in Chile and Costa Rica.

Works awarded during the period amounted to 1,524.3 million euros, up 43.9% on the same period last year. Of the contracts awarded, those pertaining to the Sacyr subgroup amounted to 1,176.2 million euros (77.2% of the total).

By type of work, and in the Sacyr subgroup, the area's core unit, 76.3% of contracting related to civil works (897 million euros), and 23.7% to building (278.8 million euros).

The following is a list of contracts awarded in the period:

| <b>CONTRACTS AWARDED</b>  |                     |
|---|---------------------|
| <b>(Thds Euros)</b>   | <b>September 04</b> |
| Houses awarded Vallehermoso   | 142,364             |
| VPP houses in Parla   | 40,407              |
| Menorca airport Terminal enlargement                                | 26,023              |
| Almeria houses  | 14,189              |
| Other Buildings   | 55,846              |
| <b>Building</b>   | <b>278,829</b>      |
| Link road M-30 with A-3   | 147,179             |
| L-1 and L-4 Madrid Tube Station transfer. Chamartín-Parque Stamaria | 135,773             |
| Carballino- O Rixo Lalin AVE train                                  | 115,753             |
| San Jose Highway Corridor (Costa Rica)                              | 61,116              |
| Americo Vespucio concession   | 60,283              |
| L-7 Madrid Tube Station (Las Musas- M 40 stretch)                   | 60,249              |
| Metro Line 9 in Barcelona   | 37,638              |
| Madrid-Levante AVE train. Sax-Elda stretch                          | 36,362              |
| C-715 Manacor highway works   | 35,832              |
| Madrid- Barna AVE train. Llinars-Sant Celloni stretch               | 31,613              |
| Madrid- Barna AVE train. Massanet- Macanet stretch                  | 26,692              |
| Jucar Vinalopo VII stretch  | 22,427              |
| L-3 Madrid tube enlargement   | 17,449              |
| Other Civil Works   | 109,054             |
| <b>Civil Works</b>  | <b>897,420</b>      |
| <b>TOTAL SACYR GROUP</b>  | <b>1,176,249</b>    |
| Construction of 290 houses  | 27,616              |
| New Fatima Basilica   | 16,100              |
| Lucrecia Paim Maternity Hospital                                    | 15,576              |
| University Library in A. Neto                                       | 14,131              |
| Praia Tercera Port restoration                                      | 13,782              |
| Riu Funana Hotel  | 11,790              |
| 137 houses restoration  | 11,000              |
| Regional highway 101  | 7,723               |
| Miramar Housing set   | 7,482               |
| Carregado Termoelectric Plant                                       | 7,300               |
| Auchan Puazn Amadora  | 7,000               |
| Others Somague  | 208,535             |
| <b>TOTAL SOMAGUE GROUP</b>  | <b>348,035</b>      |
| <b>Total</b>  | <b>1,524,284</b>    |

Among the core contracts obtained, the following are worthy of mention:

- Works for connection of M-30 with A-3 for 147.2 million euros.
- Works on lines 1 and 4 of the Madrid subway: Chamartín-Parque de Santamaría transfer point for 135.8 million euros, and on line 7: Las Musas-M-40 tranche for 60.2 million euros.
- Project for construction of the high speed train tranche connecting Galicia and Portugal in the Carballino-O Rixo Lalin tranche for 115.7 million euros.
- Project for construction of the San Jose-San Ramon corridor in Costa Rica, in the toll highway providing access to the San Jose International Airport for 61.1 million euros.
- Supplementary contract no. 1 of the Americo Vesputio International Concession in Chile for 60.3 million euros.
- Construction of 712 housing units in Parla for 40.4 million euros.
- Construction works on line 9 of the Barcelona subway: Segrera-Meridiana transfer point for 22.3 million euros and tranche 1 for 15.3 million euros.
- Project for construction of the high speed train connecting Madrid and Levante in the Sax-Elda tranche for 36.4 million euros.
- Project for construction of the high speed train connecting Madrid-Barcelona-French border in the Llinars-Sant Celoni and Massanet-Macanet tranches for 31.6 and 26.7 million euros respectively.
- Projects for construction of the shadow toll highway to join Palma de Mallorca with Manacor: expansion of C-715 highway between Cami de Sa Siquia and Manacor for 35.8 million euros.
- Various residential developments for the Vallehermoso Group, for a total amount of 142.4 million euros.

