

FROM OBRASCÓN TO OHL

Chronicle of a Century

1911-2011



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A journey of one hundred years always implies an historic leap forward. This book, “From Obrascón to OHL, Chronicle of a Century”, combines brushstrokes of sociology, customs, history, politics and the economy of different eras; brushstrokes revealing a dynamic process of change. The most significant consequence of these one hundred years of history is probably the enormous capital accrued by this Spanish company in its evolution over this period.

Obrascón, during its first one hundred years of life, has been a witness to two democratic monarchies, two republics and a dictatorship: the three major political regimes the world has come to know. And it has lived through three wars that have made history due to their dramatic magnitude and consequences: the Spanish Civil War and the two World Wars. As a result, these one hundred years have experienced the most convulsive periods of the history of Spain and of the world. Having survived a century as violent as this past century, which could hardly encounter a paragon, adds of itself an extraordinary value to the company.

Originating in Bilbao, Obrascón was very much a part of all of the developments in its native city. The major Basque banks were counted among its founders, a circumstance that placed it as a specialist in marine construction from its earliest years. Dating back to the same era as that of the creation of Obrascón, there was a current favorable to the founding of business institutions, encouraged by admirable Basque entrepreneurs. Organizations



Prologue

were created at that time which, today, are admired for their national and world dimension.

When it celebrated its one hundredth birthday on May 15, 2011, OHL ranked among the leading Spanish companies in terms of its significant foreign presence and is also one of the most internationalized companies in the country. It has demonstrated this during the 2010 financial year, by generating 93% of its gross margin outside of Spain. It is present in 29 countries on the five continents, some of which have the most dynamic economies in the world.

This presence of the company does not mean, in the least, that Obrascón has been absent from the domestic scene or from the process of growing institutionalization developed in our country since the restoration of the monarchy of King Alfonso XIII through to the constitutional monarchy of his grandson, our present King Juan Carlos I.

The historical chronicle contained in this book shows that Obrascón performed very significant construction projects in the stages of Primo de Rivera, of the two Republics and, following the parenthesis of the Civil War, contributed towards the reconstruction of Spain's damaged landscape; suffered the isolation of the autocracy, developing in the wake of the opening-up of the economy with the Stabilization Plan and growing significantly in the stage of the Constitutional Monarchy of King Juan Carlos, without a doubt the most socially and economically peaceful and fruitful period of our history.

OHL is today the outcome of more than eleven construction companies that, building on the foundation of Obrascón, have gradually been incorporated into a business project that has become the sixth largest construction company in Spain and the seventh largest transportation infrastructure company in the world.

As is so well reflected in this narration, whose prologue I have the great satisfaction of writing, achieving our size and capitalizing on the knowledge of all of these companies was the initial lever that has given our organization its thrust towards leadership. The second key to our success was to move away from the real estate euphoria experienced in our country in time, choosing other business environments close to the construction sector and going beyond our borders to develop our recognized capabilities in other markets.

An outstanding capital accumulated after one hundred years through the action of thousands and thousands of people. This book aspires to reflect their work and to become a testimony to all of the men and women who have made this company a thriving centenarian.

I feel highly honored to be able to thank all of them for their effort and loyalty.



Juan-Miguel Villar Mir
Chairman of OHL



Chapter

1

Spain at the beginning of the 20th century 1900-1910

The term “disaster” has been associated in the historic memory of Spaniards with the year 1898 and to the loss of the last Spanish possessions overseas. The writers of that era, who were later to be referred to as the Generation of '98, described the situation at the end of the century with particular pessimism. As was aptly summed-up by José Luis García Delgado and Juan Carlos Jiménez, ⁽¹⁾ it was a time of “many bad things and a few good things” in the words of Baroja; a time of “tremendous uncertainty” as penned by Azorín; of “despairing paralysis”, in the synthesis made by Unamuno and of “listlessness” in the vision of Ganivet. The “Black Spain” of the impressionism of Regoyos, so masterfully portrayed later by Zuloaga.

The Regenerationist Era

The disaster of 1898 acted as a cataclysm in its effects

⁽¹⁾ García Delgado, J.L. and Jiménez, J.C. (2003) *La España del Siglo XX*, Madrid, Ed. Marcial Pons Historia.



Práxedes Mateo Sagasta, Civil Engineer. As leader of the Liberal Party, Sagasta was the last Prime Minister of the Regency and the first of the reign of Alfonso XIII.

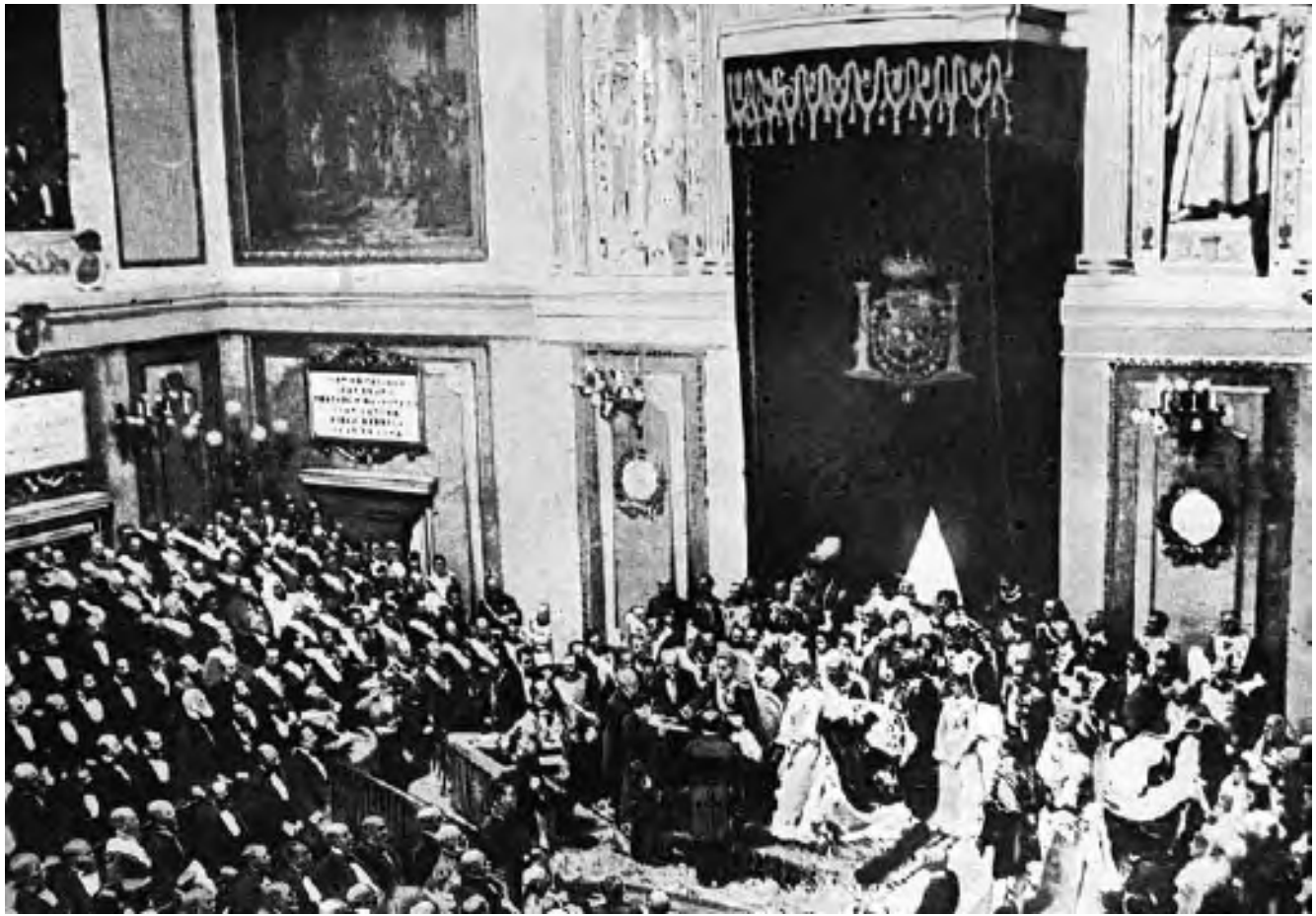
on Spanish society, creating a critical awareness of the system of the Restoration, which had been sustained solely by a few intellectual sectors or political minorities up to that time.

On May 17, 1902, after the lengthiest regency in the history of the Spanish monarchy, Alfonso de Borbón (Madrid, 1886) reached his majority of age and became

the new King of Spain, with the title of Alfonso XIII. He was the posthumous son of Alfonso XII, deceased in 1885, and of María Cristina de Austria (Habsburg-Lorraine, 1858), who exercised the Regency under the guidance of Cánovas and Sagasta. In reality, Alfonso XIII was proclaimed King at the very moment of his birth, but was only able to act as monarch after he had sworn allegiance to the Constitution, on his sixteenth birthday.

It was thought that the men who had charted the political course of the nation during the last quarter of the century would not manage to hold the reins of the country in the initial decades of the new century. However, Sagasta headed the last Government of the Regency and the first of the reign of Alfonso XIII. Sagasta and those who held seats in Parliament were men without a future, nineteenth century politicians, responsible for the depressing situation in agriculture and in the factories, gripped by the fear of Anarchist terrorists, incapable of arriving at a definitive solution to the problem of Morocco; obstinately hanging on to nominalist political theories and particulars completely detached from the hard truths of reality, ineffective in the face of separatism in Catalonia and the Basque Country and with a dangerous tendency towards either deprecating or praising the military. Evidently, new names were needed.

The term “regeneration” was applied to the most varied aspects of the country’s existence. It was a pressing need for the urgent transformation of the nation that affected practically all Spaniards, from the King down and through to some of the republicans who conspired against him. However, where unanimity was indeed lacking was in the



In the photo, on May 17, 1902, the date of his sixteenth birthday, Alfonso XIII swears to uphold the Spanish Constitution. Although he had been proclaimed King at birth, he was unable to act as such until he had taken the oath as shown in the photo, an event portrayed by Vila Prades in the painting on the left.

means to achieve the much desired transformation and as to what the final outcome should be.

It appeared evident that Sagasta was not in a position to hold the reins of the country. A metalworkers' strike was called in Catalonia that soon spread to the rest of the country. In Barcelona, particularly, anarchist politics had taken root and were associated with a very strong separatist component, while violence and upheaval were continuous. A state of war was declared in the summer of 1902 and lasted until November of that same year. Francisco Silvela, Antonio Maura and José Canalejas, influenced by the spirit of '98, were the new strongmen following Sagasta's stepping-down in December 1902.

Francisco Silvela, who had already been a minister with Cánovas, did not last long as the head of the Government and was finally succeeded by Raimundo Fernández Villaverde. In December 1903, the conservative faction decisively acclaimed Antonio Maura as their leader, and he became the new Prime Minister. One year later, the King refused to sign the appointment of Francisco de Loño to head the Joint Chiefs of Staff. Alfonso XIII preferred Camilo García de Polavieja. This generated a crisis that was resolved by the resignation of Maura and the ascent of Marcelo de Azcárraga.

As if the nineteenth century had never ended, one Government succeeded another: Raimundo Fernández Villaverde returned as Prime Minister and was succeeded by Eugenio Montero Ríos, Segismundo Moret, José López Domínguez, Moret once again and Antonio Aguilar, Marquis De la Vega de Armijo. That is, in five years' time, from December 1902 up

to January 1907, ten men in succession took office as Prime Minister with their respective governmental teams. At times, the Government did not last more than a few days, to the point that, when Maura formed his Government in 1907 and his time in office lasted two years, it was termed the "Long Government".

Demographics

The population grew around 50% in Europe over the nineteenth century and only 20% in Spain, which had 18,600,000 inhabitants in 1900. The reason stemmed from the slower decline in the mortality rate, which enabled a regenerationist politician of the era to write: "France is today, in Europe, the country of voluntary sterility and Spain, the country of inexcusable mortality".

In effect, one-fourth of newborns did not live beyond one and a half years and 60% of the annual death rate was due to childhood digestive tract diseases. However, the dire hygienic conditions did not affect newborns alone, as only one-half of live births reached thirty-three years of age, and summer diarrheas caused up to one-fourth of total deaths.

Another very characteristic trait of the old demographic regime was the scant mobility of the population and its attachment to the rural environments in which the majority were born. In 1900, only 32% of the population lived in population centers of more than 10,000 inhabitants, and there were only six population centers with more than 100,000 inhabitants in the entire country.

Agriculture

In 1900, between 65% and 70% of the workforce was employed in the agricultural or livestock sector; in 12 provinces this figure was even higher than 80%. Until well into the nineteenth century, a rural economy of subsistence was maintained, with a strong self-supply component, which solely traded its scant surplus production for products originating from the small-scale local craft industries. The basic reason for this stagnation of the marketplace was the absence of means of transportation to connect the various local markets, the scant volume of demand caused by the low density of the Spanish population and, in addition, a level of income that was also far below that of other European countries, such as France or the United Kingdom.

The number of small properties at the beginning of the twentieth century accounted for 99% of the total, but only 46% of the national territory. The large estates, the remaining 1% of the properties, represented approximately 28% of the country's total surface area. In 12 provinces, more than one-half million hectares were divided among two hundred landowners. As a result, Spain had to confront two serious problems: the phenomena of very large and very small landholdings.

The origin of the immense landholdings in the southern half of the Peninsula goes back in history. The rapid re-conquest of the lands south of the Tagus River in the first half of the 13th century by the Castilian monarchs gave rise to a structure of large landholdings that the onset of liberalism and land confiscation did



Antonio Maura y Montaner headed several governments during the reign of Alfonso XIII; two of these, in the first decade of the century. In the first, he lasted one year and in the second, two. This was called the "Long Government", because between December 1902 and this last government, in January 1907, ten Prime Ministers had held office.

not change substantially. The basic characteristic of the system of large landholdings was, above all, the existence of a class of laborers with very poor living conditions. Their earnings, due to the abundance of labor, meant that they were unable to maintain even the daily minimum caloric intake.

The disadvantage of the structure of Spain's agricultural land ownership was not due exclusively to the system

of large landholdings. Up to the time of the Republic, large estates were usually considered to be those in excess of 250 hectares, while small properties were those with less than 10. However, in Spain at the start of the 20th century, 90% of the small properties not only were less than that extension but were even smaller than one hectare. In Galicia, as high as 98% of the properties did not even reach that size. The system of small landholdings was not circumscribed to the far northwest alone. It was also prevalent in Asturias and in León, and could even be found in Andalusia, combined with the large landholding system, particularly in certain areas, such as the Alpujarra in Granada.

The small and medium-sized farmers of both Castilian regions, but particularly those of Old Castile, had to struggle against a hostile natural environment and against a lack of available credit. The problem of usury was an extraordinary hardship for them. There were no institutions in which they could trust in order to solve this problem, as the old deposits scarcely had sufficient capacity.

To make their plight even grimmer, leaseholds were short-term and this, together with the adverse climatic conditions, gave rise to an agricultural system with little innovation. Castile not only did not become industrialized (with the exception of Béjar) but also saw its traditional industries fail as a consequence of the penetration of products from other regions.

Nevertheless, it does not suffice to refer to the size of the properties at the time to obtain a precise idea of the agrarian structure of Spain at the beginning of the century, but rather mention must also be made

of the leasehold systems. In very general terms, it can be said that only in the areas of the Basque Country, Navarra, Catalonia and the Mediterranean Coast were there long-term leaseholds without harsh terms and conditions. Moreover, these were regions where medium-sized properties were numerous.

The Mediterranean areas can be considered as the antithesis of what occurred in Castilian agriculture. Since the Restoration, the annual growth rate of exports through the Port of Valencia was 20%. Initially, the products exported were wine and oranges, however, by the end of the century the first was replaced by the second, which attained a clear predominance and progressively increased in production at the rate of close to 5% per year. An authentic agricultural revolution was taking place in the region, which led to the substitution of the intensive growing of grain, fruit and textile plants (hemp) by market gardening and oranges, where water resources were available.

This change was achieved, on the one hand, through the construction of artificial lakes, added to those already existing from far back in the past, and on the other, as a result of new irrigation ditches and extensive well digging. In the areas where water was scarcer, as was also the case in Catalonia and the Balearic Islands, another crop -almonds- produced for the export market became widespread.

Agriculture grew in the first ten years of the century, both in absolute terms as well as per inhabitant, thanks to greater capitalization and the use of more fertilizers.



In 1900, between 65% and 90% of the workforce was employed in agriculture; in twelve provinces, up to 80%.

By 1902, Bilbao was already the peninsular steel capital: Altos Hornos de Vizcaya, its flagship, and the Baracaldo plant, its most significant facility.



Industry

In consonance with the agrarian basis of the Spanish economy, the industrial structure was primarily geared to the sectors of consumer goods: food and textiles in 1900 accounted for close to two-thirds of Spain's manufacturing production. However, other branches also began to stand out: for example, the iron and steel industry had been booming in Vizcaya since 1880; this was also the case with the mechanical and metal constructions associated with it, as well as shipbuilding or the production of agricultural machinery and railway construction. Likewise, explosives became important with the creation of the company, Unión Española de Explosivos, in addition to the production of nitrogen fertilizers and superphosphates of lime by chemical companies, as well as the manufacture of electrical material, devices and machines, in the wake of an emerging electrification.

Including in traditional sectors the new techniques were gradually introduced during the years at the turn of the century. This occurred in the production of flour, edible oils, canned seafood, footwear and paper. Of course, other sectors, incapable of adapting to the times, fell into a crisis, as was the case with Castilian and Andalusian wool and cotton, Galician linen and leather, the traditional forges of a number of regions and the mining of lead in the Mediterranean areas.

Catalonia stood out among the main manufacturing centers and was the location of the major advances in the nineteenth century industrial revolution, with cotton as its driving force and emblem. The Basque Country, by then the peninsular steel capital, and Asturias, the cradle of coal mining, were other industrial leaders.

With respect to manufacturing activities, the increase in industrial production in the first ten years of the 20th century, although lower than the average for Europe, went hand-in-hand with a significant diversification of the industrial fabric. Electricity companies appeared or became reinforced. Important chemical and electrochemical firms were created, producing superphosphates and nitrogen fertilizers, soda and explosives. These projects were supported by an abundance of foreign capital. Likewise, a cement industry emerged, encouraged both by the increasing urban development as well as by the construction of artificial lakes for producing hydroelectric energy.

In some cases companies were founded with a relatively large dimension or later became larger thanks to the merger of existing nineteenth century industries, as occurred with Altos Hornos de Vizcaya, or with the somewhat earlier companies, such as Unión Española de Explosivos and Unión Resinera Española, with the Sociedad Española de Construcción, Sociedad General Azucarera, Papelera Española, Hidroeléctrica Ibérica, Sociedad Metalúrgica Duro-Felguera, Sociedad Anónima Cros, and so many others dating back to that time or that changed their names with the turn of the century.

Perhaps nothing sums up this energy of Spain's economy and industry between 1898 and 1913 better than the increase, by more than 60%, in the consumption of primary energy, driven by a growing process of electrification, which also fueled the advances achieved in the industrial and technological sphere. Electricity liberated industry from its earlier servitudes, particularly that of the forced localization imposed by the supply of coal and the nineteenth century steam engine.

The Impact of electricity

Spain in 1900, compared to one-half century earlier, had progressed in other aspects as well. To the shortening of physical and communications distances, thanks to the railways, on the one hand, and to the telegraph and initial telephones, on the other, was then added the onset of electrification, above all in the cities, where gas light was losing ground to the light bulb, and mule-drawn trolleys to electric streetcars. Fortunately, the main cities, at the same time as they

improved their layouts with new expansions, equipped themselves with important collective infrastructures: sewerage systems and public lighting in administrative buildings and railway stations. Services such as public education and vocational schools were created at that time.

The loss of the last overseas territories, in spite of accentuating the psychosis of crises deeply ingrained in public opinion, had a liberating effect for Spain's economy. First, it put an end to the drain on the

As in the rest of the more developed world, the railway was one of the factors that most strongly drove the Spanish economy in the early decades of the 20th century. In the photo, King Alfonso XIII detrains, accompanied by senior army officers.



economy caused by a military deployment out of proportion to Spain's political and economic size. In turn, the affluence of capital originating overseas found opportunities for investment in the Peninsula, flowing

continued to leave for destinations in America, even more so, if possible, from that time onward, thereby reducing demographic tensions and generating income for the foreign accounts.



Contrasts in Madrid during the first decade of the 20th century: a mule-drawn streetcar on Alcalá Street and the first automobile registered in Spain's capital, owned by the Duke of Osuna. The event took place on August 19, 1907, the year when the legislation on the registration of vehicles based on provincial acronyms was passed.



