

2016

ANNUAL REPORT



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## LETTER FROM EP GROUP'S BOARD

An Annual Report is supposed to talk about the previous year. In that case, 2006 has been a very good year, with a turnover of 175 million euros, which means a growth rate of 14%.

Nevertheless, at this time it is preferable to go beyond figures and results. Success represents a great support to the strategies and decisions taken during recent years. The introduction of some significant changes has led us to obtain highly notable growth rates, thanks to the application of appropriate market development activities. Now, the EP Group faces the future with optimism, anticipating the trends in our activities and planning the actions that will allow us to take full advantage of such prospects, by developing the competitive advantages that have been accumulated and consolidated.

Thus, in a situation that is expected to be difficult, the Strategic Agenda until 2009 has been prepared. The figures might seem ambitious but are reasonable in view of the positions we currently hold within the market and the good development of the executed diversification projects.

The acquired dimensions and the concentration trend in the large Spanish companies are the reason that growth is proposed by means of the specialization in future sectors or markets. Besides, great innovations



in technology, R&D, communication and human resources are expected, so we may remain at the forefront, where the companies composing the EP Group have always been.

On the other hand, exceeding the international turnover threshold of 25% becomes of paramount importance. In that regard, the year could have not provided a more promising prospect. Our company keeps entering into more and more complex and competitive markets and with increasingly varied activities. Particularly, more efforts have been made in the developed countries. A good example is Ireland, supporting the Spanish companies in competition with large international groups. Another example is the first contract obtained in China, containing the terms and conditions for a high technology supply, a clear demonstration that no country, no matter how remote its location or how technically advanced it may be, it is outside the current possibilities of this Group.

Such ambitious objectives could not be maintained without the safety provided by a well balanced growth of our traditional activities. Our commitment to being a large company is made up for the proximity to the local customer, a model which international export is already bearing fruits. On a nationwide basis, despite of the increasing competition, the

Group remains at the forefront of several sectors and it presents a clear increase in diversifications proposed in recent years.

Engineering activities maintain a stable and balanced growth, being increasingly positioned as that "customer's technical team" that is predicted for our future. The promotion activities are starting to bear fruits. The Social and Health Services open markets in specialized consulting in health matters, also participating in construction and management company joint ventures. Information Technologies maintain their position as a referent of software distribution and GIS projects development in Spain.

The EP Group is now 50 years old, but its success is not only based on its wide experience but also on its permanent commitment to looking forwards. Instead of congratulating ourselves for our past, we make a commitment to the future. It is the only way of remaining at the forefront of our activity sectors: anticipating trends, being creative, responsibly committing to pioneering in all our activities.





# ECONOMIC DATA

ECONOMIC DATA

HUMAN RESOURCES



## ECONOMIC DATA

The year has ended with a gross income of 174.9 million euros which represents an increase of 14% in relation to 2005, maintaining the notable growth trend of the past few years.

In the different areas, the most significant increases have taken place in the Information Technologies (36.8%), as well as in Construction, where the results derived from the Group's promoting activity are beginning to be received.

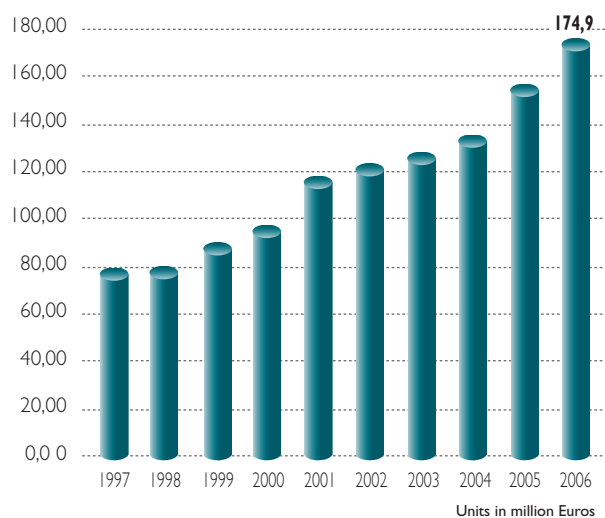
Engineering activities have exceeded 115 million euros, which represents a growth close to 9%. Nevertheless, the most remarkable data is how balanced this growth is, being increasingly distributed among activities and territories, and with a special influence of the important growth of international projects, which have been to the advantage of different areas of activity.

Regarding to the Construction activities, to the notable organic growth (reaching 32 million euros, 9.5% more than the previous year) we need to add the income originated by the real-estate development, which has started to bear fruits in 2006, being an advance of the important results that this activity is expected to reach in the future.

In relation to the ITT activities, the new orientation to the private customer and the supply of services of a great added value, has represented a spectacular growth of 36.8%. The popularization of the geographical information systems and their implementation in large entities are responsible for the greatest increase of the year. On the contrary, Social and Health Services have had an average growth of 2%, as a consequence of an important commercial and investment work performed to evolve in different markets, whose consequences are not still reflected in the income statement.

Finally, the international turnover of the Group is already near to 20%, getting closer to 25%, as stipulated in the Strategic Agenda 2006-2009. This consolidates the commitments made in the past few years, intended to the establishment of branches abroad and the participation in joint ventures for the execution of turnkey projects which have guided the ambitious foreign adventure of the Group.

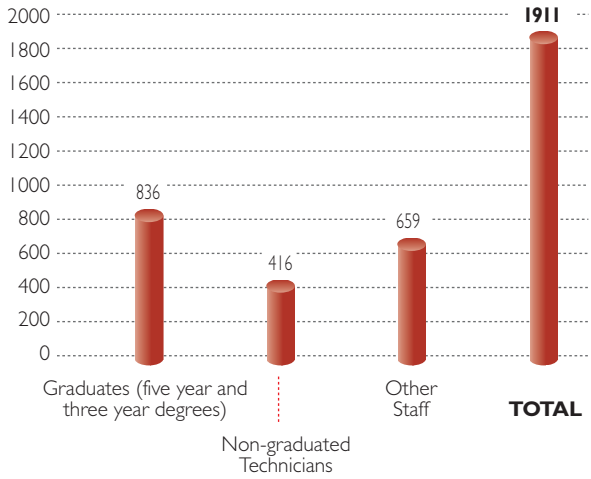
#### Sales Evolution







**Education level**



## HUMAN RESOURCES

2006 was a year that saw substantial employee growth. The fiscal year ended with a total of 1911 employees, which represents a 5.5% increase from 2005.

The overall growth has been experienced equally throughout the entire company, most noticeably in the international department. This has been the most challenging aspect for the EP Human Resources Team due to the necessity for employees to be able to work from and within diverse viewpoints, specifically, the need for employees to be stationed abroad and to develop an integration policy between the numerous local project experts and professionals and the EP staff.

In regards to our employees' education level, 44% are graduates (five year and three year degrees), 23% are certified technicians and 35% are non-graduates. The average age of the staff is 36.

Also, our internal personal development training includes: information technology, specialized computer training, languages, management skills, as well as risk

management, which has continued to be the primary focus for the staff, in particular those involved on works.

It should also be noted the time and effort we put into marketing and recruiting at the university level, to attract the best and brightest graduates. We have participated in several university job fairs, promoting also the EP Group's image.



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# OPERATING AREAS

ENGINEERING AND CONSULTING

CONSTRUCTION

INFORMATION AND COMMUNICATION TECHNOLOGIES

SOCIAL AND HEALTH SERVICES

## ENGINEERING AND CONSULTING

During 2006 the market has behaved in a considerably stable fashion. Central and Local administrations have lowered their bidding volume in engineering, mainly in services of control and surveillance. The important increase in the bidding volume required by the Autonomous Administrations has greatly compensated such reductions until obtaining an average result comparable to that of 2005. Within the Central Administration market downfalls in roads, airports and harbors and some improvements in conventional and high speed railways are remarkable. In fact, the Ministry of Development has been around 80% of the amount bided in 2005 although the Ministry of Environment has increased its volume, particularly in work supervisions, as opposite to the rest of Public Administrations. We believe it is very important to point out that the Autonomous Administrations represent a volume exceeding the amount of those Central and Local administrations, regarding both, bidding and officially communicated awards.

In the private sector, housing is at a standstill due to the progressive increase in interest rates. The offices segment is undergoing a similar situation also due to an excess in the offer. The construction of public buildings, hotels, etc. (mainly with public capital) has not seen significant opportunities either, nor has shopping or distribution centers.

Otherwise, a growing activity around logistics has been observed with the entry of several new operators. We consider the movement in the real-estate sector very significant, with important changes in the share structure of the most important companies and the access to the power and decision making of new real-estate companies that, heretofore, were considered as second level or, at least, unknown companies. Such modifications are leading to continuous changes of negotiators and, possibly, to new criteria for the contracting of engineering companies.

Within the private sector, the industry is still an important engine of the economy, less dependent of the “brick” and possibly having a greater stability. The globalization of the economy has implied the risk of transferring the production means to some locations cheaper than Spain. The entrance of Romania and Bulgaria into the European Union in 2007 represents a deviation of the development funds that we used to receive from Brussels but, as an opposite effect, it is creating a frenetic activity of the Spanish investment, especially in the real-estate sector, in an attempt to extend the until-now succulent market of Spain.