Contracting generated by Sacyr for Vallehermoso, which reached 9.3% of the total by September, responds to SyV's objective of nurturing and taking advantage of the synergies existing among the group's various subsidiaries, seeking to increase the total profit by executing works with the group's own means, avoiding taking away from the Group's construction margin part of the construction needs relating to the various businesses, principally in relation to concessions and residential development.

## **VALLEHERMOSO**

Vallehermoso's sales through June 2004 reached 736.5 million euros, up 16.1%. Sales of the residential product were 709.9 million euros and the rest, 26.6 million euros, came from the sale of other products and services.

The operating margin on sales stood at 20.2% at September, higher than the 18.7% posted in 2003. In the period, margin performed in line with the targets for the fiscal year aggregate.

Residential pre-sales reached 658.1 million euros, up 12.0% with respect to 2003, supported by the number of units sold, 3.1% more than in the third quarter of 2003, reaching 2,669 units. As at September 30, there were sales

pending posting for 680.6 million euros. For their part, land sales grew to 29.5 million euros, 4.3% of the total product booked in the period.

The change in contracted sales and the operating margin of the residential and land product at the end of the third quarter of the current year is shown below:

| <b>CONTRACTED SALES</b><br>(Thds Euros) | 2003           |                | 2004           |                |
|---|----------------|----------------|----------------|----------------|
|   | Sales          | Margin (*)     | Sales          | Margin (*)     |
| Land                                    | 24,657         | 3,647          | 29,455         | 3,810          |
| Residential sales                       | 587,789        | 134,211        | 658,129        | 174,341        |
| Other products                          | 0              | 0              | 0              | 0              |
| <b>TOTAL GROUP</b>                      | <b>612,446</b> | <b>137,858</b> | <b>687,584</b> | <b>178,151</b> |

(\*) Direct Margin (only includes direct operating costs)

Investments made in the purchase of land grew consistently in the period, with 497.1 million euros through September, equivalent to 6,118 homes. The breakdown of acquisitions by the various geographical areas is as follows:

| <b>LAND PURCHASE</b> |                          |                     |
|----------------------|--------------------------|---------------------|
| <b>LOCATION</b>      | <b>Houses equivalent</b> | <b>% over TOTAL</b> |
| Andalusia            | 1,409                    | 23.0%               |
| Canarias             | 593                      | 9.7%                |
| Catalonia            | 1,071                    | 17.5%               |
| Centre               | 1,118                    | 18.3%               |
| Galicia              | 83                       | 1.4%                |
| East                 | 756                      | 12.4%               |
| North                | 1,088                    | 17.8%               |
| <b>TOTAL GROUP</b>   | <b>6,118</b>             |                     |

Land reserves and residential product amounted to 4.0 million m2 this past September, which is the equivalent of a total of 24,111 homes and an assured period of business above 5 years. This reserve implies a significant increase of 22.6% in the volume of m2 in stocks compared to September 2003 and is the equivalent of 52.0% in growth in the number of housing units in portfolio in the same period. This position in the land reserve bank sustains the solidity of targets for business growth in the long term as a consequence of a broad-based, geographically diversified portfolio with an adequate degree of urban planning and development.

**ITINERE**

Itinere's concession business performed well with turnover of 241.5 million euros, 170.1% up on 2003. Operating income grew 194.4% to 185.7 million euros. This growth was supported both by ENA joining the group in October 2003 as well as by the sound performance of traffic in the various concessions and the opening of new stretches.

In the Spain-based concessions traffic growth continued higher than the growth of the economy in general. Growth on the most important routes was particularly notable.

The opening in December 2003 of the last concession stretch awarded to Audasa, the northern access to Ferrol, with an additional 24.7 km. under operation, places ADT growth at 2.4%. Excluding the effect of this opening, traffic grew 8.0%.

