



## THE SEPI GROUP IN 2003

Dirección Corporativa y de Seguimiento de Planes Industriales  
*(Corporate Unit and for the Follow-Up of Industrial Plans)*

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## ***1. GLOBAL OVERVIEW OF THE FISCAL YEAR***

In 2003 SEPI's control portfolio was widened by the decision of the Council of Ministers meeting on February 21<sup>st</sup>, which decided to include the following companies and shareholding participations into SEPI, and which before had been controlled by the Dirección General de Patrimonio and by the Fondo Español de Garantía Agraria: MERCASA (51%), TRAGSA (51%) and SAECA (80%). Equally, in the same Council of Ministers it was agreed the transfer to the portfolio of the Dirección General de Patrimonio of the 100% of EXPASA, once its 13 farming estates had been sold in 2001 and 2002, as well as the 13,22% stake which SEPI had in ENISA.

Besides the transfers above mentioned, in 2003 two new companies were incorporated: Hipódromo de la Zarzuela and SEDETTUR.

On July 31<sup>st</sup>, SEPI and the state corporate agency in charge of lotteries, the Loterías y Apuestas del Estado, which reports to the Ministry of Economics and the Treasury, set-up the company Hipódromo de la Zarzuela, S.A., a deal which had been previously approved by the Council of Ministers on June 13<sup>th</sup>. With the incorporation of this new company, in which SEPI has a 90% stake, it is intended to recover disused facilities and to provide Madrid with sport and leisure facilities of the highest quality, open to the general public, as well as promoting an economic activity which has the potential of generating a large number of jobs and which at the same time can support the nomination of Spain's capital city for organizing the Olympic Summer Games in 2012.

In December, SEPI acquired from AESA the 100% of the shares of the company Sociedad Anónima de Tecnología Naval, which was renamed as Sociedad Estatal de Desarrollo Tecnológico del Turismo (SEDETTUR). SEDETTUR's corporate goal is focused on the identification of the needs of the Spanish tourist industry, and the promotion, development and application to this industry of the technological advances, in order to improve its competitiveness and to consolidate its current position as world leader.

With regard to the fulfillment of the functions which have been assigned to SEPI for executing the Government's guidelines on the issue of the reorganization and modernization of the State-Owned enterprises, including the financial consolidation and the application of Plans for the future in the participated companies which require them, the consolidation of competitive corporate projects and the management of the portfolio

of participated companies and in the process of being privatized, during the fiscal year 2003 the following progress was recorded.

Regarding to consolidation, it is worthwhile to point out that in 2003 SEPI made contributions to companies' capital and reserves for a total amount of 210,599 thousand Euros, which were applied to the externalization of labor liabilities and to the application of feasibility plans in those companies which require them, the incorporation of the company HIPÓDROMO DE LA ZARZUELA and to the disbursement of SEPIDES' passive dividend. With regard to the cancellation of the debt of the former INI which is still outstanding, SEPI has not yet made any payment during this fiscal year, since the next payments are set for the year 2005 and after 2008. As a consequence, the sum still outstanding on December 31<sup>st</sup>, 2003 amounts to 212.9 million Euros.

As for the strengthening and consolidation of competitive corporate projects, it must be pointed out that the aggregate operating results for the group of companies has improved against that obtained in 2002, especially in the following groups and companies: Grupo TRAGSA, with an increase both of its activities and its margins in the territorial centers It has in Galicia and in Spain's Northwest for the work carried out cleaning the fuel spilt on the beaches; Grupo INFOINVEST as a result of the sale of real-estate assets through public tender and of the higher assets being rented; CETARSA which has continued in 2003 with the compulsory special redundancy procedure and the cost-cutting plan; achieving significant savings in production costs and overheads; MERCASA, due to the increase of the turnover against the previous year; the Agencia Efe thanks to the higher turnover recorded both in the domestic and international markets, together with the containment of the operating costs; ENUSA through the increase in the volume of sale of fuels and the environment; and ENSA as a result of the increase of its activity and the improvement of the supplies margin.

To point out besides that HUNOSA has continued with the application of the Company Plan which seeks to cutback progressively the activity and the losses, as well as to promote the development of the Asturian coal mining area, and MAYASA has recorded progress in the implementation of the Company Plan agreed on March 2002 as an alternative to the low mercury production.