Within this context the behavior of the Engineering and Consulting business line of the EP Group has been excellent during 2006. A contracting volume of 120 million euros has been achieved, 16.5% over the amount estimated at the beginning of the fiscal year. In the same manner, production, margins and results have exceeded the budget forecasts in more than 10%. Part of this result is due to a very important activity abroad, with a spectacular contracting level, the stable implementation in Ireland and Turkey and the execution of important contracts in China.

Within the best charts of the market, the consolidated data of EPTISA place us in the first position of the Spanish civil engineering companies. Regarding the number of employees and the turnover figures, only companies clearly identified in the industrial sector or whose character of constructing company deforms the turnover figures, are ahead of us. The report of the 5,000 greatest companies of Actualidad Económica (October 2006) and the Sector Review of the Swedish Federation of Consulting Engineers and Architects (November 2006) support this leadership position. According to this last survey, the engineering division of the EP Group would be in the 37th place of Europe and the 79th of the world, an excellent position and a final touch for the fifty anniversary of EPTISA in 2006.

## Transportation infrastructures

The Projects and Consulting area has achieved a notable improvement with regard to the contracting of prior years.

In the contracted road projects it is necessary to point out, among others, the information survey on the stretch of Avila - Maqueda or the surveys on road safety of Castilla - La Mancha, both performed for the Ministry of Promotion. During the fiscal year, important counseling works have been executed in concession matters for the Generalitat Valenciana (Valencian Autonomous Government) and the company has also worked for the main Spanish constructing companies in the bidding sector. In Catalonia we should highlight the stretch from Olost to Ólian for GISA and, in the Basque Country, different studies for the Regional Government of Guipuzcoa. But within the road sector, our entrance in Ireland is especially significant, with several contracts, notably the N25 Waterford Bypass, within a panorama in which we have well-founded expectations.



In the Air Transport sector, we would like to highlight the works carried out for AENA at the Seville Airport, for the Logistic Center Los Andes in Chile, and the finishing of the Almeria Airport Terminal. In relation to the transport studies or consulting services we should mention the project of Puerto Seco, in Coslada (Madrid) and different traffic surveys.

Concerning the main works of our Work Supervision activity we should highlight, in the Navarra highway, the stretch called Cubo de La Soana - Los Rabanos, in the province of Soria, or the extension of the stretch Soto del Barco - Vegarrozadas, in Asturias, for the Ministry of Development, the High Capacity road 05-07 for the Regional Government of Castilla-La Mancha, the stretch Consuegra - Tomelloso, throughout the highway of Los Viñedos, the stretch from Maçanet to Platja d'Aro in Barcelona and other different stretches for GISA, as well as the new access to the Ibiza airport for the concessionary company of the highway under construction. All that, without forgetting our contracts, also in Ireland, in this case for the concessionary company. In the railway sector it should be noted our participation in the stretch Solera de Gabaldon - Monteagudo de las Salinas, in Cuenca, within the Ave line to Barcelona, and in the Madrid subway line 2.

We have also contracted and developed important urban projects, such as the partial plans of Begonte, Barrieros and Poio and the sector plans of A Malata and As Bouzas, all for different developers or Galician managing committees. We must not forget a remarkable activity in the territorial action sector, with some important works, among which we should highlight the boundary definition of Ibiza and the expropriations of supplies in Asturias, in both cases for the Ministry of the Environment, and the cadastres of Azuero and Darién, in Panama, for Pronat.

## Water and Environment

In relation with Hydraulics and the Environment the behavior of the public sector has been good in biddings for work supervision and similar to 2005 in relation to projects, within the Ministry of the Environment. Among the contracted, we consider as more important works the Hydrological Plan of the Duero river, the conditioning of the Aragon imperial channel for its connection to the Loteta reservoir, the expansion of the hydraulic study of the Eria river, the services for the exploitation, maintenance

## N25 WATERFORD BY-PASS

*First great reference in Ireland.*

In joint venture with an association of Spanish companies, EPTISA has consolidated in 2006 its entrance in Ireland with a large contract: the construction of a By-Pass to avoid the crossing of the N25 through the Waterford city, located in the Irish Southeast coast. The work is executed by the system followed for public works in Ireland, in which the different subsections are approved as the work advances, and the approved parties come to be under construction.

Presented as “the most important public work in the history of Waterford” by the Irish Minister of Transportation, Martin Cullen, the section will have 23 km of double lanes and another four of one single lane. Additionally it will be necessary to build almost 11 extra km of connections. The by-pass begins at the West side of the city, in the Kilmeaden neighborhood, and meets the N25 at the East of the Slieverue town. Also, it includes a new connection known as the West Connection.

The project includes a cable stayed viaduct of a length of aprox. 475 meters, to avoid the Suir River in the surroundings of Brannagh. Part of the challenge has been caused by the discovery of archeological remains coming from a settlement at the banks of the Suir River, dated between the VI and XII centuries.

The concession has been awarded to the Celtic Roads Group Consortium for an amount of 530 million Euros. EPTISA executes several tasks, among which it should be noted the project management, in its design aspect, the structures design, geotechnics and drainage of the main section, and the design of the road surfaces in the entire work, as well as the construction certification of the section designed by us.



and conservation of the dams of Santa Ana, Joaquin Costa, Oliana, Rialb and Guiamets, in Lérida, or the connection from the dam of Alcorlo to the Drinking Water Treatment plant of Mohernando, for the supply to the region of Sorbe in Guadalajara, all executed for the Ministry of the Environment.

The supply projects for the Galapagos Island in the Republic of Ecuador have been continued, establishing the bases for the beginning of their execution at the end of the year. We have also executed important hydro-geological works, such as those in the mountains of Udalaiz, for the ADIF, or the control networks of the Balearic islands, for the Balearic Water and Environmental Agency. Different ground pollution studies are added to these purely environmental works, such as the Bailin landfill for Sodemasa; among the ground pollution studies, it should be noted the works of underground waters of the Hatillo limestones in the Dominican Republic for ONFED, as well as several paleontology works in the different areas of Madrid.

We have also worked, within the activities of rural development, in the irrigation of the Canales d'Urgell in Bellvís, Civán, Segarra-Garrigues and different replotting issues.

Within our activity in work supervision, it should be noted the branch Jalon and Huerva, for Aguas de la Cuenca del Ebro, the desalinization plant of Bajo Almazora, for AQUAMED, as well as the technical assistance for the Waste Water Treatment Plant of El Ferrol and the outfall from A Malata to Cabo Prioriño, in La Coruña. These last two for the North Hydrographic Confederation.

### **Industrial Quality and Safety**

During 2006, we have followed the line started in 2005 planning the quality control focused on the certification, in order to ensure the fulfillment of the regulations established by the company, following the

evolution of the term "Quality" promoted by the European Union.

This evolution has allowed a notable market expansion, in a manner that the control entities have started to develop activities that used to be closely related to official entities, thus representing opportunities for official and private certificates.

The market evolution in this sense is governing the EPTISA activity in the short and medium run and, during the year 2006, we have placed great emphasis in all aspects related to the certification.

Additionally and in the quality control for the traditional market, the 2006 fiscal year has been as good as or better than that of the past few years. In Madrid, important works of construction and infrastructure have been executed. The Praga bridge expansion, the sections Nudo Sur - Estadio Vicente Calderón and Paseo de Santa María de la Cabeza to the N-3 are remarkable, all of them for the company Madrid Calle 30, as well as the continuation of the works for the Teatros del Canal and Consorcio Urbanístico Dehesa Vieja, the Shopping Centers Las Adelfillas, for the Compensation Assembly, and La Montaña, in Aranjuez for the Superco developer.





## DUERO HYDROLOGICAL PLAN

*The Water Framework Directive is implemented in the Spanish side of the River Basin District.*

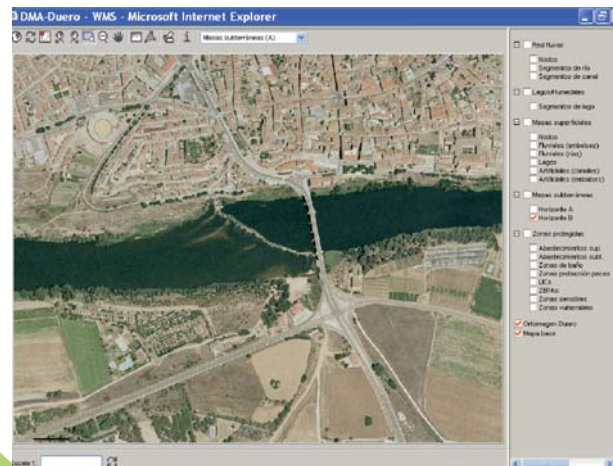
Last year, EPTISA delivered its consulting works for the hydrological planning in the frame of the European Water Framework Directive (DMA) at the Pilot Basin of the Júcar River and the Tajo Basin. These experiences have been crucial for obtaining a more relevant position in a cross-community river basin with international repercussions: the Spanish side of the Duero. It is also a Pilot Basin, of special sensitivity, due to the fact that it is a shared space with Portugal.

The DMA establishes a series of common criteria for all European boundaries. The main turn has taken place around the consideration of the demarcation as a basic action unit, regardless of its international character. Also, it has a particular emphasis in citizen participation and in the development of information systems. As a last resort, it intends to achieve in 2015 the sustainable use of the resource at European scale, besides the recovery and maintenance of the good condition of all water masses and the caring of their associated ecosystems.