At the start of the 20th century, a number of banks were created, including the Hispano Americano, Vizcaya, Español de Crédito, Gijón and Oviedo, in addition to the Crédito Industrial Gijonés, and several foreign banking institutions became established in our country, such as Deutsche Bank, Dresdner Bank or the Comptoir National d'Escompte.

The expansion of banking at the beginning of the century, initially driven by the return of capital mentioned earlier, also reflected the commercial pulse of Spain's economic life, both in the agricultural environment as well as in the industrial sphere, both with leading roles in a process of renovation of their respective structures and of a gradual incorporation of the technological advances of the era.

Society

towards the financial sector, which thus expanded its possibilities for promoting new business activities. Also, emigrants who were unable to find jobs in Spain

If the process of industrialization was lagging behind in comparison to other European countries, an observer of the reality of Spain would have perceived a similar



Madrid was one of the two Spanish cities with more than 500,000 inhabitants in the first decade of the past century, and one-third of the major fortunes of the era resided in the capital city. The photos reflect the start of the construction work on the Gran Vía, viewed from Plaza del Callao.

Approved six years earlier, the project was designed to decongest the main square of Puerta del Sol, re-established the connection between the neighborhoods of Arguelles and Salamanca and linked the railway stations of Príncipe Pío and Atocha.



situation with respect to society itself. The Spanish mortality rate was higher than that of other European nations. It was 29 per 1,000 inhabitants, while in Western Europe this figure was 18 per 1,000, without Spain's higher birth rate being able to compensate for the difference.

Another considerable divergence between Spanish society and Western Europe stemmed from the illiteracy rate. In 1900, 63% of the Spanish population did not know how to read or write, while in France this figure was only 24%. Secondary education was reserved for a minimum portion of the population. It was not until 1887 when the State assumed powers over the secondary education centers. Even so, the number of students totaled around 29,000 in 1876 and fourteen years later did not exceed 32,000, at the beginning of the new century.

In Spain during the reign of Alfonso XIII (1902-1931), the upper class was made up by the owners of large landholdings, whether aristocrats or not, members of the industrial or business bourgeoisie and senior public officials or professionals, normally associated with the political class. At the start of the reign of Alfonso XIII, the aristocracy included slightly less than 2,000 titles, assigned to an even small number of people. The aristocracy with the most distinguished lineages and greatest agrarian wealth belonged to the titles existing prior to the 19th century, however, in the course of the 20th century, the aristocracy had increased its ranks with the titles created by Isabel II (1833-1868), many of which were bestowed upon senior military staff or, in the monarchy of Amadeo de Saboya (1870-1873), to bankers and businessmen.

Madrid, one of the two cities with more than 500,000 inhabitants, was the place of residence of one-third of the major fortunes of the era and half of the aristocracy. However, it was not a city dominated by an aristocracy that vegetated in the enjoyment of the revenues from their agrarian properties. In the Senate, only one-third of its members had a title and half of these were recent.

Madrid was also the administrative capital and, as such, the center from which the major political decisions emanated. Two classes that had previously been associated with the traditional world now had bourgeois roots. In the last quarter of a century, only five of Spain's bishops were of noble extraction, and this characteristic disappeared almost completely with the turn of the century. The army had a high number of titles, thanks to the Carlist Wars, but with the passage of time had become an institution for which self-recruitment played a primary role.

Only one-tenth of the titles created in the Restoration were granted to Catalans. A personage as preeminent as Girona, of the Banco de Barcelona, was the son of a clockmaker. The López Bru's, who received the title of Marquis of Comillas, on account of their geographical origin, the Güell's and the Ferrer Vidal's were all, at least initially, associated with the trade with the former colonies (including the slave trade), later moving on to other areas of business.

The middle class in Spain at the turn of the century was made up by members of the liberal professions, bureaucrats and owners of medium-sized agricultural

and urban properties. It can be estimated that around 200,000 people were connected with the Administration or with the liberal professions at that time. The academic background of these sectors was essentially related to the legal profession. In Parliament, the number of lawyers was very high, approximately two-thirds.

Certainly, the most serious situation within the Spanish Administration arose in the case of the school teachers, who were still being paid by the local town councils and were often reduced to poverty due to their dependence on the political power in small villages and towns. For a more complete picture of the composition of the middle class, the clergy and

the army can be added to the previous sectors of society. The clergy numbered around 88,000, while the army was staffed by 27,000 officers.

Most likely, only 25% or 30% of the population comprised the middle class, using this expression in not very precise terms and including in it merchants and others with similar activities and, in general, what is usually understood as the lower middle class. The rest of the Spanish population would have been made up by farmers owning small farm units, farm laborers, industrial and services sector workers, household servants and others, a group that could account for 75% of the population.

In 1910, Barcelona was the second most-populated major city in Spain. The building to the right, on Las Ramblas, housed a cannon foundry in 1777, and in 1858 became the central office of the Banco de Barcelona. Two eras in the evolution of the city.



In 1900, the number of farm laborers was much higher than that of industrial workers, perhaps in a proportion of three to two. The workforce in industry did not go beyond 16%, while independent workers (tradesmen or craftsmen) accounted for around half. In reality, an industrial worker population as such only existed in Barcelona, comprised by about 100,000 people.

In Barcelona, the conditions of employment in the textile industry at the turn of the century were working days eleven hours long and a wage of three pesetas; in the Basque mines, the working days were eleven hours in summer and nine in winter. A farm laborer in Andalusia collected a wage that, at the most (in winter) was half of that of a worker in Barcelona and included one meal, however, in summer, wages could drop to only one-third of that figure. Solely on exceptional occasions, such as the harvest, these wages exceeded the normal level in the Catalan textile industry.

At the beginning of the century, the situation of women was practically isolated from the working world and from education. In 1900, there was only one woman university student and just forty on the secondary level in all of Spain. There was a female workforce in all of the cities of some size, but only in Barcelona were women workers of any significance, as they accounted for more than one-fourth of the labor employed in the textile sector and 15% of the total workforce in Barcelona.

Participation in the working world, however, did not signify equality with men, as women's wages were

between half and two-thirds of those paid to male workers. An awareness of the exclusion of women had barely begun to develop at the turn of the century, and it was only during the first decade of the 20th century that the first women labor leaders appeared: Teresa Claramunt, among the anarchists, and the socialist, Virginia González.

The ideologies

The intellectual generation of '98 bitterly criticized Spain's political reality, which one of its most outstanding members described as a system of "oligarchy and caciquism". This criticism had a serious basis in fact, but the treatment given to the issue by the politician and historian, Joaquín Costa, was often out of proportion and excessively purist. The Aragonese tribune used extremely harsh expressions, with a verbal violence justified as an instrument to mobilize the population against its unacceptable situation.

Expressions such as that quoted above had the drawback of presenting the Spanish reality as the result of the imposition of a minority or simply as an adulterated political system. The reality was exactly the opposite. With the passage of time, Ortega was to write that the system of "caciques", or despotic local political chieftains, was not the worst circumstance affecting Spain, but rather the fact that the Spanish people accepted them. Miguel de Unamuno, whose language on more than one occasion was similar to that of Costa, went so far as to say that the "cacique" system was not "an absolute evil but rather the only form of government possible".



Strikes, often violent, were frequent in Spain at the beginning of the 20th century, although the industrial workforce represented only 16% of the total. The photos show a strike by bricklayers in 1911 and a drawing of the 1903 espadrille makers' general strike in Elche (Alicante).



The rural “cacique” system left its mark on the life of the country overall, to the point that it has been said that caciquism was the necessary orthopedics imposed upon a rural country by an urban constitution. Very often, the industrial areas also needed a manager to handle their affairs with respect to the central government authorities, creating yet another kind of caciquism.

In any case, along general lines, Spain’s cities were islands of democratic and liberal behavior in the midst of an ocean that almost reflected the world of the Old Regime. In the cities, despite a high percentage of abstaining voters, political life was closer to the model normally understood as democratic conduct.

The political parties

If the elections were not quite the same as in a true liberal democratic regime, a similar situation prevailed in the political parties. Conservators and liberals took turns in holding power, but in reality were not very different. Insofar as their social composition, the Conservative Party had a higher percentage of aristocrats, while the Liberal Party had more intellectuals and journalists among its ranks.

With respect to the principles on which they based their courses of action, the differences were mere shades of meaning, and in the Conservative Party there were liberals who were more authentic than some who belonged to the opposite party.

In practice, both accepted the legislation passed by their adversary and, over the first years of the Restoration, they had arrived at an evident coincidence insofar as their political platforms. The conservatives accepted the liberal political reforms, while such reforms were far from translating into any kind of real change. In the economic terrain, both parties became protectionist.

As Gabriel Maura remarked, later in the 20th century, liberals and conservatives enabled the existence of peace and freedom versus what was termed the republican anarchy. Of course, this peace was -in the words of Ortega- “the peace of the dead”. The Restoration, with its own inertia, tended to put obstacles in the way of a transformation capable of modernizing Spanish society. Alongside the parties taking turns in government, there were other political forces capable of mobilizing the electorate. These were a Catholicism identified with the conservative positions and with a very traditional vision of society, and a left, predominantly republican. The mission of the parties during their turn in power was to neutralize such opposition (the liberals neutralized the republican forces, while the conservatives did the same with the Catholics), a mission they fulfilled to perfection.



FROM OBRASCÓN TO OHL
CHRONICLE OF A CENTURY
1911-2011

SOCIEDAD GENERAL DE OBRAS Y CONSTRUCCIONES

COMPANIA ANONIMA

Domiciliada en Bilbao constituida por escritura publica otorgada ante el notario de esta Villa D. Francisco de Santiago Mann en 5 de Mayo de 1911 modificada en virtud de escritura publica otorgada ante el mismo notario en 3 de Julio de 1912 y en Junta General Extraordinaria de 17 de Octubre de 1925

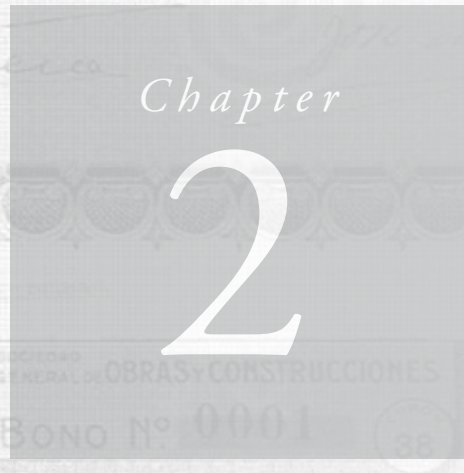
Capital Social: 3.000.000 de Pesetas

BONO DE FUNDACION
Nº 0001

Representado por 6000 acciones al portador de 500 pesetas nominales cada una.
La Sociedad General de Obras y Construcciones, reconoce al portador de este Bono de Fundacion, cuyos derechos y beneficios aparecen impresos en el mismo.

Bilbao 27 de Octubre de 1925

EL PRESIDENTE DEL CONSEJO DE ADMINISTRACION: *[Signature]*
EL VOCAL DEL CONSEJO: *[Signature]*



Obrascón, an international port construction company is born 1911-1929

On January 17, 1941, José de Uribasterra y Bernaola died at his home in Durango at the age of 83. On the following day, the Madrid newspaper ABC noted in his obituary that the deceased was the father-in-law of the Minister of Justice, that he had been awarded the Navy Cross of Merit and that up to that time had held the office of Deputy Chairman of the Board of Directors of the Ferrocarriles Vascongados railway, all of which was, without a doubt, true.

However, it omitted information of particular interest for the extended family working at Obrascón. Don José, as he was always called, had been a founding shareholder of this company. He was general manager during its first ten years of existence and, later, a member of the Board of Directors until his death. In the company he had won the affection of all, from the members of the Board through to the workers of the last of the projects underway.

The origins

Thirty years before this obituary was published, on May 15, 1911, together with his partner Pío Ezcurra Aspe, he had gone to the office of the Notary Public Francisco de Santiago y Marín in Bilbao for the purpose of incorporating a company under the name of Sociedad General de Obras y Construcciones, with an initial capital of 500,000 pesetas. He acted in his own name and as the verbally appointed agent of three financial institutions: the Banco de Bilbao, Banco de Vizcaya and Aldama y Compañía. Pío Ezcurra represented himself. Each of the five shareholders then subscribed 100,000 pesetas each.

The first Board of the Directors of the company was appointed in the additional provisions of the deed of incorporation and was comprised by José Luis Villabaso y Gorrita, the then general manager of the Banco de Bilbao; Enrique Ocharan y Rodríguez, general manager of the Banco de Vizcaya; Francisco Ussía y Cubas, Marquis of Aldama, owner, with his brother, the Count of Los Gaitanes, of Aldama y Compañía; José Joaquín de Ampuero y del Río, a director of the Banco de Bilbao and, finally, Julio de Arteche y Villabaso, who had been appointed a director of the Banco de Bilbao in 1903 at the age of 25 and was the nephew of the first of the Board members mentioned. From among all of the foregoing, José Luis Villabaso y Gorrita was elected as the first Chairman of the company, while the first Deputy Chairman was Enrique Ocharan y Rodríguez, and José Joaquín de Ampuero y del Río

was appointed as Secretary of the Board. With this cast of shareholders and directors, all prominent men of their era, the Sociedad General de Obras y Construcciones could not be born with better omens.

Probably José de Uribasterra fulfilled at that time his dream of heading a construction company with the financial backing necessary in order to grow and develop. Because he was a contractor; he had christened his company with his own name, José de Uribasterra y Cía, and was specialized in marine and port construction projects. He had two complete sets of dredging equipment, sharing ownership with a Dutch company, K.L. Kalis of Sliedrecht, as well as the machinery, fleet and elements necessary for the performance of major port projects.

José de Uribasterra y Cía was then completing the “Berthing Wharf and Access Areas in the Outer Harbor of the Estuary of Bilbao” project, which had been awarded to the company on June 14, 1907, with a contract budget of 6,785,536.59 pesetas. It involved a 640-meter-long dock, with 400 meters situated at a depth of nine meters at equinoctial low tide and the remaining 240 meters at a depth of 10 meters. Located on a line almost parallel to the western coast of the outer harbor, it projected out from the breakwater. In a ceremony held on September 6, 1907, the King and Queen laid the first block of the new dock, which was given the name of Queen Victoria Eugenia.

The financial partners of the recently created company had agreed with José de Uribasterra and Pío Ezcurra that these latter were to wind up the company created between them for the same corporate purpose as that of the Sociedad General de Obras y Construcciones, thereby devoting their professional activity to the new company on an exclusive basis and transferring to it all of the property, rights and shares of that private partnership.

Three days after its incorporation, the Sociedad General de Obras y Construcciones, using the acronym Obrascón, took part in its first auction:

The construction company was thus able to initiate its activity without the outlay of a single peseta by the shareholders, without any employees on the payroll and without a studies department, through the submission of a tender for a major construction project, although it did not win the contract in the end. A short time later, the company participated in the auction for the construction of the Tosas tunnel in Gerona, also unsuccessfully.

The first project

Success on the third try. The company's first contract was awarded in Portugal, in March



The "Alcántara Dock", Port of Lisbon, and the "Port of Santos West Wharf", also in the Portuguese capital, were the first contracts obtained by Obrascón. Awarded in March 1912 and completed in 1918 and 1915, respectively.

"Madrid Sewage System Construction Works". For this purpose, Aldama y Cía. made a cash deposit as the provisional bond in the amount of 379,000 pesetas in the Government Depository in the name of Obrascón. Aldama y Cía. was one of the shareholder banks that founded Obrascón, a fact underlining, once again, the advantage of having financial partners at the start of a corporate undertaking.

1912: "Alcántara and Santos Docks", in the Port of Lisbon, for the amount of 1,720,000,000 Reis, equivalent to 9,630,000 pesetas. The Banco de Bilbao provided the bonds, both the provisional as well as the final. The company's capital had not as yet been paid in, however, an indispensable investment was promptly made: a Spanish-Portuguese dictionary, at a cost

The “Berthing Wharf and Access Areas in the Outer Harbor of the Estuary of Bilbao” project was awarded on June 14, 1907 to Bilbao contractor José de Uribasterra, whose company of the same name was to be integrated into the Sociedad General de Obras y Construcciones, of which he was the principal promoter. This project is considered as one of the foundational construction projects of Obrascón. These views are of the Port of Bilbao between 1911 and 1912.



of seven pesetas, as shown in the company’s ledgers.

The second award occurred shortly thereafter. The final bond of 501,000 nominal pesetas was deposited on June 20 for the “Works for the

Termination of Sections 5, 2 and Part of 1 of Dock No. 1 in the Port of Cadiz”.

The negotiations among the founding shareholders of Obrascón advanced until a valued inventory had been made of the

properties and rights of the company, José Uribasterra y Cía., which were acquired by the Sociedad General de Obras y Construcciones, and the appraiser appointed was Ruperto de Mendiguren, manager of the Euskalduna shipyard. Once the appraisal was completed, the Board of Directors of the company met on June 26, 1912 and

FIRST CAPITAL INCREASE MADE BY OBRASCÓN		
Shareholders	No. Shares	%
José de Uribasterra	1,700	28.33
Pío Ezcurra	700	11.67
Total: builders	2,400	40.00
Banco de Bilbao	900	15.00
Banco de Vizcaya	900	15.00
Aldama y Cía.	900	15.00
Total: financial institutions	2,700	45.00
Bank directors and executives	900	15.00
TOTAL	6,000	100.00



This document certifying the payment of 100 pesetas to the Provincial Council of Vizcaya legalized 400 pages of minutes of Obrascón Board Meetings and General Meetings in 1929.

approved a number of resolutions, which can be summed up as follows:

1/ Increase of the share capital to three million pesetas, represented by 6,000 fully paid-in shares, the distribution of which is shown on the following table.

As the capital increase required the amendment of the company's bylaws, the Board took advantage of the occasion in order to introduce a few more changes. The 2,400 shares belonging to the builder shareholders were considered Class A, while the rest became Class B. This difference was due to the wish

to favor the former in the distribution of dividends. The position of deputy manager (Pío Ezcurra) was created, the position of the general manager (José de Uribasterra) was reinforced and the following clause was added to article 37: "In order to remove the incumbents holding the positions of general manager and deputy manager, a resolution must be passed by the General Meeting with the affirmative vote of a number of shareholders representing more than two-thirds of the total number of shares in circulation".

2/Acquisition of the goods of José de Uribasterra y Cía. listed on the detailed inventory, according

The founders bonds

The first Obrascón shares were issued at an Extraordinary General Meeting held on July 6, 1912. At the Meeting a capital increase from 500,000 to 3 million pesetas was approved. The founding shareholders were allocated 2,400 shares with a face value of 500 pesetas each, while the remaining 3,600 shares were distributed among the rest of the shareholders, comprised by financial institutions and executives.

The founding shareholders were granted Class A shares and the others, Class B. But, what was the difference between the two? According to article 39 of the Bylaws, the distribution of the profits would be made in the following manner:

1. A 6% annual interest would be distributed to all of the shares.
2. Of the rest, 25% would be attributed to the Class A shares and 75% to all of the shares of both series.

In this way, the Class A shares are benefitted, that is, the founding shareholders.

Later, at the Extraordinary General Meeting of October 17, 1925, the following amendments to the Bylaws were passed:

On the one hand, through article 5, and to offset the preferred treatment given by the Bylaws to the series A shares, 1,200 founders bonds were printed, without any designation of value, which would be handed over to the owners of such shares, at the rate of one for every two shares.

Moreover, an indication was incorporated into article 39 stating that, once the amounts for funding the reserves are established by the Board, “the rest shall be distributed among the shares and the bonds, with each of the latter being entitled to the same amount as that distributed to each share”.

That is, what changed was the nomenclature, as the series A and B disappeared from the shares and, in their place, the new concept of the founders bonds was introduced. The General Meeting decided to hand over one of these bonds for every 2 shares to all of the founding shareholders (Uribasterra and Ezcurra) or to the holders of the old series A shares.

to the appraisal by the expert appointed by the Board of Directors, in the amount of 1,217,425 pesetas. Transfer by the company, José de Uribasterra y Cía., “as from July 1 next” and at a price of 289,560 pesetas, of the following contracts: “Dredging of the Port of San Esteban de Pravia”, “Extraction of the Remains of Ships Found at the Mouth of the Nervión Estuary”

and “Dredging 50/50 with the Dutch Company K.L. Kalis”.

3/ “ Only the ore and scrap extracted up to July 1 next and the two contracts with the Works Board of the Port of Bilbao called “Berthing Wharf and Access Areas in the Outer Harbor” and “Removal of Rocks in the Bed of the Estuary”, which are near



An Extraordinary Shareholders' Meeting held in 1925 approved the replacement of the shares held by the founding shareholders that had been issued in 1912 by a new type of commercial document called founders bonds, the first copy of which is shown in the photograph above.