With regard to privatizations and the management of the portfolio of affiliated companies, in February SEPI transferred the company EMGRISA to the other company in the Group, ENUSA INDUSTRIAS AVANZADAS; in March, SEPI accepted, for the company Trasmediterránea, the takeover bid over the totality of the shares submitted by

Acciona Logística, Caja de Ahorros del Mediterráneo, Agrupación Hotelera Dólga, Suministros Ibiza, Compañía de Remolcadores Ibaizábal and Naviera Armas; in October the company Empresa Nacional de Autopistas was awarded to the consortium composed by the building company Sacyr, S.A. (50%), Banco Santander Central Hispano (20%), Caixanova (10%), Corporación Caixa Galicia (10%), Torreal (5%) and Monte de Piedad y Caja de Ahorros de Huelva y Sevilla (5%), and in December was formalized the sale of the shares of the insurer MUSINI, S.A. (98,07%) and those of its affiliated company MUSINI Vida to Mapfre-Caja Madrid Holding. Equally, in November, SEPI transferred the totality of the shares of AHM to Cofivacasa, S.A., the Group's company in charge of the orderly liquidation of the companies without activity. And in December, SEPI proceed to the final liquidation of INI FINANCE B.V.

Regarding the international economic stage, the year 2003 has been characterized by the war in Iraq, with the result of an increase of the price of oil and its impact on the world economy which still had not recovered from the crisis in the stock markets and of the weak growth rate recorded in the last few years. At the end of the year, in spite of the effects of the war and of the escalation in the oil price, the macroeconomic figures reflect the start of the recovery, in which the United States has a leading role, together with the emerging and increasingly stronger Chinese and Japanese economies as the growth promoters. On its part, Europe also shows signs of a recovery, although at a slower pace.

Within the context described above, the Spanish economy surpasses the European average growth, since the middle of 2002 it has experimented a soft but continuous acceleration, closing the year 2003 with a growth of the GDP of 2,3%, thanks mainly to private consumption, building and corporate investment.

## ***2. THE MOST SIGNIFICANT EVENTS DURING THE YEAR BY COMPANIES***

### ***AGENCIA EFE***

In an environment characterized by the recovery in the countries in which the **Agencia EFE** distributes its contents, during the year 2003 this company has continued developing measures aimed at both its reorganization and to get a better commercial position in order to increase its competitiveness, improving its global offer and specifically that aimed at the international markets. In competitive terms it has

maintained its position in the domestic market, where it is the reference leader, with a share of 41.6% and a specially strong position in the communication media segment.

To point out as the most relevant action aimed at the international market the launch of the International Graphic Service, which is going to entail an important supplement of its commercial offer, strengthening its position in this market. With this, the Company expects to win in 2004 a 7% share in Latin America.

From the point of view of business and activities reorganization, during the year a number of significant actions have been carried out, such as the closure of the television operation area (getting rid in this way of a hugely loss-making business) and the service in Arab, with a reduced number of customers. At the same time, the basis for future actions in the workforce area have been set up through the signing of collective agreement *erga omnes*, all of which took place within a context of containment and flexibility in the management of the operating costs.

Also to point out the application of other improvement measures, such as the promotion of the market research unit, the strengthening of the commercial network and the optimization of the systems for analytical accounting information.

As a result of all these actions, the operating results have experienced a 35% improvement against those recorded the previous year.

### ***CETARSA***

Within the European industry for tobacco manufacturing in which **CETARSA** carries out its activity, the normative and industrial pressures have been increasing in the last few years with the aim of progressively reducing the aids granted to production.

Together with the regulations regarding the reduction of the guarantee thresholds in Spain (in force since 2002), the withholdings over the premiums for endowing the Tobacco Community Fund and the increase of the quote reacquisition prices for the Fermented Burley variety, in September 2002 the Commission submitted to the EU Council a proposal for the reform of the Common Market Organization, specific for that industry, whose goal is the progressive decoupling of the aids to the production, the gradual elimination of the Tobacco Community Fund and the setting up of a financial endowment for the reorganization of the production areas.

To all of the above it must be added the competitive pressure from the multinational companies, from the producers' associations and from the non-European manufacturing countries, as well as the aggressive policy followed by CETARSA's direct competitors in Spain for increasing their share of the contracts, consisting in steep increases in the prices paid to the tobacco growers.

As a result, the Company has considered as its priority objective the need to contain its supply costs in order to prevent its profitability from worsening, so that the mean price on the line paid by CETARSA in the 2003 campaign has been 4.8% lower than during the 2002 campaign. Besides, CETARSA has succeeded in maintaining a strong competitive position thanks to the significant effort made during 2002-2003 in the application of the Action Plan. To this end, in 2003 it has completed the downsizing process, with the closure of the Plasencia's factory and the R&D Center at La Cañalera (Cáceres), being the first year during which the processing activity has been focused in Navalmoral and in Talayuela and that of fermentation in Coria, once the former factories of Jaraiz, Jarandilla and Grenade have been reduced to storage purposes only.

After the downsizing of the production capacity, the production and productive standards of the seasonal workers with long term contracts (*personal fijo discontinuo*) has improved and the unitary transformation costs have experienced a strong reduction - 22,7% measured by ton produced), besides the significant reduction of the average workforce with seasonal long term contracts as a result of the application of the labor force adjustment plan, the reduction of the double processes, the improvement in tobacco exploitation and the fulfillment of the industrial quality rates included in the commercialization contracts.