With the above mentioned objectives, the Duero Hydrographical Confederation ordered the cooperation and performance of the Hydrological Plan draft, in the four lines of work to be followed: the Hydrological Plan, the Measurement Program, the Strategic Environmental Evaluation and the Public Participation.

In the first stage it will be necessary to perform a general study of the river basin including superficial and underground waters. Starting from this knowledge a series of measures will be proposed, with specific environmental objectives and a detailed economical analysis, which will require the use of a complex information system. The peculiarities of our country force, according to the Water Law, to specifically consider and solve the water management problems and to satisfy the demands, so that the basin sustainable development is guaranteed.

The hydrological Plan draft shall not be ready until the end of 2008. In 2009 this Plan shall be published and approved by the end of the year. In relation to the citizen participation, through 2007 it will be available through the internet a mechanism so that the different affected parties can present their allegations. It shall also be necessary to establish the communication system for the Ministry of the Environment and the European Commission, in the line of the Spanish Data Infrastructure.



In Castilla-La Mancha our most significant works have been the continuation of the Stage III of Benquerencia for the Institute of Finances and the urbanization of Vega Baja, as well as very different works for road control of the Regional Government of Castilla-La Mancha.

In Castilla y León the control of the Villadangos park for Hidroscivil is of special importance, as well as the urbanization Estrella de Izard and the Dehesa - Boñar road for Teconsa, the Osorno - Villaprovedo Road in Palencia for Vías y Construcciones, the A-67 between Villaprovedo and Herrera de Pisuerga for Construcciones Begar, the Burgos South Market for Mercabastosur, the retirement home of Aranda de Duero for Construcciones Ortega and many other works of greater or lower importance in the construction sector as well as in the infrastructure sector. In Cataluña our activity with the public companies GISA and REGSA is very important, with emphasis in the infrastructures interventions.

In Galicia, from the Vilaboa Vigo Laboratories, as well as the Agroalimentary, we have managed to execute works for environmental control, construction and infrastructures for all types of public and private customers, pointing out the accesses to the harbor of El Ferrol, for FCC.



It is the same case with the Basque Country, where several road and railway sections for the Foral Departments and the Basque government are remarkable, besides a long list of private customers, especially in the construction scope. From our network composed of twenty laboratories, the most important Spanish facility in this sector, we have worked on several large, average and low size works, both civil and industrial, houses, public buildings and infrastructures, maintaining our prestige and seniority in the quality sector.

### **Project Management**

2006 has been a very active year in project management. Additionally, we have continued executing architecture and engineering projects in the construction world, civil and industrial, public or private buildings.

Within the distribution sector, we have continued the works for the project management of the shopping centers in Jinamar, in Telde (Gran Canaria) and Alegra in San Sebastián de los Reyes (Madrid); La Salera in Castellón and Málaga Nostrum in Málaga, in which we were project managers, were inaugurated in 2006. In the same manner, the cooperation with IKEA has continued in its important center in Zaragoza, having also started the construction of a center in La Coruña. The cooperation with Inditex in shopping centers as well as logistic and offices premises is another evidence of the solvency we demonstrate before large customers.

As singular buildings we point out the project and works management of the Museo Balenciaga in Getaria for a foundation of the same name, and that of the Santa Caterina market in Girona for GISA. As new works of interest are the Quatre Camins Penitentiary Center in Barcelona and the Conference Center in the Llotja of Lleida.

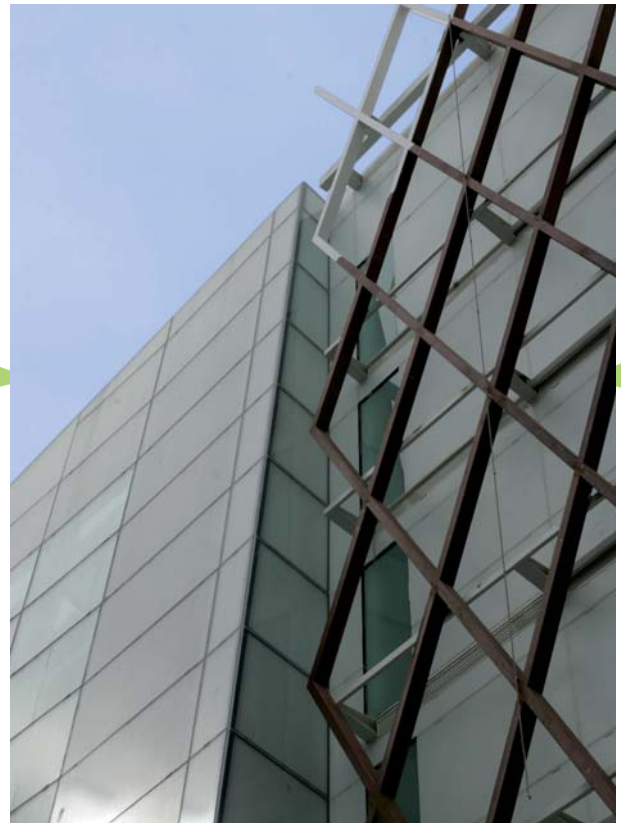
## MADRID'S SCENIC ARTS CENTER

*Termination of the first stage of the quality control in the so-called "Teatros del Canal".*

The works of the Madrid's Scenic Arts Center has reached in 2006 the end of its first stage. The exterior is complete, except for the sections that for operational reasons have not been finished. During 2007 all necessary works to turn the hall into an ideal center for music listening, equipped with the latest technologies and designed paying special attention to the necessary acoustic qualities necessary for this type of space, will be executed.

Known as the "Teatros del Canal" due to their proximity to the Canal de Isabel II deposits, in which we also worked, has three differentiated spaces: the Frontal Theater, the Configurable Theater and the Dance Hall (Choreographic Center). On the same manner, the appearance of the building face shows this differentiation, with a reddish surface, another grey and a third one glassed in black tones. The architectural design of Juan Navarro Baldeweg has betted for the sobriety and balance situated in one of the most transited areas of Madrid.

As a whole, the building adds a total of 8750 m<sup>2</sup>, of which more than 5000 are dedicated to the show rooms and the remaining 3750 are common areas, offices and dressing rooms. During the entire first stage we have executed the quality control test runs.



In this segment of single actions it is remarkable the “Head Project management” of all the works for the Universal Exhibition to be held in Zaragoza in June 2008. The importance of the investments, the term problems and the need to coordinate a large number of companies, suppliers, architects, engineering and the different local “project managers” turn this contract in the most important one at a national level in this activity. It should also be noted, as a unique action, the Enciso Thematic Space in Rioja with a recreation of spaces and antediluvian fauna in the area.

We have continued to maintain our presence in the residential construction works, executing during 2004 the construction management or the project and works consulting in a large number of promotions for some of the main real-estate companies of our country. We have also started the retirement home project for CASTA in Sama de Langreo (Asturias), and the project management of an important promotion of professional offices in Alcorcón, Madrid.

Within the industrial world, we have continued working in the premises for Riofisa in Camarma de Esteruelas (Madrid), as well as several companies works in the Castilla, País Vasco, Andalucía and Galicia sector such as Solán de Cabras, Auxiliar Industrial S.A., Negarra, Galvanizados Olaizola, Virtisú, Biorreciclaje de Cádiz or Endesa Generación, among others.

As it can be observed, our activity in the construction and transformation industry has followed a good rhythm, consolidating an important position on the sector.

### **Integration of measurement and control technologies**

During the fiscal year corresponding to the 2006 year, the measurement and control technologies integration area and telecommunications have continued its bet for the market diversification and the implication in them through technological differentiation.

In this sense, it is more and more important our participation in R&D projects, recurring situations year after year. During the 2006 fiscal year we have been working in an industrial development project financed by the CDTI (Centro para el Desarrollo Tecnológico Industrial - Center for Industrial Technological Development). Under the title “Sistema de Pesaje de Materiales Pulverulentos” (Weighing System for Powdery Systems), this project shall facilitate the entrance in horizontal distribution markets, by means of the use of mobile silos.

The maintenance activities continue with their growing importance, for their volume as well as for the diversification they allow us. In 2006, preventive or corrective works have been executed in different infrastructures. Among the industrial infrastructures, works in high tension lines or in facilities implemented in the last few years. In relation with civil infrastructures, besides a myriad of hydraulic works, dams and conductions, in this fiscal year we have expanded our services with the common facilities of telecommunications, as is the case of works for the Ministry of Education and Science or the Aranjuez Casino.

The effort in regional diversification has fructified, strengthening our position in integration of technologies in Cataluña, where important contracts have been obtained. It should be noted the auscultation and monitoring of underground waters, and of urban infrastructure in the Barcelona area, in the metropolitan railway network expansions as well as the high speed train incorporation.

In this manner, a methodological control product with its own identity within the urban works engineering is configured, in which we have had a notable participation in 2006. In a similar manner, we have consolidated our implementation in Andalucía, where several civil infrastructures monitoring contracts at a commercial and productive level are attended.

