

ANNUAL REPORT 2005

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Dear. Shareholders:

In 2005 San José achieved earnings of 73.5 million euros a 5.1% annual increase, on revenues of 1,211 million euros, a 15% increase over 2004.

Therefore, 2005 qualifies as a successful year for San José. We have achieved greater international presence and a business structure which grants greater leverage to the Profit & Loss (P&L) Account due to the application of the diversification policy which has contributed to a shift in the Group's business profile. Although the average accumulated growth for the last five years has exceeded 25%, the profitability margins have been maintained.

This new business structure is supported by a corporate reorganization process to provide enhanced agility and flexibility that, combined with our solid financial position, will empower San José to confront future growth and respond to the challenge that significant and forecasted market changes will provoke.

In construction, growth experienced in the domestic market has been joined by a very positive expansion of foreign activities. There has been remarkable increase in sales in Portugal, as well as gradual progress in Argentina and Panama. In Peru we expect to achieve both significant growth as well as good results in the coming years.

In the industrial area, a revised focus has led to business in market and product segments with larger contract amounts and greater construction complexity more dependants upon new technology, as well as Research and Development.

The improvement of sales and turnover in real estate, along with the continued investments, will enable this activity to consolidate as one of the most important of the Business Group. Start-up of real-estate activities in Peru, and the ones that will mature in Argentina in 2006, will support future area growth.

The urban development area, which comprises land management and Shopping Centre promotion activities will, in the near future, become the division which guarantees increases for real estate activities and also will provide recurring income for the P&L account.

Regarding concessions and services; by expanding into Green Area Global Management activities, in addition to the proven expertise in existing Comprehensive Building Maintenance Services, Hospital and Airport Facility Maintenance, we have provided this division opportunities for development in years to come.

Corporate Social Responsibility during 2005 has been subject to development in different areas to achieve good governing practices and increased transparency levels. In this sense, I would like to point out that we consider training a key factor in corporate development. Therefore, by focusing on the Group's main asset - the Human Team, the training policy has to be based in such indispensable areas such as Occupational Safety, since we consider our worker's safety a fundamental issue; and Quality and the Environment, by developing worker training in such key issues of environmental policies such as the strict compliance with contract quality and deadlines, identity cornerstones of the Business Group. We foresee maintaining constant, but solid growth, with an expected 2006 Turnover of 1,500 million euros, 25% more than in 2005.

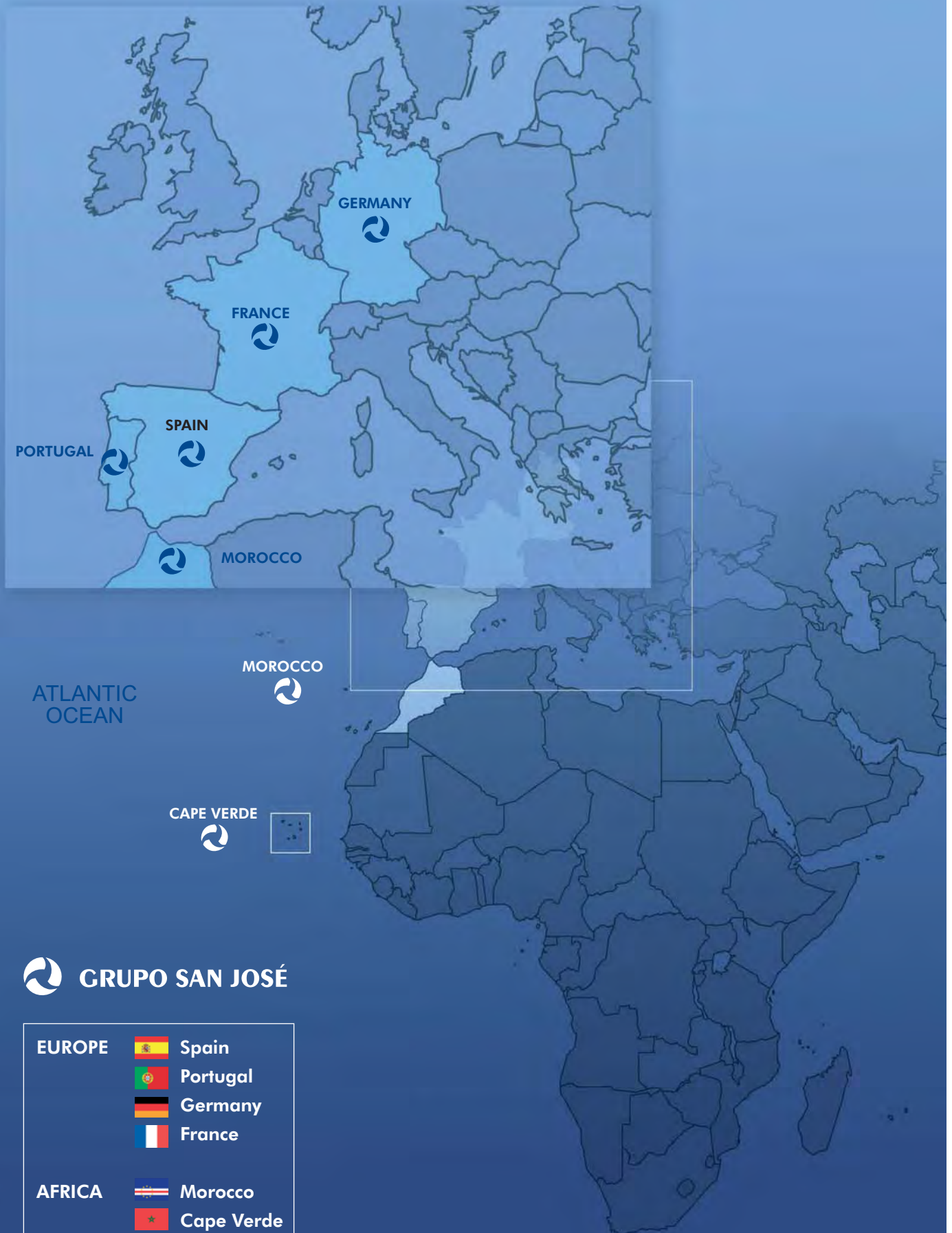
Finally, I express my gratitude to our customers, suppliers, workers and shareholders, without whom the development of this Business Group would be impossible.

Jacinto Rey
PRESIDENT GRUPO EMPRESARIAL SAN JOSÉ



 **GRUPO SAN JOSÉ**

America		United States
		Mexico
		Panama
		Peru
		Argentina





BUSINESS STRATEGY

SAN JOSÉ, whose main focus is its Construction Activity, has a clearly identified diversification strategy with emphasis on services and concessions, as well as technology and energy activities.

The growth experienced throughout these last years is supported, basically, by optimum resource management and product and service development, while maintaining the most demanding quality and professional standards. These trademark qualities enable Grupo San José to remain among the most important Spanish construction groups.

Its activity focuses in the following areas of operation:

1. CONSTRUCTION

- 
- a. Building
 - b. Special Construction Works
 - c. Civil Engineering
 - d. Subsidiaries

2. REAL ESTATE

3. URBAN DEVELOPMENT

4. INDUSTRIAL/TECHNOLOGIES

5. CONCESSIONS AND SERVICES

Likewise, internationalization is also one of its main strategic objectives. Today, it is present in more than ten countries throughout Europe, America, and Africa, such as:

- Portugal
- France
- Germany
- United States of America
- Argentina
- Peru
- Panama
- Mexico
- Uruguay
- Morocco
- Cape Verde

During 2005, several projects completed internationally stand out: Tocumen airport expansion (Panama), Dulles Airport, Washington DC (USA); Spanish Liceo in Paris (France), Santiago Island Educational Centre (Cape Verde); San Luis Apartment Development (Peru). Operation of commercial distribution centers owned in Argentina has been undertaken during 2005.

Our strategic objectives are as follows:

- a. Expansion of Building construction activity. Notwithstanding moderate activity growth in the national sector, the Group's substantial technical, human, and financial resources provide high growth potential in the sector.
- b. Expansion of Civil Engineering activity, identifying this area of activity for significant future growth potential, both in Spain and internationally.

International expansion, which in 2005 amounted for 14% of sales, and is expected to expand to 25% by 2009.
- c. Consolidation in areas of industrial activity, urban development, and infrastructures. With a reduction of private construction's relative weight versus public work.
- d. Selective development of opportunities for new business in technology, energy and service and concession areas, which will arise from changes in the market.
- e. Application of new criteria relative to sustainable environments affecting all aspects of construction from planning and design to infrastructure and service construction and operation.

San José's objective is to provide a final product incorporating optimum features, from quality and innovation through sustainability, financing, and services to customers and users.

In order to achieve these objectives, the following actions are being taken:

- Information system development and consolidation, seeking to maximize efficiency and take into account the increased volume of correspondence, as well as the increased geographic and activity diversity that has occurred over the past few years.
- Functional reorganization of the business areas and Group restructuring with the purpose of obtaining an agile and dynamic structure in accordance with activities and geographic areas of operation, which serves as a base for future growth.

From the levels achieved, the future can be approached with the purpose of continuing in the same path of solid and constant growth.

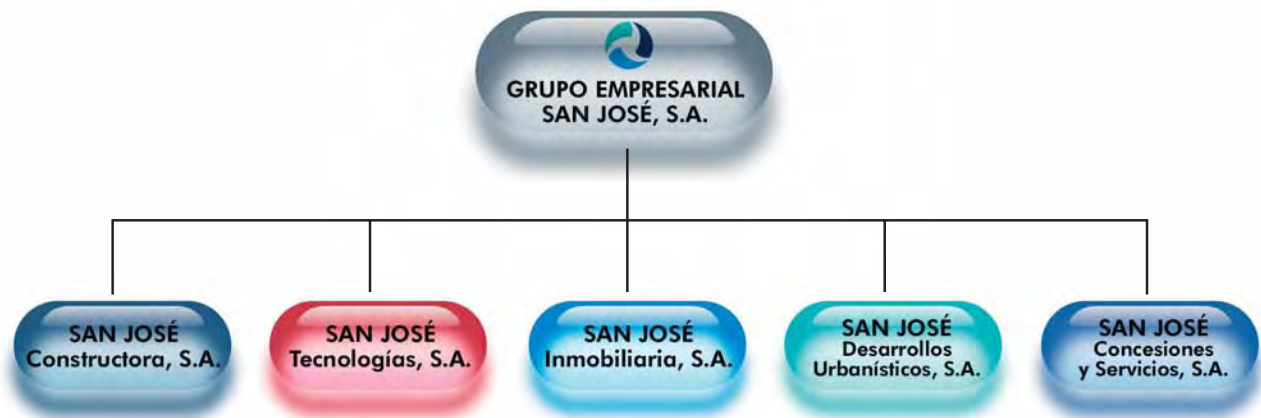
GROUP REORGANIZATION PROCESS

During 2005 the group reorganization process has concluded.

Within the restructuring process of the business group led by UDRA, S.A. (Grupo SAN JOSÉ), GRUPO EMPRESARIAL SAN JOSÉ, S.A.U. (SAN JOSÉ BUSINESS GROUP), an Udra, S.A. dependant company, was established to act as head of the Grupo Udra's productive and service companies, among which Constructora San José (San José Construction) is included.

At the conclusion of the reorganization process, the Group will have the following business configuration:

Said restructuring will provide San José with a greater agility and flexibility which, along with its financial position, will enable it to face the previously described significant and foreseeable market changes from a solid position, for the next few years.

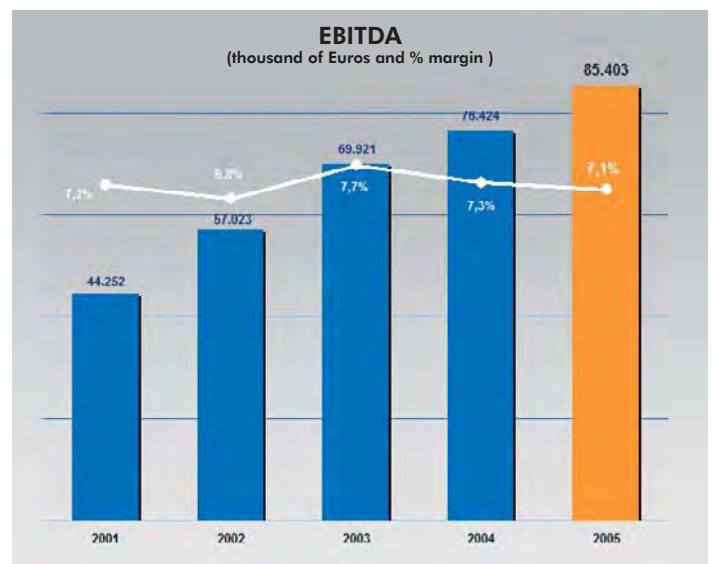
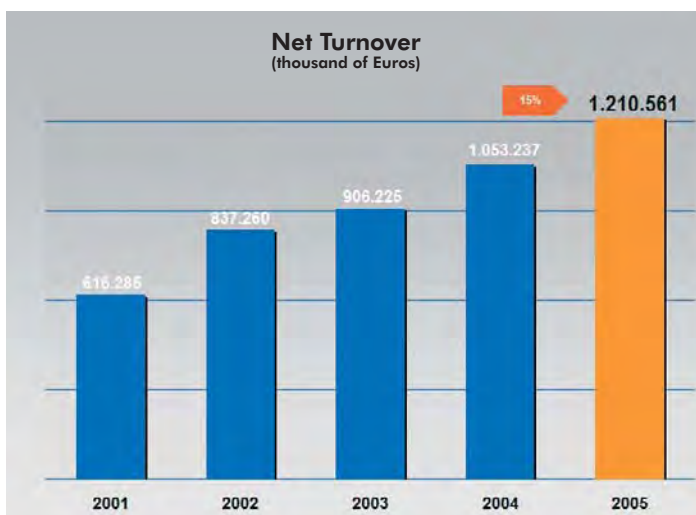


MAIN FIGURES FOR THE 2005 BUSINESS YEAR

Net Revenues amounted to 1,211 million euros, representing an increase of almost 160 million euros (a 15% growth). Likewise this growth exceeds by 7.5% growth experienced in 2004 with respect to 2003. It is sustainable growth, due to the existence of a solid and well implemented structure and efficient control mechanisms which enable safe growth.

Taking into account that both the Spanish economy and the construction industry in our country had a 3.4% and 6% growth, respectively, the results obtained ratify the strategic vision.

With this regard, it is worth noting that the Turnover increase has been achieved with an almost proportional EBITDA increase, from 76.4 million Euros obtained in year 2004, to the 85.4 million Euros obtained during 2005, which represents a gross operating margin of 7.1%, similar when compared to 2004.





Geographical areas

International Revenues are approximately 170 million Euros during 2005, representing 14% of the total, having experienced approximately an 80% growth with regards to year 2004, when it amounted for 9% of total Turnover.

San José's Strategic Plans, implemented in 2004 and throughout 2005, saw the creation of a larger support structure for the International Division with the purpose of establishing a proper organizational base for future expected growth.

Toward end of 2004 and continuing through the first quarter of 2005, the Group has undertaken significant investments in Peru and Argentina, in the construction, real estate, and consumer service sectors. These investments, as well as the resurgence of the Argentinean market and business consolidation in Portugal, have resulted in the increase in the International Division turnover contribution to the total. In 2005 the foundation was put in place to continue its increased contribution during future business years, generated not only from the presence of the Group in Latin American, but also in the United States and Eastern Europe.