On the other hand, the Plan for cost-cutting which was started in 2002, has continued to yield improvements, so the production fixed-costs and overheads, not taking into account the labor costs, has experienced a 26.5% reduction in comparison to 2002. Furthermore, the Company moved at the end of the year its head offices from Madrid to Navalmoral and it sold with capital gains the landsite on which was located the former factory in Grenade, so that the improvement in operating terms has taken place together with that of the extraordinary profits.

### ***CLÍNICA CASTELLÓ***

During the year **CLÍNICA CASTELLÓ** has continued developing the measures started in 2002 as part of the Strategic Plan which was approved, and directed to increase its

revenues with the set-up of new specialties which will make possible to widen its customer base, and with the review of its processes and cost structure, improving in this way the efficiency of the resources available and reducing its high operating leverage. To this end, it is worthwhile to single out as the most significant the following facts:

- The inclusion of new specialties as a result of the opening of the Major Surgery Outpatients' Unit, such as general and vascular surgery, expansion of those already in existence, as are orthopedics, ophthalmology and dermatology. At the same time, the genetics laboratory has begun operating and the psychology, urology, dermatology bureau and rheumatology specialties have experienced their consolidation, after their set-up at the end of 2002.
- The signing of agreements with the insuring companies DKV, Allianz, Winterthur and Seguros Atocha, and with the companies IZAR and Sanigest for the inclusion of a genetics laboratory and medical examinations, and the award of two public tenders for carrying out medical examinations for the personnel of the regional government of Madrid, as well as agreements with a number of state-owned hospitals and with the IMSALUD. As a result of these agreements, as well as of those formalized at the end of 2002, the figure of assisted admissions is up by 32%, and the new customers have provided 25% of the assisted admissions in 2003.
- The externalization of a number of medical services through the conclusion of collaboration agreements with consultants, achieving with this a reduction of the weight of the fixed costs on the totals, which has passed of being 89% in 2002 to 79% one year later.

### ***GRUPO ENSA***

The **Grupo ENSA**, within the nuclear components market (characterized by overcapacity and the margins reduction, with the exception of packages for component replacement in the US and the building of new nuclear power stations in China, Japan, Russia and Korea), is present in the US, through Westinghouse, as an Associate Supplier, having carried out in 2003 the replacement of 3 steam generators and container covers for the Beaver Valley nuclear power station and contracted four new generators for the Comanche Peak nuclear power station, both of them located in the US.

In the storage, transport and waste disposal lines, where it keeps a stable demand in the US, Korea, Spain and a growing demand in Japan, it participates with its own products, such as thick frames (whose patent is pending) and another for containers, as the one developed with Hitachi for the Japanese market, and which might be later marketed in Europe. As part of this activity line, during 2003 four metallic containers for storage have been delivered, and a contract for another four for spent fuel has been secured for the Trillo nuclear power station.

In non-nuclear products, ENSA has delivered four petrochemical exchangers for Repsol, one petrochemical reactor for Chemtex, besides continuing with the homologation process with processors, customers and engineering firms for reaching licensing agreements and enter into the market for high-end petrochemical and fertilizers, even though the demand is small.

Regarding its affiliated company ENWESA Operaciones, its situation is stable, although with a some margin reduction due to the strong competence. To point out during the financial year the recharge work carried out at the nuclear power stations of Ascó I, Garoña, José Cabrera and Trillo, the reception of new fuel at Ascó II and the integral movement of new and irradiated fuel at Vandellós II, as well as the support provided to ENRESA in the decommission and management of nuclear wastes at the Vandellos I nuclear power station.

From the internal point of view to mention that during the year a new organizational chart has been set-up, after the study awarded to an external consulting firm, all of it with the aim of adapting the Company to the new sale strategy for nuclear products.

With all these actions it was possible to increase the turnover by 31% in comparison to the year 2002 and the Net Income by 26%, both due to the improvement of the contribution margin thanks to a reduction of the personnel costs and the improvement of the extraordinary results.

### ***GRUPO ENUSA***

As the most significant actions during the financial year at **ENUSA** it is worthwhile to mention the following:

- those related with the Closing Plan at Saelices (restoration of mining cavities and dumps and water treatment);

- the agreement reached with ENRESA for the final closing of the mining operations at Saelices;
- The award through GENUSA (in which ENUSA has a 49% stake, and the remaining 51% is in the hands of General Electric) of 3 recharges for the power station of TVO and of 2 for Loviisa, both of them located in Finland;
- the award through European Fuel Group of a recharge for EDF's nuclear power station and 3 for that at Doel (Belgium).
- For the fulfillment of the uranium supply plans and delivery of the fuel items, it must be pointed out the renewal of the manufacturing and supply contract for fuel items and engineering services until the year 2009 for the 5 reactors of the type PWR (Almaraz I and II, Ascó I and II and Vandellós II) which entail a total of 17 recharges.
- The agreement reached with Westinghouse which enables ENUSA to manufacture two recharges for dos EDF in 2004, and the signing, also with Westinghouse, of contracts for parts' conversion and supply.