Aucalsa and Audenasa enjoyed traffic increases of 8.2% and 6.2%, respectively, while Avasa's traffic volume grew by 4.8% in the period. Aunor achieved, once again achieved the highest levels since its opening, growing 5.7% with respect to the same period last year.

The business in Chile, enjoying a high level of assured revenues and subsidies, has shown a progressive acceleration in traffic levels with respect to 2003, in line with economic recovery. Although traffic intensity on Rutas del Pacifico declined slightly as a consequence of the effect of the opening of the last pending stretch, the southern stretch to Viña del Mar (36 km long), gross traffic volume grew a notable 16%. The two extreme concessions of the Pan-American route (Los Lagos and El Elqui) obtained 6.3% and 2.0% growth, respectively, in number of vehicles.

| ADT                     | September |        | % Change |
|-------------------------|-----------|--------|----------|
|                         | 2003      | 2004   | 04/03    |
| <b>Spain</b>            |           |        |          |
| Avasa                   | 13,167    | 13,799 | 4.8%     |
| Aunor                   | 9,771     | 10,324 | 5.7%     |
| Aucalsa                 | 8,298     | 8,977  | 8.2%     |
| Audasa                  | 20,858    | 21,363 | 2.4%     |
| Audenasa                | 14,956    | 15,880 | 6.2%     |
| Autoestradas Galicia I  | 11,549    | 12,299 | 6.5%     |
| Autoestradas Galicia II | 7,313     | 7,890  | 7.9%     |
| <b>Chile</b>            |           |        |          |
| R-5 Los Lagos           | 3,861     | 4,103  | 6.3%     |
| R-5 El Elqui            | 3,173     | 3,237  | 2.0%     |
| Rutas del Pacífico      | 16,232    | 15,736 | (3.1%)   |

During the first nine months of the year, two new concessions were contracted to be added to the current portfolio of 19 held by the Itinere group (excluding Somague concesiones). The consortium in which Itinere participates with 35% was the awarding of the tender for development and management of a highway concession in Costa Rica, specifically the San Jose-San Ramon corridor, the most traveled by the Central American country and which provides access to San Jose International Airport, to which the Santa Ana-Rio Segundo radial concession has been added. The length of the highway is 60 kilometers and that of the radial highway 7.5 kilometers. The operating term for the concession is 25 years and carries with it doubling and improving the existing stretch, by mobilizing a total investment of 266 million dollars.

Furthermore, in the month of April, the government of the Balearic Islands awarded to the consortium 40% invested by Sacyr Vallehermoso, the development and operation of the shadow toll road joining Palma de Mallorca with Manacor. The project has a length of 41 kilometers. The forecasted investment is 116 million euros. The concession term is 33 years and estimated construction time is 27 months. The concessionaire company, apart from the royalty demanded in function of the number of vehicles which transit the highway, will receive from the regional government fixed payments during the first seven years of the concession for 37 million euros. The estimated traffic for the first year of operation of the highway is 16,000 vehicles/day.

Finally, and within the corporate restructuring process, Itinere reached in the month of May an agreement with the OHL group for the exchange of holdings in certain concessionaires in which both groups hold interests. The agreement, which is subject to obtaining the pertinent authorizations, will imply that Itinere will assign its stakes in Euroglosa 45 (33%)—holder of stretch III of the M-45 highway, and in Aeropistas, S.L. (20%)—holder of the Airport Axis Concessionaire. In exchange, Itinerary will receive as a counterpart from the OHL Group, the latter's holdings in the companies Aunor S.A. of the Region of Murcia (45%), Tacel Inversiones, S.A. (5.9%)—owner of the Central Galician Highway—and Alazor Inversiones, S.A. (6.75%)—owner of the concessions Radial-III and Radial-V in Madrid. Itinere will thus become the most important shareholder at the three companies from which it receives stakes.