The technological diversity is gradually complemented with other sector product application. It is the case

## BALENCIAGA MUSEUM IN GETARIA

*It is the first arts center fully dedicated to a designer.*

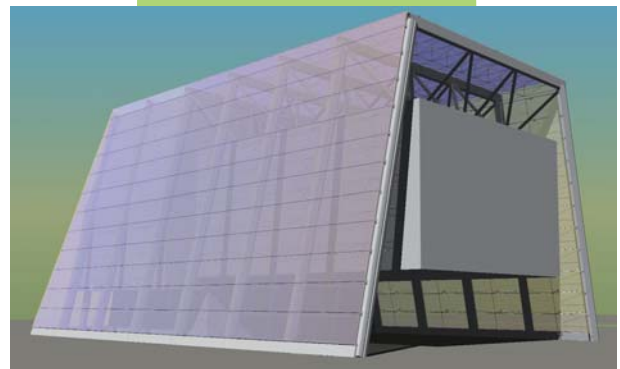
34 years after his death, designer Cristóbal Balenciaga will have a space dedicated to his work. Defined in occasions as the “architect of fashion”, he has earned the construction of a unique building, the first in the world fully dedicated to a high fashion designer. By request of Berroeta Aldamar, a Company constituted by the Regional Government of Gipuzkoa, the Getaria City Hall and the Basque Government, EPTISA executes the Complete Project Management of this museum which complex volumes will allow an optimal exhibition of its work in a space also fashionable.

The building has been designed by the architect Julian Argilagos. It shall have a built surface of 10000 m<sup>2</sup>, of which 1650 will be dedicated to an exhibition surface, housing more than 150 dresses and accessories of the 850 he has on his collection. The exhibition area shall be composed of two interconnected buildings: one of new construction with an avant-garde design, which will be connected with Palacio Aldamar, old summer residence for the Marquises of Casa Torre, where Balenciaga took his first steps as a designer.

The most singular element is a tilted large glass shed

from which 3 prisms coated with steel will be hanging, which will be suspended in the air. The lower space will be used for events, taking advantage of the natural light filtered between the hanging volumes.

The total construction budget shall reach 14.7 million Euros. It is currently in construction stage and its inauguration is scheduled for the third quarter of 2007.



of the irrigation remote control systems presented in the SMAGUA 06 Fair. Among these, it should be noted the laser measurement systems and the mesh-wifi communication networks with a wide application in several sectors, which first implementation has been made in the Eco City of Valdespartera.

On the other hand, the internationalization of these activities has resulted in the first EP Group contracts in China. In accordance with such projects, educational equipment is provided to the Chuzhou and Zhoukou Universities. This particular development, as well as the general result, makes us think about excellent business opportunities for the following years



## ENVIRONMENTAL CONDITIONS SIMULATIONS IN A WIND TUNNEL

*It is the largest facility with these specifications in Europe.*

Within its activities in the industrial sector, IIC has projected and supplied a wind tunnel with thermodynamic regulation parameters and suspended particle concentration control. This “turnkey” facility, executed by request of the Armament and Material General Management of the Ministry of Defense, is under operation in the Experience Park of Carabanchel, in Madrid.

The purpose of the tunnel is to simulate air flow environmental conditions in different temperature, humidity, air speed and suspended dust or sand concentration situations. Its design has been executed according to the main regulations for military uses.

It is composed by two very well differentiated subsets, for the simulation of different environments. In the inside of these two chambers the functional behavior of several materials is analyzed: desert storms, parking in heliport landing areas, campaign facilities, etc.

The wind tunnel with suspended dust is used to determine the resistance capacity of the equipment facing its defects, such as reduction of thermal characteristics, opening obstruction, orifice penetration, cracks, joints, bearings and/or roller bearing, superficial erosion, etc. Filter efficiency is also tested.

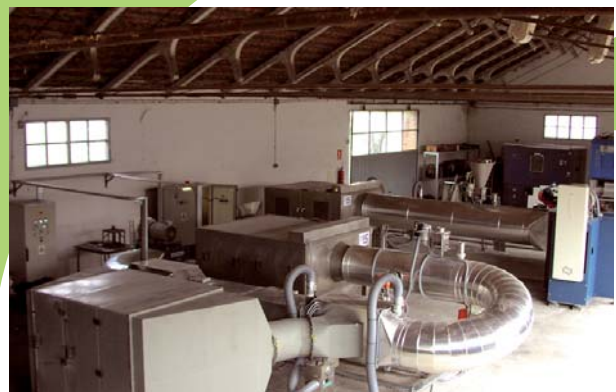
On the other hand, the wind tunnel with suspended sand allows knowing the capacity of the equipment to be stored and operated under severe conditions of sand blowing. The purpose is to guarantee that

no serious damage takes place due to abrasion which causes degradation from a performance, benefits, reliability and maintenance, etc. point of view.

IIC has executed the following activities:

- Design and development of the facility, including ancillary systems.
- Manufacturing, supply and assembly of the subsets.
- Startup and installation of the equipments.
- Documentation and training of the supervising personnel.

Currently, it is the only facility available in our country with the mentioned characteristics and the largest one in terms of dimensions and impulsion capacity, existing in Europe.



## CONSTRUCTION

2006 has allowed us to consolidate the continuous growth that the Construction business line of EP Group has maintained during the past few years. Under the real-estate market, which continues to have positive growths although it continues to present symptoms of an organized deceleration, the results of this fiscal year have exceeded those obtained in previous years in profitability as well as in contracting.

Within those more than 700 houses which we have maintained under execution during this year, it is necessary to point out, as the most important, the construction of a building with 112 houses in La Cubela at A Coruña for Sacyr-Vallehermoso or the 94 single family houses in Palomares (Seville) for Pryconsa. Maybe the most relevant project, due to its architectural value, is the one involving 12 luxury houses built at Condes del Val Street in the Chamartín district, endowed with acclimatized swimming pools, Jacuzzi, sauna and gymnasium.

In the same manner, to the companies with which we have been working for the past few years, other companies such as Pryconsa, Agesul or Pronialco have joined, with which cooperation has started during 2006. These new customers are a consequence of the EP Group's commitment to a continuous improvement, which is proven by the quality and safety in the construction as well as for the strict fulfillment of terms and the excellent after-sale service.

On the other hand it is necessary to mention the

continuation of the promoting activity of the EP Group. In 2006 the works for a 52 houses building have been finished, developed and built fully by the Group.

For 2007 the finishing and key delivery of two buildings of 118 and 44 houses is scheduled in Cañada de los Cardos I/II, Teatinos (Malaga), as well as the 49 single family ones corresponding to the first stage of the development in the municipal term of Laracha in A Coruña are expected.

It is also scheduled the startup of 38 houses corresponding to the third stage of the development of Laracha, as well as the beginning if the promotion works of 72 houses in Mairena del Aljarafe in Seville.





## ADISA ENDS THE FIRST OWN DEVELOPMENT EXECUTED BY THE EP GROUP

*The buildings have already started to be occupied.*

One of the most recent activities in which the EP Group has focused has been our own real-estate developing activities, with four starting developments, almost all of them in cooperation with other companies of the sector. The first has been executed in Arévalo (Ávila), near to the CASTA assistance center, built by ADISA.

The promotion is a detached building of three stories and underground garage. In total, it includes 52 houses of 1, 2 and 3 bedrooms, besides four duplex houses. They additionally have a storage room and a garage.

Located at the bank of the Arevalillo River, most of the houses have nice views and a good orientation, for which they have been endowed with bow windows.

The development has been a success since 65% of the houses were sold during the 20 months that took the construction works. Also, the Teatinos have been started (Malaga) and Laracha (A Coruña), which will end in 2007 and currently have good sales rhythm, and Mairena (Seville), scheduled for 2009.



## INFORMATION AND COMMUNICATIONS TECHNOLOGY

The Geographical Information Systems have gone from specialized technologies to constituting a main section of the organizational critical systems. The business opportunities go from offering solutions capable of maximizing the possibilities offering functionality and information in different environments, customized for any type of user.

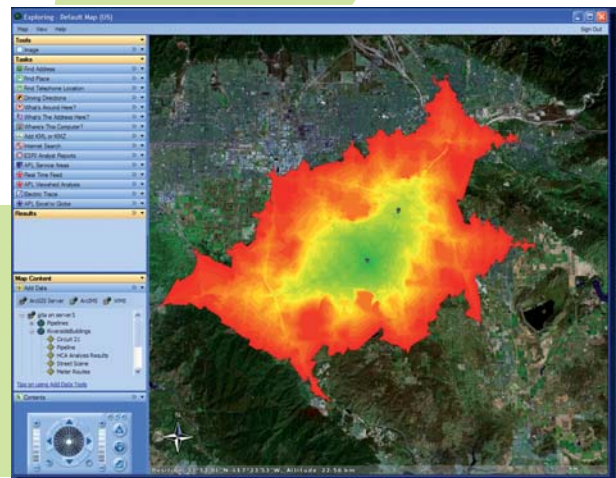
The ICT area of the EP Group has achieved a growth above 30%. Our companies have been consolidated as the reference in the GIS sector, while they grow stronger in other markets due to the diversification of activities executed during the past few years.

The presentation on the latest technology ArcGIS 9.2 shows the evolution of the GIS towards a standard and essential technology in any information system. An aggressive commercial plan was presented in 2006, based on personal account attention and the increase of geographical coverage by the use of a partners and commercial network. This plan specially stresses on the private sector, making available a range that does not only include the product, but the subsequent developments and services, capable of facing any customer demand or need.