Within the area of new businesses, to point out the inclusion of EMGRISA after its acquisition to SEPI and its reorganization, and the regrouping in ENUSA Medioambiente of the activities carried out by the Environmental Center at Ciudad Rodrigo, the Technical-Economic Bureau and the affiliated companies Emgrisa and Teconma.

In the remaining activities for diversification towards new business the following actions have been carried out:

- Consolidation of the companies engaged in the transport of special cargoes Express Truck, S.A. and ENUSEGUR, S.A. in the three main business lines (nuclear, explosive and radio-drugs materials), having achieved a joint turnover which is 14% above that expected.
- Slower commercial development than anticipated in IONMED Esterilización, due to the high technical effort associated to each product's validation.
- In Molypharma, award of the supply of single doses of radio-drugs to Madrid's and Castellón's hospitals, agreement with the Health Department of the autonomous government of Comunidad Valenciana for the supply of FDG and award of the public tender for the operating of the radio-pharmacy laboratory associated to the cyclotron of the Centro Nacional de Aceleradores de Sevilla during 4 years.

- In SHS Cerámicas, for the production of silicon nitride, for carrying out synthesis tests and tests for homologation in key sectors.

In operating terms, the operating income has significantly improved, as a result of the increase of the sale volumes and of engineering fuel services, the application of the fuel guarantee and the improvement of the margin of contribution from Environment, which has made up the worse operating results recorded in the affiliated companies.

### ***FUNDACIÓN SEPI***

In the area of grants, where it manages a number of programs oriented to the training of university graduates without working experience, the activity during the period has focused upon the maintenance of the Start-Up into the Company Programs, Alcoa-Inespal and Logista, which have had on average 323 grant holders in total.

In the Hall of Residence located in the University Complex of Madrid, the works began in 2002 have continued, with the goal of reforming its facilities for improving its competitive position through a quality offer, and for attending the growing demand of new residential, scholar and cultural services and that linked to the diffusion of the new information technologies and communications. To this end, during the summer months the second stage of the reform was carried out, which consists in infrastructure and refurbishment of the west wing rooms, conference hall and reading rooms. The third and last stage will be carried out in 2004, after which the total investment will have amounted to 5.5 Million Euros with the Foundation's own resources.

In the Research field, with a reduced activity, a number of acts, seminars and symposiums have taken place, besides the preparation of the Survey on Corporate Strategies, a four-monthly publication of the journal *Revista de Investigaciones Económicas* and the journal *Historia Económica*, the later being published every quarter, and made a number of collaborations for SEPI.

At the operating level, the operating losses have been reduced against those recorded a year before thanks to the bigger contribution of the GRANTS, and the higher income from SEPI's collaborations and from the autonomous region of Madrid.

### ***FUNDACIÓN DE SERVICIOS LABORALES***

After the divesture and activity reduction process during the last few years, which culminated in 2002 with the spin-off and sale of Clínica Castelló, in 2003 the **Fundación de Servicios Laborales** has focused on the following actions:

- Improvement of the operation of the Hall of Residence of Los Peñascales, which after its transformation during the last years has been transformed from a residence for the staff into a hotel and which offers training, being managed along business criteria. It is especially worthwhile to single out the positive evolution of the results of the Hall of Residence, after it achieved a profit for the first time ever in its operations once it was launched again as a corporate training and meeting center, where besides have started the language courses organized by the Fundación.
- Reorganization of the services offered through the Cultural and Sports Service.
- Continuation of the social activity offered to SEPI's employees through scholarship grants, nursery schools, grants and life insurance, basically.

Also to point out that the series of activities carried out regarding the project of the historic archive and the museum of the Spanish state-owned industry, which was awarded in the last months of the year and for which a timetable for actions has already been set up. Already in 2004 the planning for the works has been submitted to the city council of Torreldones (Madrid) and the Master Plan has been reviewed.

### ***HIPODROMO DE LA ZARZUELA***

The company **Hipódromo de la Zarzuela** was incorporated in July 2003 by SEPI (90%) and by the state-owned corporate entity in charge of lotteries Loterías y Apuestas del Estado, which reports to the Ministry of Economics and The Treasury (10%), with the goal of recovering the sport of horse racing at its traditional facilities of the Monte de El Pardo (Madrid). For meeting this objective, the company has started to prepare an activity plan which makes possible the rehabilitation of the site and its facilities after a seven-year period without activity.

During the year, once the basic managerial team has been hired, the first investments have taken place, which consist in the start of the work for building the green and the

sand tracks, the security facilities and the renovation of the stands. Besides, there has been progress in the definition of the business plan to be implanted.