Invoice issued in 1920 by the company Tejera Mecánica de los Mimbres José de Uribasterra y Cía., owned by the founder of Obrascón.

completion and pending settlement, are excluded. The company shall authorize Messrs. Uribasterra and Ezcurra to use the elements necessary for the conclusion of the two contracts mentioned above, by means of the payment of 5% annually of the appraisal thereof, which, according to the inventory made, totals 122,840 pesetas.”

Following the approval of the foregoing resolutions by the Board at its meeting of June 26, José de Uribasterra and Pío Ezcurra acquired the commitment of exclusive dedication to Obrascón, starting on July 1, 1912, as general manager and

deputy manager, respectively. And, naturally, there was no time to lose: Obrascón had already secured two major port projects and work needed to commence and, at the same time, the company had to be given a structure and organization. Evidently, the components of its predecessor, José Uribasterra y Cía., were still available, whereby, in a very short amount of time, the delegates in Lisbon, Miguel Artola, and in Cadiz, Ignacio Bilbao, had been appointed and had taken up their positions.

The capital increase was paid in and recorded in the company’s ledgers, as had been agreed,

but one month later, specifically on the first of August, the Banco de Vizcaya transferred 500 of its 900 shares to executives and directors of the bank, in such a way that its stake in the share capital was reduced to 6.67%. Some time later, Enrique Ocharan tendered his resignation as director and Deputy Chairman and was replaced in both offices by Horacio Echevarrieta Maruri, a prominent Bilbao mining entrepreneur and a director of the Banco de Bilbao. The Banco de Vizcaya thus lost its representation on the Board of Directors of the Sociedad General de Obras y Construcciones.

The assets contributed by the construction firm, José de Uribasterra y Cía., had been grouped together for their appraisal, as set out on the table shown on this page.

Perhaps with these resources it would have been possible to undertake one of the two major projects awarded to Obrascón in Lisbon and Cadiz, but they were insufficient in order to meet both challenges at the same time. On July 3, 1912 the company commissioned Talleres Zorroza to make a steam boiler for the Abel tow boat and the shipyard Hijos de A. Cortadi y Cía. to build the first of four barges, the SGOC No. 1.

Uribasterra and Ezcurra then traveled to England and the Netherlands for the purpose of selecting and purchasing machinery. On August 8, they acquired the bucket dredger, “Germania”, and the tow boat “Cor IV” in Holland. The fleet was

rounded off with a towing vessel 19 meters in length, 4.8 in breadth, 2.15 in depth and with 170 HP, built by Euskalduna, and four new hopper barges from Hijos de A. Cortadi y Cía.

A 120-mt floating derrick was also ordered from Euskalduna; an electric portal crane from James Cameck & Sons; six 1,500-kg. electric cranes from

FOUNDING ASSETS OF OBRASCÓN CONTRIBUTED BY JOSÉ DE URIBASTERRA Y CÍA.	
Assets	Pesetas
Floating material	413,200
Dredging material	458,100
Fixed material	297,495
Furniture and office materials	1,130
Buildings	2,500
Stock piles	35,000
Block workshop	10,000
TOTAL	1,217,425

Alois Feire for the project in Lisbon; an unloading bridge from Juan Ducasse for the same project; a 130-mt Goliath bridge, a traveling platform and four three-mt steam cranes from Chavarri Petreman y Cía, and a concrete mixer for the concrete block yard from John Wilson & Co., of Birkenhead. A Decont-Lacour system steam pile-driver was also purchased, and two complete sets of compressed-air drilling equipment, with 10 hammers each.

For the haulage of materials from the quarry to the Port of Lisbon, 20,000 linear meters of rail, 4,000 fishplates and 8,000 fishplate screws were purchased

In the decade of the twenties, Spain was a country under construction. Alfonso XIII presides over the laying of the cornerstone of the Casa de la Prensa, in Madrid. Among those in attendance, Horacio Echevarrieta, a director of Obrascón and prominent businessman of the era. July 11, 1925.



from Villabaso y Landecho, in addition to 200 axles mounted for a one-meter track, with 500 mm-diameter wheels and 70 mm-diameter steel axles from Gortázar y Goyarrola. The electromechanical installation for the Port of Lisbon was commissioned to Siemens Schukert Werke.

By early August 1912, the Campolide quarry was already operating for the supply of materials to the

Port of Lisbon and in December of that same year, a six-hectare property called “Caserío de Osio”, in the town of San Fernando, was purchased at a cost of 30,000 pesetas, in order to open a quarry and meet the needs of the Port of Cadiz construction project.

The dredging at the Santos dock commenced with equipment from the association of Obrascón with

Kalis. In September 1912, the dredging operation moved 125,668.15 m³, valued at 172,794.53 pesetas. In December, the new recently purchased equipment was already in Lisbon: the dredger “Germania”, the hopper barges, the “Cor IV” tow boat and the barges SGOC 1, 2 and 3. The driving machines for the sheet piling were sent from Bilbao to Lisbon. Similarly, in Cadiz, by the end of 1912, the block yard and the operation of the quarry at San Fernando were underway.

The projects transferred by José de Uribasterra y Cía. continued to progress with the same equipment as they had been using previously. The dredging contracts were unique in that, besides representing an innovative case of operation in that era, they foreshadowed the present-day UTES (Temporary Joint Ventures). José de Uribasterra y Cía. was

associated with the Dutch company K.L. Kalis of Sliedrecht for all of the dredging work, in such a way that they shared the resources and expenses by halves and distributed the utilities between them in the same percentage. When Obrascón initiated its construction activity on July 1, 1912, the dredger “Grangemouth” was working at the Port of Lisbon and the “Seahound” at San Esteban de Pravia. These contracts appear in the accounts ledgers under the heading of “Work performed 50/50 with Kalis”.

However, the activity called “extraction of remains” was even more unique. It consisted of removing the metal remains of old shipwrecks from the bottom of the estuary of Bilbao, with divers, dynamite and a steam derrick on a pontoon. The products extracted were classified as iron, copper, lead and metal and were sold to a scrap dealer at agreed prices.

FIRST PAYROLL PAYMENTS AT OBRASCÓN JULY 16, 1912	
General Expenses	Pesetas
Office Boy Francisco Martín:	
First ten days of July	32.50
Telegrams and office expenses	16.50
Cost of works	
Bilbao repair shop. Wages for the first ten days of July	880.70
Extraction of remains	
Wages for the first ten days of July	1,154.25
For wine for the workers	36.40
For dynamite	224.00
Dredging shared 50/50 with Kalis	
Paid to the captain and engineer officer of the dredger Grangemouth	
Wages for the second week of July	71.00
SUM	2,415.35

From mule trains to work trains

The use of draft animals for the haulage of materials for construction work, routine in Spain at the end of the 19th century, lasted well into the decade of the sixties in the 20th century. Long lines of burros or mules, with their esparto grass baskets, guided by their drivers, were used in hauling soil from the digging of basements and foundations, from earth moving, in the collection and transport of sand or rounded material from stream beds or gravel pits to the stock pile areas or work locations.

These were tasks normally contracted with mule drivers who were known for not being particularly meticulous in their accounts, for which reason, old-fashioned but sure systems of control were used. Early in the morning, the mule driver and foreman in charge of receiving the material would meet and choose a green stick of sufficient length cutting it lengthwise into two halves. Each would keep one-half in their possession. At the end of each trip, a check was made to ensure that the number of animals was still the same and that the baskets were reasonably full. The two sides of the stick were joined together, and a notch was made with a knife across both halves. At the end of the day, the notches had to coincide on both halves in number and position and, then, there was no room for argument as to the number of trips made.

The haulage of volumes of all kinds over great distances was resolved with the invention and development of the railway, although, depending on the size of the construction project, the mule teams continued to coexist with the new system. The use of tracks and wagons as transportation elements appeared in the 19th century with the railway and continues today. It is used in some cases due to its simplicity, effectiveness and economy over short distances and routes with scant inclines. With the use of hoppers or sloping beds and dumpers, time and effort are saved in loading and unloading operations, whenever the objective is to lose height.

Obrascón was alert to this competitive advantage and opted for the railway in its first contract for the Port of Lisbon, where it used this means of transport for hauling stones of different sizes from the Campolide quarry to the worksite. For the construction work at the Port of Cadiz, the company purchased a quarry in San Fernando that supplied materials for many years thanks to the work train installed for this purpose. However, the most outstanding work train used by Obrascón, considering the distance involved, was the 45-kilometer line for the transport and supply of materials from the quarry to the Rota Naval Base, a project performed by Coviles in 1953.

The Obrascón senior managers, from the time of the foundation of the company, were able to verify the advantages of the so-called work trains through the use made of them by the Americans when they decided to take on the completion of the Panama Canal, which had been the ruin and discredit of Ferdinand De Lesseps.

The first payroll payments made to the personnel of Obrascón appeared in an entry in the accounting daybook, in the terms shown on the table on page 39.

With a favorable wind and full speed ahead

The year 1913 was prodigious in awards of contracts, concentrated in the locations where Obrascón was already working. The final bond of 320,000 pesetas to guarantee performance of the “General Dredging Works for Dock 1 and Access Canal” at the Port of Cadiz was deposited in March. A bond in the amount of 228,500 pesetas was deposited in July for the “Extension of the San Felipe Wharf”, also at the Port of Cadiz. Finally, in September, the company obtained the award of the contract for the “Replacement of the Breakwater Protection Blocks, Reinforcement of the Breakwater Rubble and Protection Wall of Las Arenas and La Mojijonera of the Port of Bilbao”.

Four shots and three hits. The only target missed, the bid submitted but not successful, was the “Dredging of the Port of Valencia”.

At the end of 1913, equipment commenced operation in the activity termed “Dredging 50/50 with Kalis”, at the Port of Cadiz. It was comprised by the dredger Moret, a tow boat and four hopper barges. The ship “Celta” arrived with 176 mt of cement for this project in August of the same year, and construction of the blocks thus commenced. At the Port of Cadiz, work that year was concentrated in the block yard, the operation of the quarry, the hopper barges, the concrete in bags in foundation trenches, the repair shop and the warehouse.

In Bilbao, the activity of the block yard commenced in October 1913. The sand needed was towed from Santurce, and the stone was purchased at the rate of four pesetas/m³. An 18,533.32-m² parcel of land adjacent to the Axpe dock was also purchased, at a



This tow boat “Obrascón No. 1”, built at the Euskalduna shipyard, was among Obrascón’s first marine construction tools.

cost of 375,000 pesetas, with two barracks and a variety of materials already on site.

At the Port of Lisbon, the main activities that year were the sheet piling of Alcántara, the dredging of the Santos dock, the placement of rubble at that dock and the operation of the Campolide quarry. The company, Caminhos de Ferro Portugueses, assisted in the transportation of the stone and rubble up to the worksite. In addition, a machine shop was set up on site for the maintenance and repair of the machinery. In September, a shipment of cement from England for the work arrived at the Port of Lisbon.

Entries in the accounts kept in Lisbon referring to April 1913 can provide an idea of the level of salaries in the construction sector during those years: delegate, 250 pesetas; accountant, 187.50 pesetas and draftsman, 200 pesetas.

Obrascón's general manager and deputy manager were not on the payroll. They collected fees: specifically, 2,500 pesetas per month between the two. As the Social Security system did not exist at that time, the difference between their pay cannot be determined.

The occupational accidents occurring in those years were unusually frequent from the perspective of today. Scarcely a week went by without an incident, fortunately of minor importance. In November 1913, the worker, Manuel Guisasola, received compensation in the amount of 145 pesetas,

equivalent to 13% of his annual wage, for the full disability of one of his little fingers.

In 1913, the year following the actual commencement of operations, Obrascón earned money. The profit for the year amounted to 161,006.60 pesetas. In 1914, the result was also positive, with 109,294.45 pesetas. In both financial years, 90,000 pesetas, equivalent to 3% of the share capital, were paid as dividends, reserves and provisions were funded and the compensation of the directors determined in the Bylaws was also paid.

The Great War

The First World War broke out on August 3, 1914. The German army crossed the border between Germany and Belgium. Its strategy consisted of attacking France on its flank, thereby avoiding the French defenses along the French-German border. Four years of ruin, disasters and catastrophes followed.

Spain remained neutral, although it was affected by the conflagration. There were even sectors that benefitted from an increase in their exports to the countries at war. This was not the case with the construction sector, in general, or with Obrascón, in particular. On the contrary, the prices of constructions materials, coal and transportation increased significantly.

Portugal, however, became a warring country with the immediate consequence of the

The First World War, with a significant impact on the Spanish economy, began on August 3, 1914. The event that caused the outbreak of the War was the assassination of the Archduke of Austria and his wife in Sarajevo, in June of that same year.



devaluation of its currency. As the projects for the Alcántara and Santos docks represented a large part of Obrascón's backlog and the repatriation of the money collected for the work performed there would have involved enormous exchange rate losses, the company decided to keep the funds in Portugal, invested in its foreign debt bonds, awaiting better times, but with a significant impairment of its cash and cash equivalent status.

At the Port of Lisbon, during the month of September 1915, the construction of the walls for the Alcántara dock had to be suspended due to the failed supply of lime of Teil, following the breach of contract by the Lafarge cement plant, which needed its entire production in France for defense works. A proposal was made to the company

Esploração do Porto to replace the French cement with Spanish cement, paying the difference in cost, and was accepted. Nevertheless, the mobilization of the country's youth by the Portuguese army made it necessary to delay the work, and the provisional acceptance did not take place until August 4, 1917.

In 1915, the Works Board of the Port of Cadiz encountered difficulties in meeting payments. Despite authorization for issuing a twelve-million-peseta bond loan, progress in the work was slowed down as a precaution. In 1916, the price of some materials tripled and others were impossible to find, making it necessary to suspend dredging in the second half of the year.

In addition, construction activity became a ruinous business on account of the high price of coal. The

The inheritance of the Count of Guadalhorce

The so-called Civil Government of the Dictatorship of Primo de Rivera commenced on December 3, 1925. The portfolio of Public Works was assigned to Rafael Benjumea Burín, a Seville civil engineer, who held this office up to the beginning of 1930.

Just a few days after his appointment as Minister, on December 25, 1925, he signed a decree for the creation of the Directorate General for Railways and Tramways. The radial railways from Madrid to Galicia through Zamora,



*Rafael Benjumea Burín,
Count of Guadalhorce.*

to Irún through Burgos, to the French/Navarra border via Soria, to the Portuguese border through Plasencia, to Valencia via Cuenca and to Andalusia through Extremadura, among others, were included in the "Urgent Construction Plan", pursuant to the Decree-Law of March 5, 1926. In those four years, the railway network was significantly expanded, and the process of the nationalization of the railway companies advanced considerably.

On February 9, 1926, Minister Benjumea signed the decree for the creation of the Special Pavements Circuit. The road network, which up to the 19th century had been used by horses and other pack animals, wagons, stage coaches and carriages, had become basically unusable with the invention and rapid development of the automobile. It was necessary and urgent to eradicate the uncomfortable and dangerous clouds of dust, by providing better road foundations and better layouts. The Special Pavements Circuit equipped Spain with around 6,000 kilometers of roads, ranking among the best in Europe at that time.

This same Minister also furthered the creation of the Hydrographic Authorities and their relevant bodies, for organizing the comprehensive use of the water resources of all of the river basins (both for the production of energy and irrigation purposes as well as for mining, industrial, social and other uses)

The Ebro River Hydrographic Authority was the first to be organized, as the Ebro was the country's largest river by volume of water and its basin covered one-seventh of the nation's territory. This Authority was followed by others. The Guadalquivir River Hydrographic Authority was established on September 11, 1927 and, later, the Segura River, Duero River and West Pyrenees Authorities. In the case of the Duero, the harnessing of its energy was highly significant, and an agreement was entered into with Portugal for the joint exploitation of the river's resources.

The company Saltos del Duero was created as a consequence of this international agreement and managed the project for the construction of the Esla River Dam. This project was financed by the two major Basque banks and was supervised by the engineer, José Orbegoza, with the assistance of Vicente Morales, of Obrascón, and Pío Ezcurra, who by that time had left Orbascón and performed this task through the company Puertos y Pantanos S.A.



The prestige of the Sociedad General de Obras y Construcciones in marine works provided it with major contracts, such as the Port of Santander. Below, the construction of the sea wall of the Port of La Luz in Las Palmas de Gran Canaria, projects completed by Sato in the last years of the decade of the twenties.



dredger “Tavira” was converted into a cargo vessel in order to ensure, as far as possible, the transport of the materials needed for the continuity of the construction work, as in the case of cement, coal and the like. It was also decided to sell materials that were stockpiled and not yet needed, which had increased in value considerably, with a view to reducing the company’s borrowings and offset, in

part, the immobilization of funds in Lisbon. With this last objective in mind, but also for improving the balance sheet, a number of floating and fixed equipment elements were sold in 1917 and 1918, mainly in Lisbon.

On March 31, 1918, a Royal Decree recognized compensation for those public works tendered

by the Government prior to August 1914, on account of the unstoppable price rises affecting construction materials: cement, iron, timber, coal, among other, consisting of the payment of the difference between the prices stipulated in the contracts and the purchase prices, increased by 10%. Two additional Royal Decrees, dated August 26 and September 26, 1918, were necessary in order to clarify the earlier Decree of March 31, the interpretation of which differed significantly between the Administration and the contractors. The new Decrees extended the price

revision to all kinds of materials and to the costs of labor.

The construction of the San Felipe sea wall in Cadiz, the general dredging, the dock for small vessels and the fillings of the wharves were practically completed by 1918. Only minor accessory works and the crest of the wharves were still pending. And the works for the termination of sections 5, 2 and part of 1, all on dock no. 1 at the Port of Cadiz, were not provisionally accepted until August 1920.



1913 was prodigal in winning contracts, such as the awards of the construction of dock 1 of the Reina Victoria wharf at the Port of Cadiz, whose construction and completion are reflected in the photos. It was formally dedicated in 1920.

The first cars with gasoline took to the roads in the twenties, as shown in this 1925 photo of a gasoline station, an image maintained until very recent times.



Although the work for the replacement of blocks at the Port of Bilbao had practically finalized in 1916, two successive expansions of the concrete block surface extended the duration of the work up to 1920. A reformed design expanded the surface, first by 23,546.50 m³ and, later, by 990 m³.

During those years, only three projects were contracted. The Ministry of the Navy awarded the project, “Widening of the Passage between docks at the Arsenal of El Ferrol” on April 29, 1915, for a net amount of 1,182,085.85 pesetas; on June 22 of that same year, the company obtained the contract for the “dock for berthing small craft at the Port of Cadiz”, for the amount of 296,742.44 pesetas and, two years later, in 1917, in association with another contractor, the “Clearing of Rock Surface in the Estuary of Bilbao”, with an award budget of 1,919,803.91 pesetas, where Obrascón participated with 20%. These were not major works, but in uncertain times, it was best to be cautious.

In 1916 and 1917, the results for the year showed a loss. However, as soon as 1918, a 273,554.36-peseta profit was obtained, with 262,541.21 pesetas in 1919, enabling the distribution of 180,000 pesetas in a 6% dividend in both financial years, in addition to paying the directors’ compensation and funding provisions.

The Happy Twenties

The twenties can be described as the prodigious decade for the construction sector, in general, and for the Sociedad General de Obras y Construcciones, in particular. The company's profits increased from 8.73% on the share capital in 1920 to 16.72% in 1929, and the dividends, from 8% to 14.40% in the same period. So significant an improvement was not at all predictable in 1919. The Ordinary General Shareholders' Meeting of April 29, 1920, in view of the completion of the projects in Cadiz, Lisbon and Bilbao and without new contracts awarded, unanimously decided as follows:

1. To remove from office the current Deputy Manager, Pío Ezcurra, and not to fill the vacancy for the time being.

The headquarters of the Directorate General for Health in Madrid. The health administration has remained in this building for decades. It was the first project by Huarte in Madrid, awarded in the twenties.