Areas of activity

Throughout 2005, the core business of construction, as a percentage of total revenues, has decreased from 85% in 2004 to 81.4%. This is a reflection of the diversification strategy which, during 2006 and future years, will lead to a significantly higher revenue contribution in areas of activity other than Construction and their gaining weight in overall Group business activities.

It is worth noting the constant and sustained growth of Net revenue figures contributed by each Group area. Thus, even in activities which are decreasing as a percentage of business activity, such as construction, there has been significant growth: construction, shopping center, and real estate divisions have experienced 11%, 183%, and 234% growth rates, respectively.

PROFIT AND LOSS ACCOUNT

(amounts in thousand of euros)

	2005	2004
Net Sales	1.210.561	1.053.237
Increase in Finished goods and Work in Progress	31.919	26.552
Capitalized expenses of Group work on fixed assets	2.670	1.152
Other operating revenues	3.687	429
Total Revenues	1.248.837	1.081.370
Increase in Finished goods and Work in Progress Inventory	24.998	5.511
Supplies	840.418	752.508
Personnel expenses	164.600	147.715
External and operating expenses	133.418	99.212
Gross Operating Income (EBITDA)	85.403	76.424
Depreciation and amortization expense	7.183	3.746
Variation in operating allowances	-622	1.898
Net Operating Income (EBIT)	78.842	70.780
Financial Expenses	-2.900	-3.571
Share in losses of companies accounted for by the equity method	-2.267	-6.196
Amortization of goodwill in consolidation	1.974	1.599
Income from Ordinary Activities	76.235	71.806
Income before Taxes	73.480	69.938

Operating and Ordinary Income

In 2005, Operating Income has increased by 11.4% with respect to 2004 figures. This variation has been due mainly to the 14.9% increase in revenues experienced in 2005.

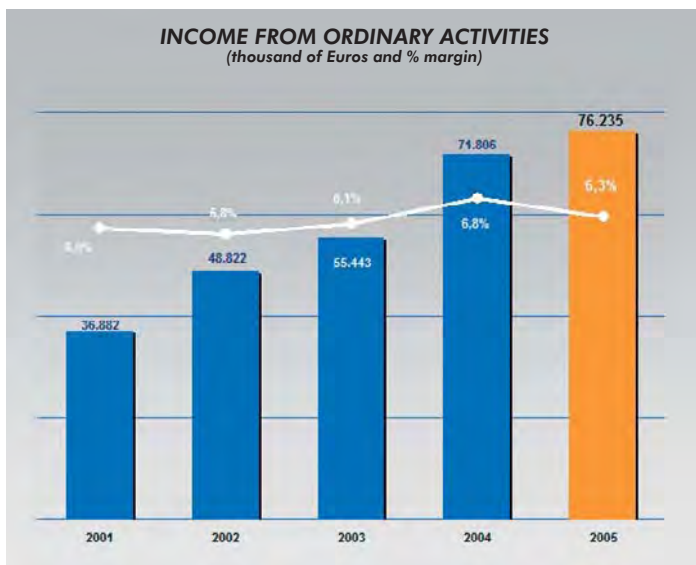
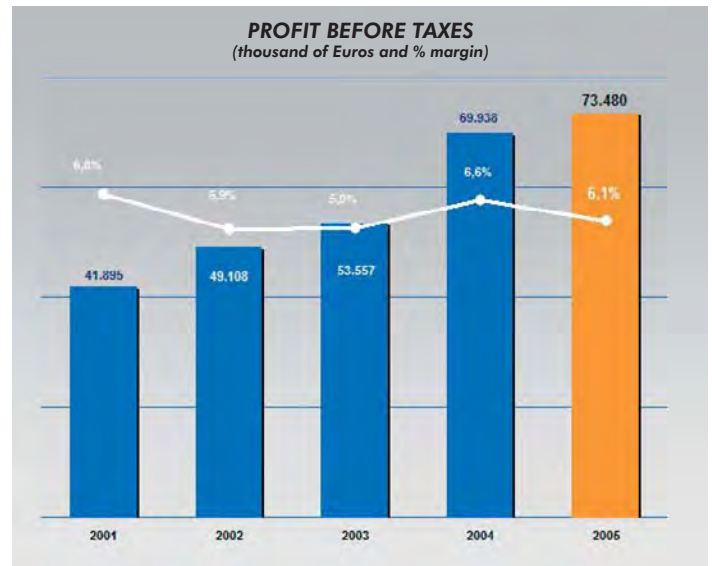
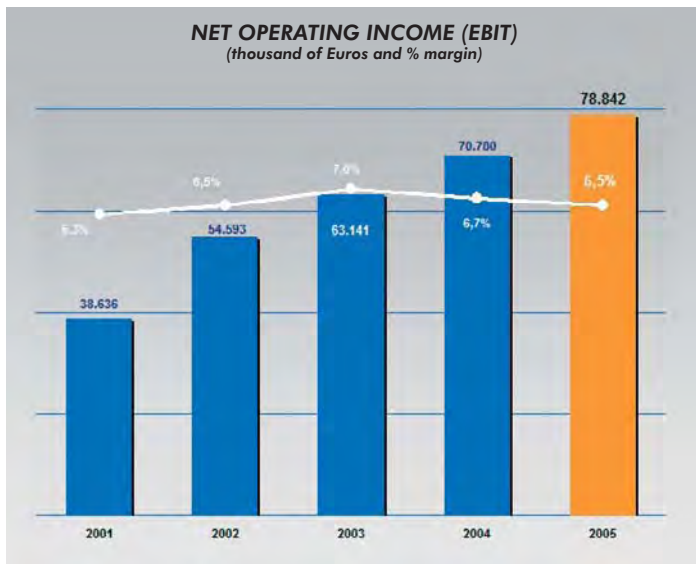
Year 2005 has seen a slight increase in production costs, which has caused the operating margin to decrease by 0.2%. This has been offset by improved financial income.

The lower income contributed by associated companies, companies in which a dominating position is not held, justifies the reduction experienced by the Ordinary Activity Margin, from a Net Turnover of 6.8% in 2004, to 6.3% in the present year.

Annual Net Income

Profit Before Taxes has registered a 5.1% increase, reaching 73.5 million Euros, which represents a 6.1% margin.

After deducting Corporate Income Tax, which amounted to 23.5 million Euros, net result for the Group stands at 50 million Euros, representing a 4% year growth against 2004, yielding a 4.1% year's margin.



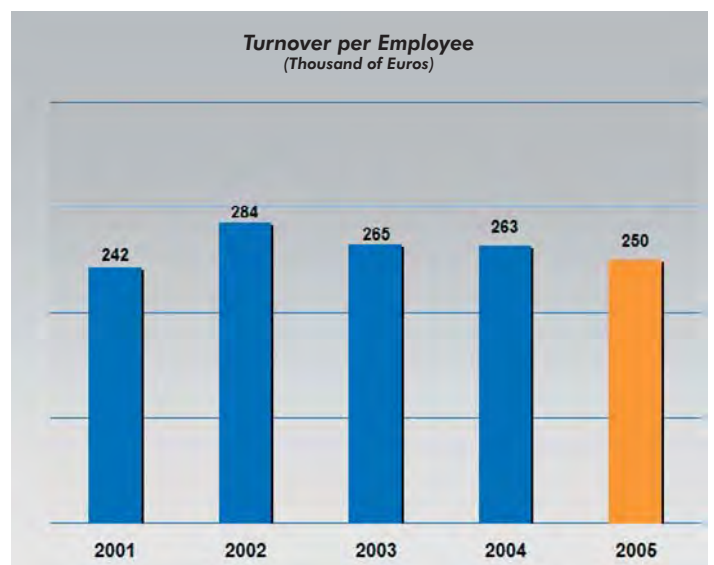
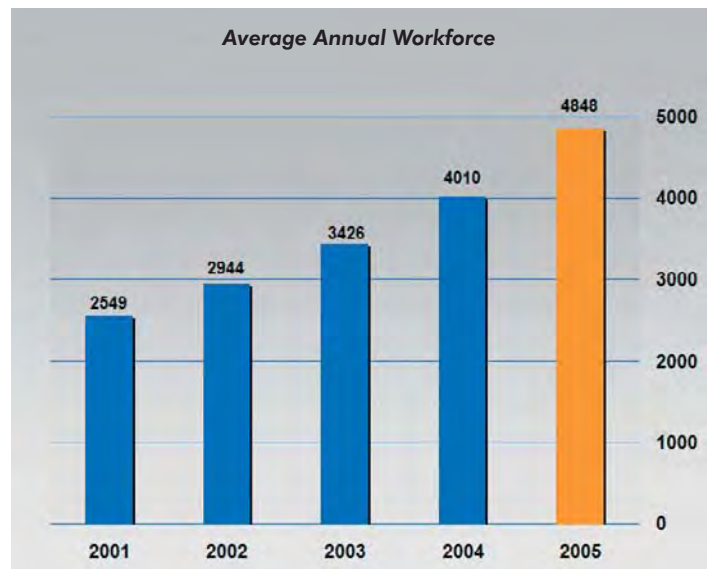
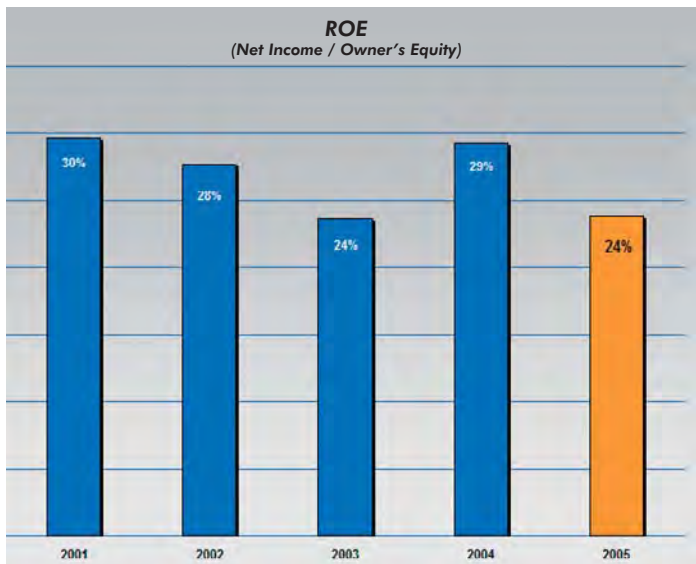


Shareholder Profitability

In the 2005 fiscal year, shareholder profitability or Return on Equity Invested (ROE) amounts to 24%. Despite strong growth, this ratio has remained stable in the last years, around and above 25%, an indication that growth is being carried out in a stable way, not detrimental to the securing of profits.

Personnel

Regarding Human Resources, the Group's workforce has increased substantially over the last years, maintaining growth percentages above 10%. The staff currently amounts to 4,848 employees, maintaining productivity levels which place the Group among the top positions of the construction industry rankings in Spain.



ACCOUNTING STANDARDS

In 2004, the companies of Grupo SAN JOSÉ assessed the requirements arising from the changes in accounting standards which were to be adopted in the near future. The main areas that would experience these changes were identified with the purpose of orienting current accounting practices to converge with the International Accounting Standards. The reassessment and reclassification of certain concepts will not have significant impact overall on the Group's Income Statement nor on its Net Worth at year end. During 2005, accounting standard changes have been monitored, incorporating these requirements into the Group's internal control procedures and implementing the necessary measures to prepare the Organization for such change.

INVESTMENT PORTFOLIO

Besides the four large economic activities developed by the Group, which comprise its core business, financial interests are also held in other companies, with the main purpose of supporting entrepreneurial initiatives and emerging economic sectors, related to R+D activities, as well as cultural and educational activities.

The main companies in which the Group holds interests are involved in the following activity sectors:

- **Media Industry**

Grupo San José holds interests, through Udra Medios, in Filmanova S.L. (a company which creates, manages and produces contents and services for film and television) and Filmanova Invest (a film financing company).

Filmanova Invest has participated in the two most ambitious projects in recent years in the Spanish Film Industry.

- In 2004, Alejandro Amenabar's "Mar Adentro (The Sea Inside)", which has become the most awarded movie in our film history after winning the Goya Awards and an Oscar.
- In 2005, Jaime Chávarri's "Camarón" the highly anticipated biography of the great flamenco singer, a movie which has generated great expectations throughout its shooting process and later release in October 2005.

Additionally, these companies invested in projects with great artistic interest, obtaining outstanding results, both from critics and audiences in other countries.

The Group is also present in the new technologies by means of the digital newspaper Xornal Galinet (www.xornal.com).

During 2005, investments have been made in Editorial Ecoprensa S.A., publishers of the financial newspaper "El Economista".

- **Risk Capital Companies.**

Business development support by holding investments in the following companies:

1. **Corporación Sant Bernat, S.C.R. (CORSABE)** (www.corsabe.es): a Barcelona-based company, mainly focused on assisting in management and financing of companies with high expansion potential not quoted in secondary organized markets or not belonging to the financial sector.
2. **Unrisco Galicia, S.C.R. (UNIRISCO)**: a company based in Santiago de Compostela, developed by Galician Universities, whose investments are mainly focused in the following fields of activities:
 - Bio-Medicine: development and application of in vitro cellular technology, research in the field of mononuclear antibodies, chemical synthesis (Galchimia), biomedical software development, ceramic biomaterials (Keramat) etc.
 - Tourism and recreational complexes.
 - Food industry.
 - Spanish University Spin-off promoting companies: Uninvest SGFCR and Spin Valor, the latter focused on the Portuguese market.

- **Other Investments:**

San José holds investments in Bodegas Altanza (Altanza Winery) which manufactures and markets Rioja wine with origin denomination through its Altanza and Lealtanza brands.



Construction

Overview

Business strategy and relevant facts

- **Domestic**
Construction
Special construction projects
Civil Engineering
Subsidiaries
- **International**
Europe
America
Africa



OVERVIEW

National

Construction has remained one of the driving forces of the Spanish Economy for another year, maintaining itself as a key industry due to the effect it generates over the whole economic activity of the country.

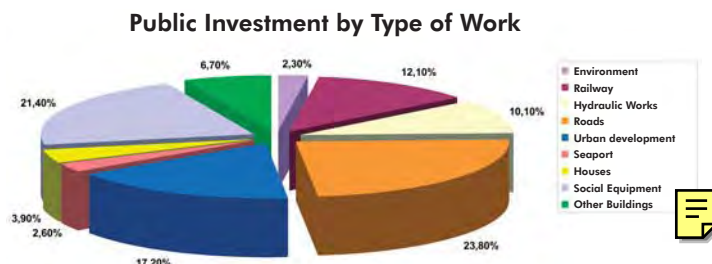
Construction has been the most dynamic industry in the Spanish economy, growing 6% with respect to the previous year, and around 2.6 percentage points above the rest of the Spanish Economy, which grew a 3.4%.

During these last years, construction has grown a 35% against the 17% GDP growth.

During the 1995-2005 periods, the construction industry:

- Has created 20% of new jobs.
- Has increased from construction of 302,000 houses in 1995 to a record setting figure of 720,000 in 2005.
- Public investment registered a 447% nominal growth, increasing from 1.6% GDP to 4.4% GDP, distributed the following way:

Public investments in 2005 reached 39,489 million euros, a 24.9% increase compared to 2004, highlighting Local Administration investment, accounting for 38.6% of the total; Autonomous Communities, 31%; and the Ministry for National Development, 24.3%.