The portfolio of recurrent business revenues amounted to 49,306.5 million euros by September, up 45.7% on last year. Furthermore, 91.1% of the portfolio was located domestically, reaffirming its profile of high security and profitability.

| ORDER BOOK<br>(Mn Euros) | September     |               | % Change     |
|--------------------------|---------------|---------------|--------------|
|                          | 2003          | 2004          | 04/03        |
| Spain                    | 30,671        | 44,922        | 46.5%        |
| Chile                    | 3,162         | 4,384         | 38.7%        |
| <b>TOTAL</b>             | <b>33,833</b> | <b>49,307</b> | <b>45.7%</b> |



Likewise, the 209.5% increase in fixed assets with respect to the third quarter of 2003 was due to the concessions included in ENA's subgroup joining the group. At the close of the third quarter, the total investment in highways amounted to 4,256.0 million euros, with 55.2 million euros in progress, pertaining to a large extent to development of works on the Santiago de Chile, Americo Vespucio metropolitan ring highway, and to a lesser extent, to the Nororiente Highway concession, the latter also located in the metropolitan area of the Chilean capital.

| INVESTMENTS<br>(Thds Euros) | 2003             |               | 2004             |               | % Change<br>04/03 |
|-----------------------------|------------------|---------------|------------------|---------------|-------------------|
|                             | Under Construc.  | In Operation  | Under Construc.  | In Operation  |                   |
| AVASA                       | 572,979          | 43            | 661,123          | 1,655         | 15.7%             |
| AUTOV. NOROESTE             | 43,629           | 0             | 43,629           |               | 0.0%              |
| AUTOPISTA ASTUR-LEONESA     |                  |               | 684,388          |               |                   |
| AUTOESTRADAS DE GALICIA     |                  |               | 138,281          |               |                   |
| AUTOPISTAS DEL ATLANTICO    |                  |               | 1,711,392        |               |                   |
| AUTOPISTAS DE NAVARRA       |                  |               | 338,800          | 3,362         |                   |
| <b>Spain</b>                | <b>616,608</b>   | <b>43</b>     | <b>3,577,613</b> | <b>5,017</b>  | <b>481.0%</b>     |
| S.C.DEL ELQUI               | 202,578          | 0             | 205,949          |               | 1.7%              |
| S.C.LOS LAGOS               | 212,007          | 0             | 215,533          |               | (62.4%)           |
| S.C. RUTAS P.               | 162,258          | 0             | 167,891          |               | 284.8%            |
| S.C.LITORAL C.              | 6,937            | 17,292        | 33,781           |               | 39.4%             |
| S.C. VESPUCIO SUR           | 0,000            | 23,487        | 0                | 42,122        | 79.3%             |
| S.C. VALLE CHACABUCO        |                  |               |                  | 8,085         |                   |
| <b>Chile</b>                | <b>583,780</b>   | <b>40,799</b> | <b>623,154</b>   | <b>50,207</b> | <b>7.8%</b>       |
| <b>TOTAL</b>                | <b>1,200,389</b> | <b>40,822</b> | <b>4,200,767</b> | <b>55,224</b> | <b>242.9%</b>     |

The net profit in the third quarter was 7.4 million euros in spite of reflecting negative exchange differences of 6.0 million euros posted as a result of the depreciation suffered by the Chilean peso against the U.S. dollar (reference currency for financing of several concessions in Chile).

### TESTA

The revenues earned by Testa during the period were 142.9 million euros, up 5.1% on 2003. Operating income grew 9.2% to 108.8 million euros, due to the increase in operating margin (76.2% as opposed to 73.3% posted in 2003), thanks to the positioning in production yielding a higher return and lower management costs. Extraordinary income recorded in the year amounted to 31.6 million euros, down 73.3% on the same period last year. This explains why, although ordinary revenue grew 131.9% to 88.2 million euros, pre-tax income, which reached 119.8 million euros, fell 23.3%. Because the

normalization of the tax rate also took place in this period following full application of tax credits in 2003, the net profit of 93.5 million euros fell 34.3%.