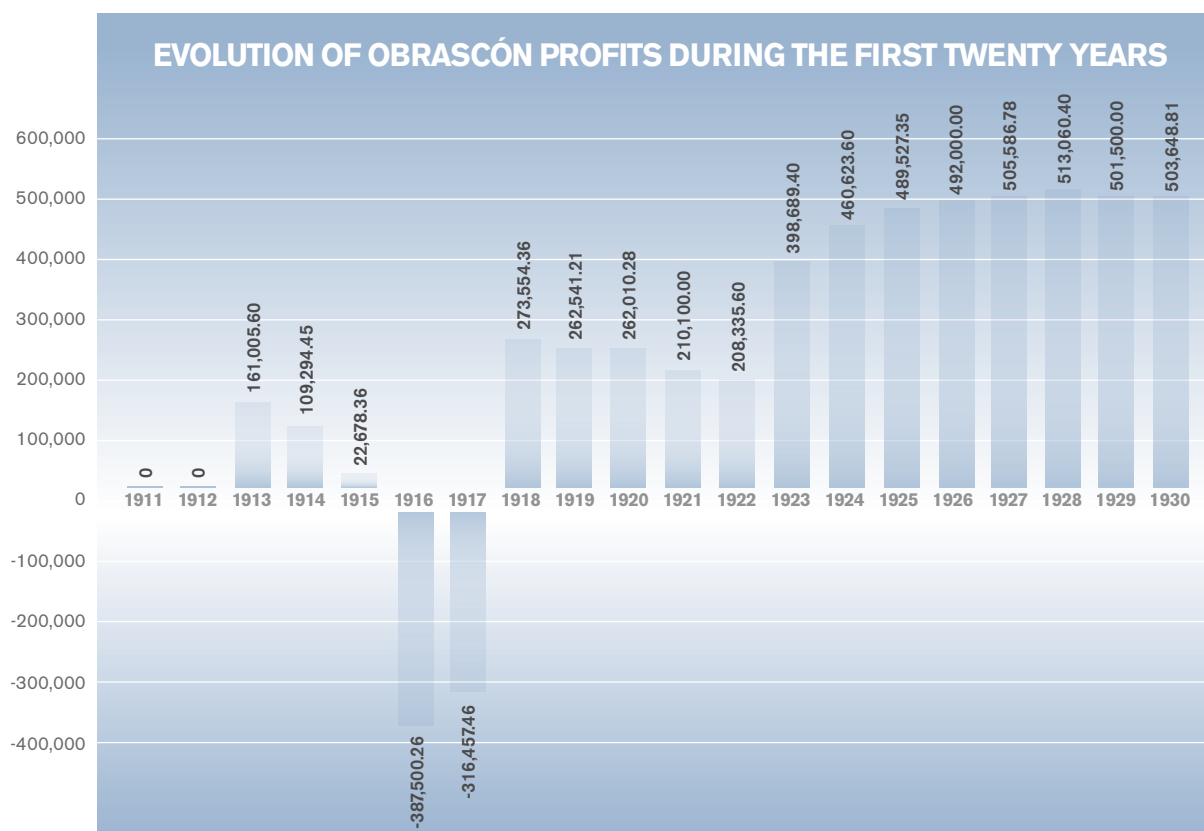


2. To authorize the Board to accept, whenever it may deem appropriate, the resignation tendered by the current General Manager, José de Uribasterra.
3. To entrust the Board with the dismissal of the personnel it considers necessary, for the moment, in order to economize.

The Chairman of the company, José Luis de Villabaso, had died on July 26, 1919 and had been replaced by José Joaquín de Ampuero y del Río, whose vacancy on the Board of Directors was filled by Tomás Ortiz de Solórzano. This appointment was ratified at the General Meeting held in April 1920.

Somewhat later, Horacio Echevarrieta tendered his resignation from his positions with the company. The Board ended up accepting the resignation at a meeting, during which it elected the director, Julio de Arteche, as the new Deputy Chairman. Vicente Morales Infante was appointed as the new General Manager to replace José de Uribasterra.

Precisely on the same date when the 1921 General Meeting was held, Obrascón was awarded the first contract of the new decade, the "wharves, landing stages and related services for the La Graña naval base" in El Ferrol, for the Ministry of the Navy. The company had submitted a tender in 1917 in the amount of 2,744,140.47 pesetas, but the call for tenders had been cancelled in order to introduce changes in the design, and a fresh proposal was submitted



in 1919. After Obrascón accepted the changes in the design, the contract was finally awarded on April 16, 1921, for 4,403,620.40 pesetas. The deed was signed on July 28, although work was not able to commence until December 13 and only on those units that were not subject to further changes. This is an example of how laborious contracting was at the start of the twenties.

Shortly thereafter everything changed, and a multitude of projects were contracted and performed in the course of those happy years. Main customers included the ports of El Ferrol, Vigo, Cadiz, Corunna, Santander, Bilbao, Bermeo and Ondarroa, the Ministry of the Navy, the Provincial Council of Vizcaya, the

Sociedad Española de Construcción Naval, Construcciones Aeronáuticas, the Canal de Isabel II, Altos Hornos de Vizcaya, the Compañía Anónima Basconia, Saltos del Duero and MZOV.

Obrascón was born as a port construction company, but was also active during the twenties in building roads, dams, railways, canals, industrial constructions, foundations and reinforced concrete structures.

Outstanding works of the decade performed by the company included the El Arenal and Transatlantic wharves in Vigo, the Transatlantic Wharf in Corunna, the graving dock in Cadiz, the new reinforced concrete wharves in Santander, the

Esla dam, a number of sections of the Puebla de Sanabria-Orense-Santiago railway line, including twenty tunnels and the viaduct over the Ulla River, the new Isabel II Canal and the new lamination workshop of the Compañía Anónima Basconia, among others.

With the Esla dam, Obrascón debuted in this difficult area of specialization of hydraulic works. And thanks to three great figures, who joined forces in this effort, the result was a complete success from the most important points of view: quality, completion on time and economy. José Orbeago y Gorostegui, civil engineer, was the author of the design and general manager of Saltos del Duero. Vicente Morales Infante, mining

engineer, was the general manager of Obrascón, one of the companies awarded the contract, and Pío Ezcurra Aspe, experienced contractor –who had demonstrated his expertise in the start-up of the Sociedad General de Obras y Construcciones, together with José de Uribasterra y Bernaola, by getting the major port construction projects in Lisbon and Cadiz underway, among many other projects- and who was at that time the manager of Puertos y Pantanos S.A., the other successful bidder. These companies were controlled, respectively, by the Banco de Bilbao and the Banco Guipuzcoano, both significant shareholders in Saltos del Duero.

The Esla dam or Ricobayo waterfall is on the lower course of the Esla River, at a distance of less

EVOLUTION OF OBRASCÓN'S SHARE CAPITAL DURING THE COMPANY'S FIRST YEAR

Shareholders	Deed Incorporation			As per accounting			Increase 07/06/1912			Capital at 07/06/1912			Capital at 08/01/1912		
	Shr.	Pts.	%	Shr.	Pts.	%	Shr.	Pts.	%	Shr.	Pts.	%	Shr.	Pts.	%
1. Banco de Bilbao	200	100.000	20	200	100.000	20	700	350.000	14	900	450.000	15.00	900	450.000	15.00
2. Banco de Vizcaya	200	100.000	20	200	100.000	20	700	350.000	14	900	450.000	15.00	400	200.000	6.67
3. Aldama y Cia	200	100.000	20	200	100.000	20	700	350.000	14	900	450.000	15.00	900	450.000	15.00
4. José de Uribasterra Bernaola	200	100.000	20				1700	850.000	34	1.700	850.000	28.33	1.700	850.000	28.33
5. Pío Ezcurra Aspe	200	100.000	20				700	350.000	14	700	350.000	11.67	700	350.000	11.67
6. José Uribasterra y Cia				300	150.000	30	-300	-150.000	-6	0	0	0.00	0	0	0.00
7. Julio Hernández (BB)				10	5.000	1	40	20.000	1	50	25.000	0.83	50	25.000	0.83
8. Julio Arteche (BB)				10	5.000	1	90	45.000	2	100	50.000	1.67	100	50.000	1.67
9. Eulogio Girault (BB y BC)				10	5.000	1	40	20.000	1	50	25.000	0.83	50	25.000	0.83
10. Enrique Zárate (BB y BC)				10	5.000	1	40	20.000	1	50	25.000	0.83	50	25.000	0.83
11. José Escudero (BB y BC)				10	5.000	1	40	20.000	1	50	25.000	0.83	50	25.000	0.83
12. Juan Astigarraga (BB y BC)				10	5.000	1	40	20.000	1	50	25.000	0.83	50	25.000	0.83
13. Francisco Arteche (BB y BC)				10	5.000	1	40	20.000	1	50	25.000	0.83	50	25.000	0.83
14. Victor Chavarri (BB y BC)				10	5.000	1	40	20.000	1	50	25.000	0.83	50	25.000	0.83
15. Pedro Chalbaud (BB y BC)				10	5.000	1	40	20.000	1	50	25.000	0.83	50	25.000	0.83
16. José Luis de Villabaso (DG.BB)				10	5.000	1	90	45.000	2	100	50.000	1.67	100	50.000	1.67
17. José J. de Ampuero (BB y BC)							100	50.000	2	100	50.000	1.67	100	50.000	1.67
18. Marqués de Aldama (BA)							100	50.000	2	100	50.000	1.67	100	50.000	1.67
19. Enrique Ocharan (DG.BV)							100	50.000	2	100	50.000	1.67	100	50.000	1.67
20. Pedro Mac Mahón (BV)													70	35.000	1.17
21. José M. Basterra (BV)													70	35.000	1.17
22. Pedro Orue (BV)													50	25.000	0.83
23. Julio Eguskiza													25	12.500	0.42
24. Tomás Urquijo (BV)													70	35.000	1.17
25. Pedro Alaiz													70	35.000	1.17
26. Dámaso Escauriaza (BV)													70	35.000	1.17
27. José Camiña													25	12.500	0.42
28. Alaiz y Elejalde													50	25.000	0.83
TOTALS	1,000	500,000	100	1,000	500,000	100	5,000	2,500,000	100	6,000	3,000,000	100.00	6,000	3,000,000	100.00

than one kilometer from Ricobayo de Alba in the province of Zamora. The dam is located at the Arribes del Duero, a deep canyon formed by the river, with differences of level on the order of 400 meters. It is a concrete hydroelectric gravity dam, 99 meters in height and measuring 270 along its crest. The reservoir has a capacity for 1,200 cubic hectometers and a surface area of 5,855 hectares. With the Ricobayo waterfall, a source of energy was created five times greater than the national consumption at that time. The construction work began in June 1929, and the supply of electric power commenced on January 4, 1935, servicing Bilbao as its first market.

The construction plan for the dam estimated one year of preparatory work and three years of construction, central spillway and accessory works. The preparation included the diversion of the river water, the setting-up of the camp site, access roads and the erection of important auxiliary structures and installations. The diversion of the water was solved by means of two galleries 300 and 340 meters in length, each with a 20-meter cross-section, and a concrete cofferdam with a maximum height of 17 meters and length of 60 meters along the crest.

The camp included comfortable, hygienic living quarters and all that was necessary to make life on the worksite tolerable. The access roads were constructed, foundations were excavated and the brickwork of the auxiliary structures and the telephone lines between the various worksites were completed.



Construction starting in 1929 of the Ricobayo Dam, one of the most important in Spain up to that time, built to regulate the flow of the Esla River and supply electricity to the north of Spain.



The stage that included the construction of the dam, the central spillway and the electric power plant required around 400,000 cubic meters of concrete, for which reason the completion date of the project was established on the basis of the output of this unit of work. The granite quarry was located 500 meters from the dam, close to the downstream end of the spillway. The electric excavator-loaders and the escape tracks of the railway that connected the quarry with the primary crushing station operated on the front esplanade. The clinker was transported from the

Zamora railway station to the worksite over a distance of 24 kilometers in dump trucks.

The laying of the concrete on site was solved by means of crane cables on fixed head frames anchored on the sides above the level of the crest of the dam and distribution bridges formed by vats and conveyor belts. Two identical crane cable installations were assembled, each with 26 meters of breadth of action, enabling them to cover 52 meters in width of the dam.

Outstanding among the rest of the installations was the production and distribution of electricity, thanks to four power generating sets with 960

HP each, coupled to alternators that generated 3,000-volt three phase current.

The site installations were completed with the water supply, taken from the river, and, following its elevation to the general tanks, the water was distributed to the machine shop, the carpentry workshop, the warehouses and the camp facilities, including hospital, store, church, street market, schools, laundry facility, fire hydrants, gymnasium, showers, barber shop and entertainment room. The site management also took charge of the postal, telegraph and telephone service, postal money orders and savings bank.

OBRASCÓN'S MOST SIGNIFICANT FIGURES BETWEEN 1911 AND 1930

Year	Capital	Result	% Res./Cap.	Distribution of Result					% Div./Cap.
				Dividend	Reserve F.	Provision F.	Board	Surplus	
1911	500,000								
1912	3,000,000								
1913	3,000,000	161,005.60	5.37	90,000.00	8,050.28	50,000.00	8,050.28	4,905.04	3.00
1914	3,000,000	109,294.45	3.64	90,000.00	5,464.72	0.00	5,464.72	8,365.01	3.00
1915	3,000,000	22,678.36	0.76	0.00	0.00	0.00	0.00	22,678.36	0.00
1916	3,000,000	-387,500.26	-12.92	0.00	0.00	0.00	0.00	-387,500.26	0.00
1917	3,000,000	-316,457.46	-10.55	0.00	0.00	0.00	0.00	-316,457.46	0.00
1918	3,000,000	273,554.36	9.12	180,000.00	13,677.71	50,000.00	13,677.71	16,198.94	6.00
1919	3,000,000	262,541.21	8.75	180,000.00	13,127.06	50,000.00	13,127.06	6,287.09	6.00
1920	3,000,000	262,010.28	8.73	180,000.00	13,100.51	50,000.00	13,100.51	5,809.26	6.00
1921	3,000,000	210,100.00	7.00	180,000.00	10,505.00	5,000.00	10,505.00	4,090.00	6.00
1922	3,000,000	208,335.60	6.94	180,000.00	10,416.78	5,000.00	10,416.78	2,502.06	6.00
1923	3,000,000	398,689.40	13.29	323,455.11	19,934.47	25,000.00	19,934.47	10,365.35	10.78
1924	3,000,000	460,623.60	15.35	401,140.31	23,031.18	10,000.00	23,031.18	3,420.93	13.37
1925	3,000,000	489,527.35	16.32	432,000.00	24,476.36	5,000.00	24,476.36	3,574.63	14.40
1926	3,000,000	492,000.00	16.40	432,000.00	24,600.00	5,000.00	24,600.00	5,800.00	14.40
1927	3,000,000	505,586.78	16.85	432,000.00	25,279.35	5,000.00	25,279.35	18,028.08	14.40
1928	3,000,000	513,060.40	17.10	432,000.00	25,653.02	5,000.00	25,653.02	24,754.36	14.40
1929	3,000,000	501,500.00	16.72	432,000.00	25,075.00	5,000.00	25,075.00	14,350.00	14.40
1930	3,000,000	503,648.81	16.79	432,000.00	25,182.44	5,000.00	25,182.44	16,283.93	14.40



FROM OBRASCÓN TO OHL
CHRONICLE OF A CENTURY
1911-2011





Chapter

3

The long tunnel of the thirties and the autarky 1930-1950

The decade of the twenties, the happy twenties so enthusiastically celebrated internationally, ended badly and gave rise to the hungry thirties. It was as if an imperturbable law of compensation would have determined that ten good years had to be offset by ten bad years. That is, the inevitable cycles of the economy. The Wall Street stock market crashed on October 24, 1929, victim of a financial bubble that propagated itself like one of The Fates announcing



The Wall Street stock market crashed on October 24, 1929. Scenes of panic dominated the streets surrounding the New York building during the days following "Black Tuesday".

ruin. People in the United States lost as much money on the stock market as the entire country had spent on the First World War. A paradox of history, considering that the Great War, a time of horror occurring far from American territory, had led to the happy twenties.

In Spain, the happiness of the decade only lasted until 1927, the year in which the popularity of General Primo de Rivera ran out and, with it, his dictatorial regime, boosted by the tailwind of economic expansion and so prodigious in public works. Between that year, a witness to twenty-five years of Alfonso XIII on the throne, and 1930, the nation acted as if the dictatorial regime had been a mere parenthesis with no real change in the oligarchic politics of the Restoration. The royal identification with the dictatorship thrust sectors of the middle class into the arms of republicanism and, at the same time, fomented a growing popular effervescence as a testimony to the social and political change that was taking place in Spanish society, so badly treated by the “cacique” establishment.

On February 11, 1929, Primo de Rivera sought the signature of the King on a decree dissolving the Artillery branch of the armed services. Alfonso XIII resisted, but finally signed the decree on the 18th. The General felt strong enough to continue to head the Government while still counting on the support of the Army. In January 1930, he

surveyed the captains general in this regard. The majority of the answers were lacking in enthusiasm. On Tuesday, January 28, 1930, Miguel Primo de Rivero submitted his resignation and that of his Government to the King. The General exiled himself to France immediately, the same country that was to provide refuge to the King himself when banished from the country one year later, an historic event that the dictator was never to witness. He died in Paris one month after his departure from Spain, victim of an illness.

The “Soft” Dictatorship

Following the stepping-down of Primo de Rivera, General Dámaso Berenguer, the head of the King’s Military Household, was entrusted with forming a Government. The new Ministers swore loyalty to the Constitution of 1876, the university professors expelled returned to their positions, new town and provincial councils were constituted and the issue of the members of the Artillery Branch was settled through an amnesty⁽¹⁾. There was a need to quickly eliminate all vestiges of the Primo de Rivera dictatorship.

In 1929 the decline in the exchange rate of the peseta was uncontrollable as a consequence of Spain’s high trade deficit, the exports of capital, a reduction in the remittances by Spanish emigrants, a poor harvest and the onset of the world crisis, whose starting bell was the famous New York stock market crash of ’29.

⁽¹⁾ A number of generals in the Artillery Branch had led an insurrection by several artillery units, and General Primo de Rivera settled the conflict by dissolving the Branch on February 18, 1929.

The guidelines set by Manuel Argüelles, the new Finance Minister, included a considerable contraction in investment. This had an immediate impact on the construction sector by excluding from the National Budget all of the new contracting of infrastructures and public works. Only the hydraulic and railway projects already contracted were able to continue, and instructions were given to avoid all new construction without the approval of the future Parliament.

These measures affected Obrascón on three fronts: the freezing of new awards; restrictions in the allocations for the works in Cadiz, Vigo and the Galician Railway and delay in settling the progress payments for the new Isabel II Canal in Madrid. Despite these measures, the company ended a reasonably good financial year. Fortunately, it had commenced 1930 with a sufficient backlog for keeping its staffing establishment occupied, together with the fleet, the machinery and the facilities. To avoid cash problems, the pace of the works was adjusted to the collections of the progress payments as far as possible.

The only new project during that year was awarded by a private customer: Altos Hornos de Vizcaya, which needed a new coke oven bank, a tar tank and an ammonia water coolant. In addition, the construction of the seawall at the Port of Bermeo and the foundation and mountings for six liquid fuel tanks at the San Fernando Naval Base (Cadiz) were completed and provisionally accepted.

The Esla Dam stood out among the construction works in progress during 1930, after having been initiated the previous year by Obrascón and Puertos

y Pantanos S.A., the latter founded in 1927 by Pío Ezcurra, one of Obrascón's "founding fathers". The company had commenced its operations for Saltos del Duero, with the river diversion tunnels, the building of the workers' quarters and the excavation of the dam. A significant detail was the visit to the site by King Alfonso XIII on October 20, 1930.

The launching of the first of the 14 reinforced-concrete caissons used for the construction of the "Graving Dock", a project carried out at the Port of Cadiz in association with Hidrocivil, the company owned by José Eugenio Ribera, took place on November 17, 1929. This project attracted significant attention at that time. With a weight of 3,200 tons, it was the largest caisson of this kind in the world used up to that date.



Transatlantic wharves in Vigo, in 1940, built by Obrascón between 1927 and 1937.



The dredging work for filling operations had been initiated at the El Arenal wharf in the Port of Vigo during the summer of 1929. When the budget for the payment of the construction was exhausted in 1930, the pace of the performance of the work had to be slowed down. And this same reason was behind the hold put on the dredging and block placement work for the Transatlantic Wharf at the same port. There was better luck and fewer worries with respect to payment collections for the wharf's counterpart at the Port of Corunna, whereby the manufacture and placement of blocks could be intensified there. These wharves, 18 meters in height, continue to rank among the largest in Europe built with coursed blocks.

The first 200 fully terminated linear meters of the reinforced-concrete wharves, in the service area of the

Port of Santander, were handed over and were used for berthing maneuvers during that same year. Problems arose with the prefabricated reinforced concrete piles, on failing to achieve the set⁽²⁾ with the length stipulated in the design, which meant that remedial action would be needed, involving a considerable increase in the budget.