### ***HUNOSA***

During the year, **HUNOSA** has continued with the application of the Company Plan 2002-2005, whose main goal is the activity's and the losses' progressive reduction, through the reduction of the production capacity and the workforce, as well as the regional development of the coal mining area based on industrial promotion activities.

As the most significant actions carried out along the period in the implementation of the above Plan it must be singled out the following:

- The closure of the shaft Pozo Pumarabule after the depletion of its reserves, although due to technical reasons, it will remain open until June 2004.
- The taking over by SADIM Inversiones of stakes into three new companies (the tourist resort Palacio de Figaredo, Felguera Rail and Sintersthals Asturias), which have made possible to increase the employment committed in 81 new jobs in 2003.

The most significant events during the year are:

- The workforce reduction in comparison with the previous year in 650 workers, of which 681 corresponded to early retirements, 42 net redundancies due to other reasons and 73 new contracts in application of the Company Plan.
- The production of stripped coal amounted to 1,271 KT of underground production, which represents a 15.3% reduction against the previous year.
- The thermal power station recorded the production of 384 GWH, a 2% reduction in relation with 2002.
- The Company's tangible and intangible investment during the year amounted to 34 Million Euros.

In operating terms, the operating results before subventions has experienced a significant improvement in comparison with the year 2002, basically due to savings in

staff costs and the improvement of the ancillary results, which have made up the lower income due to the decrease of the production and the sale price.

### ***GRUPO INFOINVEST***

During the year 2003 the reactivation of the real-estate market has continued thanks, among other reasons, to low interest rates. The office market has been characterized by the recovery of the demand, its concentration in the inner-core of the big towns and the high volume of new constructions in the outskirts, with a decrease of the rents and a slight increase in the acquisition prices. The market for industrial spaces has continued reflecting the situation characterized by a lack of quality offer and the displacement of the demand towards out-of-town areas.

In this context, the **Grupo INFOINVEST** has continued with the recovery of the land-sites affected by industrial reorganization processes and their transformation into land apt for the set-up of new industries and companies. As the most significant actions carried out during the year can be mentioned the following:

- The constitution of the company Parque empresarial de Villaescusa, participated by INFOINVEST (48%) together with the company Suelo industrial de Cantabria (48%) and the town-council of Villaescusa.
- The signing of the agreement between the Instituto Gallego de la Vivienda y Suelo industrial and INFOINVEST for the incorporation of the company Parque empresarial del Atlántico, in which Infoinvest will have an 85% shareholding stake, and whose corporate goal is the promotion of industrial land in this region.

Regarding the industrial parks under development, the progress has been as follows:

- In the business park Parque Empresarial Principado de Asturias the work corresponding to phase AD-3 has continued, and it has led to the building of “nesting facilities” for the set-up of start-ups, with an investment in the year of 2.646 Thousand Euros (progress of 90%).
- In the business park Parque Abra Industrial a new rethinking of the project by phases has taken place, currently working in the so-called A, B and C areas (progress of 75%).

- In the business park of Parque de Cantabria the urbanization works have reached a work in progress of 92% and the Compensation Project has been definitely approved.
- The remaining business parks (Requena, Villaescusa, Granada and the Galician parks) are still in their first development phases.

The year's income has been significantly over that recorded in 2002 due to a higher assets' divestment and a higher rent volume.

### ***INIEXPORT***

For the external trade sector, in which **INIEXPORT** operates, the year 2003 has been, in general terms, a favorable one, helped by a propitious and moderately stable economic environment. The year has closed with a 6.2% increase in real terms of the exports.

INIEXPORT has continued with the search of new contracts and markets, focusing its activity in the actions undertaken in the Chinese market, where it is worthwhile to point out the consulting contract and the contract for the sale of equipment for Tianjin's light train, as well as the contacts maintained regarding the new project for a subway in this town, which have resulted in the signing during the first months of 2004 of a new consulting contract. It is also worthwhile to point out the closing of the contracts for the supply of radars to Ukraine and Poland and the supply of defense equipment to Kuwait.

The Company's profitability has improved in comparison with the previous year, due to the increase of the export activity.

### ***INISAS***

During the year 2003 **INISAS** has improved its competitive position and it has turned a profit, basically as a result of the high volume of policyholders who have joined from Endesa's collective policy, jointly insured with Adeslas, and which was signed at the end of 2002. This has led to a 16% increase of the income through bonuses, net of reinsurance, against the previous year, and to have a portfolio with 38,286 policyholders.

Equally, progress has been recorded on the application during the year of the measures applied in the last few years for containing the expenses for technical benefits and the decrease of the accident level.

## ***IZAR***

During the year 2003 it has been recorded a recovery of the demand of the shipbuilding market at world level. However, this improvement has not been noticed in the European shipyards, which are still through a very difficult situation due to production overcapacity, past excess of offer, the competence from the South Korean shipyards, with special incidence on prices, the restrictions on state aids and the negative effect of the value of the euro against the American dollar. All of the above has had a very negative influence over **IZAR**'s position and over its capacity for closing contracts.