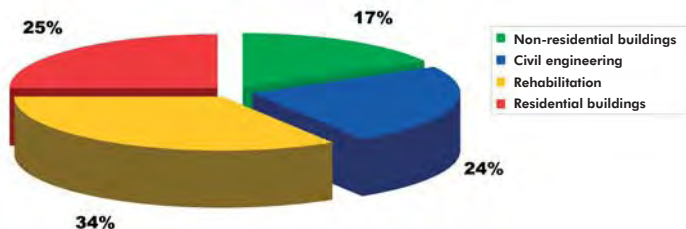


Forecasts for 2006 point at a steady 4% growth, as construction activity rates continue to grow, although at a more gradually moderate pace.

Growth will be supported by:

- The National Development Infrastructure and Transport Strategic Plan (PEIT) 2005-2020, with an expected 250.000 million Euro investment, guaranteeing infrastructure industry growth for the following years. The aforementioned plan foresees private participation of at least 20% of investment, with the purpose of guaranteeing resources and maintaining budgetary balance. 2006 investments expected to be made within the PEIT frame amount to 20,000 million Euros, implying a 6.4% increase with respect to 2005 investments.
- The AGUA (WATER) Program of the Ministry of Environment, with a total 3,900 million Euros investment. It is worth noting the 1,000 + million Euro investment in Desalting Projects.
- The Residential Construction Industry's continuity, guaranteed in the mid term by 2005's 800,000 approved project figure, although this same year the industry has registered a slight growth rate decline.
- Increases in private-public cooperation systems which have been registered throughout 2005, with the investment of not just traditional highway toll concessions, but extending this modification to the non-residential building industry (hospitals, courthouses, universities, police stations...). This system will enable, from a budgetary balance standpoint, a guaranteed continuity in infrastructure development.

Investment by sub-sector



In 2005, building construction amounted to 76% of total construction activity, 5% more than in 2004, while civil engineering accounted for 24% (8.5% more than the previous year), where the Regional Governments take the main role.

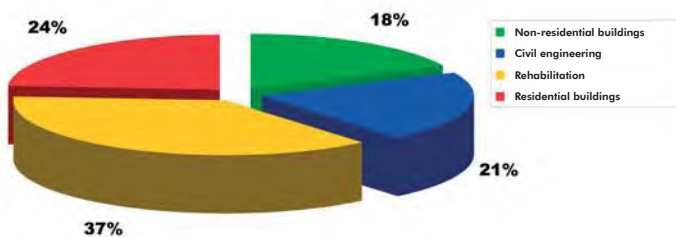
Regional Governments have invested 24,0% more than last year. The highest investing communities were Madrid, Barcelona and Andalusia, which accounted for 48.3% of total investment, although even greater increases against 2004 figures were registered in communities such as Ceuta and Melilla (+178.4% variation), Castilla y León (+93.4%) or Navarra (+84.6%).

Europe

The construction market in Europe has also been a key development activity. Thus, share of investments in this market amounted to almost 11% of EU GDP in 2005.

Out of the total investment in construction in Europe, only five countries are responsible for 76.17 % thereof: Germany (19.45%), Italy (12.42%), United Kingdom (14.83%), France (15.65%) and Spain (14.84%), while investment of the remaining EU countries amounts to a 22.83%. This investment is divided into:

Investment distribution by type of work in the EU



Construction influence is greatest in countries such as Ireland (18% GDP), Greece (14%) and Luxembourg (13%).

The European scenario will change with the new budgetary plan 2007-2013 and the assignment of Structural and Cohesion Funds, which will be mainly destined to recently incorporated EU members, fundamentally from Eastern Europe, which provides for a level of growth, as these countries convert into expansion areas within the European construction industry.

MARKET REPORTS (SEOPAN data)

Latin America

Latin America's gradual recovery will enable improving results in this region. Latin America has grown an overall 5.5%, especially Argentina, which is pulling out of the crisis, with a 9.2% GDP growth, and Mexico that is growing at a 4% pace. Generally speaking, all countries of the area have experienced employment and export recoveries, particularly thanks to basic product prices such as that of petroleum and metals.

Business Strategy and Relevant Facts

Production and contracting rates in 2005 have permitted San José to maintain its market position as one of the main construction groups, specialized in residential and non-residential building in both the public sector and private customers sector.

During this period the activity registered an 11.72% growth, driven as much by the national market (building and civil engineering) as by the international market, where contributions from activity in the Portuguese market as well as Latin American business is noteworthy.

Activity consolidation in civil engineering during this year is remarkable, and was a strategic objective for the basis of larger company development and growth, and includes taking part in technologically complex construction projects.

As a result of the strategic plan and the expansion policy new operations have been opened in Murcia, Almería, Santa Cruz de Tenerife, Vigo, Madrid's third office and the second one in Catalonia, with the double objective of providing greater company coverage and offering better local service to customers, as well as specific divisions for construction of shopping centers and hospitals.

As strategic objectives for the construction sector, the following are established:

- Expansion of the civil engineering area and special construction projects (hospitals and shopping centers), and continued leadership in the construction sector.
- Activity development based on new investment formulas which will be applied to infrastructures and services (PEIT, AGUA plan...)
- Consolidation and development in international markets where the Group is already present, and introduction in new emerging markets, such as those in Eastern Europe and Latin America.
- Compliance with delivery deadlines and quality maintenance.
- Promotion of personnel policies related to team creation to optimize the production process.

With the purpose of achieving the strategic objectives and maintaining their continuous adaptation to market reality and in order to deliver a personalized service, tailored in accordance with the needs and requirements thereof, San José's construction area is structured as followings:

- Building:
 - Universities and Educational Centers
 - Offices and Administrative Centers
 - Rehabilitation
 - Residential
- Special Projects:
 - Hospital Division
 - Shopping center Division
- Civil Engineering
- Subsidiaries



BUILDING

- **Universities and Educational Centers.**

This is an area of specialized skills and potential for growth. As part of our strategic vision our involvement has resulted in delivery of projects on time and at the expected level of and quality. More than 20 of these projects have been completed within this area.

The outstanding projects executed in 2005 are as listed:

Two educational centers built in Valencia for CIEGSA (Educational Constructions and Infrastructures of the Regional Government). The "IES Benimaclet Orriols", with a 14,544 m². surface, and the "New C.E.I.P San Antonio de Benageber", with a 4,193 m². paved surface.

The "CEIP El Tollo - Retamar" in Almería was executed for the Education Office of the Andalusia Regional Government.

"Ceramics Institute in Santiago", promoted by the University of Santiago and the Association for the Promotion of Ceramic Investigation in Galicia, where R&D activities will be developed.

The "Nursery School of Ampudia", in Palencia, the only educational center existing in this location.

The "Rectorship Building II" in the As Lagoas Campus, in University of Vigo, is worth mentioning because of its unique work in the University Building field.



IES Benimaclet Orriols



Hotel Cordoba Center

Ceramics Institute in Santiago



- **Hotels.**

The "Hotel del Alba", developed for Interactive Property Developments, located at Muchamiel, (Alicante) with a capacity of 274 rooms.

"Hotel Córdoba Center" developed for Inmobiliaria Osuna. Two independent buildings were designed for this project: the 4-star Hotel Cordoba Center and 101 luxury apartments, over 20,634.48 m².



Museo del Prado, Madrid



- **Rehabilitation.**

Specializing in this type of project enables the company to participate in the most important projects related to the preservation of cultural and artistic legacies, which require detailed execution and the use of artisan techniques to maintain the building's original aspect.

"Architect Rafael Moneo's project for the "Museo del Prado Expansion" is singular considering its magnitude and special complexity due to the Museum's limited space and urban surroundings. This enlargement, whose most renowned element is the so called "Moneo's cube", will enable the Museum to have 16,500 additional m²., once the art gallery is joined to the Jerónimos Church cloister, and will host 1,500 works, 50% more than today. This new building will contain a great Auditorium with capacity for 500 persons, two temporary exhibition galleries, restorer workshops and shopping area.



Museo del Prado, Madrid



"Restoration and Enlargement of the Casa-Palacio Insular del Cabildo de Gran Canaria". Alejandro de la Sota Martínez' original project, comprises the construction of two new attached buildings. The first one is destined to cultural activities and space for administrative offices, while the other which is currently the head office of the Cabildo, will be completely restored and updated to be used as the institutional representative headquarters.



Pedro Barrie de la Maza foundation, Vigo



Casa Palacio del Cabildo de Gran Canaria

"Rehabilitation of the Pedro Barrie de la Maza Foundation Building", a project executed by architects Luis M. Mansilla and Emilio Tuñón and located in Vigo. This building will become the headquarters of Pedro Barrie de la Maza Foundation, with the purpose of promoting education, investigation and culture at the community level.



Pedro Barrie de la Maza Foundation, Vigo



Red Cross Head Office, Zaragoza

"Rehabilitation of Red Cross Head Offices" in Zaragoza and León (Spain).

"Rehabilitation of the building in plaza Mazarelos" for the Universidad de Santiago de Compostela's Faculty of Philosophy, projected by Julián Morenas Aydillo.



Judiciary Building in Antequera, Malaga (Spain)



• Offices and Industrial Buildings

"Judiciary Building in Antequera", Malaga, executed for the Andalusia Regional Government, is set out in longitudinal development, a great public platform from which a four-story prism emerges as court tower.

"Ovalum Office Building", in Las Palmas de Gran Canaria, projected for Mapfre Guanarteme, with a constructed surface of 2,554 m². This building is unique since it uses a street corner to the utmost with a design in a keel-shaped fashion.

Considering the industrial projects that were developed, we emphasize construction of *"Eurowagen Concessionaries"*, in Alicante, for Grupo Prim Torrecillas, over a 6,317 m² surface.

Likewise and as special projects we emphasize the execution of the *"Buio Wind Farm"*. 72 wind generators, located north of Lugo, at *"A Serra do Xistral"*, have been mounted on an area declared by the European Union as *"Red Natura 2000"* space in December 2004.

• Residential.

In cooperation with the main building development companies of the private sector (Inmobiliaria Osuna, Metrovacesa, Vallehermoso, Urbis, Riofisa, Apex 2000, Bami and Realia), as well as with public sector developers, the following projects have been developed, among others:

"136 houses Hato Verde" in Las Panajosas, Guillena (Seville), one of the greater apartment building developments in Andalusia.

"Puerta Real Building", in Sevilla, a 104 apartment building with a total constructed surface of 20.946 m²

"105 Houses" Sanlúcar de Barrameda (Cádiz), comprised by four nucleus, each of a different type.

"92 houses" in Málaga. Divided in two, 46 dwelling buildings.

"Los Rubiales Residential Complex", in San Agustín de Guadalix, Madrid, with 259 homes.

Ovalum Office Building



Puerta Real Building, Sevilla





SPECIAL PROJECTS

- **Hospital Division.**

"Hospital 9 de Octubre" in Valencia, executed for NISA. This project was the new wing for hospital out-patient facilities for a total of 55 medical practices.

"Hospital Xeral de Lugo" for SERGAS, will have 823 beds, a 151,398 m² surface, distributed in 4 floors. Projected for optimum performance, the hospital is divided in three differentiated blocks, according to their function, Hospitalization, External Consultation and Technical Block. This will provide an optimum and more flexible service and is considered the largest public health project in Galicia.



Hospital Xeral de Lugo



Asturias Central University Hospital (HUCA)

"Asturias Central University Hospital (HUCA)" for GISPASA. The centre will have 1,039 beds over a 180,603 m² hospital surface, and will have three differentiated areas designated to: Out-Patient Practice (four floors), Hospitalization (nine floors), and Central and General Services (three floors). Likewise, it will have independent buildings for Administration and for the National Sclerosis Institute. This will be one of the best hospitals Spain has to offer, not only because of its capacity, but also due to its exceptional technological standards for investigation and medical practices.

"Hospital and Geriatrics, Castilleja de la Cuesta" (Sevilla). In this project for NISA, two independent buildings will be developed, a Hospital and the Geriatrics Center. With a total 73,900 m² surface, more than 350 beds and 24 operating room, it will be Spain's greatest private sanitary complex, plus the 128 beds for the elderly.

Hospital 9 de Octubre in Valencia





Hospital and Geriatrics, Castilleja de la Cuesta

“Almansa Hospital” for the SESCAM, in Albacete. With an approx. 26,000 m² surface, divided in two main buildings, it will have 250 beds and 4 operating rooms, which will provide coverage for over 60,000 people.

“Hellín Hospital” for the SESCAM, in Albacete. The purpose of the project is to modernize and adapt this 12 year old hospital, to the current population needs in order to provide patients with a higher quality medical attention. After completion, the hospital will have 128 beds, 6 operating rooms, 37 out-patient practices and 18 diagnosis laboratories.

“Nuestra Señora de Gracia Hospital”, in Zaragoza, executed for Aragon’s Health Service. The Reformation, Rehabilitation and Enlargement projects of the hospital are intended to adapt it to current needs, and will affect its 6 floors; all spaces will be redistributed and 4 operating rooms will be adapted in the surgery block and 2 day-patient operating rooms will also be adapted. Reforms will be carried out in stages to enable continuous hospital operation.

Besides these hospital centers, the PAU San Chinarro Health Center and Silvano Street Health Center construction projects are also being developed in Madrid for SERMAS.



Hospital and Geriatrics, Castilleja de la Cuesta



Asturias Central University Hospital (HUCA)



- **Shopping Center Division**

During 2005 we took part in the construction of 5 of the most important shopping centers in Spain.

Only 2 shopping centers were inaugurated in Catalonia during 2005. "L'Anec Blau", with a 28,000 m² surface distributed in 144 premises including: supermarket, fashion establishments, restaurants and 9 movie theatres. The "Espai Girones", architecturally inspired by the city's old textile plants, has a total surface of 46,000 m² surface, distributed in 13 premises along with 2,361 parking spaces and is the second largest shopping centre opened in Spain during 2005.



Espai Girones, Salt (Girona)

L'Anec Blau, Castelldefels



The first shopping centre to open in Albacete, was "IMAGINALIA" with a 45,890 m² surface. It is Castilla la Mancha's largest shopping and entertainment centre that includes 12 movie theatres, gymnasium, bowling alley, a 1,000 person auditorium, as well as small shops and restaurants.



L'Ànec Blau, Castelldefels





CIVIL ENGINEERING

- Airports and Seaports.**

“Menorca Airport Enlargement” is part of AENA’s Director Plan. This improvement will allow the airport to manage more than five million passengers per year, twice the number of current movements.

“Reformation of the counter-dike of Atunara Fishing Port”, which will enable improvement of the port’s harbor facilities.



Menorca Airport

- Hydraulic Projects.**

“Water Supply and Conditioning of Palacio de la Granja’s Fountain Infrastructure”, in Segovia.

“General Drinking Water Supply System, Tanks and Distribution Network in the Northern Area of Puerto de Santa María”, Cadiz.