Facing 2007, we expect to grow taking advantage of the increasing popularity of the Information Systems. The strategy will continue being to offer new services and diversify our offer technologically as well as geographically.

### New Markets Search

Among the actions intended to expand our offer, the commercial cooperation agreement with Google has harvested great successes in Spain in the year 2006. SITESA has received by the Californian Company the prize as best European partner of the year for the development of the searching technology projects. Public Administrations (Junta de Castilla y León, Comunidad de Madrid, etc) as well as Private



Administrators (Cepsa, La Caixa...), have implemented G.S.A in their corporate web or Intranet.

Developing this activity, a distribution agreement of the BITEXT solution has been signed. The objective is to offer the best possible synergy with the Google product, providing the solution with a tool capable of recognizing the natural language in the search.

Another important development in that diversification road has been opened due to the agreement with SAP for the integration of the tool Impress with GIS. This opens opportunities in all companies that use ERP solutions based in SAP technologies, to which we offer the integration of a geographical variable in their decision making procedures.

Also, among the innovational technologies, the IGN has counted with our support within the Plan Nacional de Ortofoto (PNOT). The ground usage production map (SIOSE), is one of the most expensive projects to be executed by the regional Public Administrations.

## ArcGIS 9.2

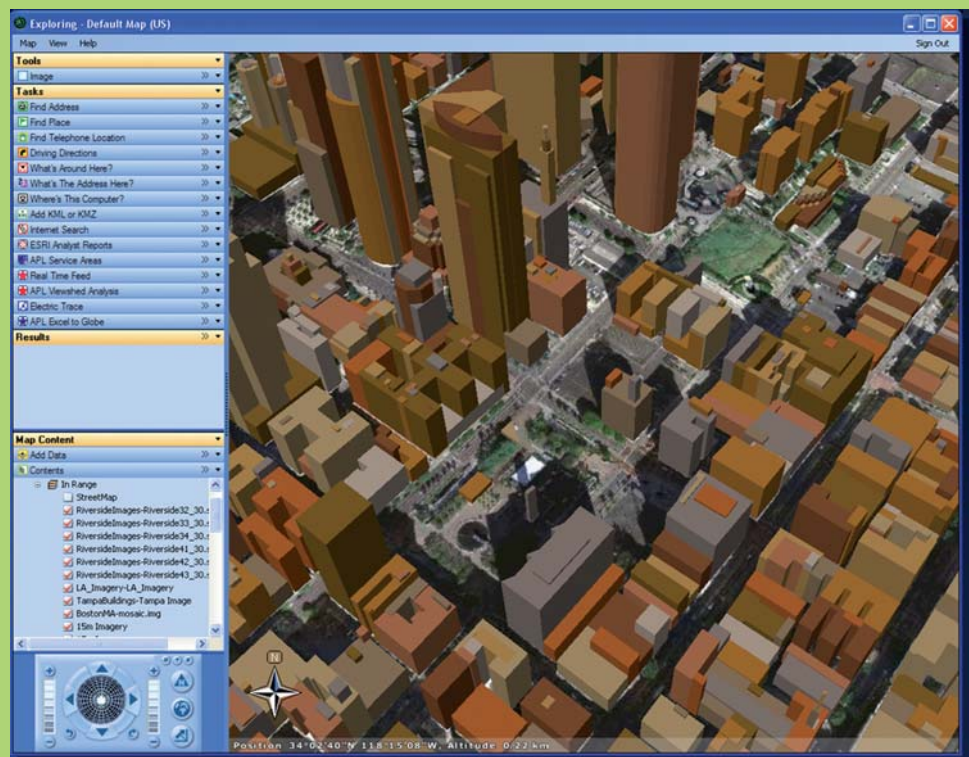
*The new technology represents a great advancement in the Geographical Information System world.*

This new product represents an important twist, a significant step within the use of these types of technologies. The advancements, especially since the generalization of Internet, have had as a repercussion a series of modifications of the concept and use of the geographical information, more and more based in the information exchange through its servers to which the users connect through their own machines.

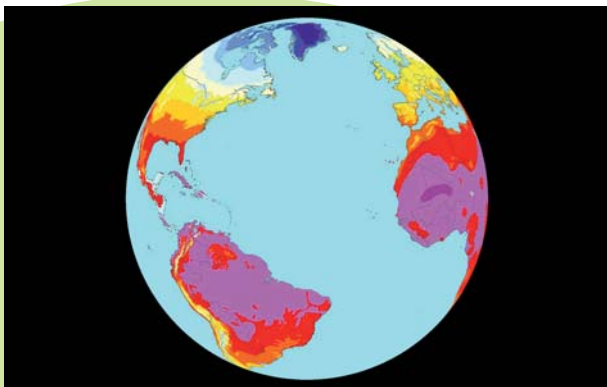
Taking this trend into consideration, ESRI has worked the possibility for being a very easy integration tool with other systems more open and open for the users. To be oriented in this direction, version 9.2 of ArcGIS has advanced in its server technology, allowing more complex remote treatments. Particularly, the Image Server has been improved, which power will make possible to

serve heavier derived sets of images and services without overloading the application. ArcGIS Desktop has also been reinforced improving its capacity when working from the own Pc with this new trends.

Besides this improvements, particularly focused on the professional user, a great deal of the advancements take place to satisfy the growing mass of users. For all those who consult GIS through the Internet, ArcGIS Explorer and Smart Clients have been developed. By the use of this products an easier and more comfortable visualization will be achieved which will aid in the promotion of this technology.



We have executed a development in the R&D area to offer an interface and a model data which simplifies and optimizes this job for the different actors.



On the other hand, the INSPIRE regulation forces the Public Administrations to create information systems in the Internet for the broadcasting of the geographical information to the citizen. We have cooperated with the Castilla y León Committee for the execution of the first prototype of the metadata portal for the implementation of the region's corporation portal.

In relation with the geographical diversity, the activity has been developed from the different centers EP Group has in Spain (Madrid, Barcelona and Basque Country), continuing with our bet for customer proximity. Last year, a new Lasarte office has joined the Albacete Production Center, where the cartographic production data activity of the EP Group is. It is expected that at the beginning of 2007 the future Leon center is also consolidated.

Besides, in the bet for EP Group Internationalization, according to the Schedule of its Strategic Agenda, an office has been opened in Romania, country under full economic development, where we were already implemented in other activities. In few months we have managed to position our companies in the area, participating in important sector projects.

### Consolidation of large projects

Nevertheless, the area's activity to be pointed out has to do with the large projects of Information Systems. Pointing out those we developed for Telefónica de España, one of the largest in the Telecommunications sector in Spain, in cooperation with IBM. This year the first Telefónica cartographic production pilot has been made for the creation of their Cartographic Database.

Also within the Cartographic Production activity, we are working for the IGN in "Cartociudad", the largest continuous directory of Spain. Its purpose is to endow the Public Administration with a homogeneous geographic information base of all municipalities in the country.

EP Group defense line continues the activity initiated last year with the Department of Defense Managing Plan (Sicamofas). Such development has been crucial so that our technology and services have been selected in one of the most important projects in the emergencies sector in our country: the Geographical Information System for the Emergency Military Unit (UME).

Within the Government traditional customers the Public Administrations show a growing demand of Corporate Systems capable of integrating data and services. The trend points to provide services that can be used from any user in the organization and over the same base offer services to the citizen in the Internet, to execute procedures and analysis related with the geographical variable.

The Basque Government is pioneer in the implementation of a corporate information system, Geoeuskadi, in which our companies have been the main engine, offering technology, services and developments for the creation of several corporate applications.

Another example is still the project for the Madrid City Hall (SIGMA). In a contract we have executed in several stages, the Corporate Information System of the organization has been the base for the systems of the different departments. This year we have participated in the expansion of the GIS applications for the entire Consistory: emergencies, works, etc. The project has received the CTIC Foundation award for having developed an accessible version from the website which makes its content available for visually, audio, etc handicapped.

In the transportation sector, the Regional Transportation Consortiums and Municipal Companies have started the development of the Geographical Information systems and our companies are providing the technology, know how and development of the sector important projects: Regional Consortia of Madrid, EMT, etc.

### **Other Services**

In the product distribution area, we have continued to work with the main objective of improving our attention and customer service. In that sense we continue to translate to the Spanish language the main tools of ESRI Inc. to obtain a better use of the technology by the users.

In the training area, our training product's offer continues to increase by the use of on-line courses in Spanish. In cooperation with the e-learning Ingecet specialized center, the users have been able to access the training in an efficient and economic manner. More than 100 students have taken advantage of the innovative training technique during 2006.

Also, a new on-line support service has started, which allows the user to query the state of their claim through the

Internet and know the technical information of the products. With this restricted use web for the customers our response times are accelerated, improving the quality of the service and a proactive attention for strategic customers.

On the other hand, in line with the numerous activities related with the main entities of research and development in our country, we have signed an agreement with the CSIC (Centro Superior de Investigaciones Científicas). Thanks to this, all Investigation Centers in our country have access to the GIS technology and training necessary for the development of their research projects.

Also, as is traditional, we have performed an effort to get our technology closer to our users by the Conferences and Seminars all over Spain. This year in the User Conference we have had the presence of Jack Dangermond, President of ESRI Inc and guru of the Geographical Information Systems. The event has been a participation success, gathering at the single forum in Spain more than 1700 experts from the sector.