The change in the factors that explain the change in rental income is shown below:

| RENTAL PERFORMANCE             | September |           | %Change |
|--------------------------------|-----------|-----------|---------|
|                                | 2003      | 2004      | 04/03   |
| Net Rental Income (Thds Euros) | 133,520   | 139,974   | 4.8%    |
| Average Occupied Surface (M2)  | 1,300,999 | 1,303,011 | 0.2%    |
| Average Rent (€ /M2 /Month)    | 11.64     | 12.18     | 4.6%    |
| Land Lettable Surface (M2)     | 1,388,473 | 1,382,212 | (0.5%)  |
| Average Occupancy Rate (%)     | 93.74     | 94.27     | 0.6%    |

Worthy to highlight is the entry into rehabilitation as from the second half of last year of two office buildings in Madrid, with an above-ground surface area of 32,491 m<sup>2</sup>. These properties are fully pre-leased to two major tenants. Consequently, adjusted for this effect, the occupancy rate for all properties under management would be 97.5% as of this past September, as opposed to 96.7% in 2003.

The month of August saw the start of operations of the group's fourth senior citizen residence, located in Madrid city center. It has a surface area of 3,600 m<sup>2</sup> and responds to a plan for selective development of this use, by focusing on pre-leasing promotion based on long-term contracts agreed to with specialized operators.

Among the investments made in the period, the acquisition in June of land for construction of a tertiary-use tower in the Madrid business district for 140 million euros, is noteworthy. This purchase, made to the Madrid Town Hall, is framed within "Project Ciudad Arena", located in the center/north of the city, and comprising the construction of a unique, 250 meter-high tower having a buildable surface area of 57,672 meters. This will entail consolidating this area within the city's business district and converting it into one of the city's most emblematic and visible areas.

The remaining investments in progress totaled 107.6 million euros at the close of the third quarter and included the entry into reconstruction of a Madrid office building for a value of 38.7 million euros, another 33.7 million euros invested in 5 senior citizen residences, in various stages of development, as well as other line items assigned to rehabilitation and implementation of different uses.

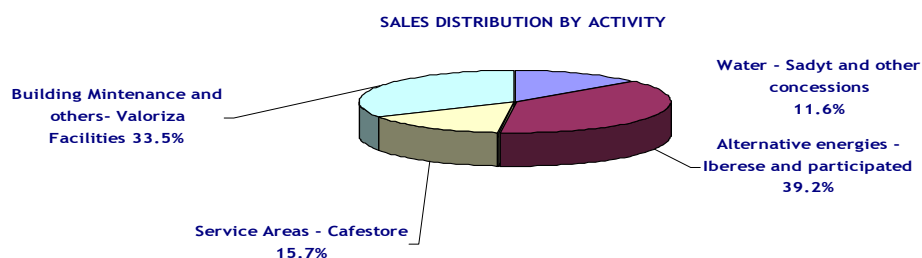
| Asset Sales<br>(Thds Euros) | SALES          |               |                | GROSS PROFIT   |               |                |
|-----------------------------|----------------|---------------|----------------|----------------|---------------|----------------|
|                             | 2003           | 2004          | %              | 2003           | 2004          | %              |
| Land Sales                  |                | 36,157        |                |                | 29,390        |                |
| Phillips Building           | 79,000         |               |                | 40,289         |               |                |
| Princesa 3                  | 58,193         |               | (100.0%)       | 46,050         |               | (100.0%)       |
| E. J. Millas 2              | 12,727         |               | (100.0%)       | 10,049         |               | (100.0%)       |
| Others                      | 26,331         | 4,884         | (81.5%)        | 20,624         | 3,201         | (84.5%)        |
| <b>TOTAL</b>                | <b>176,251</b> | <b>41,041</b> | <b>(76.7%)</b> | <b>117,012</b> | <b>32,591</b> | <b>(72.1%)</b> |

Until September, the principal portfolio property sold was a building site for 36.2 million euros. Because this asset was long-held by the group, it contributed a high margin of 29.4 million euros.

Furthermore, on March 31, 100% of a company owning 380 rented accommodation properties located in Madrid was sold for a price of 47.6 million euros. These properties, subject to rent-control leases, allow, through their sale, freeing up financial resources through generating a capital gain amounting to 41.2 million euros.