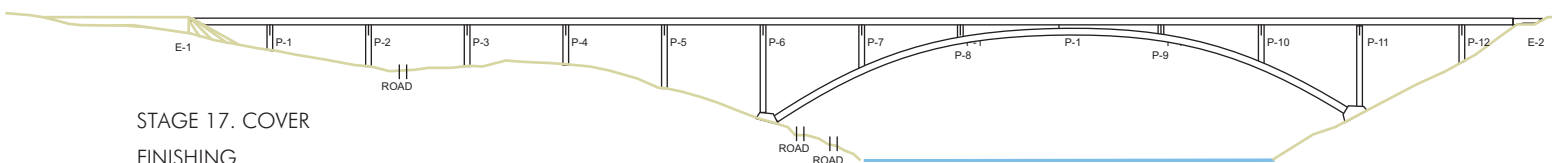
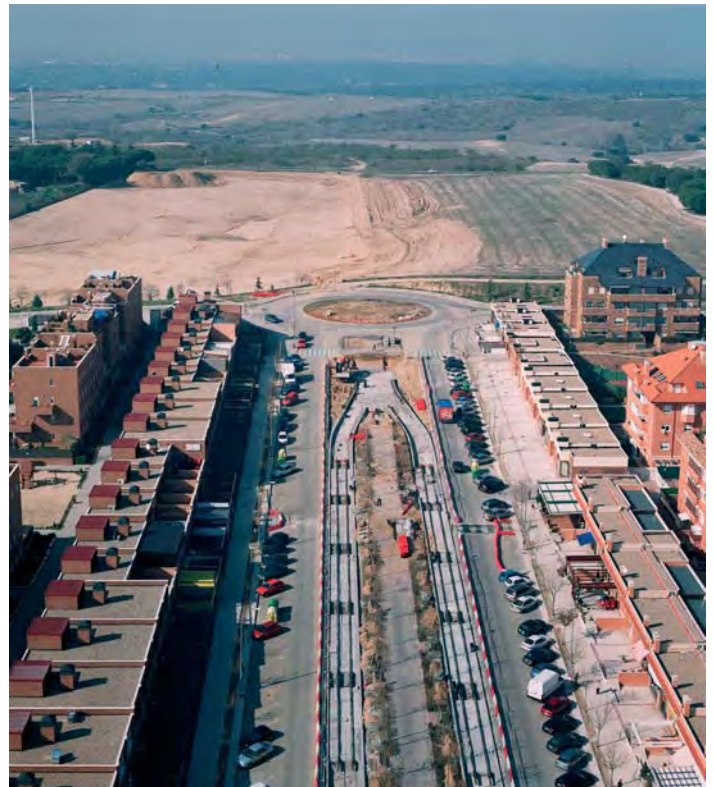
High Speed Line Madrid-Levante

- Railways.**

In cooperation with MINTRA and as part of the Madrid Subway Network Enlargement Plan 2003-2007, we are working on more than 80 km. to be constructed, as well as 6 interchangers and over 70 stations. Work has begun on the 17.3 Km. section of the “Light Rail from Colonia Jardín to Boadilla del Monte”, and the “Pinar del Rey Metro Station”, which will favor more than 10,000 users from the San Matías, San Fernando and Pinar del Rey neighborhoods will benefit.

In collaboration with ADIF, the Madrid/Valencia AVE “Contreras Reservoir – Villagordo de Cabriel” section is being constructed between the Cuenca and Valencia Provinces. Since it is in the proximity of the Hoces del Cabriel Natural Reserve, with its particular topological difficulties and the technological requirements for its 6.5 km. layout make this a significant project. The section will connect three tunnels (with a length of 3.9 km) and three viaducts (with a length of 1.7 km), each one of them different and singular in execution, due to the ground’s abrupt topography. These viaducts are the Cuesta Negra viaduct, the Contreras Reservoir viaduct, with an arch bridge of almost 600 m, and the Isthmus viaduct, 830 meters long and with 75 m high pillars.

Boadilla del Monte Light Rail



High Speed Line Madrid-Levante

- **Roads and infrastructures.**

The “PAU de Las Tablas - M40 Junction” between the A-1 and the M-607 will provide Madrid’s largest belt-way including a three-lane service-way in both directions. It’s a complex and challenging project since it is the first four-level junction project built in Spain and includes ten additional structures, the most remarkable of which is the 340 m. viaduct being constructed over the A-1.

PAU de Las Tablas - M40 Junction





Our collaboration with part of the Infrastructure Plan of the Ministry for National Development is the following: "Encinas de Abajo - Salamanca Section in A-50 Avila – Salamanca Highway", "Encinas Reales - Benamejil Section in the A-45 Málaga Freeway", and "Marcilla de Campos – Osorno Section in A-67 Cantabria – Meseta Freeway".



A-45 Málaga Freeway



A-67 Cantabria – Meseta Freeway

"2nd Vigo Belt". This is a significant project of great relevance both for Vigo and Galicia. With a length of 9,500 meters it is designed to support and promote the city's development, creating an infrastructure system in accordance with the generated needs.



2nd Vigo Belt



2nd Vigo Belt



2nd Vigo Belt

Avda. Álvaro Domeq, Jerez (Cádiz)

"Access to Rivas West", for the Rivas Vaciamadrid City Council. This remodeling will provide an appropriate access to the locality between exit 15 of the A-3 and the Avenida de los Almendros.

● Residential Developments.

The "La Nava Area" in Olite (Navarra) executed for SEPES, over 200,000 m².

Three projects have been executed in Jerez de la Frontera (Cádiz): "Avda. Europa", "Avda. Álvaro Domeq" and "Cañada Ancha".

"San José Street Remodeling", Villaverde and surrounding areas, Alcorcón. For SEPES the following projects in Madrid are also being developed: "San Isidro Neighborhood Residential Development", in Navalcarnero; and the "Parque Lineal" for the Rivas Vaciamadrid City Council.

In Andalucía "Costa Ballena" (Chipiona, Cádiz) and "Avda. La Granja" (Jerez, Cádiz) residential developments.





SUBSIDIARIES

To further accomplish Group policy of diversification and geographical expansion, there is a commitment to create and promote autonomous companies.

Creation of subsidiaries is to reinforce construction activity and broaden activities within national boundaries by creating companies in each autonomous region that are specialists in each market and contribute with their own material and human resources, thus enabling them to maintain the standards of quality and rigor which characterize the Group.

This allows the San José Group to have easier access to private customers operating in these markets and to give a preferential attention to the public works investments by the different autonomic and local administrations.

Currently, within the construction sector in Spain, there are six subsidiaries:



During 2005, the Grupo San José subsidiaries underwent a production increase of 15%. This figure validates their commitment to contribute significantly to expansion.

Throughout 2005 **Constructora Ávalos** has consolidated its presence in the municipalities of the Madrid Community, and the objective foreseen for next year is to continue expansion in this autonomous community and increase presence in Castilla-La Mancha.

The main projects undertaken over the last year in the Madrid municipalities have been the following:

“Third Age Residences in Colmenar Viejo and Vallecas” for AMMA, Recursos Asistenciales (AMMA Welfare Resources).

Over 14,000 m² of educational spaces in centers for the City Councils of Alcobendas, Rivas Vaciamadrid, Fresno del Torote or Alpedrete.

Of all the projects executed, the most noteworthy ones are the *“Rivas Environmental Building”* (Madrid) or the *“Metropoli Foundation Head Office”*, Alcobendas (Madrid). The latter is an experimental building which uses the latest bioclimatic architecture, renewable energy sources (solar, photovoltaic and geothermal), healthy construction, energy savings and sustainability criteria related advances. **The building has been chosen to represent Spain in the “Sustainable Building 2005” International Conference, held at Tokyo.**



Metropoli Foundation Head Office, Alcobendas (Madrid)

The following projects are currently being executed:

- Salt water swimming pool in Parla, for the Parla City Council.
- 81 + 57 + 35 dwellings in Rivas Vaciamadrid, for the Municipal Housing Company.
- 120 + 140 dwellings in Getafe, for Nuevo Siglo S.C. Madrileña.
- IES in Campo Real for the Campo Real City Council.



AMMA Geriatric Centre, Puente de Vallecas (Madrid)

In 2005, **Alcava Mediterránea** has increased its business in collaboration with the Ministry of Labor, the University of Valencia and the Jaime I of Castellón University.

The most important 2005 projects have been the *“2nd Stage of the San Rafael Public School Addition”*, in Nuncia (Alicante), and the *“Philology Faculty Renovation”* for the University of Valencia .

Among other ongoing projects, the following are noteworthy:

- New head-quarters for Chamber of Commerce of Valencia.
- New addition to the Acuzul Hotel, Peñíscola, for Acualandia, S.A.
- Construction of the CEIP San José de Calasanz, Bigastro.

Philology Faculty, Valencia University





Balltagi Mediterrani has undergone very significant expansion during 2005.

The most relevant projects completed in 2005 have been the residential complex "Espai Bulevard", with 122 homes in Tarragona, the completion of the "Les Oliveres" hotel and parking lot, in El Perelló (Tarragona), the construction of the "Casa Dourada Headquarters" in Barcelona, and the "Service Station" in Palol de Revardit, Girona.

The most important ongoing projects are listed below:

- 59 + 46 homes in Barberás del Valles
- Perelló Hotel in Tarragona
- CEIP SANT JORDI in Tarragona, for GISA
- CEIP JOAN MARAGALL in Barcelona, for GISA



Casa Dourada Head Office (Barcelona)



"Les Oliveres" Hotel, El Perelló (Tarragona)



World Trade Centre, Sevilla



Cartuja I continued its consolidation and development policy over the entire Andalusian Community during 2005. This development has resulted in the further division of the company into: Western Andalusia, with headquarters in Seville, and Eastern Andalusia, with headquarters in Malaga. Either office is qualified to offer high quality standards and customer service required for contracts under execution in all the Andalusian provinces.

A broad contract portfolio has been achieved, mainly in Sevilla, Malaga, Granada and Córdoba provinces. The objective for 2006 is to continue its geographical expansion and diversify the type of contracted projects.

Construction of the "World Trade Center" office building which is projected to become Seville's main business center has been the most important endeavor in 2005. This six floor building is located in the Cartuja Island, and has a surface of 11,254.29 m².



Execution of "two educational centers" types C-2 and D-4 in Teatinos (Málaga), completed in 5 months.

World Trade Centre, Sevilla



The “Wood and Furniture Innovation and Technology Centre”, in Lucena (Córdoba), has been executed for the Andalusian Agency for Innovation and Development.

In the residential area, the most important project has been the 236 homes in the “Los Olivares” development, in Dos Hermanas (Seville).

One of the most significant ongoing projects is the “High Resolution Hospital Center” in Guadix (Granada) for the Andalusian Health Service.

The following projects are currently being developed, among others:

- Artist House of Sevilla Preferential Rehabilitation.
- 84 homes in Sevilla for EMVISESA.
- Construction of the Olvera parking lot.
- Project and execution of schools in Sevilla-East, Malaga, Manilva and Almería, for the Educational Infrastructure and Services Public Body.
- Building rehabilitation for administrative use of the Almería City Council.
- 237 homes in the CALANOVA SEA GOLF resort, in Mijas, Málaga.



Wood and Furniture Innovation and Technology Centre, Lucena, (Córdoba)

C&C, Construction, Rehabilitation and Preservation. Execution of the “Grupo San José Headquarters in Galicia”, in Santiago de Compostela. The office building has been designed by architect Mr. Manuel Gallego Jorreto.

The “Geriatric Residence and Day-Care Center”, located at the Camino de Santiago (Way of Saint James) entrance, with 104 rooms.

The most relevant project has been the rehabilitation of the “Puerta del Sol Building” in Vigo within the scope of the Special Reformation Plan of Vigo’s Old Quarter. This building was constructed at the beginning of the 20th century, it is protected by Historic Heritage of the Cultural Office of Galicia’s Regional Government.

The execution of the largest residential development in San Paio de Navia, with the construction of “288 homes”.

Ongoing significant projects, the following are noteworthy:

- Rotational building and Industrial Building Construction for Texvigo, Cooperative Society.
- User Department at Cangas Port, Ports of Galicia.

High Resolution Hospital Center Guadix (Granada)





Residence and Day Centre San Lázaro

Grupo San José Office Building





Barañain Health Centre (Navarra)



EBA, Eraikuntza Birgaikuntza Artapena

The objective for 2005 is to continue development and consolidation of the current levels; increase contracts with the different public administrations in both autonomous communities; diversify the type of projects and to continue presence in all provinces and communities by inaugurating a new office in Pamplona for that purpose.

The construction of the "*Barañain Health Centre*" in Navarra, the "*Gamesa Head Office*" in Zamudio Technological Park in Vizcaya and the construction of the "*Zenit Hotel*" in Bilbao are the most outstanding 2005 projects

The following projects are currently being executed:



- 69 + 34 homes in Llodio-Alava for VIESA
- 80 + 91 homes in Loyola-Guipúzcoa for VIESA
- Execution of mechanical ramps in Vitoria's Medieval Quarter.
- Zenit Hotel in Pamplona.

Gamesa Head Office Zamudio (Vizcaya)





INTERNATIONAL

EUROPE

- **Portugal**



Portugal currently faces a situation of macroeconomic imbalance, due to high fiscal and current trade deficits. This scenario has led to lack of business confidence, prompting some investors in the industrial sector to move to Eastern Europe and Asia.

Notwithstanding a 52% reduction in net investment figures, the real estate market received the greatest direct investment, followed by the manufacturing, construction and electricity, gas and water production and distribution industries.

Despite the recessionary environment, San José's presence in Portugal, through CONSTRUCTORA SAN JOSÉ, S.A., Representação em Portugal and Constructora UDRA, Lda. has maintained a track of growth, generating annual revenue increases of 46% and 80%, respectively.

CONSTRUCTORA SAN JOSÉ Representação em Portugal



The company, whose presence in Portugal dates back to 1990, focuses its activities in construction. It currently has four branch offices, distributed throughout the country, from North to South:

- Porto
- Coimbra
- Lisboa
- Albufeira

As in Spain, the company's expertise in Portugal includes all types of projects. Among the most relevant jobs completed in 2005, the following are noteworthy:

BUILDINGS

- **Hotels**

Highlights in the international sector include the remodeling of the Penha Longa Luxury Hotel, for *Caesar Park Hotel & Golf Resort*, in Sintra. This project undertook the complete refurbishment of all 176 rooms, along with a new 21-room wing.

Penha Longa Luxury Hotel, Sintra.





Alto do Moinho Sport Pavilion, Catujal (Lisbon)

- **Sport Facilities**

Over 16,000 m² of sport facilities have been built. Among the completed projects, the following should be emphasized: the Sport Pavilion in Tomar, the Santa Iria Sport Pavilion in Loures, the Alto do Moinho Sport Pavilion in Catujal, and the Swimming Pool Complex in Belem, commissioned by the Lisbon City Council, which have a total constructed area of 4,094 m².

- **Restoration**

Of special note is the recovery project of the *Sobral de Monte Agraço Movie-Theater*, given its significant historical/entertainment purpose.

- **Offices and Industrial Buildings**

The *Socio-Cultural Building in Ferreira de Zezere* is a remarkable administrative building in the commercial sector. With the complex spanning over 7,690 m², the main pavilion has an area of 3,500 m² with capacity for 900 persons.

The *subterranean parking garage* in the city of Entroncamento for the City Council: This project includes re-zoning a 10,000,000 m² area surrounding the garage, which will include the construction of walkways and accesses.