In 1929 Obrascón was awarded two sections of very significant volume on the Puebla de Sanabria-Orense-Santiago railway: the section from Santiago to Silleda, with a budget of 31 million pesetas, and from Villavieja to Ventas de la Teresa, in the amount of 18 million pesetas. The layout ran through an area of very complicated terrain, with around twenty tunnels and a number of viaducts, including one over the

Driving of prefabricated concrete piles at the Port of Santander, a project performed by Obrascón in 1930.



⁽²⁾ According to the NTE, the set of a prefabricated pile is defined as the length of penetration of the pile obtained in three consecutive series of 10 blows.

Ulla River, covering a distance of approximately forty kilometers, which required a laborious preliminary preparation of the roads for providing access to the

worksites and for the installation of electric power lines. The meager amounts allocated to the budget items for these works and the reasonable doubt as to

Dumpers pushed by workers for the transport of material were a routine resource in construction work during the thirties.



Workers in an Obrascón quarry in the forties.



their continuity recommended caution when it came time to undertake major investments.

In March 1930, Obrascón's Board of Directors decided to close the delegation in Lisbon, after almost 20 years in Portugal, once the last payments had been collected and faced with a bleak outlook for fresh contracts on the other side of the border. Obrascón thus left behind the first city where it had won a contract following its incorporation.

The economic results for the year totaled 503,648.81 pesetas, that is, 16.8% with respect to the share capital that continued, after 18 years, at the amount of three million pesetas, reflecting the satisfactory progress of the company.

The Second Republic

A meeting was held in August 1930 in San Sebastián among the various anti-monarchical options: the various republican currents and representatives of republican Catalan nationalism and Galician nationalism. Indalecio Prieto represented socialism. From that time onward, there was a shadow Republican Government in place, which met at the Ateneo de Madrid and was headed by Niceto Alcalá Zamora.

On November 15, 1930, José Ortega y Gasset published his famous article "The Berenguer Error", which concluded with the well-known statement by the philosopher: "Delenda est Monarchia".

The general had not made a mistake: it was his appointment, in itself, that was an error.

Naturally, the most serious conflict was represented by the republican and revolutionary position of a faction of the Army. On December 12, 1930, the Infantry Captain Fermín Galán, recently released from prison through an amnesty, decided to rise up in arms in Jaca, making a move in advance of the plans of the Republican leaders, and was easily subdued by the loyal forces. Events occurred in quick succession. From the early hours of the 14th, the majority of the members of the revolutionary committee were taken prisoner, and the Government stopped the coup that was being prepared in Cuatro Vientos (Madrid), which included the participation of Ramón Franco and Ignacio Hidalgo de Cisneros, the uncle of another Ignacio Hidalgo de Cisneros who, almost 60 years later, became Chairman number 13 of Obrascón.

The paradox of the situation is that this Republican disaster turned into a victory. And a regime that had not fallen through violence was destined to collapse four months later in the ballot box, after the Republican cause had been legitimated in municipal elections.

In the municipal elections of April 12, 1931, the weight of Madrid and of the major cities, where the Republican-Socialist-Catalan Nationalist coalition predominated, was to be decisive. "Will there be a crisis?", journalists asked the last Prime Minister of the Monarchy, the Navy Captain General Juan Bautista Aznar, on the morning following election

day. “What more of a crisis do you want than that of a people who go to bed under a Monarchy and wake up Republican?”, was the Admiral’s response.

In the morning of the 14th of April, Alfonso XIII went to El Escorial to pray before the tomb of Queen Cristina. Afterwards, the last cabinet meeting of the Monarchy was held. Romanones tried to arrange a truce with Alcalá Zamora, but the former Minister of Alfonso XIII was inflexible: the King had to leave Madrid before sundown.

The decade of progress and uninterrupted growth of the twenties suddenly ended with the New York stock market crash in 1929, with devastating effects on the U.S. economy. During the months that

followed the onset of the stock market crisis, more than 700 banks disappeared, although in the course of the thirties it is estimated that in the United States alone, 9,000 banking institutions closed their doors.

Meanwhile, in Europe, the more industrialized countries, such as Great Britain and Germany, suffered the impact of the “Great Depression” more intensely. Nevertheless, Spain was not excluded from its effects. Here, the influence of the crisis had less of an impact because the country had a lower level of industrialization. As was logical, the Spanish stock exchange was enormously affected and dropped from an index of 100 in 1930 to 53 in 1933. The iron and steel industry in our country and trade also suffered the effects of the crisis, particularly the exports based



The military pronouncement of Captain Fermín Galán and Lieutenant García Hernández was known as the revolt of Jaca, the location where it took place. The revolt was quashed by forces loyal to the Government.

on fruit and vegetable products and iron ore. And as a true reflection of that situation, Altos Hornos de Vizcaya reduced its workforce by 25%.

The wheat harvests of those years were exceptionally good, but problems of overproduction occurred, intensified by an unfortunate importation of grain in 1932, which gave rise to a price collapse. The solution applied by the Finance Ministry was a contraction in public expenditure, moving away from the Keynesian theories of the times, with the result of higher unemployment, affecting most directly the iron and steel and cement industries, the construction sector and, as mentioned earlier, exports.

In 1933, the working days lost as the consequence of strikes were calculated at more than 14.5 million, in comparison to the figure of 250,000 in 1926, during

the Dictatorship. This exacerbated wave of conflicts occurred despite a significant increase in salaries, ranging between 20% and 30%. Most likely the exaggerated tension reached in the thirties was due to the lengthy previous period of unsatisfied claims and the expectation that, with the Republic, these would be met immediately.

The uprising in Asturias in 1934 and the general strike that swept through Spain that same year finally undermined the battered Spanish economy and paved the way for the radicalization of the attitudes of the “isms” of Spain –communism, socialism and fascism-, generating irreconcilable positions that led to the bloody Civil War two years later.

In this context it is easy to understand that Obrascón contracted few projects during the

Second Republic. They were so few in number that we can even mention all of them here. In 1931 the following were undertaken: the expansion of the upgrade works for facilitating navigation through the estuary of the Guadalete River in Cadiz and the draw-bridge over the Nervión River in Bilbao. This last project was performed in conjunction with the Sociedad Española de Construcciones Babcock & Wilcox, which erected the metal structure, and with Euskalduna, a ship



Brigades of workers in the construction of the Urdaniz Dam in Navarra, during the thirties.



During the Civil War, the Spanish road network was strongly affected by the military activity. This deficiency gave impetus to the growth of Asfaltos y Construcciones, Elsan, an outstanding specialist in asphalt. One-half century later this company was to become a part of Obrascón.



building and repair company, responsible for the mechanical elements. In 1932, the works on the south jetty were awarded for the protection of the entry into the graving dock and the Santurce dock,

in the outer harbor of Bilbao. These projects were followed in 1935 by the award of the extension of the San Felipe seawall (section 1) and the East jetty (section 1), both in the Port of Cadiz.

The Cadiz graving dock

An international call for tenders was launched in 1926 for the design and construction of a graving dock at the Port of Cadiz, for ships of up to 235 m. in length, 32 m. in breadth and with a draft of 9.3 m., on terrain with a composition of one layer of silt over another of marl. The disparity of the solutions proposed led the Minister for Development to invite the five participants to a new call for proposals, submitting all of the projects to three fixed hypotheses: full, partial and no uplift pressure.

The contract was awarded to the Banco de Bilbao, representing Obrascón and Hidrocivil. The design was signed by the Chairman of Hidrocivil, José Eugenio Ribera, professor at the Advanced Civil Engineering School, who introduced reinforced concrete into Spain and was the first general contractor of public works in Spain, and by Vicente Morales, mining engineer, general manager of Obrascón and with extensive knowledge and experience in marine and port works. An engineer from Hidrocivil, a student of Ribera named Eduardo Torroja, took charge of the design calculations. José Entrecanales provided significant assistance during the performance of the project.

THE FIVE TENDERS PROPOSED

	Full	Partial	No uplift
Banco de Bilbao	19,091,091	12,993,315	8,717,778
Sager Woerner	21,691,801	18,547,450	16,611,191
Don Pio Ezcurra	22,107,349	20,209,236	16,777,853
Siemens Nauunion	24,664,458	19,898,431	17,852,151

The dock was comprised by 14 floatable caissons with bottoms, in reinforced concrete with the 'U' shape of all of the docks and lightened interiorly by a system of seven rectangular cells that passed from one wall to the other through the bottom. These cells

were affixed to the slabs or walls by means of robust brackets, sufficient for obtaining the rigidity of the structure.

Laterally the caissons had two four-meter heels along their entire length that served to support the embankment acting on them and to balance, with their own weight and that of the dock itself, the thrust of the uplift pressure.

The caissons would be built in a slipway at half tide and would float by simply evacuating the water from inside the cells, sufficing later, for anchorage, to fill four of the seven cells comprising each caisson with water. Once the caissons were anchored, they would be emptied by filling the cells successively with coarse cyclopean concrete, which would thus complete the dock.

And, finally, in 1936, the closure of the El Arenal wharf in the Port of Vigo, the reinforcement, repair and painting of the Iron wharf in that same port and the Guixar dock in El Ferrol.

(1931), the El Pardo Experiments Canal (1932) in Madrid, the road between San Carlos and El Arsenal de la Carraca in Cadiz (1933) and the new Isabel II Canal in Madrid (1934).

Other projects completed and accepted between 1931 and 1936 included the Maliaño dock in the Port of Santander (1931), the dumping of rubble at the Mojijonera de Las Arenas in the Port of Bilbao

The strong industrial unrest of the era was the cause of continuous and extended strikes, particularly in the north (Galicia, Asturias, Santander and Vizcaya).

The lack of allocations for the payment of some of



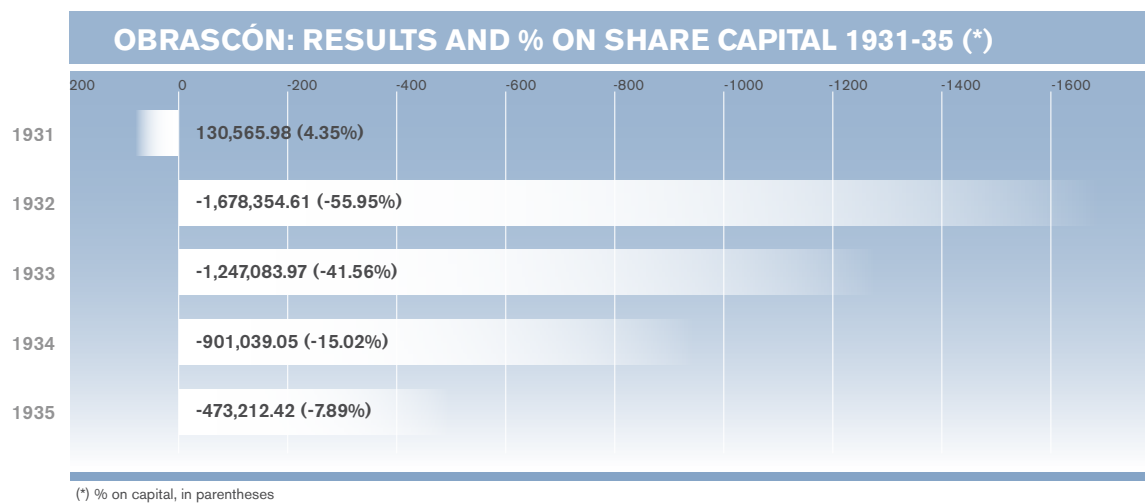
At the end of the twenties, Obrascón undertook a number of large-scale projects, such as the Nuestra Señora del Rosario dry dock at the Port of Cadiz. The launch, in 1929, of the first of the 13 caissons of the dock was a technological milestone. It was the largest built in the world up to that time, weighing 3,200 tons.



In the final stages of the twenties and the early thirties, a large number projects were undertaken for several Spanish ports.

the major projects, with the ensuing stoppage of the work, necessarily affected the company's statement of income. An example of this is the graph shown below, reflecting the results obtained in the first five

years of the depressed decade, spanning the period of the "Soft" Dictatorship and the Second Republic, both in absolute values as well as in terms of the percentage on share capital.



The uprising in Asturias in 1934 and the general strike of the same year throughout Spain undermined the battered Spanish economy, generating irreconcilable positions that two years later led to the bloody Civil War. In Madrid, a long line waiting to buy bread during the general strike.

In order to remedy the company's difficult situation and to try to ensure its continuity, the Extraordinary General Shareholders' Meeting of July 12, 1934 approved a resolution to undertake a capital restructuring. First, the share capital was reduced by 90%, recognizing a loss of 2.7 million pesetas and changing the face value of the 6,000 existing shares from 500 to 50 pesetas each. The capital was then increased up to six million nominal pesetas, by issuing another 114,000 shares at 50 pesetas each and forming, between the old and the new shares, a single series numbered from 1 to 120,000.

The Banco de Bilbao guaranteed the success of the increase, by undertaking to purchase all of the new shares that the rest of the shareholders might not take up—all

of them if necessary—, paying them up through an equal amount in credits. In fact, that Bilbao financial institution went from holding 15% of the capital to 97%.

Evidently, this solution could not guarantee a change in the direction of the subsequent results of the company for as long as the country continued stagnated by the economic crisis, strikes were stopping progress in construction work for months on end, inflation was rendering even the best adjusted contracts a disaster and delays in meeting progress payments had become routine. With so critical a situation, poor results, as reflected on the graph shown on the preceding page, turned out to be inevitable in the following two years despite the restructuring.



The Banco de Bilbao was the principal shareholder of Obrascón from 1934 to 1973. The photo taken in the forties shows the façade of the bank's central office in Madrid, until its relocation to its current building on Paseo de la Castellana, built by Obrascón.



These two photographs show the construction of the Ribena de Areal wharf in Vigo. Above, a side view and, below, the tracks and pavement: both were works performed by Obrascón in the thirties.



These years of the first half thirties were years of loss for the Board of Obrascón. In addition to the assassination of Marcelino Oreja, secretary of the Board of Directors (see details on the following page), there were other deaths due to natural causes. Francisco de Ussía y Cubas, Marquis of Aldama, died on July 8, 1931. He had been a founding shareholder of the company and a member of the Board of Directors since it was first formed on May 15, 1911. Two new members, Evencio Cortina and Ricardo Gondra y Lazurtegui, were elected by the Board of Directors on August 8, 1931.

Seven months later, José Joaquín de Ampuero y del Río died on January 7, 1932. He had served as the Chairman of the Board since 1916 up to the time of his death. The vacancy on the Board was occupied by his son, José María de Ampuero y Gandarias, one month later. That same meeting of the Board appointed Julio de Arteche y Villabaso as Chairman and Evencio Cortina as Deputy Chairman. The latter appointment was very brief, due to his death shortly thereafter.

The Civil War

The last Board of Directors meeting of the company, prior to the outbreak of the Civil War, was held on April 25, 1936. The meeting proceeded as usual and the routine matters of the running of the business were discussed, with the labor unrest as an important point on the agenda.

Enrique Idoyaga, the Managing Director, reported on how the general strike in the construction sector

had affected Bilbao and on the decision to be handed down by the Mayor of Bilbao as the mediator in the conflict. Another subject discussed focused on the issues raised with respect to the construction work in Cadiz by the CNT, representing steel workers and maritime personnel, together with the employment instability at the San Fernando quarry.

In view of the situation of social unrest, the Board also decided to take out accident insurance with the insurer L'Union to cover its engineers, foremen and paymasters that included, among the various risks covered, the risks of aggression, attacks or



April 25, 1936: Minutes of the last meeting of the Board of Directors of the Sociedad de Obras y Construcciones prior to the outbreak of the Civil War. Concern regarding labor conflicts is already evident.

Assassination of the Secretary of the Board



Marcelino Oreja Elósegui, Secretary of the Obrascón Board, was assassinated during the 1934 Revolution in Mondragón.

In 1934 and 1935, the climate of violence created in Spain by the “isms”, impacted directly on many companies, and Obrascón was no exception. On October 5, 1934, in the context of the short-lived Socialist Republic of Mondragón, where the local revolutionary committee took over this town in Guipúzcoa, except for the Civil Guard barracks, in a Bolshevik-inspired revolution, Marcelino Oreja Elósegui, a brilliant, young civil engineer who headed the company, Unión Cerrajera de Mondragón (UCEM), and had been the secretary of the Obrascón Board of Directors since July 1929, was assassinated.

Dagoberto Resusta, provincial deputy and a director of UCEM was also executed with him, while Ricardo Azcoaga, the company’s head of administration, managed to save his life and alert the Army which finally subdued the revolt a few hours later, although too late for Marcelino Oreja and Dagoberto Resusta.

Marcelino Oreja Elósegui was also a deputy. His last attendance at an Obrascón Board meeting had been on July 16, 1934, three months before his death. His son, Marcelino Oreja Aguirre, is a well-known jurist, politician

and academic and Spanish diplomat, who was Minister for Foreign Affairs in the second Government of the monarchy, Secretary General of the Council of Europe and a European Commissioner.

violent actions in the case of strikes, uprisings or revolutionary events.

The general manager, Vicente Morales, reported on the talks held in Madrid at a meeting of public works contractors on the claims put forward by seamen, with a view to introducing them in relation to all categories of vessels, including the machinery for the construction of ports, although these activities had little to do with those of navigation.

In the strictly business environment of the company, the Board approved participation in the auctions of projects at the ports of Vigo (Guixar dock), Aldán and Cariño, and withdrew from the Espesante call

for tenders, in the province of Pontevedra, in the first instance, and in Corunna, in the other two. Instructions were also given to undertake studies of the projects announced for section 2 of the shore wharf in the Port of El Ferrol and for the Blasco Ibáñez reservoir in Valencia. Likewise, the Board was informed of the talks held by the manager with the director of the Port of Cadiz on the installations that needed to be set up for the dewatering of the “Graving Dock”.

At the same Board meeting, on the proposal of José de Aresti, Ricardo de Gondra y Lazúrtegui was appointed as Deputy Chairman of the company, filling the vacancy caused by the death of Evencio Cortina.

At the outbreak of the Civil War, Álava and Navarra were within the so-called “Nationalist zone”, while Guipúzcoa and Vizcaya remained within the Republican zone. On March 31, 1937, the troops led by General Mola initiated the north campaign and, from the end of April, the Basque army began to fall back. With the Francoist army at the gates of Bilbao, the Basque Government decided to evacuate the Vizcaya capital and blow up the bridges over the estuary, to delay the enemy advance. Fortunately, further destruction to the city and Basque industry was avoided. Bilbao fell on the 19th of June and, by the end of the

month, the entire territory of the Basque Country was under Franco’s control and the Nationalist battalions had withdrawn towards Santander. The Basque Government negotiated the surrender of its forces with the Italians through the Pact of Santoña.

Little more than one year after its last meeting, the Board of Directors of Obrascón resumed its sessions. The directors were called to a meeting at the company’s registered office on August 4, 1937, chaired by Julio de Arteche and attended by the directors Gondra, Idoyaga, Aresti and Uribasterra,



In August 1937, following the occupation of Bilbao by the Nationalist troops, Obrascón resumed the meetings of its Board of Directors. The minutes record the first of the sessions, held on August 4, 1937.

the former director Ortiz de Solórzano, who rejoined the Board, the engineer-delegate in Galicia, Carlos Anabitarte, and the general manager, Vicente Morales, who acted as secretary.

The Chairman informed the Board that, on the occasion of the liberation of Bilbao by “the glorious Nationalist Army”, telegrams of congratulations and gratitude had been sent to General Franco and to Generals Dávila and



During the Civil War, a number of construction companies were contracted for works on the front and in the rearguard. The bomb shelters on the left were built by Elsan.

Solchaga. The texts were read at the meeting, and the general manager reported on the replies of appreciation received in response to the telegrams sent.

The Deputy Chairman, Ricardo de Gondra, reported that, during this time, the Management Committee had met regularly in the terms of the Bylaws, and the resolutions adopted were summarized in the relevant minutes. The Board approved the running of the company's affairs by the Committee during that period, together with the minutes mentioned.

A resolution was also passed to invite the employees to seek their reinstatement through a questionnaire drawn up for this purpose, without prejudice to the personnel readmission requests ordered by the military authority.

The general manager informed the Board of the meetings held by the local Bilbao public works contractors for the construction of the bridges destroyed by the Republican army, and it was agreed to participate in the calls for tenders, distributing the work in line with the resources and capabilities of each for undertaking the various projects. The proposals were submitted to the Town Council and, at the suggestion of one of the municipal managers, the profits obtained from the work were assigned to the Council. The general manager also noted that, in the distribution of the work, it had been agreed that the La Merced Bridge would be built by Obrascón, in conjunction with Arregui Constructores.