## SOCIAL AND HEALTH SERVICES

The social and health area of the EP Group started in 2006 a strategic repositioning of its activities in search for new markets.

This deliberation has been created by the total occupancy that CASTA Servicios Sociosanitarios has in its facilities in Arévalo and Fontiveros. The complete attention philosophy which we have been working on, as well as the proximity and cooperation with research and training entities, has positioned us as a relevant actor in sanitary management matters.

This growing experience will provide new developments in 2007. The use of innovative quality protocols in this sector represents an important differentiation factor which favorably positions us for our potential customers.

### Residential Management

Facing the full occupancy achieved in the owned centers, one of the possible actions lines was to expand the number of beds available in future residences. Our commitment has been to participate in joint ventures as a technological partner, providing the management knowledge for the geriatrics area.

In this sense, through our participation in the company Residencias Nostem, S.L., CASTA will be in charge of two residences management, located at Arrigorriaga and Balmaseda (Vizcaya), currently under construction. Also, we participated with Hunosa in the construction of another residence in Langreo (Asturias). Their completion and startup is scheduled for the first months of 2008. A total of 372 beds will be managed.

In Psychiatry it is necessary to point out that the Madrid's Community Mental Health Service has agreed with the Arevalo center 40 beds for medium stay. It is the first time the community executes this type of agreement outside its autonomic limits. On the other hand, the economic consideration of our agreements with the Assembly of Castilla y León for

the 40 places agreed has been greatly improved.

### Consulting

According to the established strategic plan, CASTA has focused on the strategic management for entities related with health. The main market is, logically, the Public Administration, which has been the target of the first offers.

Among the above mentioned offers, a contract for the rendering of those services to the Assembly of Castilla y León has been obtained. According to this contract, a study is carried out on the optimum manner to implement the Dependency Law in this Autonomous Community. Also, our company participates and gives counsel in the Health Committee of Arevalo and its province. These are only the first developments in the main future line of this activity.

### Training and Publications

In training matters, which is of critical importance to achieve the prestige in the sector that ensures the positioning to which we aspire in this market, we have continued to maintain a very active attitude. Expanding our relationship with the European University of Madrid, an specific agreement has been subscribed, result of which the following reports have been made:

- Advance Cardiopulmonary Resuscitation Course.
- European infirmary Class.
- Master in International Sanitary Law. Sanitary Law and Mental Health Seminar. Handicap and Sanitary Law.
- Podiatrist Care Course (at the CASTA facilities).

## NEW BUSINESS POSSIBILITIES ARE OPENED

*EP Group participates as technological partner in several residences under construction.*

CASTA has started a new stage. With the awarding of two contracts in the Basque Country and Asturias, its activity as technological partner begins in company associations for the construction and exploitation of residences. After the first years dedicated to consolidate the centers of Arévalo and Fontiveros (both in Ávila) and to start the Brain Damage Unit, new possibilities are opened for our company in the social and health services.

In the Basque Country, CASTA has 10 % of the company Nostem, created jointly with the Cycasa constructing company and the risk capital company Talde. The obtained contract will mean the construction of a geriatric residence of 120 places with day care center in Balmaseda (Bizkaia). Another offer presented subsequently with the same associates has also provided results: we will participate, under the same conditions, of the group which will be supervising the commissioning of the future psychiatric center of Arrigorriaga, in the same province and with capacity for 136 people.

It will be the responsibility of this consortium to maintain, manage and exploit this center during the next 40 years. CASTA will provide its know-how and experience for the management, being responsible

for the composition of the managing, medical and clinical teams at the beginning of the activities, remaining as technical counselor once the residence is commissioned.

On the other hand, in Asturias, we developed in cooperation with HUNOSA a project for the construction of a psychiatric center in Sama, in the town of Langreo, which will have 120 residence places and a day care center.

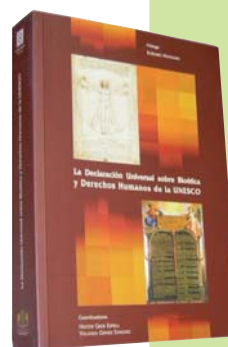


- Postgraduate Master in Geriatric Physiotherapy.
- Master of Toxicology drug addiction.



The other part of the divulgation job has been to continue with our policy of specialized text edition. This activity, which is providing us with great prestige, is being guided by the purpose of diversifying the treated disciplines, managing to show all the knowledge potential of our company.

Therefore, during this year we have published the following texts:



- “Medicina Legal. Libro de casos vol.2: Psiquiatría Forense y Drogodependencias ”.
- “Curso sobre avances en ciencias de la salud y de la vida. Avances en Biomedicina y Biopatología”.
- “Cuadernos del Master de Derecho Sanitario”.
- “Avances en Biomedicina y Biopatología”.
- “Biomedicina y patología molecular”.
- “Casos de psiquiatría: Problemática legal”.
- “La declaración universal sobre bioética y derechos humanos”, in cooperation with UNESCO”.



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# **CORPORATE DEVELOPMENT**

**INTERNATIONAL ACTIVITY  
CORPORATE DEVELOPMENT**

## INTERNATIONAL ACTIVITY

In the year 2006, the EP Group has continued to advance in their activity as an international company. With our entry into Asia we are now present on four continents, developing works in 27 countries. This activity and increasing growth of new projects, exceeding 28% in relation with 2005, has taken place based on the decentralization, proximity to the local customer and diversification strategies of markets and products.

The opening of businesses in China, the technological relations with Indian companies with head offices in New Delhi or the opening of EPTISA Mühendislik LTD (EPTISA Turkey) reflect this spirit, reinforcing the Engineering and Cooperation sectors of the Development through more than 300 people that cooperate in the international activity.

It is necessary to point out the great support provided in 2006 by the EP Group to Spanish investments abroad. Our growing activity in Urbanism, Architecture and Project Management activity in the countries where EPTISA has a local structure (specially in Eastern Europe, where our Information Technologies Services are being used) is completed with consulting, design, supervision jobs for the Spanish concession companies in Turkey, Ireland and Latin-America.

### CENTRAL AND EASTERN EUROPE

From a beginning, the resource optimization, the commitment to our local presence and customer proximity and the final beneficiary constitute the base for our entrepreneurial panel work. It is necessary to add this important network, which is capable of offering global services to our international customers, which represent another important value.

With notable growth in our local presence, have demonstrated the key factors in the rendering of our services, which have been reinforced through the opening of new project offices in Cluj, Arad, Baia

Mare, Suceava, Tg-Mures, Prahova Valley, Tirana, Pristina, Ruse and Skopje. Thus we currently account for more than 20 project offices which join with the three permanent establishments in Belgrade, Bucharest and Ankara. This last one is the central office for the newly constituted Eptisa Mühendislik LTD (EPTISA Turkey) which has been operating as local company since the end of 2006, a new subsidiary in Sofia has also been scheduled to open during 2007.

### Romania

Romania is still important in our development, as the first base in which we established our engineering and consulting services. The new contracting in water transportation and infrastructure has represented a growth of our presence in the country as well as that of our technical team. EPTISA Romania already has a permanent staff of 32 employees, to which is necessary to add the more than 60 professionals contracted for the execution of several projects.



The new contracts of ISPA and SAMTID in Ramnicu-Valcea, Cluj, Suceava, Baia Mare, Arad, Tg-Mures and Prahova Valley have allowed us to expand the 12 offices distributed around the country. The projects involving the improvement of the supply, sanitation and water treatment network, position us as one of the companies with the widest local implementation in Romania.

In the transportation sector, during the fourth quarter, two national projects were contracted. The first one is directed to the improvement of road safety, with design and supervision of specific actions, and represents the continuation of previous works. In the second one, we will assist the Transportation Department in the performance of design standards and regulations for the road infrastructure networking.

The activities in the supervision of the works of the Waste Water Treatment Plant and the sanitation network of Craiova, as well as the technical assistance in the evaluation of the Danube air quality, have continued their developing. For the execution of this last work it has been a competitive advantage having performed a similar one with the Bulgarian Administration at the other side of the Danube.

In building construction, EPTISA Romania is providing an important support to foreign investors in the Urban Planning, adequacy to regulations, Architecture, Facilities, Work Supervision and Project Complete Management fields.

### **Balkans**

During 2006 EPTISA experienced an important growth in the Balkans, representing the need for change in the Belgrade offices. The bulk of such growth has been achieved in consulting contracts in environmental management with European Union Financing.

It is necessary to point out the Design and Development of the Hydrographic Information Systems for the Serbian Department of Agriculture and Waters. The European groups, led by EPTISA, will assist in the design and execution of a water resources management tool for the country. Therefore, a centralized information system will be developed, with advanced tool for decision making.



A study for the feasibility of a road that joins the North of this republic with the Bosnia border is being developed, as well as a project for the strengthening and accreditation of all public health labs in the country.

Montenegro has successfully closed the support contract with the Environmental Department for the construction of the landfills and Waste Water Treatment Plant at a national level, with a loan from the European Investment Bank, and the establishment of the Environmental Protection Agency.

In Albania, we lead the creation of road design and construction standards and will soon begin another project directed to strengthen the municipalities of the country with the provision of all type of public services.