Also in this category, the construction of the new *Famalição Court Offices* and the *Loures Archive* are currently in progress.

- **Residential**

Housing Developments of *Aroso and Vilarinho and Parceira Antunes*, both located in Porto, and the *Galhardas Apartment Building*, in Lisbon.

Sobral de Monte Agraço Movie-Theater



Galhardas residential development, Laranjeiras (Lisbon)



Socio-Cultural Building in Ferreira de Zezere





SPECIAL PROJECTS

- **Hospital and Healthcare complexes**

In this segment, the *Santo Antonio dos Cavaleiros Health Center* was built for the Loures City Council. This complex has an area of 3,355 m², divided in 4 modules which attend all basic healthcare needs.

Among the healthcare facilities under development, an addition to the Hospital de Aveiro is particularly noteworthy.

Healthcare centers and Assisted Living Facilities are gaining greater relevance. Of special note are the three four-storied buildings that make the *Hogar Padre Carlos Residence* in Lisbon, (2,900 m²), as well as the 2,130 m² *Mira Day Centre* located in Sintra and commissioned by its City Council.



Santo Antonio dos Cavaleiros Health Centre



Ajuda Market, Lisbon

- **Shopping Centers**

Complete renovation of the *Girassolum Shopping Center*, originally built in the 1980's in Coimbra.

Construction of the *Ajuda Market* in Lisbon, with an area of 4,831 m², commissioned by the Lisbon City Council to address the need to relocate and integrate a shopping area of great importance.

Girassolum Shopping Centre, Coimbra





Constructora UDRA Lda.

Among the most relevant projects, we emphasize the following:

Hotel Dña. Inés, in Lisbon. A four-star hotel, with 14 floors and 87 rooms, built for the Zenit chain of hotels. The building façade was maintained and the interior was an entire new construction of 5,400 m².

Sporting facilities, reaching 3,000 m² of new construction, with the *Anselmo Andrade (Almada)* and *Noroña Feyo (Oeiras)* sport pavilions standing out among all projects.

The complete restoration of the *Vianense Movie-Theatre (Viana de Alentejo)* is worth noting, with 1.808 m² and 450 seat capacity entirely renovated.

The most relevant projects among those in progress are the *Pau Queimado Archives (Montijo)*, the renovation of the *Sede de Citeforma Building (Lisbon)* and the construction of the *Convention Center in Barrancos*.



Hotel Dña. Inés, Lisbon

Vianense Movie-Theatre (Viana de Alentejo)





- **Germany**

During 2005, the German economy (GDP) grew by 0.9%, seven points less than the prior year, in accordance with data published by the German Federal Statistics Office.

The construction industry, particularly, maintained this downward trend, seeing its activity reduced by 4.6%. This made 2005 the sixth consecutive year with decreases in the industry's production rate.

San José maintains a market presence since 1995, by means of its subsidiary **San José BAU, GmbH**, Grupo San José's first company in Germany.

SJB Müllroser Baugesellschaft, GmbH is the second San José subsidiary in Germany.

Among all projects undertaken, the most important consists in the construction of a residential-tourist complex on the shores of Lake Schwielowsee, in Petzow, near Berlin.



Liceo Español "Luis Buñuel", Paris

- **France**

The French economy continues to experience some problems. Poor 2005 fourth quarter results contributed to a slow economic growth rate for the year of 1.4%, compared to Spain's 3.4% or China's 9.9%, the latter being the most dynamic economy in the world.

Besides the slow GDP growth, French industrial production decreased by 0.2% in December, and international trade suffered a downturn.

The trade balance has confirmed France's historical deficit between imports and exports, reaching 26,459 million Euros in 2005.

Construction of the *Liceo Español Luis Buñuel* in Paris was completed. This project is relevant due to its cultural and social implications for the Spanish community in Paris, as well as for functioning as the city's Spanish cultural driver. In this secondary school, classes will be taught following the Spanish educational model.



Residential-tourist complex in the shores of Lake Schwielowsee, in Petzow, (Berlin)



Residential-tourist complex in the shores of Lake Schwielowsee, in Petzow, (Berlin)

AMERICA

● Argentina

The Argentinean economy grew 9.2% in 2005, setting a new historic record. This growth rate is also the highest since 2003, when the economy upturn started, and surpasses year 1998's growth level, prior to the crisis.

Official data indicates that investments grew by 22.7% in 2005, mainly supported by construction, which is the most dynamic industry since the economic recovery process started, showing a 20.4% increase in activity during last year.

With the purchase of *Auchan Argentina*, San José sets up two large real estate operations in Argentina. On one side, the development and construction of a great shopping center with 60,000 m² of rental space in its first phase, and double this size in a second phase. Total expected investment will exceed 160 million euros.

Likewise, the development of a 1,000,000 m² property is starting, with the potential to build more than 10,000 homes in the Greater Buenos Aires area.

Relevant projects include the construction of the *San Juan Hospital* and the work on *Salta's Main Sewer System*, with budgets of 20 million euros and 15 million euros, respectively.



Rawson Hospital, San Luis, Argentina

Condominio del Aire, Lima (Peru)



● Peru

Residential construction in this country has been showing substantial growth and dynamism, representing the leading sector of Peruvian economy. Its contribution to National GDP is calculated at 5.8%.

Our presence in the construction industry is achieved with two companies: San José Perú and Esparq Construcción.

San José Perú develops the Condominio del Aire project, with a total of 1,392 apartments, along with 538 street level parking spaces, an underground garage with room for 73 additional vehicles, and other infrastructures.

Esparq Construcción delivers demanding buildings with high quality finishes. Its activity in 2005 included the completion of Casa Marsano, a project with exclusive design and specifications. Among the jobs initiated during the year, we mention:

- Rina Dibos building, with 15 floors and 42 85 m² apartments.
- Punta del Este project, comprised by an office building and 3 residential buildings with high quality finishing apartments.
- Chabrier building, with 9 luxury apartments.

San José Perú estimates a date of May 2006 for the completion of the subterranean parking and the delivery of the 200 apartments included in the first phase of Condominio del Aire.

Esparq Construcción will continue to grow, relying not only in the residential sector but also in the execution of public infrastructures, and the construction of non-residential buildings.



- **Panama**

Panama's construction industry registered a slight 1.0% growth in 2005, with respect to the previous year, although it is worth noticing that it maintained a high degree of activity throughout the whole year.

San José, through its subsidiary CPA (Constructora Panameña de Aeropuertos) was awarded the Contract for the *Design and Construction of the Passenger Terminal Expansion at Tocumen International Airport in the Republic of Panama.*

The main feature of the project is to complete the terminal expansion without affecting Airport operations, which are being maintained at full capacity. The expansion work includes the construction of 19,650 m² of new structures, distributed between two new buildings, and updating the current 40,000 m² main building, as well as increasing the number of boarding gates from 14 to 22.



Tocumen International Airport of the Republic of Panama



Tocumen International Airport of the Republic of Panama



Hispanic Home



Miraflores Educational Center

- **United States**

After the economic crisis of the last years, the United States re-gained its economic leadership, reaching the highest GDP in absolute terms and per capita income of US\$37,500, thus maintaining its role as the driving force of the world's economic growth.

Construction in the US accounts for 8.5% of GDP, and is an essential pillar of its economy. It also shows very positive future growth forecasts.

San José Construction has performed different types of projects, such as residential buildings, sport complexes, educational centers, administrative buildings...

Among the works executed in 2005, conclusion of the *Hispanic Home*, an 8,800 m² administrative office, is noteworthy.

San José's 2006 objectives are consolidating its presence in the US and reinforcing its position through the real estate industry, a very dynamic sector in this country.

AFRICA

- **Cape Verde**

Constructora San José Cabo Verde completed and delivered the *Miraflores Educational Center*, located in the city of Praia, in Santiago Island.

Being this project a reference in the education sector, it will be destined to pre-school to secondary teaching, with a 5,900 m² area, over which the classrooms, a residential building and sport facilities are distributed.



SOUTO MOURA
OS
AR

Real Estate

Overview

Business Strategy and Relevant Facts

- **Domestic**
- **International**
 - Portugal
 - Argentina
 - Peru



Overview

In 2005, the Spanish real estate sector experienced continuing increase in home prices. Although significant, the 12.6% annual increase was lower than in previous years.

The number of housing units titled in 2005 will exceed the 800,000 unit record mark, which translates into a 7.17% increase compared to the previous year. Spain was, once again, the country with the greatest number of homes built in the European Union.

The number of units started reached 576,374 by the end of the current year, up 6.72%, while the number of finished homes will grow more than 2%, reaching 500,000 homes.

With this information, the key factors in home price increases are the expanding demand for housing, encouraged in recent years by an environment of low interest rates, as well as more flexible credit requirements in the mortgage application process and considerable improvements in the rates of employment. Another important factor adding to this trend is the fact that Spaniards have always shown a preference for owning their homes vs. renting their living space.

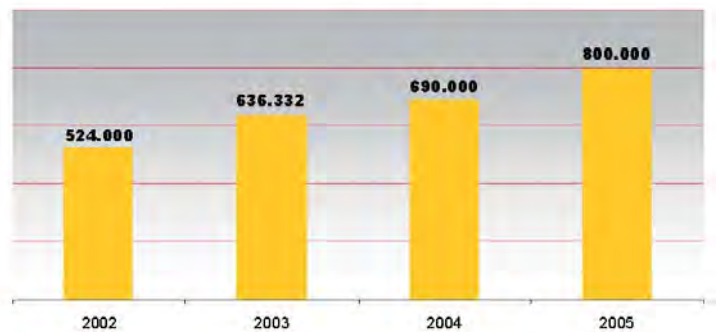
Year 2006 forecasts indicate there will be a slight decrease in demand and, consequently, the growth in housing prices will be at a lower level than in 2005 and recent years, reaching moderate rates below 10%. An economic scenario of increasing interest rates in the euro zone makes mortgage financing more expensive, which in turn will result in a more moderate demand.

Price increases of 7% are expected in 2007. This downward trend will also affect the amount of new home construction, which will likely end up somewhere around the 600,000 unit figure in the next few years, even though the first-residence market in Spain continues its expansion.

The market is also witnessing the revival of state-subsidized homes, with an increase of over 20% on the number of endorsed units.

In accordance with this policy, the Government has committed to finance 180,000 units per year, under its 2005-2008 Housing Program.

FIGURE 4. Number of homes endorsed in Spain



Strategy and Relevant Facts

Real estate activity is a priority for SAN JOSÉ's strategic development, where it has a significant business presence.

The real estate division of Grupo San José, headed by INMOBILIARIA UDRA, is present in Spain, Portugal and Argentina, to participate in residential and commercial projects in its role as developer and as investor.

San José's real estate division has experienced a strong increase in volume during 2005, with revenue growth of 222% with respect to 2004, an increase of 61% in Earnings Before Taxes and a 21% increase in assets. On another hand, the number of commitments acquired by the end of 2005 increased by 41% if compared to that of the previous year.

The following developments in progress in the Spanish market are worth mentioning: Tarragona, Barberá del Vallés (Barcelona), Valdemoro (Madrid), Pontevedra y Vigo (Pontevedra), Santiago de Compostela, A Coruña (Coruña) and Sevilla.

The international market accounted for almost 30% of the assets managed by San José's real estate division in 2005. San José's real estate international presence is distributed between Europe and America.

Real estate development in Europe takes place in the Portuguese market, concentrating its activities in the Lisbon and Porto metropolitan areas.

Besides Europe, international operations are focused in Latin America, specifically in Argentina and Peru. These two countries are experiencing positive real estate environments and show great potential for growth.

The real estate division is conceived to perform the entire array of activities inherent to this market, allowing for sustained and exponential growth that generates an added value added to the final product, based on:

- Generation of a permanent and stable reserve of land, which will enable medium and long term growth of real estate operations.
- Strengthening of the asset management business, thereby reducing exposure to the seasonal nature of the economic cycles.
- Optimization of delivery time and quality of development projects, in order to provide superior service to the final client.
- Continuation of our policy to offer a personalized customer service.
- Achieving increased presence in the domestic and international markets in which we currently operate, along with expansion into new markets offering significant development potential.





DOMESTIC

Inmobiliaria Udra has developed multiple projects in 2005. Mainly present in Catalonia and Madrid autonomous regions, the company focuses its activity in Tarragona and Barberá del Vallés (Barcelona) in the Catalanian region and in Valdemoro in Madrid.

Throughout the year, new investments in future developments have been made in the regions of Madrid, Andalusia, and Castilla y León, and for 2006, the primary objective is to invest in strategic areas such as Madrid, Catalonia, Valencia, Murcia and Andalusia.



Espai Bulevard Development, Tarragona



Las Lomas de Valdemoro, Madrid

Douro Atlántico, a subsidiary of Inmobiliaria Udra, operates in Galicia, where the marketing phase of a development in Santiago de Compostela (Coruña) started during 2005. It has also acquired land in Vigo (Pontevedra) for future development.

Also in Galicia, **Copaga** is another subsidiary of the real estate division, which has started a high-end development in Compostela Square in Vigo (Pontevedra).

Miránia Residential Resort, Barberá del Vallés (Barcelona)



Inmobiliaria Udra also participates in the ownership of **Udralar**, a company that recently acquired three land lots with a 25,000 m² area suitable for building, located in downtown A Coruña, to develop a 280-unit residential project. The lots, close to the city's harbor, are located in an area where an important urban development is planned, and which will improve and modernize the public infrastructure of the city.



Plaza Compostela, Vigo (Pontevedra)

Pontegrán, a subsidiary of Inmobiliaria Udra, develops almost 80,000 m² for residential and commercial use in the old San Bernardo railway station lot, located in downtown Seville, through a partnership with Grupo Noga (Inmobiliaria Osuna). In 2005, a phase of the Maestranza building was delivered and the Puerta Real building has been marketed. Both are currently projects of reference in the Andalusian capital.

Inmobiliaria Udra also invests in partnership with Grupo Larcovi in **Antigua Rehabitalia**, to develop residential complexes in Colmenar Viejo, Alcorcón and Los Berrocales (Madrid), and in Conil (Cádiz), adding up to approximately 95,000 m² of total land suitable for building.



Avda. de Vigo (Pontevedra)



Edificio Maestranza, Sevilla

Puerta Real Building, Sevilla.





INTERNATIONAL

Europe:

In the international arena, Grupo San José has a significant presence in the Portuguese real estate market through **Douro Atlântico**, with residential developments in the Porto and Maia municipalities.

In the commercial real estate segment, this company is also marketing the Meridiano Building, a 7,000 m² office building located in Parque das Nações, at the Lisbon Expo site.



Office building at the Lisboa Expo site (Portugal)

Apartment Building, Maia (Portugal)



Casas Brancas, Portugal



Monte Dos Burgos Building, Porto (Portugal)

With the purpose of generating recurring revenues for Grupo San José, **Burgo Fundiarios** –another subsidiary-, is developing an office building in Boavista Avenue, in Porto, with office space for lease.

The project, with more than 15,000 m², consists on an 18-floor tower and a three-storied annex building.



Office building in Boavista Avenue (Porto)

Office building in Boavista Avenue (Porto)



America:

In **Argentina**, Udra Argentina was formed to provide support to the Group's real estate activities. It currently owns a 700 m² office space in the Alem Plaza tower, held for lease.