The Board considered the resolutions reasonable, particularly in view of the period from which the



In 1937, Obrascón's Board of Directors decided to take part in the call for tenders by the Town Council of Bilbao for the construction of the General Sanjurjo Bridge, to replace the La Merced Bridge destroyed during the war.

company had just emerged, and approved them. In addition, it agreed to take part in the call for tenders for the General Sanjurjo (formerly La Merced) bridge, launched by the Town Council of Bilbao.

The mining engineer and Obrascón's general manager, Vicente Morales, was entrusted with the execution of this agreement. Carlos Anabitarte prepared an exhaustive report on the progress of the work at the delegations in Cadiz, Corunna, Ferrol, Santiago and Vigo, between the date when the Nationalist Army rose up in arms and June 30, 1937.

Little by little, the worksites and delegations of the company found themselves in Nationalist

territory, a circumstance that favored the recovery, with significant effort, of the business activity. A handful of projects were contracted between 1937 and 1939, despite the continuing hostilities. Already in 1937, the company was involved in the reconstruction of the General Sanjurjo Bridge in Bilbao. The following year, in 1938, projects were undertaken at the Puntales Airport in Cadiz, in addition to three underground tanks, with a total capacity of 600 cubic meters, for the storage of olive oil for Jabonera Bilbaína. The provisional Burceña Bridge over the Cadagua River was repaired, for the Public Works Office of Vizcaya, and a new workshop was built for the Compañía Anónima Basconia.



Following the end of the Civil War, the church and residence of the Capuchin Friars was built in Pamplona in 1939.

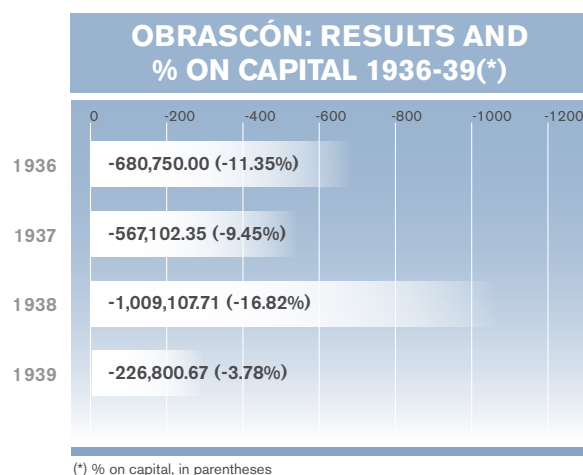
In 1939, Obrascón also obtained the contract for the reinforced concrete structure of the La Conchita yarn factory in Sodupe (Vizcaya) and the earth works (100,000 m³) for the Carlos Haya airport worksite in Sondica. In addition to these awards, two other relevant projects were completed and accepted during the same period, that is, the upgrading of navigation in the estuary of the Guadalete River at Puerto de Santa María, the fishing dock in the Port of Cadiz and the Transatlantic Wharf in the Port of Vigo, all in 1937.

Despite the effort by the Board and the managers to maintain business as usual, the economic results of the ill-fated years of the Civil War were, once again, negative, as shown in the graph to the right.

The failure of the autarky

Protectionism in Spain comes from far back in time. The first protective tariff dates from 1846, and those introduced in 1892 and 1906 accentuated this tendency. In the course of the following thirty years, that is, up to the 1936 uprising, Spain's economic policy was always characterized by its extreme protectionism, regardless of the nature of the Governments succeeding each other in power.

Starting from the Great Depression in the thirties, the world had set out to defend its domestic markets by means of a range of protective expedients. The autarky model was practiced by the German National Socialists successfully: GDP growth and full employment prior to the start of the Second World War. At that time, it



was logical for the Spanish Government to copy the economic model of two successful countries, Germany and Italy, who had also supported the Nationalist Army during the Civil War.

Faithful to this idea, Franco manifested his conviction that “Spain is a privileged country that should suffice by itself”. Self-sufficiency was his answer to the “ills” of economic liberalism, whereby he imposed the policy of a closed economy and government intervention, setting as his objective the development of a genuinely Spanish industry that would forestall a process of foreign colonization.

This model had worked in Germany and Italy, countries much more developed than Spain, with an industrial fabric and scientific institutions ranking among the most advanced in the world. The case of Spain was very different: a nation impoverished in the wake of the Civil War and much less developed.

The consequences of the Civil War itself stand out among the main causes of the failure of the first Francoist economic policy. It is calculated that between those who



Scenes of the autarky: waiting in line for rations, a car with a gas wood generator and black-marketing, represented by women selling cigarettes and asparagus on the street.



were killed in the war and in its aftermath, and those who died from hunger and disease, there was a total of 500,000 deaths. In addition, there was a massive forced emigration, estimated at around 300,000 people, and approximately 260,000 imprisonments in 1940, which considerably reduced the workforce indispensable for the necessary recovery of the country, which was also unable to count on the support of the international community, as the Second World War had just begun. The economic and human drama and the social rift that occurred in a country torn apart between the victors and vanquished must not be overlooked.

In addition, the political positioning of the new regime in favor of the Axis during the Second World War, although maintaining the country's neutrality, consequently earned international rejection at the end of the War in Europe, as the position of Spain was considered to be in the orbit of the so-called fascist countries.

Spain, on emerging from the Civil War, had an interventionist, authoritarian and arbitrary system, an internal market with a scant and undiscerning demand faced with a supply lacking infrastructures, with serious financial limitations, a technological capacity highly dependent on foreign sources and, finally, with production factors suffering from serious gaps in training and human capital.

The economic policy proved to be ineffective and completely aloof from market conditions. The GDP values that had been reached in 1929 (the maximum prior to the war) were not surpassed until 1951 in

absolute terms and, in per capita terms, not until four years later. During the entire decade of the forties, there was a strong inflationary process, due to the financing of the deficit with resources from the Bank of Spain and issues of pledgeable public debt. The price index of 100 in 1939 was as high as 405 in 1951.

Added to this scenario was the control of prices by law, which gave rise to a black market. The introduction of the ration card, a system that lasted no less than twelve years, did not prevent the flourishing of black market dealings, the only method families had in order to obtain basic foodstuffs, even though at exorbitant prices that few could afford. With the distribution of food provided by the ration cards, it was almost impossible to survive. The Spaniards of the era grew up on the basis of protein-deficient diets. And this was the plight of the most fortunate, because a large part of the population suffered real famine which, together with the lack of a minimally advanced healthcare system, caused a high number of deaths in the post-war years.

The scarcity of energy resources was another significant negative factor starting in 1944, as there were electric power outages for several hours daily, as well as coal and oil restrictions, all of which, once again, affected the health of the most disadvantaged groups.

The start of reconstruction

The National Institute of Colonization was created in October 1939 with the mission of purchasing land, transforming it and establishing settlers on it. The objective was to recover the agricultural system in

order to produce enough food to feed the population as in the past. Nevertheless, the pace of settlement was very slow in the beginning: around 1,500 people per year during the period between 1939 and 1951.

The deficiencies in agricultural production during this decade were attributed to the destruction caused by the Civil War and to the “unrelenting draught”. However, it appears that the most decisive factor in the poor harvests was the lack of investment, which did not surpass 4% of the GDP figure, as the Government’s effort was focused almost exclusively on closed-economy industrialization. Some of the industrial projects designed became very well known on account of the outlandish ideas behind them. Perhaps one of the most frequently repeated examples would be the extraction of crude oil from bituminous shale, sponsored by the National Institute of Industry (INI). Created in September 1941 by means of a foundational decree inspired by the Italian Istituto per la Ricostruzione Industriale (IRI), its most important project initially was the Empresa Nacional Calvo Sotelo, a state-owned company created for producing fuel from bituminous shale, the results of which were disastrous: after seven years of effort, not a single barrel of oil was obtained.

The greatest success was achieved in the production of electricity by means of low-quality coal for the thermoelectric industry (Endesa and Enher), although it was insufficient to meet the demand. In 1940, Spain had consumed one million tons of petroleum, however, given its sympathies towards the Axis, it was beleaguered by restrictions in supply

by the Allies, whereby in 1942, the country only received one-third of that amount. Once again, vehicles powered by animal traction were back on the streets and the gas wood generators appeared. Between 1945 and 1949, the supply of electricity was 30% below the demand, when the usual situation in past years was a supply of 10% below.

Spain’s industrial production increased at the rate of only 0.6% annually during the period between 1935 and 1950, compared to 2.7% for the same period in Europe. It was not until 1950 that Spain was to recover the levels of industrial production of 1930.

In 1938, while the war was still going on, the Burgos Government organized the National Devastated Regions Service, which later became a Directorate General. On September 23, 1939, Franco issued the National Reconstruction decree which was applied in more than 180 localities that had sustained damages during the war over more than 75% of their extension. This was the case with Brunete, Belchite or Guernica, among other very well-known cities and towns.

It is estimated that in the decade of the forties, around 225,000 peoples arrived in Madrid in the hope of rebuilding their lives, creating unsolvable problems in the housing sector and pushing rental prices up. During that post-war stage, even trenches and bunkers were used as slum settlements. The construction boom gave rise to increasingly higher prices for cement and other materials, making it necessary to pass laws against speculation and dishonest business dealings.



In 1945, Huarte built one of the most traditional of Madrid churches: Santa María de la Cabeza.

In 1943, the jails were still full of prisoners. According to official reports, there were 112,755 inmates during that year, but these numbers did not include those confined in concentration and work camps or in the fortification and punishment battalions.

From the very first moment of the proclamation of the end of the war, the ideologues of the regime established a connection between repression and the reconstruction of the country. For this purpose, battalions of workers drawn from prisons and militarized penal colonies were organized, with prisoners selected on the basis of their skills and

specialization and assigned to public projects, undertaken by the Government or by private companies. The reduction of prison sentences through work was the other major support sustaining the repression. The prisoners obtained two days of sentence reduction for each day worked, a daily wage of 4.50 pesetas and three meals a day.

In 1941 alone, 1,600 projects were undertaken for the repair and upgrading of road surfaces and the reconstruction of 180 factories. In April of the same year the bridge over the Ebro River in Tortosa was opened to traffic and was the first where electric

welding was used. Other projects included the bridges over the Jarama River in Madrid and the Guadalquivir in Seville; the bridge over the Betanzos estuary in Corunna; another bridge over the Besós River and, finally, the reconstruction of the Segovia Viaduct in Madrid. The work on the Viella tunnel commenced and was to serve as a new connection with France. And in April 1943, Franco presided over the opening ceremony of the Esla River viaduct in Zamora.

Funds were also allocated for the completion of a number of hydraulic works in progress and in the design stage, such as the Rosarito and Cíjara dams in Extremadura. Also during that era, the construction of the largest reservoir in Spain, the Cenajo lake, was

initiated in Albacete. It was the first of a long series. In September 1941, the Cuerda del Pozo (Upper Duero) reservoir was inaugurated in Vinuesa, a project initiated in 1931 and abandoned with the onset of the Civil War. In October of that same year, another three artificial lakes were finalized: Arlanzón (Burgos), Camporredondo (Palencia) and Águeda (Salamanca). These were followed by the San Bartolomé (Zaragoza) reservoir in June 1942. However, the most ambitious hydraulic project, conceived in the early forties, was that of the Entrepeñas and Buendía lakes, completed between 1956 and 1957 in the province of Guadalajara.

It is in this context that construction companies were founded in Spain with a specialization in



Reconstruction work in the post-war era. In the photograph, reforestation in the gardens of the West Park.

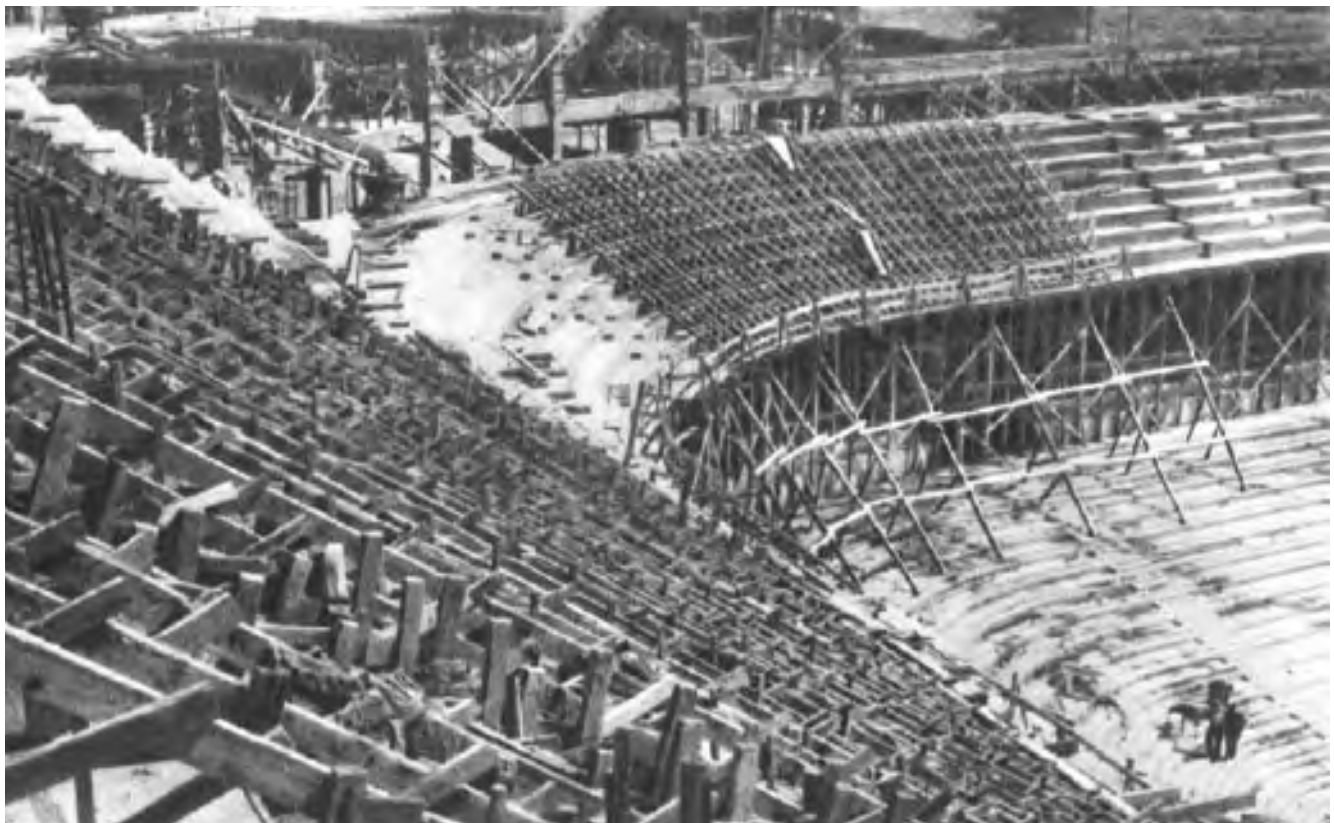
hydraulic works, such as Construcciones Civiles S.A. (Coviles), officially incorporated in 1946 and which, 27 years later, in 1973, went on to form a part of the Obrascón group. The completion and heightening of the Vado Dam and the construction of its spillway was the first project undertaken by this company, inaugurated by Franco in the summer of 1951. On October 12, 1943, declared the “Día de la Raza”, Franco presented the reconstruction of Madrid’s University Campus: the new University City.

Obrascón in the reconstruction

Once the Civil War had ended and despite all of the difficulties and shortages, Obrascón maintained its traditional delegations, linked to port construction, in Bilbao, Santander, Galicia and Cadiz, which resumed

the projects previously contracted and undertook the new awards. Outstanding among the latter in 1940 were the commercial wharf and the fillings at the Port of Marín, the completion of the shore wharf between the east and west seawalls of the Port of El Ferrol, the Maura wharf in Santander Bay and the piecework dredging contracts at Puerto de Santa María.

Contracts in 1941 included the new enlargement of the “La Conchita” factory in Sodupe; the widening of the Compañía Euskalduna seawall 3; the clearing of the rock surface in Santurce; the road link between the docks of Belbés and Bouzas and the filling of the land gained from the sea, at the Port of Vigo; the consolidation and expansion of the slipways at the El Ferrol shipyard, as well as the tunnels for the La Graña Naval Base.



Work in progress in the construction by Huarte of the Charmartín de la Rosa Stadium in 1945, now the Santiago Bernabeu Stadium.

In 1942, it was the turn of the rock filling at Puerto de Santa María, and one year later, in 1943, the berthing wharf at the Port of El Ferrol and the extension of the El Arenal wharf in Vigo. A larger number of projects were awarded in 1944, including the transversal wharf and foundations at the Port of Vigo, the filling at Bouzas, the railway branches to La Graña and to the El Ferrol shipyard, the rock surface clearing operation, also in Ferrol and the Electrolítica Española factory in Derio (Vizcaya). In 1945, awards included the expansion of the Burceña Thermal Power Plant and the Zorroza reinforced concrete shed, both in Vizcaya.

Following the end of the Second World War, in 1946 Obrascón undertook the construction of the Seaplane Base in El Ferrol; several projects in Ponferrada, such as the Thermal Power Plant; the Fuente del Azufre Dam;

the mining railway to the thermal power plant and the waterfall at the foot of the dam and a water connection in the same locality, together with the expansion of the El Con landing stage; the shore wharf at El Ferrol and the dredging in the Vigo Bay. In 1947, the most significant projects included work at the Santander airport and dredging in the port of El Ferrol, while in 1949 Obrascón completed dredging operations in the Port of Villagarcía de Arosa (Pontevedra) and in the Villanueva, Fishing and Nueva docks at Melilla.

In those years, Obrascón avoided tendering for long-term, high-budget projects without price-revision clauses. The tremendous inflation at the time rendered any project of these characteristics a disaster, regardless of how good the initial prices might have appeared, except in those cases where new and successive revised



Construction of the Nuevos Ministerios government office buildings by Huarte. Progress of the work in the forties.

Earth works for Madrid's Barajas Airport in 1945, performed by Sato.

projects could be justified. Consequently, projects were divided into smaller lots and tendered progressively with updated prices, awarding a new contract as each lot was completed.

Piecework and rentals, particularly of machinery and fleet elements, were also routine. The dredging campaigns could also be paid by hours of work of the equipment necessary. Management contracts, particularly with private companies, were also used, and subcontracting was also very frequent, including chain subcontracting in order to share risks. Thus, the company awarded the Galician Railway, Constructora Ferroviaria, which in 1947 went on to be called M.Z.O.V., subcontracted sections to Obrascón who, in turn, subcontracted a local contractor.

The lack of supplies caused continuous work stoppages. There was a shortage of cement, steel for frameworks and coal for furnaces. It was practically impossible to obtain spare parts for machinery sourced from outside

the country during the five years subsequent to the Civil War, due to the Second World War and, later, on account of the international isolation and, in both cases, owing to a scarcity of foreign currency.

In 1945, the Port of Cadiz graving dock was finally accepted. The public works inspector indicated that the dock had to be drained for the formal acceptance. A difficult task, considering the severe electricity restrictions to which the province of Cadiz was subjected. The problem of the delay in collecting progress payments, although of a different nature, also slowed the pace of the projects affected. In 1940, a number of representations were made, as reflected in the minutes of the Board of Directors' meetings, in order to collect the outstanding progress payments of the Ports of Vigo and Corunna, at least those issued on dates subsequent to July 18, 1936.

In the spring of 1946, Obrascón had no projects pending in the area of Cadiz. The outlook was

not good, and the Board decided to close the delegation. The 34-hectare property that it had been operating as a quarry, located in San Fernando and purchased in 1920, was sold for 85,000 pesetas. The machine shop set up in the provincial capital was shipped to Galicia. Cristóbal Machín, after closing the delegation, stepped down on 30 September.

In that decade, another two members of the company died: José de Uribasterra y Bernaola, one of the founding shareholders and former general manager, died in January 1941, and Tomás Ortiz de Solórzano, a former director of Obrascón, in December 1946. In October 1946, the Government granted the Grand Cross of Queen Isabella to the then Chairman of Obrascón, Julio de Arceche y Villabaso, on account of “having attained splendid achievements in difficult times”.



Animal-drawn vehicles continued to coexist with automobiles on Spanish roads in the forties.

Improvements in the road network

During the Civil War, Spain's road network was seriously affected by the military activity. The December 1940 edition of the *Revista de Obras Públicas* published figures reflecting that destruction: 1,771 minor projects, sewerage drain pipes, gutters and pontoons, and 669 bridges. The pavement had become degraded throughout the network. In this context, Elpidio Sánchez Marcos, owner of the company of the same name, concerned primarily with road surfacing, decided in 1944 to transform his company into the *Sociedad Anónima Asfaltos y Construcciones Elsan*, whose objective on incorporation was to work in the construction and maintenance of roads. One half-century later, Elsan was to become a part of Obrascón.