## INSTITUTIONAL SUPPORT FOR THE MONTENEGRO ENVIRONMENTAL PROTECTION AGENCY

*Water supply to the Balkan republic is also improved.*

From the end of 2005, EPTISA Internacional works in “Institutional Support at the Montenegro Environmental Department”. Financed by the European Agency for the Reconstruction, this project has a budget of 1.2 million euros.

This project, that constituted the second significant awarding for the new office of EPTISA Internacional in Serbia and Montenegro, pursues two main objectives. On the one hand it will provide institutional and legal support to create the mentioned Environmental Protection Agency. Thus, the existing entities will be studied and recommendations will be prepared to strengthen the mechanisms the government has for the control of environmental pollution. Investment will also be promoted and optimized.

On the other hand we will render engineering services for the startup of a loan in the European Investment Bank of 55 million euros, destined to improve the municipal infrastructures for the supply of water and treatment of waste water in the entire Montenegro Republic.

With this project, EPTISA Internacional is positioned as one of the companies with the greatest implementation in the area and with experience in institutional strengthening in the Southeast of Europe. Currently, we are developing projects in Serbia, Montenegro, Kosovo, Bosnia, Croatia, Macedonia, Albania, Turkey, Bulgaria and Romania.



In Macedonia, a project for the recovery of polluted grounds is being developed as well as another project involving the assistance with the Agricultural Department in the management of border basins between Macedonia and Greece.

In Kosovo we have continued to experience success with our organizational projects and with the development of the energy strategy, in conjunction with the Ministry of Energy, thus improving the business of solid waste management.

In Bosnia and Herzegovina EP Group has continued with a project which objective is to improve the environmental inspection procedures, which has successfully resulted in the improvement of air quality.



In Croatia, and within the multi-country treaty, including Turkey, Romania and Bulgaria, we work with the Environmental Ministry in the training and participation of its personnel in the IMPEL network for the implementation of environmental projects. Lastly, we participate in the Environmental Impact Project, after ending a supporting contract with the Environmental Protection Agency in its monitoring of the EIONET model.



## Turkey

EPTISA has opened EPTISA Turkey in the second half of 2006, with central offices located in Ankara.

During this first few months of operation, EPTISA has been involved in the second part of the project which originated in the city of Bursa, the Installation Supervision for the SCADA System (Supervisory Control and Data Acquisition) which we previously designed during the first stage of the project.

## Bulgaria

During the year 2006, EPTISA has completed two projects financed by the EU: a quality air monitoring plan in the Danube Region, and also an investment plan related to the solid waste management in Dobrich, Provadia and Burgas (Coastal Region of the Black Sea). In both projects. EP Group worked for the Ministries of Environment and Regional Development, which were beneficiaries of the projects.

At the end of 2006, EPTISA found itself as the recipient of two new environmental projects, both financed by the EU and worth 2 million euros.

Considering our experience and presence in Bulgaria, as well as their recent joining of the EU, during 2007 EPTISA has planned to permanently establish itself in Bulgaria through the creation of a branch in Sofia.

### **WESTERN EUROPE**

When examining the 2007-2009 Strategic Agenda, one of the main objectives of the EP Group is to compete with the international consortiums of countries with a substantial level of development. The trend to be a strategic partner with the Spanish dealers and construction companies has resulted in a series of commercial efforts that, for the moment, have crystallized in a stable presence in Ireland infrastructure projects.

In that country we have several contracts, among which the most significant one is the project management of the Waterford By-Pass, 23 km, in the design, structures and geotechnical section. The work has served as a milestone for our work in this country, in which we plan to open a permanent office at the beginning of 2007.

In total, we have obtained ten contracts of consulting services or for the execution of basic projects and layout works, for Spanish groups as well as for counseling services to the Irish NRA (National Road Authority).

### **LATIN-AMERICA**

During 2006, the Technical Assistance Services of Technical Cooperation large programs and the continuous development is still the main activity. Applied in already consolidated sectors such as local and rural development, cartography and environmental management, water and sanitation and prevention

and reconstruction of disasters, our range of services has been increased in the government and public policies services. These areas complement the most traditional services of the Group to reinforce the capacities of the local institutions. In this line it is necessary to point out the actions mentioned below in the sectors such as education and public management.

From the most relevant projects it is necessary to point out the Evaluation of the Program Araucaria of Spanish Cooperation with Biodiversity and Sustainable Development in Latin America, which executed an exhaustive study of several environmental projects executed by AEIC.

It is also necessary to point out the external monitoring systems of the programs and projects of the European Union in Latin America that, during 2006, EPTISA Internacional continued rendering exceeding the amount of 200 technically analyzed projects.



In a parallel manner, training has continued to be implemented. Specifically, activities directed to the employees of development agencies in cooperation strategies and approach. Also, we have cooperated in different seminars and courses related with new instruments and the public-private alliances, in sectors such as the environment, public policies and local development.



The Judicial Entity has also started counseling the Judicial Organ for the strengthening and modernization of the institution, while the penitentiary improvement project is still under development. These works reinforce our already large international experience in the Cartography, Cadastres and Geographical Information Systems areas.

### **Andean Community and Brazil**

In Venezuela, the development of the Disaster Prevention and Social Development of the Vargas State, complete intervention in the disaster prevention scope, constitutes one of the most relevant actions of international cooperation.

In Ecuador, we continue with the important turnkey project of water supply in the Galapagos Islands in cooperation with the FCC group, which places us at

the same level as the great world experts in environment since they place us at the lead of a project for the Biosphere Natural Reserve.

In Brazil, Argentina, Uruguay, Paraguay, Bolivia and Colombia evaluation and supervision activities for cooperation projects have been developed and financed by the European Union. In Brazil a study is being executed for the feasibility of the Railway Connection between Fortaleza and Mucuripe.

In Peru, in the Tourism and Environmental Area, a work expansion was contracted to execute a feasibility study financed with F.E.V. funds, over the exploitation of the Theme Park of Quistococha (Iquitos), at the heart to the Amazon.

### **ÁFRICA**

During 2006, the cooperation to development has been focused in Angola, where the Technical Assistance Project to the Agriculture Department which started at the end of 2005 for matters of food safety is still under execution.

Also, in Morocco the important geological cartography GEOFORMA project has been completed in cooperation with the BRGM. EPTISA has been responsible for the cartography section, data base and Geographical Information Systems.

In Tunisia, a desalinization project has been executed for the Djerba Island, within the ambitious North Africa Desalinization Stations Project.

It is necessary to point out as multi-country activity in Africa the effort performed in 2006 to group and lead a European consortium capable of responding to the needs of the Program USAid. The purpose is to provide institutional, training and consulting strengthening for the fight against AIDS in 12 African countries and its implementation is expected for 2007.



## PRRAC PROGRAM

*Both projects to palliate the consequences of the Mitch Hurricane are completed.*

The consequences of the Mitch Hurricane are far from being exceeded. Since it razed Central America in 1998, causing 10,000 victims and enormous material damages, the international aid dedicated itself to recovering the region, which already had serious problems such as basic hygiene and water quality.

The program initiated by the European Union received the name of PRRAC (Program for the Reconstruction of Latin America) and with a 250 million euros budget in favor of the countries which were most affected by the Mitch Hurricane: Honduras, Nicaragua, El Salvador and Guatemala.

Within this frame, EPTISA Internacional was awarded two of the reconstruction projects: the "Complete Plan of Managua Periphery" (Nicaragua) and the "Restoration of aqueducts, wells and basic sanitation at a rural level in Honduras". Between both, more than 50 million euros have been managed.

The figures speak for themselves about the importance of this job. When in June our provision to the Managua Periphery ends, we will have executed the Master Plan for the sanitation water and networks, which will plan the infrastructures works and the sanitation conducts. Besides, 400 houses will have

been restored and another 200 constructed, for the benefit of a population of 100,000 inhabitants, particularly the Sandino City area.

Not less impressive are the data provided by the Honduras works, ended on December, 75,000 thousand families belonging to 1,160 of the least favored communities of this country to benefit from the 856 aqueducts, 2,734 wells and 42,000 latrines built.

It is the summary of the most important actions by EPTISA Internacional in matters of cooperation to development, which places us as one of the references in matters of Latin America, where we currently count with projects open in almost all countries.



## ASIA

During 2006 we have managed to enter the Chinese market, through two projects in the education sector for a total value of 6 million euros. The projects include the strengthening of the Chuzhou and Zhoukou Universities, through the different actions in their classes and laboratories and the transfer from Spain of equipment goods.

Also during 2006 we have developed cooperation protocols with two India technological programs with central offices in New Delhi, in the fields of information technology, territorial management and infrastructure development.

Both actions are included within other activities which will tend to position the Group within this region.

## CORPORATE DEVELOPMENT

Among all the events pointed out during the year, none is more relevant than the startup of the new Strategic Agenda 2007-2009. Due to its ambitious objectives, it is undoubtedly the most relevant professional event of the fiscal year, which results in several developments executing during 2006.

### STRATEGIC AGENDA 2007-2009

During 2006 the Group has used its Strategic Agenda, with really ambitious expectations and commitments. It has been presented as a prospecting of the different markets in which the EP Group operates to plan and direct the efforts of all companies within the trends foreseen in the near future in its markets.

#### Strengthening in future engineering markets

Within this planning, EP Group Engineering has provided future ambitious objectives. Within it is contemplated as one of the differential factors of our activity the proximity to the local customer. Therefore, it is foreseen in the Strategic Agenda, the reinforcement of the offices network to increase the EPTISA offer in the Autonomous Communities in which our position can be improved.