In **Peru**, our Group carries out activities in the architectural design and the real estate development fields. Design services are provided both to affiliated companies and to outside customers, as a result of the vast experience in this discipline. During 2005, the design team has completed a wide variety of jobs, from low- to high-end residential projects, as well as office and administrative buildings.



Condominio del Aire Development, Lima (Perú)

In the area of real estate development, we must emphasize the beginning of construction and marketing activities of the first two phases of Condominio del Aire, which comprises a total of 8 phases and 1,392 apartments. In addition, the development of three apartment buildings started as well, with 45 units, 5 units and 6 units respectively. The last two include apartments with living areas ranging from 200 m² to 385 m² each, and high quality finishes.

The goal in 2006 is to continue the growth tendency, by maintaining our company as a reference in the local real estate scene and expanding our operations into the office space market.

Condominio del Aire Development, Lima (Perú)





Urban Developments

Overview

Business Strategy and Relevant Facts

- Domestic
- International



Overview

The current environment of urban development in Spain, is characterized by the coexistence of applicable regulations at the national, regional and local level. The Land Law, which has a nationwide scope, establishes a general regulatory framework which confers the applicable powers that define urban related laws and regulations to autonomous regional governments. This national legislation is incorporated by each city council into its own general plan, which classifies the land of the municipality in accordance with its intended use. The effect of this process is a high degree of bureaucracy, which results in delays of the urban development processes. At the same time, shortage of land supply contributes to increased final costs, while demand for real estate properties rises as a consequence of increases in real personal income, fueled by an environment of sustained employment growth. In addition, positive demographic trends and favorable interest rates to finance acquisitions, result in stronger competition of development companies and fosters a specialization in management activities with the objective to optimize delivery terms and cost effectiveness in urban developments.

On the other side, development of shopping centers has surged as a response to new social needs derived from expansion of metropolitan areas, in contrast to traditional customs in residential neighborhood shopping. In response to this trend, local governments assign specific areas for commercial purposes in their general plans. The new shopping centers are laid out as mixed areas with commercial and entertainment activities.

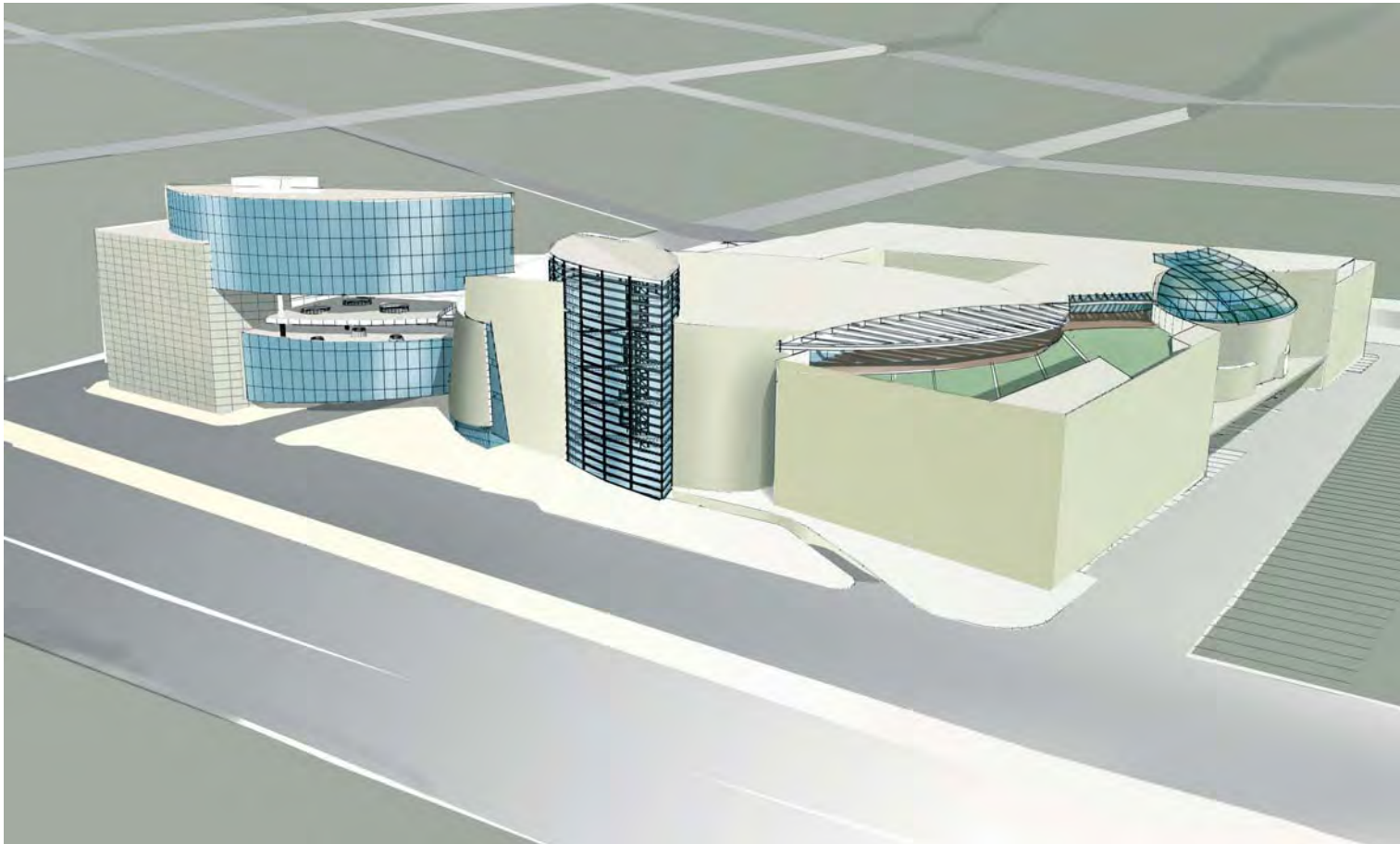
There are over 450 shopping centers currently operating in Spain, adding up to a total shopping area of over 10.5 million m². There are also more than a hundred projects in progress, including both new openings and expansion of existing ones, which will increase the occupied area by almost 50%. This activity has generated employment positions for more than 30,000 individuals annually, with a total contribution in excess of 150,000 jobs since year 2000.

A comparison of shopping centers among different Spanish regions shows Madrid with highest concentration (accounting for 20% of the total number of shopping centers in Spain and 22.4% of gross rental surface), closely followed by Andalusia (17.2% and 16.7%, respectively), and then Valencia (10.5% and 11.6%) and Cataluña (9.5% and 11%).

Strategy and Relevant Facts

San José takes part in different projects related with urban development activities, both through land management and through development and management of shopping centers. Intensifying Land management activity stands as one of San José's future bets. Supported by its industry expertise and level of specialization, the objective is to take advantage of the upward trends in an increasingly competitive real estate market.

Panamerican Shopping Center, Buenos Aires (Argentina)



Desarrollo Urbanístico Chamartín (DUCH), a company whose ownership is shared by San José's Desarrollos Urbanísticos and BBVA, has the objective of kick-starting one of the greatest urban land management projects ever in Madrid's history: the so-called "Chamartín Operation". This project entails the enlargement of one of the most important communication axis in Madrid, the Paseo de la Castellana, through the construction of residential and office buildings, public facilities, parks and recreational areas along a three km strip of land, comprising an area of over three million m² which is currently occupied by railroad operations. Additionally, the project will include redesigning the current Madrid-Chamartín Railway Station, as well as connecting essential spaces for the creation of a great 21st century metropolis. Taking all into account, a new downtown is foreseen in the northern part of the capital, rendering the project feasible from a technical, economic, political, and cultural point of view.

San José also has a land reserve of approximately **2,000,000 m²*** for residential use, located at **La Tablada** (near the "Buenos Aires 2" Shopping Center) and in the **Hurlingham** area (in the Morón district), both of them in **Buenos Aires (Argentina)**.

In addition, the development and subsequent management of private shopping centers is intended for the generation of constant revenue from rental fees, which may offset potential downturns arising from the seasonal nature of other activities. With this purpose in mind, San José is involved in the development of three shopping centers in Sevilla, Algeciras (Cádiz) and Buenos Aires (Argentina), and already owns three operating shopping centers in Buenos Aires.



Panamerican Shopping Center, Buenos Aires (Argentina)

Chamartín Urban Development, Madrid





San Pablo Plaza Shopping Center, Sevilla

The **"San Pablo Plaza" Shopping Center** will be located in the Nervión-San Pablo district, the second district in Seville in terms of demographic density, with a population close to 125,000 inhabitants. The project will have approximately 50,000 constructed m². Business establishments will be distributed throughout three floors comprising roughly 18,500 m² gross rental surface, along with 800 parking spaces. Total projected budget will exceed 30 million euros, and with inauguration expected for 2007, annual rental proceeds are estimated at 3 million euros. As of today, construction permits have already been issued by Seville's City Council, and the commercial license obtained from Andalusia's Regional Government.



San Pablo Plaza Shopping Center, Sevilla



Algeciras Shopping Center (Cádiz)

The **Algeciras Shopping Center** will open by the end of 2007. Algeciras is a town in the Cádiz province with population of 110,000. The complex will have an approximate area of 105,000 m², distributed in two shopping gallery floors, with a gross rental area of 31,000 m² and 2,000 parking places. Total budget will reach 70 million euros, and expected annual operating revenues are in the 7.5 million euro range. As of today, the commercial license has been obtained from Andalucía's Regional Government, and the application to obtain the construction permit has been submitted to the City Council.



Auchan La Tablada, Argentina

In 2005, Grupo San José acquired the real estate properties that Auchan held in Argentina, which included three operating shopping centers, located in **Avellaneda**, **La Tablada** (Shopping Center "Buenos Aires 2") and **Quilmes**, in the Buenos Aires Province, beside the Auchan supermarkets.

In addition, the "**Panamericano**" Shopping Center 150,000 m² is presently under development in the city of Buenos Aires, at the intersection of Avenida General Paz with Ruta Panamericana. Its doors will open during the second half of 2007, and the project will include have a two floor shopping area, a supermarket and a wide parking area. A 12,500 m² office building is anticipated to be built by the shopping center, with the same completion date.



Auchan Quilmes, Argentina

Auchan Avellaneda, Argentina





Industrial

Overview

Business Strategy and Relevant Facts

- Domestic
- International



Overview

The market in which Udra Industrial operates is mainly concentrated in two large sectors:

- Installation/Assembly
- Maintenance works

The Assembly and Installation division has increased 8% with respect to the previous year, registering a growth slow down with respect to the 2003-2004 periods, when growth peaked at 9.1%. This tendency is expected to endure and the sector to register a growth rate in the 7% range for 2006.

Domestic market turnover stands at 6,350 million euros for all companies combined, the area of energy demand representing the largest, and construction reaching smaller volumes and transportation and the environment remaining within the average of the sector.

It is an extremely concentrated sector where 46% of the volume is controlled by the five large corporations.

The activities of Maintenance and Installations generate revenues of 6,900 million euros per year, with an increase of 8.1% in 2005. Forecasts predict similar figures for 2006. Growth has been constant in recent years, with the average growth rate standing at 7.5% for the periods between 2001 and 2005.

Customers have shown increasing disposition to outsource this type of activities, which leads to believe the sector will achieve higher growth rates in the near future, making it a safe industry for the years to come.

Building maintenance generated approximately 56% of the entire domestic market turnover, while the industry, energy and other facilities segments accounted for the remaining 44%, although the latter is the one showing better growth perspectives. Elevator and industrial equipment maintenance services are the ones with greater importance, each accounting for almost 25% of the market. They are followed by the segment of Electrical Systems, with slightly over 15% of total, and the Climate Control Systems, representing around 12% of the market.

In the next few years, companies in this sector are expected to continue benefiting increased outsourcing, as well as from trend to deal with a single maintenance services contractor, which will foster growth for multi-service and facility management companies.

Badalona Pumping Station



Jaén Hospital Complex

Strategy and Relevant Facts

The industrial division of Grupo San José is lead by Udra Industrial, which was conceived to service a market segment with increasing demand for specialization, reliability and customer satisfaction.

With over 20 years of experience in the industry, Udra offers complete project solutions, from their initial design stage to managing their implementation, adapting them to specific customer needs and requirements, including project financing.

The company provides a wide range of services, and as a result operates at all levels of building and infrastructure facilities maintenance.

The objectives are achieved through management efficiency and technological excellence, with an efficient use of resources and in search of creating synergies among the different activities in which the company engages its production teams. This is needed in order to strengthen a company that operates in an increasingly global market.

The company has focused in 2005 to adjust its organization to the demands of the markets in which it operates. In consequence, the number of projects providing service to an entire facility has increased this year. By adopting a more selective approach in the projects undertaken, average volume per awarded contract has increased by 93% as compared with the previous year. Special emphasis has been placed in bidding for larger projects in the Transportation, Healthcare facilities and Energy areas at a national scale.

A new branch office in Zaragoza was recently opened in order to service the northern regions of Aragón, Cantabria, Navarra, La Rioja and the Basque Country. Zaragoza is a particular attractive location since it will host the 2008 Expo. Contracts awarded to maintain services at facilities such as "Polideportivo Siglo XXI (a sporting complex), the "Urbis Geriatric Residence" or "Delicias Station" Climate Control are important to prepare the team to face future projects.

The following strategic objectives are worth mentioning:

- To consolidate the industrial activity into large infrastructure projects, both in Transportation - Madrid Subway, Malaga Subway and New Airports- Healthcare -through Hospitals in Madrid region-, and other anticipated investments in several regions around the country.
- To enter the Hydrological and Renewable Energy markets, by taking part in desalination and waste water treatment plant projects as well as in Biodiesel Plants and Wind Farms.
- To continue developing the Energy Sales project line. Several hospitals in Catalonia and Andalusia are already being managed, and their operation infrastructures are being fully serviced.
- To strengthen our personalized customer service model by opening new offices in those areas where significant activity is already in progress, as is the case of the regions of Castilla La Mancha and Castilla y León.

Telecommunications and special services

Important projects are being developed with Red.es, such as the installation of TIC Centers in Andalusia, Communication systems in Vallecas Subway Line 1 for Mintra, special systems in M-30 tunnels and in the City of Culture in Santiago de Compostela.

Based on the different business activities, we note the following relevant information:

- **Maintenance**
This field has seen the greatest improvement with the award of large contracts such as the complete maintenance of Airbus factories in Illescas and Getafe.
- **Energy**
New projects have been started in the Installation division, such as the 66 kV Electric Power Substation at the Jerez-Cádiz Airport, the Electrical Systems in four Metro Norte Subsection II-B stations and the project to consolidation Medium Voltage supply in Vall de Nuria.

City of Culture, Santiago de Compostela



Puerta de Valencia Hotel

Castel de Ferro tunnels, Granada



- **Mechanical**
Projects of diverse nature include Climate Control at the Fragatas F-100 building in Ferrol for the Spanish Navy (Ministry of Defense), Polideportivo Siglo XXI in Zaragoza and Los Alcázares Hotel, in Toledo.
- **International**
It is worth noticing the involvement in two particularly relevant projects, such as the systems at Herat Military Base in Afghanistan, and the completion of a turnkey project for Barceló Actif Hotel in Morocco.