Shortly after the end of the war, in April 1939, Minister Peña Boeuf's Roads Plan was published. The Plan's ambitious objective was the reconstruction of the road network, however, it was unable to commence because, a few months later, the Second World War broke out and the country was unable to obtain petroleum products, machinery or loans for a plan of that nature.

Up to the fifties, road work was confined practically to the reconstruction of bridges and brick structures, given the scant financial resources and the complete lack of foreign assistance. And yet, quite a bit was done: between 1938 and 1942, 1,561 bridges were built –more than twice as many as those destroyed during the war.

The vehicle fleet, in addition to having shrunk from the effects of the war and natural aging, had not been renewed. Moreover, there was little fuel available, as a consequence of the international blockade. In 1946, with the creation of the Empresa Nacional de Automoción S.A. (ENASA), dependent on the National Institute of Industry, fresh impetus was given to the automobile industry. ENASA took over the old Hispano Suiza, which contributed its facilities in Barcelona to the new company. The Pegaso factory, for the manufacture of trucks and diesel engines, was established in the vicinity of Madrid. In May 1950, SEAT, the first major Spanish automaker, commenced business, with FIAT as a partner and the INI as the majority shareholder.

In December 1950, the Government approved the Spanish Road Network Modernization Plan, with

José María Fernández Ladreda as Minister for Public Works. This Plan followed the guidelines of several previous plans, including those of the Count of Guadalhorce, the Special Pavements Circuit, and of Peña Boeuff, incorporating a few new requirements rendered advisable by technical advances.

In 1950, 70,062 of the 110,095 kilometers of the Spanish road network were under the responsibility of the central government, 5,913 depended on autonomous bodies and 33,556 belonged to the network of local roads. The modernization plan only extended to 10,909 kilometers of road, that is, those roads considered to carry the heaviest traffic loads. With respect to the type of surfaces of these sections classified as Group A -intense traffic, with the predominance of vehicles with rubber tires capable of traveling at high speeds- only 3% had special



The 1950 plan for the modernization of Spanish roads gave strong impetus to the quality of these infrastructures, as well as to asphaltting machine technology. In the photo, the latest model of a self-propelled Alfelder spreader, recently imported from Germany.

coatings; 30% were macadam with road oiling and, the remaining 67%, macadam alone. The key objectives of the Plan consisted of establishing the standard width of the roadbed at 7-9 meters (edged roadway, plus shoulders) and the coating for the road sections subject to the heaviest traffic flows with road oiling or hot-rolled asphalt.

The first stage of the Plan was completed in December 1955, however, the effort had exhausted the budget and the work planned was barely half finished. On December 22, 1955, four days after its conclusion, a new law was passed extending the Plan for another five years (1955-1960) with an annual budget of 750

million pesetas, almost fifty percent more than the annual budget for the previous five-year period.

In August 1952, a machine was unloaded at the Port of Santander that attracted considerable attention. It was a self-propelled Alfelder spreader, manufactured in Germany for operating with hot-rolled asphalt. It was the first of its kind to reach Spain. Its performance on site won the admiration of all who watched it at work, and the drivers and road users who eventually traveled on the surfaces paved by it appreciated a quality and smoothness in the running of their vehicles unknown up to that time.



The stone for the construction of the Vigo wharves was extracted from the Meina quarry, owned by Obrascón.



FROM OBRASCÓN TO OHL
CHRONICLE OF A CENTURY
1911-2011

An aerial, black and white photograph of a large dam and reservoir. The dam is a long, low structure with several spillways. The reservoir is a large body of water extending into the distance. The surrounding landscape is hilly and appears to be a valley. A dark square overlay is positioned in the lower right quadrant of the image, containing the chapter title.

Chapter

4

Stabilization and developmentalism

Obrascón takes a new direction

1950-1973

The autarky held fast until 1959, however, during the fifties, termed by historians as the “hinge decade”, the economy gradually opened up. In this period the control of the currency market and the restrictions on foreign investment endured. Despite the poverty and the initial isolation, improvements in production and consumption were noted, industrialization was set in motion and a slow increase in foreign trade came about, together with a reduction in government interventionist mechanisms.

With the Russian blockade of Berlin in 1948, the expansion of communism in China and its implantation in Eastern Europe, the cold war commenced, leading the West to reconsider its position with respect to the economic blockade imposed upon the Spanish dictatorship. The Korean War (1950-1953) increased the tensions between the two blocs. Franco, a staunch anti-communist, saw his image improve in the countries of the West, those of the free world.

This improvement was soon to produce results and, in November 1950, the UN revoked the provisions of diplomatic isolation against Franco's dictatorship. The first State to grant diplomatic recognition to Spain was the Vatican.

The “Hinge Decade”

The majority of countries sent their ambassadors back to Madrid. The opening-up of the country towards the U.S. began with Admiral Sherman's visit to Spain in July 1951, which marked the commencement of talks for a future military alliance and the provision of economic aid. This U.S. assistance materialized following the 1953 agreements signed in Madrid through the Defense Support Program and the Agricultural Surplus Supply Plan, which came to be an imitation Marshall Plan. “The Americans did not supply us locomotives like they did to the countries under the recent Marshall Plan, but helped us out with

their surplus butter, canned cheese and powdered milk”⁽¹⁾. Nevertheless, any assistance offered was welcome.

The first signs of material progress were soon apparent. The water and electricity restrictions ended, the ration cards disappeared and the pre-war per capita income figure was regained. In private homes, the austere sitting room became a living room, and the brazier gave way to electric heaters. Aluminum kitchen utensils, artificial marble sinks, nylon stockings, Coca Cola, spring mattresses, cafeterias with waitresses, apartments purchased through installments and ballpoint pens appeared on the scene. All in all, a significant development of Spanish society.

Between 1951 and 1958, the U.S. resources earmarked for Spain totaled close to 800 million dollars, 300 of which were granted as a loan and the rest, as a donation.



In 1950, the UN revoked the diplomatic isolation provisions, enabling the start of a slow opening-up of the Spanish economy to foreign trade. In the photograph, the new Ambassador of the United Kingdom to Spain, John Balfour, presents his credentials to Francisco Franco.

⁽¹⁾ Juan Eslava Galán: “Historia de España contada para escépticos”, Chap. 94, p. 353.



Interior of two average Spanish homes, one in the beginning of the fifties and the other at the end of the sixties. The economic progress obtained with the gradual opening-up to the outside world made it possible to modernize households where, little by little, coal stoves disappeared at the same time as the first television sets made their appearance.



The road modernizations plan undertaken in 1951 enabled the asphaltting of many old stone paved roads and initiated the improvement of road connections. In the photograph, work on a stone paved road.



However, in the course of the decade, the total aid was in excess of 1,000 million dollars, reaching 1,500 million up to 1963. This aid constituted a considerable support to the Spanish economy and facilitated a degree of renewal of the country's industry, as it was able to purchase new machinery and upgrade its equipment.

The investment by the National Institute of Industry (INI) during the fifties multiplied by seven the investment made in the previous decade and, by 1955, concentrated more than 40% of the public investment effort. The INI strategy centered on the production of electricity and iron and steel, as well as petroleum refining. An attempt was made to increase iron and steel production, to develop the fuel sector and to seek foreign capital for the mass manufacture of automobiles. In addition, the production of aluminum grew tenfold over those years, following the opening of a new factory in Avilés and the expansion of the existing facilities in Valladolid.

The countryside packs its bags

The rural community packed its bags, tied them up with rope, and moved to the city, where the hard life was better. Around 700,000 inhabitants of rural areas double-locked their village homes to crowd together in shanty towns of sheet metal and fiber cement on the outskirts of the big city. The rural exodus had a strong impact on the crisis of traditional agriculture and led to its modernization through the purchase of machinery and the adoption of new techniques.

During the forties, the process of mechanization of agriculture was interrupted for two reasons: the acquisition of farm equipment was affordable by the very few and labor was so abundant and cheap that farmers ruled out any kind of innovation. Later, the change was significant. Mechanization reached the large estates first, for crops such as grain. Afterwards, this process was extended to medium-size farms and to other kinds of production. This modernization

process brought about an increase in productivity and improvements in wages.

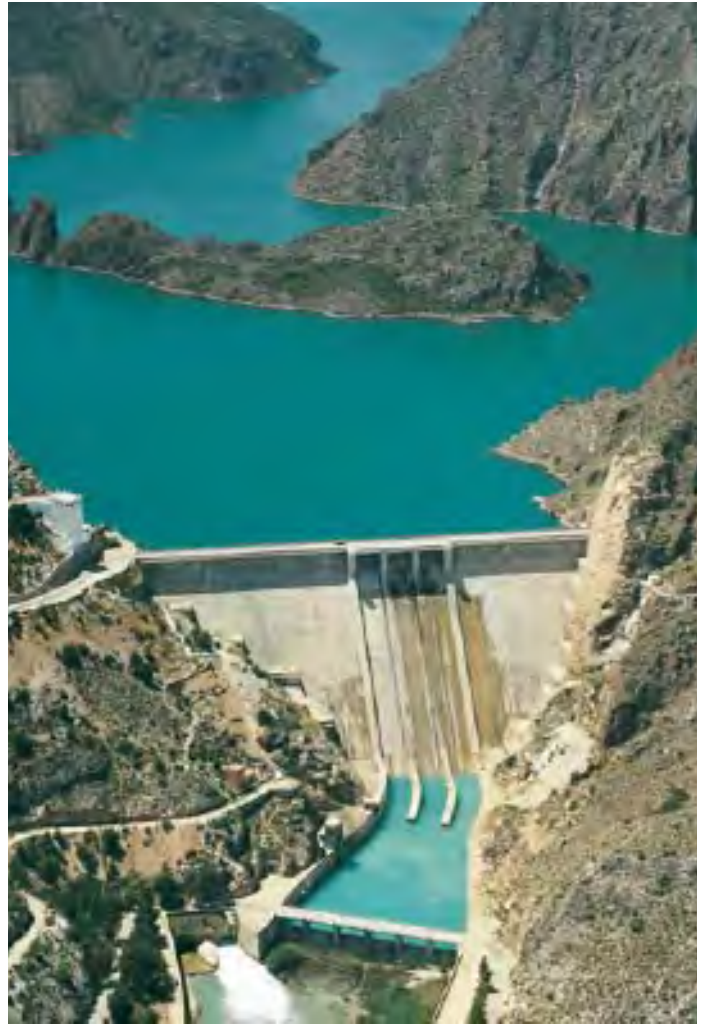


In the fifties, close to 700,000 men and women from the countryside moved to the cities, where the hard life was better. This massive exodus led to the modernization of agriculture, which was forced to abandon its traditional system, intensive in labor and animal traction, and replace it with new methods and machinery enabling improved productivity.

The appointment of Rafael Cavestany in 1951 to the portfolio of Agriculture favored the first steps towards the change from the autarky policy in the agricultural sector, by giving impetus to the modernization of the rural environment, the liberalization of markets and the establishment of remunerative prices for harvests.

With the aim of addressing the most serious problems affecting Spain's agriculture, mainly the low level of production and the precarious living conditions of farm workers, significant attention was given to the introduction of irrigation systems, with the construction of hydraulic infrastructures, particularly reservoirs. Moreover, the purchase of land for dry farming, as was the trend in the previous decade, was no longer of interest, and the aid granted by the National Institute of Colonization (INC) for the transformation of dry land into irrigated land was increased. If up to 1950, this support barely exceeded 200 million pesetas, this amount was in excess of 2,750 million in the following decade.

It has been calculated that, between 1951 and 1960, the INC and the Directorate General for Hydraulic Works converted approximately 200,000 hectares into irrigated land, and that individual farmers themselves managed to do likewise. The most ambitious colonizing efforts of the era were the plans for Badajoz and Jaén. The first was the most significant and best known. Essentially, it was designed to extend the areas of irrigation, regulate the flow of the Guadiana River, replant forest lands and industrialize a range of agricultural products.



In order to attenuate the more serious ills suffered by the countryside, significant support was given to irrigation. Water supplies were obtained by means of the construction of numerous hydraulic infrastructures, particularly dams and artificial lakes. The photographs show the Cenajo Dam in Albacete and the Guadalén in Jaén, built during those years by companies belonging to OHL.



Workers' villages

A significant number of the reservoirs that abound in Spain were built in the decades of the fifties and sixties of the past century. The limited development of communications, the country's geographical isolation and the difficulties posed by the irregular terrain often made it necessary to set up villages for workers equipped with the necessary basic services. These were new, fully operational settlements, at least during the performance of the construction work. One of these villages is described below, that is, the workers' accommodation for the Cenajo Dam, built by Construcciones Civiles (Coviles), a construction company later taken over by Obrascón.

The Cenajo lake belongs to the Segura River basin and is located in the town limits of Moratalla (Murcia) on the border between Castile-La Mancha and Murcia. It is a gravity dam 84 meters in height, 216 meters in length and with a reservoir capacity of 472 cubic hectometres.

When construction commenced and as dams tend to be located in remote geographical areas, the company awarded the contract, Construcciones Civiles, had to build a temporary village for the 7,742 workers employed on the site. In order to accommodate all of them and provide the basic services, the new village was equipped with the full range of facilities, with an area for temporary workers, housing for permanent workers, a residence for technical and administrative staff, a movie theatre and canteen, a library, schools, a hospital, accommodation and headquarters for Civil Guard officers, as well as a number of installations for the performance of the construction work per se. There was also a chapel dedicated to Our Lady of the Abandoned. The village was in use for ten years.

The work was completed at the end of 1960. The provisional acceptance of the project took place on June 29, 1962, and one year later, on June 6, 1963, Franco officially inaugurated the dam.

Between 1950 and 1960 more than one million hectares were reforested, exceeding the initial targets. This reforestation was carried out through a system of consortiums of forest and brush lands owned by the town councils. Fast-growing species producing immediate returns were planted and were suitable for use by paper and timber companies.

In 1957, Navarro Rubio, the new Finance Minister, attempted to achieve financial sufficiency

without falling into inflationist tensions. The Act of December 26, 1957 based the new system on four tax sources: personal income tax, company tax, investment income tax and the industrial tax. This tax reform introduced the so-called "global assessment" through which the Ministry of Finance estimated the amount to be paid by each sector, which was then covenanted with the sectors, so that each could take charge of distributing the burden and collecting the proportionate amounts from their respective components.

The isolation of the worksites for the construction of dams made it necessary to build workers' villages with all of the services required by a community. This village for the Cenajo Dam lasted a decade.



The taxes on income from work and from investment remained progressive, but this was no longer the case with respect to company tax. This tax strategy proved to be an effective source of financing for the Government, although, in the end, these reforms were insufficient.

The decade of the fifties presented two salient features with respect to foreign trade. In the first place, the value of the purchases was far superior to that of the sales and, therefore, the trade deficit increased continuously. And, secondly, exports became stagnated after spectacular growth between 1948 and 1951, while imports increased systematically. The low level of Spanish productivity and the overvaluation of the peseta combined to render Spanish products excessively expensive on foreign markets.

The significant crisis of the balance of payments since 1957 asphyxiated the autarkical model. This situation explains the change of course towards a policy of price stabilization and liberalization of the

system of international payments and trade, which was implemented starting in 1959.

Obrascón starts building

The principal projects awarded to Obrascón during this “Hinge Decade” were circumscribed to its traditional market of civil engineering, with a predominance of port construction and a number of roads. The majority were located in Galicia and Santander, and only two in Andalusia.

The port construction projects in Galicia referred to several wharves at the following ports: passenger wharf and unloading ramp, El Ferrol del Caudillo (1951); transversal wharf, wall and filling at Vigo (1953); berthing at Moaña and the completion of the Guixart dock in Vigo (1954). In Santander, the marine works included dredging in the estuary between the ramp-slip and the new wharf, at the Port of San Vicente de la Barquera (1954); the sewer and elevated tank for the Public Works Headquarters of Santander (1953), the

bay traffic ramp to the east of the pier in the Port of Santander (1957) and the net drying facility at Maliaño (1958). Andalusia was the scenario of other port projects with dredging operations in the ports of Huelva (1950) and Malaga (1954).

Obrascón also built a number of roads in that era: Orense to Vigo (1955), Lugo-Santiago de Compostela (1955) and the repair of the pavements and streets at the Port of Vigo (1956), in Galicia. That same year the company commenced the construction of

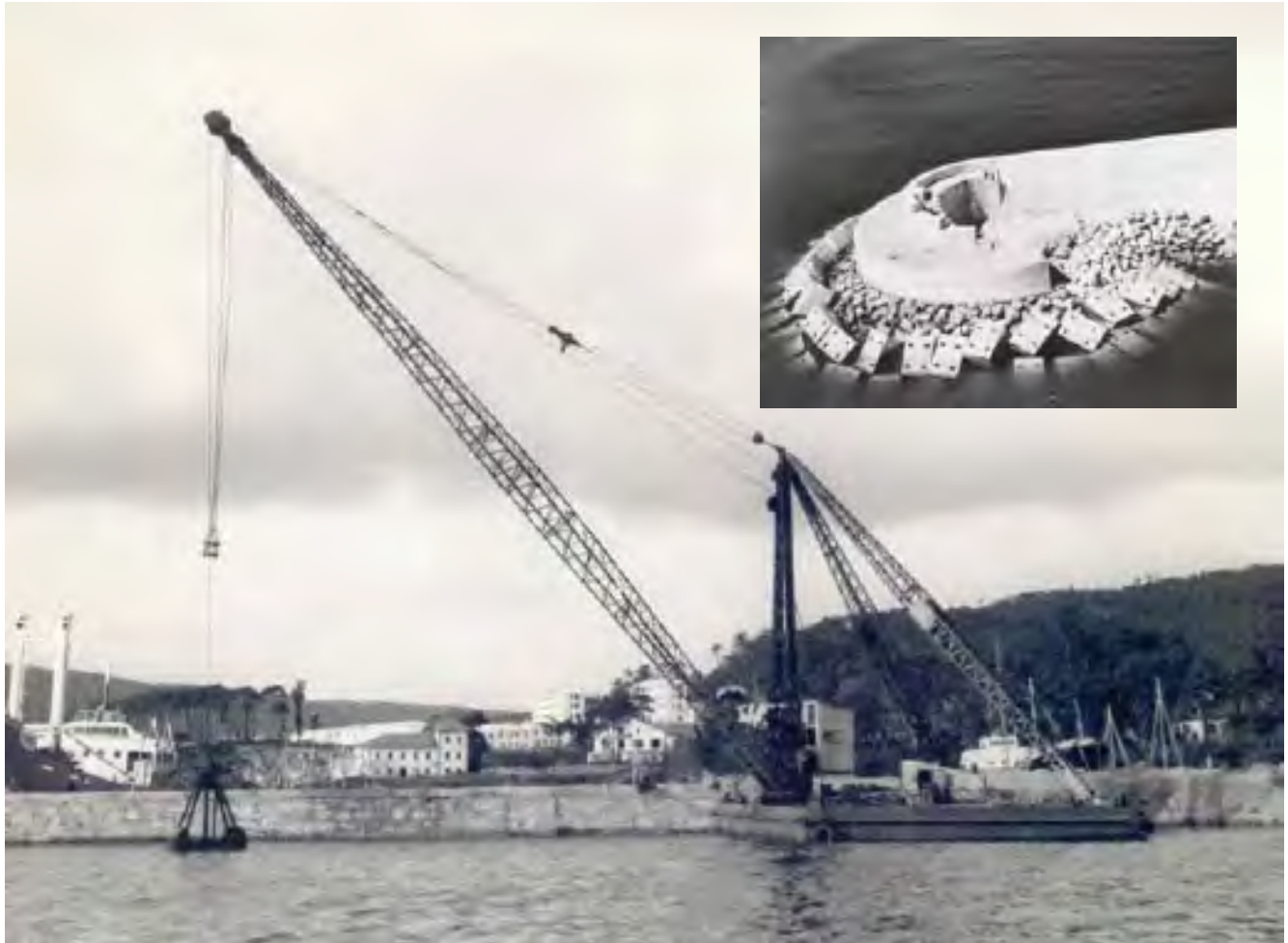
the road between Cicero and Santoña in the province of Santander.

Up to 1956, after the first seven years of the decade had transpired, the average annual profit was around 180,000 pesetas, which signified a meager 3% on the 6 million pesetas of the company's capital. Nevertheless, the rate of return had improved as, in the dreadful forties, the average had been 6%. The most difficult burden to bear was that, after so many years, the company had not yet succeeded in offsetting the losses incurred during the last six



Obrascón also took part in the development of the Spanish railway and road infrastructures built in the fifties. The photographs show the construction of the Ulla River viaduct for the Corunna-Pontevedra Railway, a project undertaken by Obrascón in 1952, and the road between Cicero and Santoña, in 1956.