**VALORIZA**

SyV's growing services business is grouped around Valoriza, which achieved revenues of 54.2 million euros through September, up 62.1% on 2003, due to a large extent to the implementation of new projects. Its core business areas are facilities management, alternative energies, water management and road service areas.



Noteworthy because of its importance and potential is Iberese, the alternative energy unit, which represented 39.2% of turnover in the third quarter, amounting to 21.2 million euros. Various projects were booked during the period especially in the energy business, both as regards execution as well as subsequent operation by the group. In the second quarter, the construction of two co-generation plants was booked, with more than 20 MW of installed power for various industrial customers. In the side of development and operation, two bio-mass plants located in the province of Jaen were obtained, based on generating electrical energy by drying agricultural mud waste.

Consequently, at the close of the third quarter, a total of 8 plants were in the portfolio, totaling more than 100 MW of installed capacity once the recent adjudications obtained became operative. Furthermore, the stake in Iberese, a leader in the business, was increased in the period from 50% to 74%, with an investment of 2.8 million euros. This transaction allowed consolidating the exposure and control of management of an area which enjoys a high growth potential.

Sadyt, in the water cycle, was awarded within the GEIDA joint venture, two development and operation projects for a period of 25 years for seawater desalination plants in Algiers. The first of these plants, located in Skikda, was awarded this past March and has a desalination capacity of 100,000 cubic meters per day. The second project was awarded in the month of May and is located in the region of Beni-Saf, with a desalination capacity of 150,000 cubic meters of seawater per day. With these plants more than 330,000 m<sup>3</sup>/desalination day installed by Sadyt will be achieved, bringing the total to eight (four in operation and four in development), apart from other facilities dedicated to water purification and other treatments.

Through September Cafestore opened a total of 12 new service areas, 2 located in Valencia, other 2 in Galicia and 8 in the Madrid region. This entails a total of 19 points of business, as opposed to the 7 existing this past December. It is expected to close the fiscal year with a total of 21 points due to two new openings, allowing Cafestore to hold third place domestically as an operator of road service areas.

Finally, Valoriza Facilities, specializing in the maintenance and management of all types of real properties, billed 17.5 million euros during the first nine months of the fiscal year, representing considerable growth over the same period last year. This expansion is due fundamentally to contracting generated, with new major accounts, thus allowing a portfolio of more than 200 customers to be reached at the close of September.

## IV. BOARD RESOLUTIONS

### DISTRIBUTION OF DIVIDENDS

- On January 9, 2004, the third interim dividend for fiscal year 2003 in the gross amount of 0.075 euros per share was paid. The dividend distribution had been resolved at the Board of Directors meeting held on December 11, 2003.
- On June 29, 2004, a final dividend for fiscal year 2004 in the gross amount of 0.075 euros per share was distributed. The dividend distribution had been resolved at the Board of Directors meeting held on June 25, 2004.
- In addition, at this same Board meeting, the distribution of the first interim dividend against fiscal year 2004 in the gross amount of 0.077 euros per share was resolved, to be paid on July 28, 2004.

### CHANGES TO THE BOARD OF DIRECTORS:

- The Board of Directors of Sacyr Vallehermoso, S.A., at its meeting held on February 11, 2004, resolved to accept the resignation tendered by Mr. Jose Ramon Calderon Ramos from his post as Member of the Board of Directors, for and on behalf of Almarfe S.L., the owner of 6.3% of SyV's capital.
- At its meeting on June 3, 2004, the Board of Directors of Sacyr Vallehermoso, S.A. resolved to appoint as Chairman of the Board Mr. Luis de Rivero Asensio, replacing Mr. Jose Manuel Loureda Mantinan, who will leave this post due to his age, and as First Vice Chairman and Chief Executive Officer Mr. Manuel Manrique Cecilia. Such appointments shall take effect as from November 11, 2004. Mr. Jose Manuel Loureda Mantinan will continue his services after such date as a Company director.
- The Board of Directors, at its meeting held on June 25, 2004, resolved to appoint as directors of Sacyr Vallehermoso, S.A., for a term of five years: Mr. Diogo Alves Diniz Vaz Guedes, who will hold the post of Third Vice Chairman of the Board of Directors and member of the Executive Committee, Mr. Jose Seixas de Queiroz Vaz Guedes and Almarfe, S.L., as represented by Mr. Fernando Martin Alvarez. Those appointments were ratified at the General Shareholders' Meeting held on June 25, 2004.