Actif Hotel , Marruecos





Concessions and Services

Business Strategy and Relevant Facts

- Domestic
- International



Business Strategy and Relevant Facts

The Services and Concessions area comprises activities developed by Grupo San José in response to the demand of services related to Comprehensive Building Maintenance, Energy Management Infrastructure Development, Communication Network Development and Parks and Garden Preservation.

These services, based in a quality offer, are businesses which, due to their ability to provide a constant stream of revenues on the long term, assure stable income to the Group.

- Comprehensive Facility Maintenance Services**, consisting in management and maintenance of building facilities, either in the commercial, industrial, residential or hospital areas. It is a highly fragmented market, with an annual volume of 6,000 million euros, that requires intensive labor resources. Tecnocontrol, the company in Grupo San José specializing in Hospital Facility Maintenance, has 25 years of experience in the sector, guaranteeing quality services.
- Hospitals:** maintenance of hospital facilities or healthcare centers is a highly technical and specialized market, based on guaranteeing appropriate functioning of all hospital services and systems, both basic ones (plumbing, heating...) as well as more complex processes in the surgical and sanitary specialties (electro medicine).

Electro medicine maintenance services



Parks and Gardens maintenance services, Madrid



Telefónica's City of Communications, Madrid



San José renders these services in important places such as La Palma General Hospital and the Gran Canaria Insular Hospital (Las Palmas), both in the Canary Islands, Vall d'Hebrón Hospital in Barcelona, Gregorio Marañón Hospital and Maternidad (Maternity) de O'Donnell, in Madrid, as well as the Ciudad Real New General Hospital and Nuestra Señora del Prado Hospital in Talavera de la Reina (Ciudad Real).

- Private entities:** in the general facility management segment, San José is present in important projects such as Telefonica's City of Communications or Real Madrid real estate properties (Santiago Bernabeu Stadium, City of Sports...).

Maintenance of Real Madrid Assets (Sport City)



- **Airport Maintenance Services**, includes management of electromechanical systems and maintenance. Increasing air traffic worldwide results in continuous research and technological improvements at airport facilities, requiring new methods in maintenance engineering. In this segment, Grupo San José has been awarded maintenance contracts at the largest national airports, such as Madrid-Barajas, El Prat (Barcelona), Las Palmas, Sevilla, Málaga and Lanzarote.

Málaga Airport



- **Energy Services**, consisting of management, maintenance, and energy sales services during the entire cycle, from design and execution to the infrastructure maintenance.
 - *Primary Care Centers (CAPS)* in Barcelona for the Regional Government. These centers receive energy management and maintenance services.
 - *Improvement and Renovation projects*, to retrofit the thermal power generation facilities in the **Jaén Hospital Complex** to utilize natural gas, as well as the production and supply of thermal energy for the Andalusian Healthcare Service (SAS) and the Thermal Power Generation Facility in Puerto Real University Hospital, in Cádiz, for the SAS.

Jaén Hospital Complex





- **Urban Furniture Maintenance Services** include installation, management and maintenance of public area infrastructures both for public and private customers. In this area, San José undertakes comprehensive management of approximately 14,000 telephone booths and 5,000 private enclosures with telephone equipment for Telefónica, in a geographic area which includes Madrid, Barcelona, Tarragona and Castilla y León.



Urban Furniture Maintenance

- **Parks and Gardens maintenance services**, comprise Gardening and Reforestation Services:

Global Management of Green Areas for the Madrid City Council. Maintenance of seven million square meters and such emblematic areas as:

- Fuencarral-El Pardo: Parque Norte, La Alcazava or La Vaguada.
- Moncloa-Aravaca: Plaza de España Park, Almansa Park
- Latina: Las Cruces and Cuña Verde.

San José's general strategy is based on the consolidation and development of Comprehensive Building Maintenance (specifically in healthcare centers) and Urban Services (green area management, waste collection and street cleansing), as well as gaining access to the Infrastructure Maintenance and Airport Handling sectors and searching for new opportunities in complementary markets which contribute with synergies to the ones developed by the Group.

Parks and Gardens Maintenance Services, Madrid





Handling Services



Handling Services

Given these objectives, in 2006 it will be particularly important to bid for projects in the airport handling service sector, recently liberalized by AENA in 2005.

This liberalization has taken place in two stages. A first round of tendering processes comprising the 28 lower traffic airports of the network, and a second stage in which the 16 higher traffic airports were tendered. In both processes, license validity will be seven years.

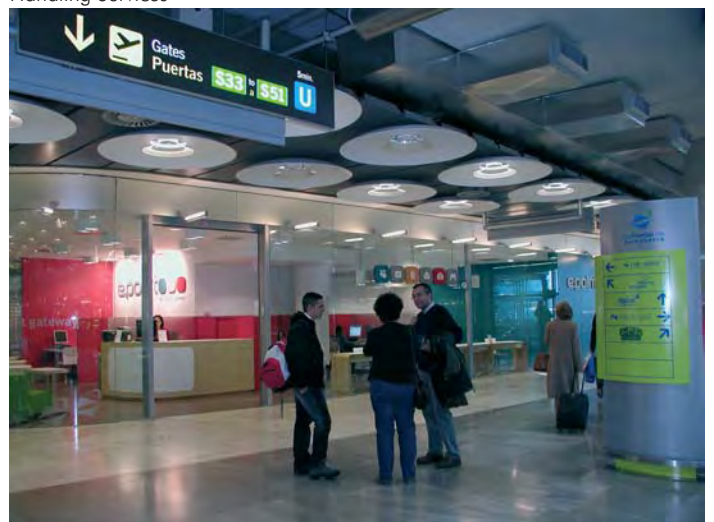
The 16 airports involved in the second stage concentrate "about 90%" of the handling business in Spain. Therefore, in this second stage, AENA will award a total of 36 concessions through the 16 requests for tenders - one per airport-.



The objective is to widen the service offered at the Madrid-Barajas, Barcelona-El Prat, Alicante and Malaga airports from 2 to 3 operators, keeping 2 operators in the remaining 12 airports (Palma de Mallorca, Gran Canaria, Tenerife Sur, Tenerife Norte, Lanzarote, Fuerteventura, Menorca, Ibiza, Bilbao, Valencia, Sevilla and Santiago de Compostela).

San José has significant experience in the airport business, as demonstrated by the construction of the new runway at the Madrid-Barajas airport and by its participation in the construction of the New T4 Terminal and the Barcelona airport power plant. San Jose has also undertaken expansion and improvement projects at the Menorca Airport, and on the international level at the Panama and Washington, DC airports.

Handling Services





Social Corporate Responsibility

- **Human Resources**
- **Training**
- **Quality and the Environment**
- **Prevention**
- **R&D&I**
- **Customers and Suppliers**
- **Communications**

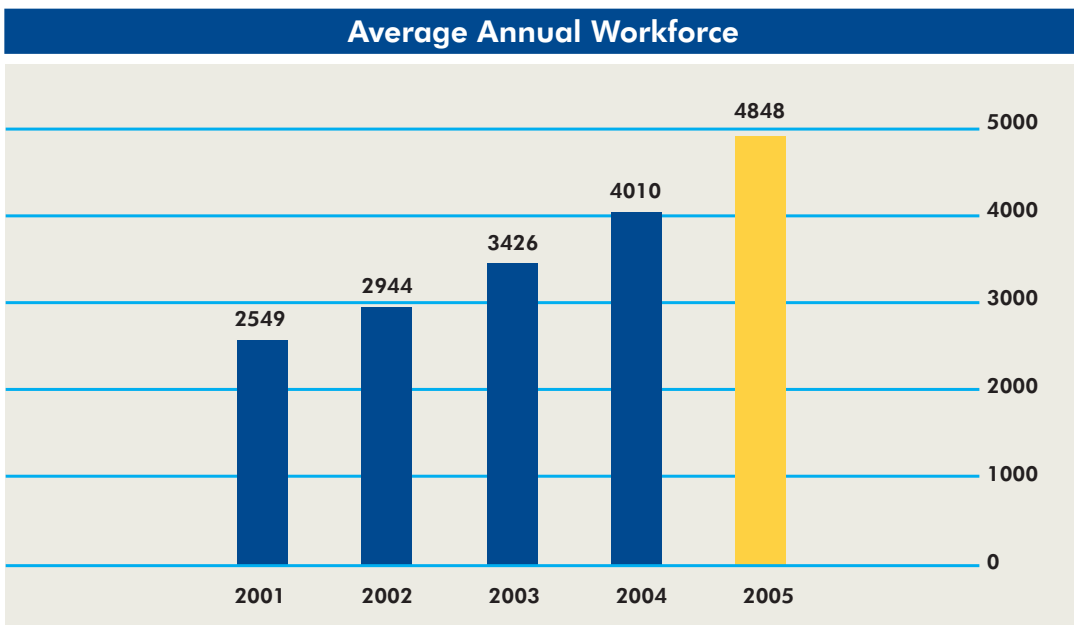
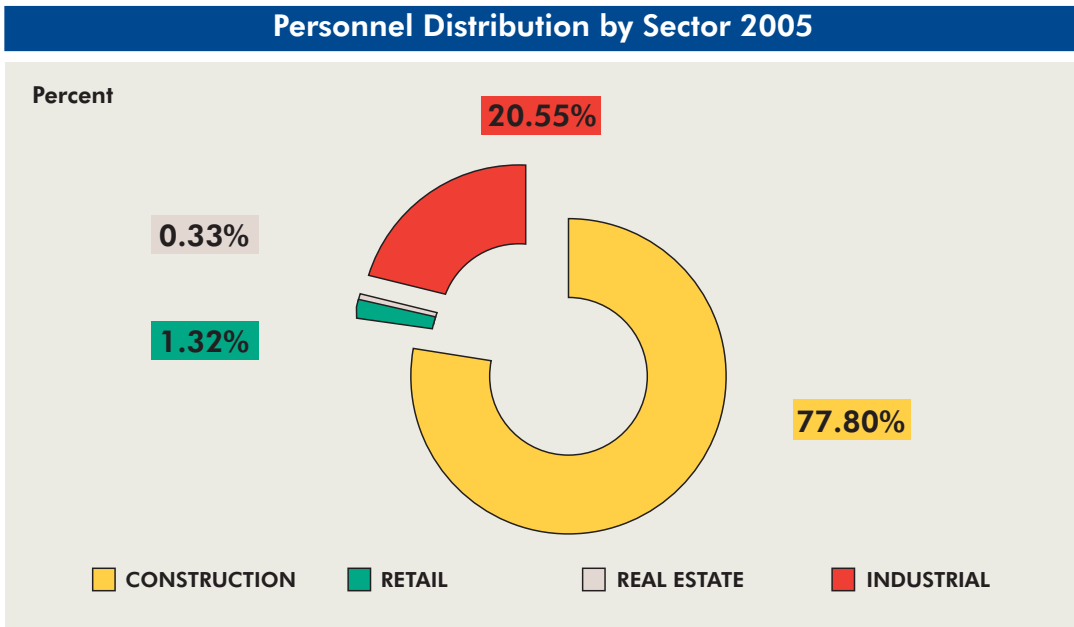


Human Resources and Training

In a business framework where competition is at its highest level, Human Resources Management focuses its objectives on its team's capacity and leading values, so that these factors become the key to corporate success.

Through recruiting, training, personnel administration and labor relations, a contribution is made to sustained growth. This is achieved by concentrating efforts in motivating and training employees with the purpose of attracting, developing, and retaining valuable personnel. Consequently, alternative compensation policies were implemented during 2005, mainly aimed at providing improved employee benefits.

Driven by the need for growth, innovation, and expansion into new business activities, corporate human resources policies are intended to provide worker training, specialization and qualification enhancement, an approach which is reflected in both special technical training programs for recent graduates and consolidation programs at management levels.



In order to manage all resources, the HR Department is divided into the Recruiting, Training, Personnel Administration, and Labor Relations departments. Each department provides diverse opportunities for its staff, under a policy directed at recruiting and retaining the best workers, under an equal opportunity basis, and thereby ensuring optimal company growth.

San Jose considers training to be a key factor in business development, which allows us to achieve greater competitive levels and to meet established objectives. Therefore, our training policy is focused on essential areas like **Occupational Safety**, because we consider worker safety a priority; and **Quality and the Environment**, to inform workers about corporate environmental policies.

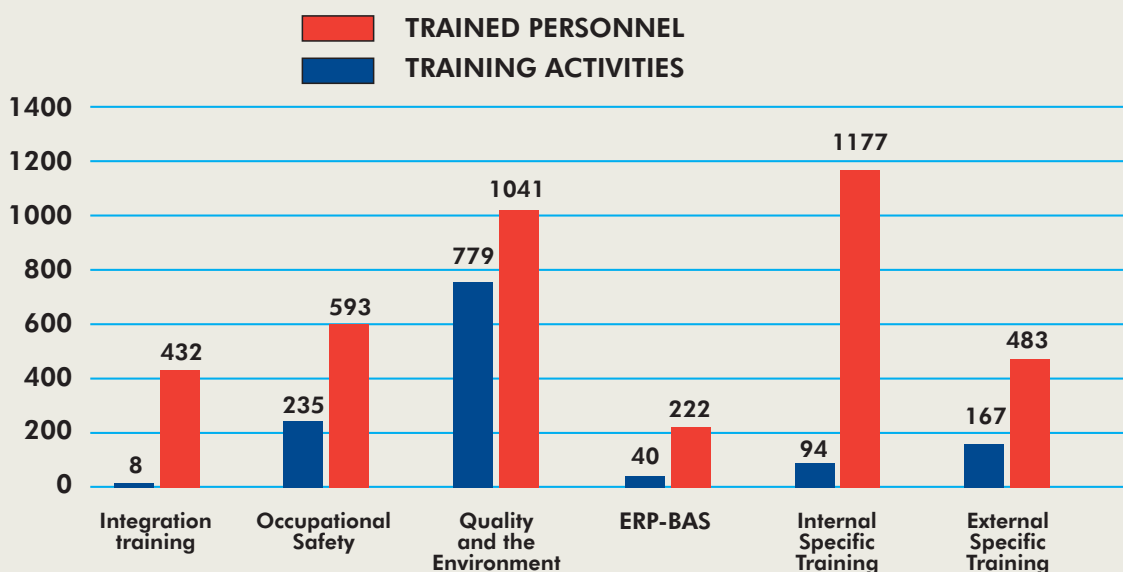


The Training Department has designed and implemented different training activities. A significant increase in specialized training is worth noting, as it helps our team be properly qualified and professionally efficient. Consequently, training has increased by about 50% from 2001 to 2005.

We believe in innovation, which is why we are working to implement new programs which will help improve worker knowledge and skills, through a Synchronous Remote Training System which utilizes the Hispasat Satellite.

- In 2005 we took part in several Employment Forums, with the purpose of informing future graduates with different university degrees about our company. We highlight the following:
 - Instituto de Empresa Forum.
 - Civilfor: Civil Engineering School Employment Forum.
 - Armilla Employment Forum (Granada)
 - ITOP Employment Forum (Madrid Politechnical University Technical Civil EngineerTOP Employment Forum (Madrid Politechnical University Technical Civil Engineering).
 - Castilla – La Mancha University Employment Forum (Albacete)

Training Activities and Trained Personnel in 2005 by field



*Under the Occupational Safety training, only courses of a minimum of three hours have been considered. Training in this field is completed with courses of lesser duration and worksite discussions, apart from providing related training to sub-contractors, operators, skilled workers, and foremen, that participate in each project.