In the above scenario, the Company has won contracts which amount to 2,837,139 Euros, basically based on the achievement of military contracts for the Spanish Navy for such programs as the S-80 and the Strategic Projection Ship. These contracts guarantee a significant book-order level and full employment at the military shipyards during the next year, and they entail an important technological progress due to the type of the ships contracted and the role assigned to the Company in both categories of ships.

Within the civil market, the prices' evolution and the euro's exchange parity have made much more difficult the possibility of closing important contracts in spite of the huge commercial effort made. It must be pointed out that in this segment it has been possible to solve the problems regarding the financing of the ships in the order-book, bringing to fruition the income from a number of contracts which at the closing of the previous year provoked the constitution of important provisions.

With regard to the production aspects, the workload carried out has made possible an occupancy rate of 88%. It must be pointed out the fulfillment of the building datelines agreed, especially in the Liquid Natural Gas carrier-ships, and the savings in direct costs through the work internalization, eliminating the outsourcing in those shipyards which record a low occupation level. Equally, an effort has been made for containing overheads and a reorganization in engineering and supplies has been carried out, beginning the new Systems Plan. All these measures, even although they have not had

a significant economic impact during the year, improve IZAR's position in order to face future contracts.

The result achieved represents a very important reduction in losses driven by the recovery recorded in income from the LNG's, but above all, thanks to the financial and extraordinary results, as a result of the recovery of an important volume of the provisions made in 2002.

### ***MAYASA***

**MAYASA** has continued during the year 2003 with the application of the Company Plan agreed on May 2002, and which is based upon the adjustment of the Company's activity and structure to its real action possibilities. In this way it has achieved to improve its results, in spite of the unfavorable situation of the market, which is going through a period of low prices and demand for mercury. This improvement in the results has been possible thanks to the voluntary workforce adjustment carried out.

As part of the execution of the above Plan, the Company has continued with the progressive pull out from the activities upon which it relied for its diversification during the last decades, such as open cast mining, besides stopping the mercury's production, the reason why currently MAYASA's only activity in this market is that of a middleman.

### ***GRUPO MERCASA***

The **Grupo MERCASA** focuses its activity in the wholesale food markets sector through the different MERCAS in which it participates, as well as in the management of its own commercial centers. Abroad it develops projects within this sector, especially in South America.

During the year the MERCAS of Madrid, Las Palmas and Córdoba have achieved very good results in relation with their surfaces, followed respectively by those located at Palma, Asturias, Málaga and Barcelona, with a profitability considerably higher than the Group's average. They are followed by those of León, La Coruña, Tenerife and Valencia, which have recorded profits in line or above the average. Regarding the commercial centers, it must be pointed out the profitability of San Fernando (Badajoz).

The Group's total investment amounted to 11,219 Thousand Euros, being the tangible investment of 7,085 Thousand Euros 2,983 Thousand Euros in MERCASA, 1,674 Thousand Euros in MERCAMÁLAGA and 1,237 Thousand Euros in MERCALGECIRAS, 785 Thousand Euros in MERCASTURAS and 406 Thousand Euros in MERCALASPALMAS.

As for the average surface rented in the commercial centers, the average occupancy rate recorded was 95.6%.

In operating terms, their operating results have recorded a significant improvement in comparison to the previous year, thanks to the higher activity carried out.

### ***PRESUR***

**PRESUR** has continued with the process of the ordered orderly reduction of its activity, focusing the attention in the limitation of costs and in the commercialization of its goods in stock.

It has continued with the progressive paralyzation of the mining activity, and the aggregates production has recorded a 23% increase against the previous year due to the higher demand as a result of the execution of public works in the area.

Also restoration work of the mining environment has been carried out, and for the environmental reorganization.

The losses recorded have experienced a significant reduction in comparison to those recorded in 2002, a year in which it was necessary to make important provisions for the mine restoration.

### ***SAECA***

During the year it has maintained the action line which it has followed during the last few years, negotiating collaboration agreements, basically with financial institutions, with the aim of making known and achieving that the latter use the warranty which SAECA offers. New Collaboration Agreements have been signed with a number of savings banks and state institutions, and the modification of those already in force with the following savings banks: Caja España, Caja Duero, La Caixa, Caja San Fernando, Caja Burgos and Caja Rural de Zamora. At the end of the year has started the negotiation of a

General Agreement with El Monte and another one with Banesto, as well as with the Ministry of Agriculture, Fisheries and Food regarding a financing line for farm enterprises affected by the mad cow disease.

In this sense, to point out that the volume of new operations authorized has amounted to 44,939 Thousand Euros and those formalized to 40,386 Thousand Euros. By geographical areas it must be singled out the strong increase of activity in Western Andalusia and the growth recorded in Cataluña, La Rioja and Navarre, autonomous regions in which SAECA had a very limited presence before.