### CAPITAL INCREASES

- The Annual General Shareholders' Meeting held on June 25, 2004 approved increasing the share capital by 13,850,948 euros, through the issuance of 13,850,948 shares each having a par value of 1 euro, to service the operation involving the integration of Somague into the

Sacyr Vallehermoso Group. These shares were exchanged for 16,776,607 shares of Somague SGPS representing 64.28% of its share capital. The new shares were admitted to trading on the Madrid Stock Exchange on July 21, 2004.

- Furthermore, the Annual General Shareholders' Meeting approved increasing the share capital by 6,491,544 euros, through the issuance of 6,491,544 shares each having a par value of one euro, as a charge against freely disposable reserves and in the proportion of one new share for every forty in circulation. These shares were admitted to trading as of September 30, 2004.
- The Board of Directors, at its meeting held on September 10, 2004, decided to apply for admission to trading on the Lisbon Euronext Official Market of the 266,153,343 shares forming all of the capital stock of Sacyr Vallehermoso S.A. The shares began to trade on September 30, 2004.

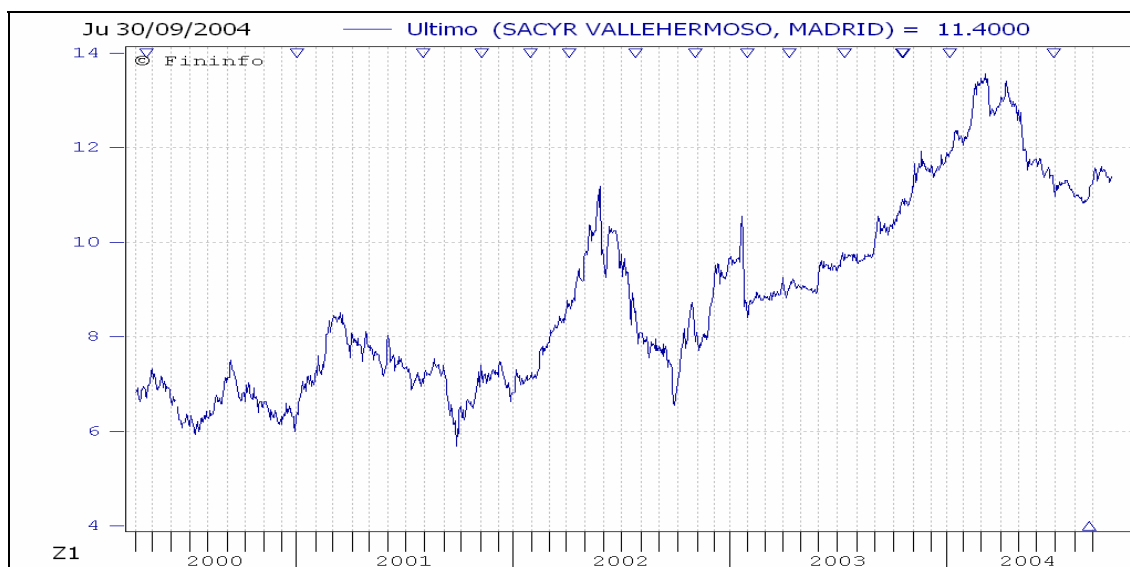
#### **OTHER RESOLUTIONS**

- At its meeting on June 3, 2004, the Board of Directors of Sacyr Vallehermoso, S.A. approved the new Regulations of the Board of Directors, which took effect after the new Bylaws were approved by the General Shareholders' Meeting.
- On June 25, 2004, the Board approved the new Internal Rules of Conduct Code of Sacyr Vallehermoso, S.A., the new Corporate Bylaws of Sacyr Vallehermoso, S.A., and the Regulations of the General Shareholders' Meeting, which have been forwarded to the Spanish Securities Regulatory Commission for publicity.