Education and Culture

Conscious of the social relevance of education and culture, the Group is present in these fields with regular and effective actions whose aim is to improve and facilitate the transmission of educational and cultural programs to our community.

Agreements have been reached with all private and public universities and business schools, at the national and international level, which facilitate student access to the job market. This initiative represents a key point in the educational area, enabling students to successfully enter into a quality job market.

One of the contributions made during 2005 has been the creation of the **Arts and Industrial Creation Center Labor Foundation**. This initiative has been jointly undertaken by several partners and the Asturias Regional Government. The non-profit Foundation will be private, cultural, and charitable.

In the cultural field, an important contribution is made by periodically publishing books about emblematic and interesting construction, restoration, and civil engineering projects.

Quality

The quality policy intends to achieve maximum client satisfaction by continuously and constantly increasing staff motivation, with the additional purpose of developing an efficient and appropriate quality system with regards to the Group's performance.

The Quality Management System in our organization is based on the UNE-EN ISO 9001:2000 standard, and provides the framework for establishing and reviewing compliance with the following distinguishing features:

- To offer a service that meets the requirements specified by our clients.
- To establish permanent training programs, allowing us to have an availability of highly qualified workers.
- To maintain constant contact with clients and suppliers, with the purpose of cooperating in the improvement of construction, product and service quality levels.
- To involve, motivate and commit upper management and employees with the goal of ensuring active and dynamic participation
- To ensure observance of legally binding legislation and regulations

Commitment to this policy and the initiatives undertaken by the San José Group have made possible the attainment and maintenance of the ISO 9001 quality certification in the following Group companies in the Construction and Industrial sectors.

With the purpose of contributing to the achievement of the different features established in the Group's Quality Policy, the following company objectives have been established, among others:

- To broaden the implementation of a Quality Management System in the Real Estate industry.
- To improve customer service in the Construction Industry, by creating and developing a Client Service Department, dedicated to attending client suggestions, complaints and claims.

COMPANY	REGISTRY	CERTIFICATION YEAR
CONSTRUCTION INDUSTRY - DOMESTIC		
Constructora San José (San José Construction Company)	ER - 0510 / 1997	1997
Cartuja I.	ER - 1363 / 1999	1999
Constructora Ávalos (Ávalos Construction Company)	ER - 0748 / 2000	2000
Balltagi Mediterrani	ER - 1161 / 2004	2004
C&C	ER - 1167 / 2004	2004
EBA	ER - 1170 / 2004	2004
Alcava Mediterránea	ER - 1138 / 2005	2005
CONSTRUCTION INDUSTRY - INTERNATIONAL		
Construtora San José PORTUGAL	ER - 0011 / 2002	2002
Construtora Udra	2005 / CEP2460	2005
INDUSTRIAL SECTOR		
Tecnocontrol	ER - 0335 / 2000	2000
Tecnocontrol Servicios	ER - 1202 / 1998	1998
Sefri Ingenieros	ER - 0486 / 2002	2002
Artel Ing.	ER - 1253 / 1999	1999
COMMERCIAL SECTOR		
Arserex	ER - 1675 / 2005	2005

Environment

The environmental policy is intended to protect and preserve the natural environment in which we interact. Its main objectives are based on the following actions:

- To implement measures destined to reduce the environmental impact of activities, construction and services.
- To prevent pollution
- To minimize resource consumption (water, wood, fuel, etc.)
- To promote energy efficiency and energy savings at facilities.
- To manage waste appropriately
- To train, involve and motivate staff in environmental issues

As a consequence of the San José Group’s environmental concerns, different Group companies have an Environmental Management System, in accordance with UNE-EN ISO 14001:2004 standards, which establishes action guidelines in this field.

For 2005, the Group has defined the following strategic objectives related with environmental protection and preservation:

- Improve environmental training and commitment of all persons developing projects for the Group or on its behalf, which may have environmental implications.
- To complete Environmental Management System implementation and certification in all Construction Group companies.
- To extend implementation of an Environmental Management System to other Group companies.
- To optimize the current waste management process.
- To increase use of recycled and recyclable materials.



Process based approach

Implemented Management systems have a process based approach, whereby the client defines input requirements and perceives the results of applying this system. Defined processes have been divided into Main, Strategic and Support. With the purpose of correctly monitoring processes related with each company’s main business activities, INDICATORS have been defined.

Taking into account the wide range of indicators which are established in each company as a consequence of its operations and of the corporate multi-sector structure, an important step has been taken during 2005, by defining and establishing global indicators which integrate and reflect each company’s progress and activities, depending on their type of business. The establishment of said global indicators seeks to provide homogeneous measurements per type of activity in order to ease monitoring of implemented improvements, and at the same time learn about the achieved degree of compliance. This method will identify successful practices that can be subsequently applied to the other companies in a process derived from the resulting synergies.



COMPANY	REGISTRY	CERTIFICATION YEAR
CONSTRUCTION INDUSTRY		
Constructora San José (San José Construction Company)	GA - 2003 / 0398	2003
Cartuja I.	GA - 2006 / 0028	2006
Constructora Ávalos (Ávalos Construction Company)	GA - 2005 / 0328	2005



Occupational Safety

In each and every one of the activities in which we are involved, worker health and safety is a top priority above any other consideration.

Our commitment is to achieve the highest attainable occupational safety and health standards and to incorporate preventive measures into all activities at all organizational levels, as we have been doing in the past.

Strategic objectives in occupational safety issues are:

- To comply with applicable current legislation at all times.
- To improve preventive actions.
- To periodically update our preventive methods modifying them as dictated by technical progress.
- To ensure sufficient and appropriate theoretical and practical training is available to employees.
- To enable participation and information of all workers in the organization, and to guarantee their right to have their opinions considered.

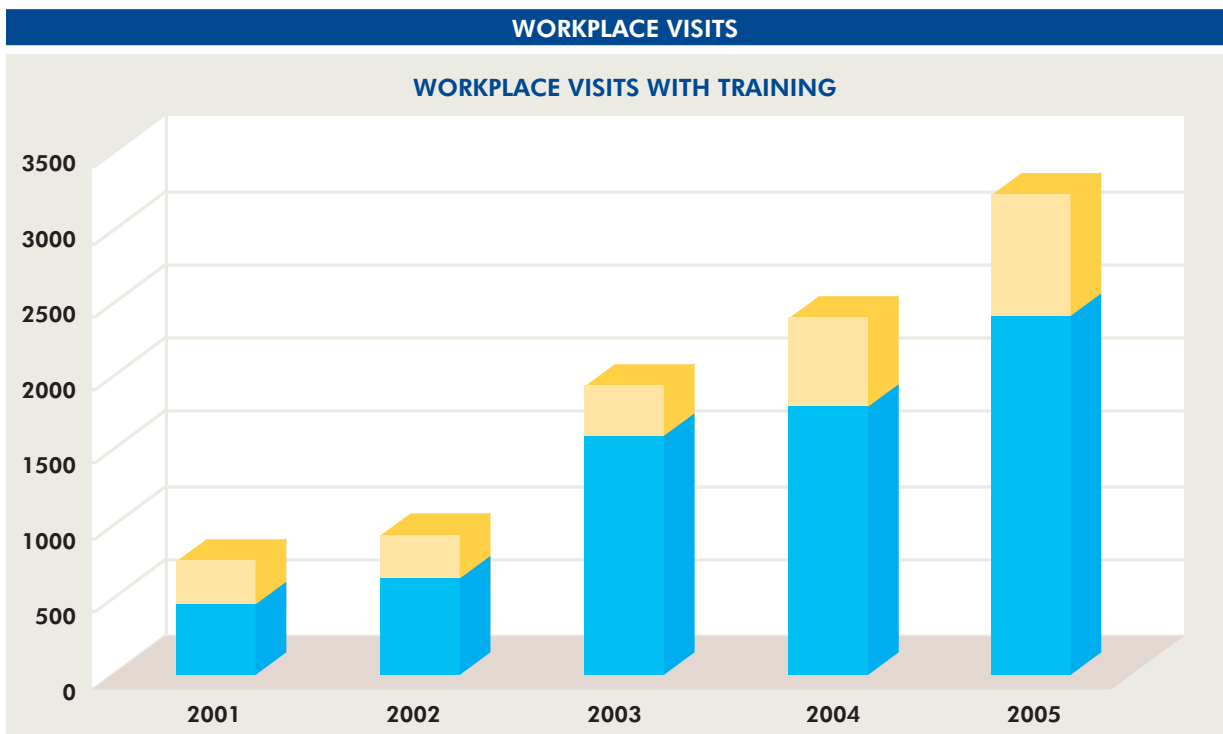
We believe that application of preventive and corrective measures conceived to avoid risks at their origin, and minimizing the consequences of the inevitable ones is our common obligation.

Therefore, observance of this policy is mandatory for all Group companies, both in Spain and abroad. However, in each country, and particularly in those outside the European Union, the obligatory need to incorporate country laws will be taken into account.

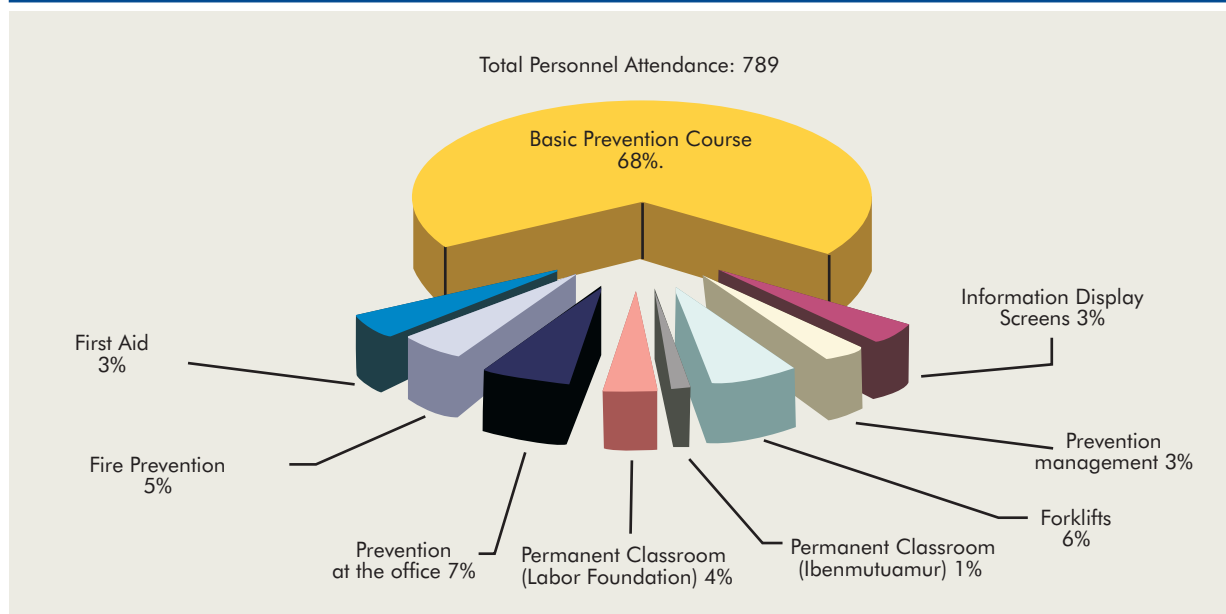


Due to the increased number of immigrant workers at our jobsites, we have proceeded to translate our signposts and manuals into Portuguese, Arab, Romanian and Polish.

In this regard, and as reflected in the following graphs, a total of 1,041 employees received specific occupational safety training in 2005. Likewise, 2,398 workplace visits have been made, 813 of which have been complemented with specialized training courses.



BASIC OCCUPATIONAL SAFETY COURSE YEAR 2005



Research, Development and Innovation (R&D&I)

• New Renewable Energies

The world economy has been utilizing fossil fuels as resource to its advances during the last centuries. In recent times we have witnessed progressive reduction of fossil fuel reserves, at a worldwide scale.

This fact is already having a dramatic impact in the economic and environmental conditions of our society.

In the current context of necessary decline in oil dependence and increased development of new energy sources of a renewable nature, San José participates in a project in San Luis (Argentina) which is based in two main resources: bio-fuels and wind energy.

San José, the Government of San Luis Province the University of la Punta have signed an agreement to develop an Energy Master Plan, with the later participation of de Salta Government, which will add environmentally friendly renewable energy sources to the current pool of energy resources used in the province. This will provide its citizens with a more sustainable development based on top level technology.

This Plan includes the execution of two bio fuel production projects:

- Bioethanol from cereals such as corn and sorghum, to be mixed with gasoline in a higher than 5% ratio.
- Biodiesel produced from oleaginous seeds, such as soy or sunflower, destined for direct gasoline mixes, in percentages ranging from 5% of bio fuel up to its use as pure biofuel, or B100 in certain auto sectors.

Raw materials will be entirely grown within the Province, thereby generating an important agricultural development, creating numerous jobs and generating additional wealth in the area.

Traditional fossil fuel consumption is thereby reduced, improving the quality of emissions into the atmosphere, decreasing the global carbon dioxide balance, as this gas is absorbed by the equipment used to obtain bio-diesel at its growth stage. For all this it contributes to meet compliance requirements of the Kyoto protocol, of which Argentina is a member.

The Plan also provides for the construction of a wind farm in the Province, which is the first project of its kind in the area. It will require the corresponding wind studies needed to determine which one is the best location for the wind farm.

This is proof of the Grupo's firm believe in the introduction and use of alternative and renewable energy sources. Grupo San José will contribute with all its know-how to the Province of San Luis, which has decided to invest in the development of cleaner and more environmentally respectful technologies.





Customers and Suppliers

In accordance with the philosophy of social responsibility, a synergy is created between clients and suppliers, with San José representing the link between them all. Therefore, communication and service channels are established towards both clients and suppliers, which must be efficient and dynamic.

Always aware that the client is top priority, San José always provides a close and dynamic relationship.

Suppliers are the base of operations. As a result of our teamwork, the quality of the operational process and mutual professionalism, the deadlines and quality standards demanded by the customer are met. An environment of reciprocal respect and professional cooperation is thereby obtained.

In the middle of our daily activity stands the figure of the Supplier Protector, which is made available by the Group. This ensures a smooth and direct business relationship between the parties, apart from providing the supplier with a representative within San José itself. In 2005, 90.5% of all interventions by the Supplier Protector were settled in a friendly and quick manner, and 7% of them are still in the course of being resolved. This data indicates how this representative, San José and its suppliers converge in a unique direction.

Image and Communications

As a result of the increasingly global framework in which we currently operate, the dissemination of information and the perceived corporate image is extremely important at any opportunity (towards the client, the supplier and the own employees).

It is essential to establish a direct and transparent cooperation with the media, in order to project the company's real image as well as to transmit its activities in a more adequate manner.

San José's policy follows this approach, always respecting our own policies as much as those of our clients, partners and suppliers. In order to maintain contact with media representatives, San José holds several communications channels, so that the flow of corporate information flow is immediate and accurate.

Some of the established objectives are:

- To offer a precise and comprehensive idea of the company's activities.
- To transmit Grupo San José's true image outside the company.
- To support the image and development of the company in its marketing efforts.



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