This geographical diversification will be executed focusing into the absorption of future product demands. In this manner a percentage of work dedicated to the private customer is expected to be achieved. Specifically a significant increase of the industrial sector is foreseen, taking advantage of the experience and the possible synergies derived from the knowledge of our related activities. The entry into synergic markets is established with activities such as Power (specially that Renewable) and Water Management. All of it maintaining at the same time the position among the leading companies of the traditional sectors of Infrastructures, Construction and Environment.

On the other hand, we will continue to bet for the

productivity improvement, by the use of investment in technology and an active policy in R&D&I, considering the technological level as one of the basic differentiating elements for the market.

The brand reinforcement intends to position us as a large dimension company, with the will to diversify and grow, organically as well as using acquisitions or mergers. Besides we expect to improve our image as a reference agent for large projects.

Also the Strategic Agenda objectives includes specific planning for the Human Resources policy, from the training of our human equipments to the implication of all the organization of the basic objectives of Engineering and the Group, strengthening the focus to customers and markets and promoting to the maximum the commitment of our professionals and the feeling of pride for belonging to the company.

#### Internationalization

The internationalization planning is also ambitious, with the aspiration that in 2009 25 % of the EP Group invoicing is executed abroad.

The new strategy contemplates to strengthen our presence in the most powerful areas at a market level. The bet is executed from the same idea that guides the national activity: maintaining a strong presence by the establishment of companies that know first hand the reality and can maintain the contact with the local customer.

The objective is not only to be transnational, but working from the concept of an international company at all levels. The service range will also be expanded in all EP Group activities and not only those traditional ones of technical services and cooperation to development.

On the other hand we continue executing the geographical diversification towards areas with a

high degree of development. In the past years, an important display of Spanish companies has taken place in countries which infrastructures have been built for a long time and require important modernization procedures. The contracting achieved in Ireland can be placed under that category. After an important commercial work, we have managed to enter in several projects of diverse nature. The longest term objective is to consolidate a strong presence there which allows, as it has already been achieved, to work with the country's administrations, while at the same time strengthening the relationship with concessionary companies.

### ***Strong local implementation in Eastern Europe***

Among the main developments of 2006 it is necessary to mention the expansion of our Eastern European network. The progressive implementation in the region is a logical consequence of the emerging situation in several countries of that area, optimum markets due to their recent or future entry in the European Union. The competitive advantage of having a strong presence and wide references, as well as the knowledge of the conditions of that market in which we have been working for more than ten years, has already started to show its efficiency in the past year.

During 2006, this presence has been increased with the implementation of a subsidiary company in Belgrade (Serbia), to attend the entire Balkan region. Also, the establishment of permanent representation offices in Sofia (Bulgaria) and Ankara (Turkey).

### **Information and Communications Technology**

The trends for the ICT activities of the EP Group are, like most of the new technologies, via applications and services from any scope and with simple tools. The functionalities and information must be usable in a customizable manner by any type of user, getting farther away from the experts and more in favor of those less specialized.

The future activities of ESRI-España and SITESA are focused along those lines, according to the technological developments of ESRI Inc. The search for the private and less specialized customer has forced the creation of an aggressive commercial planning, based on personal account attention. As a logical consequence, the geographical coverage is still expanded by the use of partnerships and commercial networking.

The objective is to work with more varied customers, taking advantage of the growing popularity of the Information Systems, providing the advantages of having geographical information and all its effects.

In order to do this it is also necessary to have a growing network of partners which provide added value and allow for the development of new useful applications within different information systems. After the success with Google, the distribution agreements of the BITEXT solution and the agreement with SAP, involving the development of the IMPRESS tool for the integration with the ERP customers are some of the examples of this tendency which will continue to expand over the next few years.

### **Real-Estate Developments**

During the 2006 fiscal year, promotional activity has been regrouped. Once the new organization has been started, and an ambitious expansion plan has been developed, which purpose will be to reach an average of 100 houses per year.

To reach such objective, a strategy has been planned which places us at the geographical level of the Center Area, Andalucía and the Cantabrian Edge (Galicia and Asturias). At the same time it is intended to provide and international projection, starting in the Romanian market.

This entire project is over the solid work of the past few years. During this period we have delivered our

first independent promotions: 52 houses with their garages and storage rooms in Arévalo (Ávila) with current sales value of 7.2 million euros, reinvested in the purchase of terrain for the development of 54 houses in Barco de Valdeorras with projected sales of 11.7 million euros.

The developments of Laracha (A Coruña) with a sales value of 22.1 million euros for 88 houses; Teatinos (Malaga) with 48.3 millions of sales for 199 houses; and Mairena de Aljarafe (Seville), where 72 houses will be constructed with a sales value of 19.9 millions of euros are still under development with a notable success.

### **CASTA Repositioning**

During 2006, Casta Servicios Sociosanitarios has reached the first objective it had established since its arrival to the EP Group: the full occupancy, reached in the last months of the past year, due to the agreements reached with the Regional Administrations (particularly with Madrid's Community and the Castilla-La Mancha Assembly).

Since 2005 negotiations had been completed for the opening of new markets. The first developments came from the consortiums for the construction and exploitation of residencies at the Basque Country and Asturias, thanks to which the capacity of our facilities will basically double. In these companies we appear as technological partners, providing our knowledge and experience in the management of sanitation facilities.

That same knowledge has caused the repositioning of the EP Group in the Social & Health Services. During 2006 projects in specialized consulting in health matters have been reached. The market has been opened due to the demand of several counseling Public Administrations for the adaptation of sanitary policies before the imminent effect of the Dependency Law. Nevertheless, due to the support policies to

research and development entities and the managing experience in very technical health expertise, it is foreseen that this service scope will be expanded to other sectors.

### **R&D&I**

Specifically mentioned in the Strategic Agenda as one of the main sections to be developed in the 2007-2009 period, during the past few years several projects have been started. The purposes are to obtain an improvement in the internal procedures and/or procedures as a difference in relation with the competitors. Besides those mentioned in the other sections of the current Annual Report, some of the most necessary to point out during 2006 have been the following:

#### ***Project Documentary Management System:***

The main objective of this tool is to turn the communications among the parties interested in a project into a reality. It is a mixed project which offers internal (for the use of the work team itself), as well as external (customers, suppliers and cooperators) communications developed in a web environment, allowing accessing and operating any of those remote participants from their place of origin.

#### ***New procedures for the elimination of polluted sediments under water ways:***

A new standard methodology has been researched and developed for the elimination of polluted sediment under water ways in order to simulate their behavior. The procedure has been developed to take into consideration all possible actions over the affected areas. In this manner it allows, even in complex cases, the analysis and decision making, for the location of the site as well as for the optimum selection of the remediation techniques.

***New methodology for the study and characterization in urban areas and linear infrastructures in the performance of noise strategic maps:***

During 2006 a new methodology has been created to elaborate noise maps in urban areas and linear infrastructures. This includes a system to process integrated data and calculations, using the technological potential of the Geographical

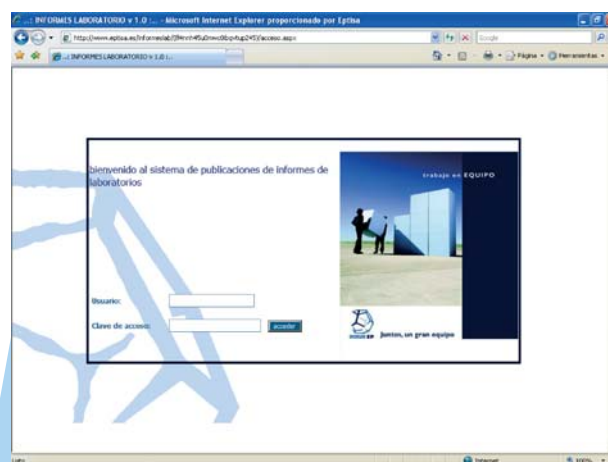


Information Systems in which we are experts.

***Control System and Laboratory Management:***

This tool is specifically designed to centrally and efficiently manage our Quality Control Laboratories. It covers all the needs to this activity, allowing the job to be performed as efficiently as possible:

- o Sample control.
- o Concrete test tube control: allows the knowledge of which samples must be removed from the chamber each day, directly importing the results from the mechanized presses, warning about data that must be reviewed (low failure, high dispersion, calibrations to be executed, etc).
- o Access to results via Internet: The system allows the customers, particularly of large works and concrete control stations, to query the results of their tests and daily updated reports. For the previous purpose the following address has been created [www.eptisa.es/informeslab](http://www.eptisa.es/informeslab).



**SHAREHOLDERS**

In 2006, the Maya company closed the year with 211 partners. The consolidation of the positive results confirms the good decision concerning the purchase of 50% of the Group shares executed in 2005, as a reassertion of the company of the previous bet for the growth and implication of their professionals.





**MANAGEMENT ENTITIES  
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### EP GROUP BOARD OF DIRECTORS

Joaquín Llorente Malagón, President

Luis Villarroya Alonso, CEO

Ignasi Cantarell Taxonera, member

Ángel Catena Asúnsolo, member

Martín Eyries Valmaseda, member

Felipe García Berrio, member

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Juan Manuel Eguiagaray Ucelay

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50 years are only the beginning...



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