Regarding the risk currently in force, this has experienced a 6% reduction in comparison to 2002 due to the growing reconsolidation of operations with CERSA. The results on the recovery of defaulters and bankrupts.

As a result of this positive evolution, the profits of this Company in the year have increased twofold in comparison to those recorded in 2002.

### ***SEPIDES***

For **SEPIDES** 2003 has been its first complete financial year, and has succeeded in achieving at its end the main objectives established and consolidate itself both in volume and in investment terms.

The main actions carried out for the fulfillment of those objectives have been the following:

- Signing of agreements with the main public administrations located on the action priority areas (Galicia, Cantabria, Ceuta and Melilla), as well as with Cetarsa, Caja Rural de Granada and the Ministry of Agriculture, Fishing and Food, among others.
- Opening of delegations in La Coruña, Bilbao, Ceuta, Melilla and an office in Vigo and the distribution of 40 persons between the two basic business areas: the Investment Department and the Corporate Promotion Department.
- As a result of the research works carried out, 110 investment projects have been detected, of which 18 have been approved, while 54 were rejected, being the rest pending further analysis. In the Investment Promotion Department 10 new projects have been won, which means a 141 Million Euros investment and the generation of over 900 jobs. The total number of projects managed has been of 80, with a potential investment volume of around 1,900 Million Euros and the generation of approximately 7,900 direct jobs.

SEPIDES' investments have amounted to 39 Million Euros, being the total investment related to the authorized investments of 570 Million Euros.

Upon the basis of these actions, SEPIDES has achieved to reach a profit in its first year of activity, during which it has been consolidated as a dynamic company, with a high activity level.

### **GRUPO TRAGSA**

From the production's point of view, 2003 has been an extraordinary year for the **Grupo TRAGSA**, thanks to the actions carried out in the emergency works of the parent company Tragsa. The Group is made up by different companies which are active in agrarian transformation and the environment, operating in the following fields: agricultural, forestry, rural development, environmental protection and promotion, aquiculture and fishing, and Nature's conservation.

The most relevant aspects of the year for this Group have been the following:

- In TRAGSA, high productions associated to emergency works carried out for cleaning beaches polluted by the fuel spill from the oil-tanker *Prestige*, basically in Galicia, Asturias, Cantabria and País Vasco.
- In TRAGASATEC, progress recorded in the execution of the works for the Geographical Information System for Farming Plots (*Sistema de Información Geográfica de Parcelas Agrícolas*) (SIGPAC).
- Increase in TRAGSEGA's activity.
- Progress in the quality and environment systems through the review of the quality regulation, adjusting it to the requirements of the Norm UNE-EN ISO 9001-2000 in Tragsa and in the prefabricated plant owned by Producción Tecnológica de Prefabricados, as well as the application of the Environmental Management System within the Group.
- The order book at the end of the year, in aggregated terms for the three companies, exceeded 530 Million Euros.
- The investments carried out by the three companies during the year reached the sum of 24 Million Euros.
- The aggregate workforce at year-end was of 10,300 workers.

With all these actions, the Grupo Tragsa has increased its turnover by 10% with respect to that recorded a year before, significantly improving also the margins in Tragsa and in Tragega.

### **3. TANGIBLE, INTANGIBLE AND FINANCIAL INVESTMENT**

The aggregated tangible and intangible investment of the Group's companies in 2003 amounted to 207,272 Thousand Euros. In absolute terms, it is worthwhile to point out the amounts invested by the following companies:

<b>COMPANY</b>	<b>Tangible and intangible investment (in Thousand of €)</b>
IZAR	91,092
HUNOSA	34,493
GRUPO INFOINVEST	26,285
GRUPO TRAGSA	23,579
GRUPO MERCASA	11,219
AGENCIA EFE	5,584
GRUPO ENUSA	4,804
GRUPO ENSA	3,773
FUNDACION SEPI	2,643
CLINICA CASTELLO	1,564
RESTO EMPRESAS	2,236

IZAR's tangible and intangible investments amount to 44% of the total, and they have been applied to new projects and to projects in progress, basically of a military nature, to processes improvement and to systems for costs savings, to the maintenance of the technological capacity, to product quality improvement and to environmental investments.

HUNOSA's investments, which have meant 17% of the total, have been focused on mining works carried out in most of the mining shafts, to infrastructures, galleries items, equipment replacement and to safety equipments.

The investments of the Grupo Infoinvest have amounted to 13% of the total, and have been focused on the rehabilitation of the *Campos de Velázquez* office complex and in the restoration of Ochandiano, to buying the landsite of the former Cetarsa's factory in Grenade and of the AHV's offices, as well as to the works carried out in a number of operating business parks.

The Grupo Tragsa's investments, which amount to 11% of the total, have been applied to the acquisition of land, buildings, technical facilities and machinery, vehicles and topographic material.