## V. STOCK PERFORMANCE

|                                    | September |           | Change%  |         |
|------------------------------------|-----------|-----------|----------|---------|
|                                    | 2003      | 2004      | 04/03    |         |
| Closing Stock Price ( euros p.s. ) | 10.55     | 11.40     | 8.06%    |         |
| Market Capitalization ( Mn Euros ) | 2,593,304 | 3,034,148 | 17.00%   |         |
| EPS* (EPS / N° Shares )            | Euros     | 0.93      | 0.88     | (4.83%) |
| CFPS (C. Flow / N° Shares )        | Euros     | 1.23      | 1.37     | 11.28%  |
| Trading Volumen ( Thds Euros )     | 2,671,450 | 1,278,693 | (52.13%) |         |
| Frecuency of trading               | %         | 100       | 100      |         |
| N° of Shares ( Thds )              | 246,811   | 266,153   | 8.28%    |         |
| Share Nominal Value                | 1 EURO    | 1 EURO    |          |         |

\* Adjusted in 2003 by capital share increase of 1x40 (effective in 2004).



## VI. SHAREHOLDING STRUCTURE

According to the information registered in the Spanish Stock Exchange Commission at September 30th, Sacyr Vallehermoso, S. A. directors holds and/or represent the following number of shares in the company:

|  | N° shares          | %             |
|--|--------------------|---------------|
| Almarfe, S.L.                            | 15,863,325         | 5.96%         |
| D. Antonio Basagoiti García de Tuñón (1) | 1,025              | 0.00%         |
| D. Vicente Benedito Francés              | 55,866             | 0.02%         |
| D. Demetrio Carceller Arce (2)           | 18,450             | 0.01%         |
| Corporacion Caixa Galicia,S.A.           | 7,558,684          | 2.84%         |
| D. Matías Cortés Domínguez               | 100                | 0.00%         |
| Cymofag,S.L. (3)                         | 18,631,463         | 7.00%         |
| D. Pedro Gamero del Castillo y Bayo      | 103                | 0.00%         |
| D. Francisco Javier Gayo Pozo            | 5,336,350          | 2.00%         |
| D. José Manuel Loureda Mantiñán          | 30,720,356         | 11.54%        |
| Nueva Compañía de Inversiones ,S.A (4)   | 23,524,387         | 8.84%         |
| Participaciones Agrupadas,S.R.L.         | 15,995,815         | 6.01%         |
| D. Luis Fernando del Rivero Asensio (5)  | 33,842,133         | 12.72%        |
| D. Juan Miguel Sanjuán Jover             | 9,272,262          | 3.48%         |
| Torreal,S.A. (4)                         | 23,524,382         | 8.84%         |
| D. Diogo Alves Diniz Vaz Guedes (6)      | 13,922,222         | 5.23%         |
| D. Jose Seixas de Queiroz Vaz Guedes (6) | 13,922,222         | 5.23%         |
| <b>TOTAL Board of Directors</b>          | <b>174,742,541</b> | <b>65.65%</b> |

(1) Director representing BSCH.

(2) Director representing Disa Corporación Petrolífera, Atlantica Petrogas and Renta Insular Canaria.

(3) Director represented by Mr. Manuel Manrique, who holds a significant stake in Cymofag,S.L.

(4) Directors representing Abelló Group. Torreal S.A. Representation is already included as indirect stake in that one of Nueva Compañía de Inversores,S.A.

(5) Actividades Inmobiliarias y Agrícolas,S.A. and Rimefor Milenio Nuevo,S.L. are the companies by which Mr. Luis del Rivero Asensio participates in the company. Actividades Inmobiliarias y Agrícolas has a stake of 5.067% and Rimefor Milenio Nuevo,S.L. a 7.648% in which Mr. Luis del Rivero Asensio holds a 61.89%.

(6) Directors representing Finavague,S.L. who holds the stake.