As to the financial investment, this amounted to 168,563 Thousand Euros, of which 72% went to IZAR (as the cash-advances for the Frigates F-100 were entered as financial investments) and 23% to SEPIDES.

#### ***4. PRIVATIZATIONS FORMALIZED IN 2003***

- On April 1<sup>st</sup>, the sale of the Compañía Trasmediterránea was formalized, after SEPI accepted the takeover bid over all the shares it held at a price of 45 euros per share, and which was submitted by the consortium leaded by Acciona and in which participate as minority shareholders Caja de Ahorros del Mediterráneo, the Grupo Matutes, the Grupo Aznar and the Naviera Armas. The Industrial Plan of the winning bid stipulates as its main goal the strengthening of the Compañía Trasmediterránea

in the transport by sea of passengers and cargo, businesses in which it is already present through alliances, the increase of frequencies and in the quality of the service, as well as in new markets, segments and related activities, in which it also can consolidate its leading position.

The buying group assumes, besides the fulfillment until their termination of the contracts currently in force with the State, the obligation of maintaining until January 2008 a minimum stake which guarantees the majority and the control of the Company, the workforce with long-term contracts and the terms and conditions in force at the time of the formalization for the workers, the social domicile in Spain, the Company's integrity and a minimum of equity.

- On October 30<sup>th</sup>, the sale of the Grupo ENA was formalized to the consortium led by Sacyr and composed by the Banco SCH, Caixanova, Caixa Galicia, Torreal and Monte de Piedad y Caja de Ahorros de Huelva and Sevilla. The new shareholders commit themselves to maintain the license regime to which the highways are bound once they are privatized, a regime which guarantees the contribution by the Grupo ENA to the public interest as road manager at the national and autonomous levels. SEPI imposed as further conditions to be met during a 5-year period the maintenance of ENAUSA's equity, the permanence in the capital as the majority shareholder, the continuity in Spain of ENAUSA's social domicile and those of its affiliated companies, as well as the participations in AUDASA, AUCALSA and AUTOESTRADAS, and no reduction in AUDENASA, and the maintenance of the workers with long-term contracts and of the terms and conditions of the workforce at the time of the formalization.
- On December 11<sup>th</sup>, took place the sale of 98,07% of the insuring company MUSINI, S.A. and the totality of MUSINI Vida, to Mapfre-Caja Madrid Holding. The Industrial Plan for a 3-year period submitted by Mapfre-Caja Madrid Holding which envisages the merger of MUSINI into the Unit for Companies Insurance of the buying group, and which will specialize in the management and development of the business of Large Industrial Risks, starting from its current organizational structure, which will see strengthened its capacity, supplementing it with MAPFRE INDUSTRIAL's large industrial risks. Regarding MUSINI VIDA, it will be integrated into MAPFRE VIDA, which will represent an enlargement of its business' opportunities. The fact that a large number of the policies which make up MUSINI VIDA's portfolio are subscribed in joint guarantee with MAPFRE VIDA will generate synergies, which will be exploited.

SEPI set up for both companies the following minimum requirements to be met during the 3 years after the formalization, and which were taken on by the Buyer: to maintain the position of majority partner, the workers with long-term contracts and the terms and conditions for the workers currently in force, the social domicile in Spain, the equity in an amount which might not be lower than 110% of the minimum legal solvency margin, and to subject to the previous authorization by SEPI of all the transactions corresponding to MUSINI's merger process into the MAPFRE System, as well as any other corporate reorganization deal.

## ***5. COMPANIES BEING WOUND UP***

### ***AESA***

After the adoption at its General Assembly celebrated on July 2002 of the agreement for its orderly dissolution and liquidation, during the financial year 2003 this Company's management was focused on promoting its liquidation, stimulating the divestment of its participations in associated companies and the resolution of the pending litigation.

### ***ALICESA***

Its management has been focused on the Company's liquidation, into which progress has been made, although it has been negatively affected by the economic consequences of the litigation with the Grupo Torras and which has been appealed.

### ***GRUPO BWE***

Its activity during the financial year has consisted in finishing those projects which were not transferred to Babcock Borsig España, in the management and liquidation of the current arbitrages and demands, in the follow-up of the pending commitments with the personnel in the management and control of the portfolio of participated companies.

### ***GRUPO COFIVACASA***

The Company's management has been focused on its affiliated companies' orderly liquidation, which currently are without activity, stressing 3 aspects: the management's

centralization, the sale of disused assets, and the attention paid to social liabilities. At the end of the year, the Group's portfolio is made up by the following companies: COFIVACASA (which is integrated into COFIVACASA itself, and the absorbed companies ENDIASA, TGI, INIRAIL and AHM), Grupo AEC (AEC, AHV and ENSIDESA), Naviera Castellana, ACENOR, IMENOSA and NOVAMOR.

### ***SODIAN***

Its activity during the financial year has focused on continuing the disinvestment of assets, debt collection and the follow-up of demands corresponding to its orderly liquidation process.