In the fifties, Obrascón remained focused on its traditional civil engineering market, with the predominance of port construction. In the photographs, one of the crane pontoons used by the company during that decade for moving large volumes of material at its work sites and Cubipods at the Rota Naval Base in 1959. Below, construction at the Port of Santander in 1967 and dredging in the Port of Cadiz in 1962.



financial years of the ill-fated thirties, following the recapitalization in 1934, which recognized the loss of 90% of the share capital and increased the capital up to the earlier mentioned six million pesetas.

A change in direction was called for, and Obrascón decided to shift course and head in the direction of building. The company had extensive experience in industrial works and concrete structures, and housing offered a promising future, considering the needs evidenced by the population flows. The Count of Arteche, a director of the company for 49 years and its Chairman during 28 of those years, was decidedly in favor of this change in course.

The first building contract was obtained in 1956 and consisted of works at the Navy Headquarters in Las Palmas de Gran Canaria. As a result, Daniel López del Río was appointed to open the first delegation in the Canary Islands. His management proved successful and two years later, in 1958, Obrascón was awarded the new building for the Tax Delegation in Las Palmas, designed by Carlos Sobrini y García de Castro, and in 1959, the construction of the Hall of Justice, designed by Miguel Martín Fernández de la Torre.

Additional delegates were appointed in 1958: Francisco Arcos Pangua, in Cordoba; Luis Pascual García, in Jaén, and Eduardo García Vinuesa, in Linares. Work in Cordoba and Jaén was focused primarily on industrial works and factories, with SECEM, a member of the Banco de Bilbao group,

as the company's main customer. By 1959 the major balance sheet figures had improved.

The amount of work performed by the company totaled 67,890,670.38 pesetas, half of which was for government projects and the other half for private customers. The profit obtained amounted to 765,727.70 pesetas, 12.62% on the share capital, used in its entirety to write off old losses.

This decade of the slow rebirth of both economies – those of Spain and Obrascón- was a witness to the loss of relevant members of the company. Ricardo de Gondra y Lazúrtegui, Deputy Chairman and member of the Board of Directors for 20 years, died on April 7, 1951. Two years later, on February 12, 1953, the Board of Directors in full attended the requiem mass arranged by the company in memory of Vicente Morales Infante, mining engineer and successor of José de Uribasterra y Bernaola in the management of Obrascón in 1921. At the proposal of the Chairman, Julio de Arteche, and to fill the vacancy left by Ricardo de Gondra, the Board appointed Carlos Anabitarte Romero, “whose excellent qualities are well known by all in his long years of service to the company. The Board also decided that its new member, together with Idoyaga, another of the directors, should act as a delegation of the Board in the management of the company”.

The last civil works contracts were finalized in the sixties and all of the facets of building increased: structures, housing, offices, industrial works, among others. In 1964, the dredger “Germania”, purchased in 1912, fifty-two years earlier, performed its last



During the sixties Obrascón expanded its activity beyond civil engineering, entering the sector of residential building. These two photographs date from those years, showing the construction of a building on Arjona street in Seville and another on Clara del Rey street in Madrid, in the neighborhood of Prosperidad.



operation, dredging around 40,000 cubic meters for the large vessel dock at Puerto Banús.

The years of developmentalism

The Stabilization Plan approved by the Government in July 1959 adopted a set of measures designed to achieve a greater degree of liberalization and stability in the Spanish economy. This new policy signified

an energetic change that led to the implementation of radical measures, far removed from autarkical protectionism. The market economy concept was accepted, and the interventionist economy was abandoned.

The main objectives of the Stabilization Plan included, on the one hand, the adjustment of the balance of payments deficit, for which purpose a

number of stringent restrictions were imposed that obtained the desired effect, as the reserves were increased that very same year of 1959, inflation was kept in check and the economy was re-launched starting in 1961. The other important objective was to introduce a model of market economy similar to that existing in Western Europe, liberalizing the labor market and promoting free competition.

The development plans were good for the Spanish economy. Fourteen years of economic growth followed (1960-1973). An eloquent indication of the effectiveness of the developmentalism applied is the fact that the rate of growth in per capita income was an average of 5.6% annually in the period from

1950 to 1973 and, if the period between 1961 and 1975 alone is considered, the figure would be 6.7%. A landmark in Spain's economic history. Prados de la Escosura calculated that the average annual growth of the GDP per capita was 1% for the years from 1860 to 1913, increased to 1.5% between 1913 and 1929 and was negative (-1%) between 1929 and 1950.

Compared to Europe, the economic outcomes were also unusually favorable to Spain. Between 1960 and 1974, the industrial product growth reached an annual rate of 11.1%. During those years, the country far surpassed the average rate for Europe, which was in itself high (5% per annum). That

In the sixties the spectacular development of tourism became an excellent source of foreign currency entering our country. In the photographs, foreign tourists at a typical seaside food kiosk in Torremolinos and on a burro ride around Marbella.



progressive liberalization of economic policy led to very high and unprecedented growth rates. The crisis of 1967 marked a turning point which, together with the subsequent shock of the 1973 oil crisis, led the economy to quite low growth rates starting from 1974.

In the period of developmentalism, the service sector advanced significantly, ranking first in terms of the share of the various economic sectors in the GDP and with respect to the level of employment. The urbanization process between 1960 and 1975 considerably increased

The opening-up of the economy improved the healthcare system. Hospital complexes such as La Fe in Valencia or the Ciudad Sanitaria de La Paz in Madrid, both built by companies belonging to OHL, date from the seventies.



the percentage of the total population resident in cities, as was the case of the cities with more than 100,000 inhabitants, which went from accounting for 27.7% to representing 50% of Spain's total population. It is thus easy to understand the considerable and necessary transformation and modernization of the means of transportation and communication.

The strong growth of industry drove the increase in energy consumption, which tripled between 1960 and 1975. During those years, oil became the main source of energy, in detriment to coal. For

this reason the energy policy was geared towards an increase in the country's petroleum refining capacity. The new refineries of Algeciras, Bilbao, Castellón, Escombreras, Huelva, Corunna and Puertollano date from that time.

The last of the large hydroelectric reservoirs were inaugurated in the early sixties. From that time onward, the increase in the capacity of the electricity industry depended, to a large extent, on the thermal power plants that had appeared at the end of the preceding decade.

The increase in traffic in the cities was yet another reflection of the improvement experienced in the quality of life of Spaniards in the sixties.



Starting in 1960, oil replaced coal as the main source of energy. Below, Francisco Franco visits the Escombreras (Murcia) petroleum refinery in June 1963.



Landmark high-rise buildings, like the Torres Blancas, built by Huarte in 1968, began to dot the landscape of Spain's major cities.



The Madrid Metro system was also expanded in the sixties. Below, work on the Chamartín-Fuencarral tunnel in 1967.



In the early sixties, butane gas became a basic source of energy, as it met a dispersed demand that could not be satisfied by the piped coal gas system, which it replaced even in the latter's traditional areas of consumption.

Tourism was the first item of adjustment in a balance of payments characterized by a permanent trade deficit. In the period between 1960 and 1988, tourism financed 37% of the trade deficit, often surpassing this figure.

Life-long directors in the governance of Obrascón

The death of the Chairman of Obrascón, Julio de Arceche y Villabaso, Count of Arceche, occurred on July 12, 1960. He was an authentic institution in the company, having served on its Board of Directors since its incorporation in May 1911. His 49 years of presence in Obrascón were not comparable to the 57 years with Banco de Bilbao. He was Chairman of Obrascón from 1932 up to

his death, a total of 28 years. And in the Banco de Bilbao he was the first non-rotating chairman. Elected Chairman in 1942, he remained in office 18 years, until his death.

Obrascón's Board of Directors was sparing in chairmen and directors during its first 49 years of existence. Only three chairmen in that period: José Luis de Villabaso y Gorrita, José Joaquín de Ampuero y del Río and Julio de Arceche y Villabaso. All three had belonged to the company's founding Board of Directors and died "at the helm". With the exception of Enrique Ocharán y Rodríguez, general manager of the Banco de Vizcaya, and Horacio Echevarrieta y Maruri, a prominent Vizcaya industrialist and a director of the Banco de Bilbao, who tendered their resignations, the rest of Obrascón's directors in those years died in the exercise of their offices.

In this first half of the life of Obrascón, the new directors were drawn from the Board of the Banco de Bilbao or the company's technical staff, selected from among engineers outstanding for their brilliant performance in their respective posts.

"Tomás Ortiz de Solórzano began to provide his services in the company as the delegate-engineer in Cadiz during the years of the First World War. His work was so intelligent and effective, in an era fraught with so many difficulties, that it culminated with an expression of gratitude by the people of Cadiz, a very infrequent initiative.

Afterwards, he went on to form a part of the Board of Directors, acting as Managing Director for a number of years, demonstrating his experience, determination and effectiveness in all of the operations in which he took part". These words were spoken by Julio de Arceche when he addressed the General Shareholders' Meeting on the occasion of the death of Ortiz Solórzano.

Carlos Anabitarte Romero was a civil engineer who commenced his career in Vigo, in 1927. He took part in major port projects, such as the Transatlantic Wharves in Vigo and Corunna, the Maliaño dock in Santander and in complex railway works, such as the sections from Santiago to Silleda and from Villavieja to Ventas de la Teresa, and the Puebla de Sanabria-Orense-Vigo Railway. In this last project, as many as 20 tunnels were blasted and several viaducts were built. In 1940, he was appointed general delegate in Galicia; in 1944 he was promoted to deputy manager and transferred to Madrid, in order to promote the company in the capital of Spain, and in 1953, following the decease of Vicente Morales Infante, general manager, succeeded him in the position and was appointed to the Board of Directors. Finally, in 1964, he became Managing Director, a position he held up to 1969, when the Board in full stepped down and was replaced by a Sole Director.

Starting in 1960, the pattern of changes on the Board of Directors was quite different, as was also the case with the chairmanship. In barely

Minutes of the Obrascón Board of Directors' meeting of July 22, 1960, reporting on the death of Julio de Artechey Villabaso, who headed the company for 28 years.



two years' time, there was a succession of four chairmen, one sole director and 21 directors.

At the death of the Count of Arteche, the office of Chairman of the Banco de Bilbao was filled by Gervasio Collar y Luis, who had been a director and the general manager of the bank

during the previous five years. He remained in the top position of the bank up to January 11, 1973, when he resigned and was replaced by José Ángel Sánchez Asiaín. During his mandate, he successfully directed both the banking as well as the business policy of the bank. And he evidenced a particular interest in Obrascón, to the point of

heading the company for four years, from 1964 to 1968, in order to become familiar with its problems and put appropriate remedies into place.

Obrascón's first Board of Directors following the death of Arteche was a continuation of the preceding Board. Only three members remained in office: José María Ampuero y Gandarias, a member appointed in 1932 to fill the vacancy left by the death of his father; José Aresti y Ortiz, a director since 1935, who became the new Chairman, and Carlos Anabitarte Romero, Board member and general manager since 1953.

Up to 1964, there were no relevant changes on the Board. That year Gervasio Collar disembarked with a significant representation of prominent members of the Board of the Banco de Bilbao, among whom Faustino García Moncó, Board member and general manager, stood out and was soon to be appointed Minister for Trade. Another addition was Pedro de Ampuero y Gandarias, brother of José María, who had died one year earlier after 31 years as a director. José Aresti was confirmed and returned as a director following his chairmanship, and Carlos Anabitarte Romero, who continued as general manager and went from a member of the Board to act as Managing Director.

Capital increase and sole director

The Extraordinary General Shareholders' Meeting of November 3, 1967 passed a resolution to

increase the share capital by 60.6 million pesetas through an issue of 121,200 bearer shares with a face value of 500 pesetas each, numbers 120,001 to 241,200, both inclusive. With this operation, the share capital was multiplied by 11.1. The Ordinary General Shareholders' Meeting of March 8, 1968 agreed on the transfer of 19,998,000 pesetas from the balance of the regularization account to the capital account, as a single transaction, by means of issuing 39,996 paid-in bearer shares, with a face value of 500 pesetas each. With these two capital increases, the solvency and growth of the company was considered to be ensured, whereby, once the problems had been identified and solved, the Chairman and several directors stepped down, and a new management body was appointed with Pedro Artiach y Pérez as Chairman. Other prominent members included José Ignacio González de Echavarri, general manager of Banco de Bilbao and José Ángel Sánchez Asiaín, his successor in the position.

One year later, on March 15, 1969, an Extraordinary General Meeting was held for the purpose of approving new Bylaws, eliminating the Board of Directors as the company's governance body and replacing it with a sole director. As a consequence of the amendment of the Bylaws, which the General Meeting approved with the unanimous vote of those in attendance, each and every one of the members of the Board stepped down from their offices. The Extraordinary Meeting thanked them for the services rendered and went on to

Altos Hornos de Vizcaya and Villar Mir

When the Sociedad General de Obras y Construcciones, Obrascón, was acquired in 1973 by Altos Hornos de Vizcaya (AHV), the latter company had just placed itself not merely at the top of one of the leading business groups in Spain, but rather as the head of the most important group in the country. It had ended the previous financial year with sales of more than 23,000 million pesetas, unprecedented in the history of the company, and a record steel production of two million tons.

The 1972 financial year was the third under the chairmanship of Juan-Miguel Villar Mir, a brief but sufficient period in order for the Basque steel giant to consolidate a very healthy income statement. Seven years of losses had been left behind, in which the Bilbao steel industry had been forced to systematically depend on the lending muscle of its principal shareholders to overcome a deep crisis of its own. In 1969, when Claudio Boada, Chairman during the previous four years, accepted the INI presidency, the Bilbao, Vizcaya and Urquijo banks, the most important shareholders, wagered heavily on a change in management.

The banks quickly agreed on the best person for steering the change of course. They engaged Juan-Miguel Villar Mir as executive chairman, even though he had not yet reached the age of 39, and they never regretted that decision. At the end of his first year of management, AHV had already obtained a profit of 528 million pesetas, with an increase of 48.3% over the previous year, five percent of which was distributed as dividends. And in the following two financial years, the young executive turned the company around. In 1973, his fourth complete year, he had succeeded in raising the profit 279.2% over the figure for 1970, up to 1,350 million pesetas, distributing 7.5% among the shareholders. During that same year, the production of steel was in excess of 2.1 million tons for the first time in the history of the industry, doubling the figure obtained in 1970, with consolidated turnover above 34,000 million pesetas, that is, 152% higher than the figure he had received from his predecessor. In the six years under Villar Mir, AHV earned money and paid its debts. What was the secret behind the change? Simply, rigor and work, as the Chairman himself stated at the time.

But he did more: he implemented a strategy designed to increase the development of added value for the production of the blast furnaces to its maximum possibilities, as well as to prioritize flat over long products and perform the cold rolling of as much of the production as possible within the company. For this purpose, he increased AHV's interest in Laminaciones de Bandas en Frio de Echéverri and Laminaciones de Lesaca to one hundred percent and acquired a stake in Laminaciones y Derivados de Durango.

Once he had achieved the objective of placing AHV at unprecedented heights, Villar Mir decided to go beyond that point and proposed the 4th Integrated Steel Plant project, one of the most ambitious in the history of Spanish industry, with an investment of 300,000 million pesetas in 1973 to produce six million tons of steel annually. It was neither a simple nor an easy task. The first difficulty overcome was that of keeping the initiative within the private sector, for which purpose he had to convince the last Franco government, with José María López de Letona as Minister for Industry, of the advisability of that course of action rather than the position of those in favor of including the operation within the INI. He later succeeded in having the project awarded to Altos Hornos del Mediterráneo, an AHV investee company and in order to keep the maximum added value of the operation within the Group, he created the firm, Altos Hornos Ingenieros Consultores (AHINCO), which drafted the design, and purchased 70% of Obrascón from the Banco de Bilbao for undertaking the construction of the new plant.



A high-flying team. The management team formed by Juan-Miguel Villar Mir during his executive chairmanship of Altos Hornos de Vizcaya, produced executives who later were to hold senior positions in relevant business organizations and top-level official institutions. Standing, from the left, Juan Ignacio Trillo y López-Mancisidor, who headed General Electric Europa; Patricio Ortiz Ortiz; Fernando Capelastegui Herrero, later Deputy Chairman of Unión Española de Explosivos; Alvaro García-Navarro Aparicio, subsequently general manager of Bedaux Española; Ignacio Hidalgo de Cisneros Alonso, who headed Obrascón; Guillermo Visedo Navarro, who was Chairman of FCC; Emilio Izquierdo, who headed Inmobiliaria Espacio; Rogelio Bodelón López, who was general manager of Ensidesa; José Liria, general manager of AHINCO, and Emilio González Alvarez. Seated, Juan José Alzugaray Aguirre, president of the Engineering Institute of Spain; Juan Manuel Ruigómez Iza, later Permanent Secretary of the Ministry of Education; Robert Devonshire, Chief Financial Officer of U.S. Steel; Juan-Miguel Villar Mir, later Deputy Prime Minister for Economic Affairs and Finance Minister; Juan Luis Burgos Martín, who headed AHV and Unesid; Francisco Esteban Rodríguez-Sedano, who headed Obrascón, and José Luis Goyoaga Uriarte, General Secretary of the Board of AHV.

Altos Hornos del Mediterráneo (AHM) reinforced its shareholder composition with the five leading banks of the era (Banesto, Hispano Americano, Central, Bilbao and Vizcaya), and AHV went on to control 40% of the new AHM through the contribution in kind of the old plant in Sagunto. The work for the first stage, the cold rolling plant, was completed without delay in 1975 and, just when everything was ready for undertaking the second stage, Juan-Miguel Villar Mir was appointed Deputy Prime Minister for Economic Affairs and Finance Minister. Franco, whose invitation to form a part of his last two governments had been declined by the AHV Chairman, had just died. Invited for the third time to join the Government, now the first of the Monarchy, he no longer had a pretext for refusing, because he felt obliged to collaborate with the new national process of transition to the democracy that was beginning to take shape under the Constitutional Monarchy.

However, the acceptance of the appointment as the new Deputy Prime Minister caught Villar Mir off balance, involved as he was in his ambitious steel project. To go away to organize the chaotic situation of the Spanish economy meant having to leave the 4th Integrated Steel Plant project unfinished, a process on which he had been working for several years and whose second stage was about to commence, with the design and the financing already planned. His successor as Chairman of AHV, Javier Benjumea Puigcerver, delayed his accession to office for six months and when, after reviewing the project, he wanted to take it up anew one year later, it was by then too late. An accumulation of vacillations in the leadership prevented the conclusion of one of the most important industrial operations of the past century. The balance sheet figures show that the six-year chairmanship of Juan-Miguel Villar Mir was the most brilliant in the Basque steel industry since the foundation of the company and up to its disappearance. He earned money in all six years, with profits ranging from 528 million in 1970 to 1,470 million in 1974.

appoint José María de Ibarrodo López as sole director, who, present at the Meeting, accepted the appointment.

Six months later the sole director had examined the situation of the company, drawn up new Bylaws and called an Extraordinary General Meeting, to which he submitted his proposals, which were unanimously approved. It was agreed to increase the share capital again, this time by 64,993,500 pesetas, by means of an issue of 129,987 bearer shares with a face value of 500 pesetas each.

The new shares were to be issued at 150% of their value, that is, 750 pesetas per share; 500 referring to the face value and 250 to an issue premium, to be taken fully to reserves. The draft Bylaws accepted the alternative of the governance of the company either by a Board of Directors or by a Sole Director, in accordance with the criteria of the General Shareholders' Meeting. They also contained a new element: the relocation of the company's registered office from Bilbao to Madrid.

One year later, José María de Ibarrodo tendered his resignation as Sole Director during the Extraordinary General Meeting held at the new registered office, relocated to Madrid on March 13, 1972. The Meeting, after thanking him for the services rendered, accepted his resignation. Then, in accordance with the recent Bylaws, the Meeting decided that a Board of Directors

should govern the company and determined the following composition: Diego Martín Peramo, as Chairman, and Esteban Camino Chaves, Jesús Cadenas Coronado and José Javier Gurpide Huarte, Faustino Molinuevo Izaguirre and Luis Hernani Castillo, as members.

Finally, on January 11, 1973, at his own request, Gervasio Collar y Luis was replaced as Chairman of the Board of Banco de Bilbao by José Ángel Sánchez Asiaín. The Board of Directors of Obrascón was renewed at the Ordinary General Shareholders' Meeting held on June 4 of that same year, as a consequence of the sale of 70% of the company's capital to Altos Hornos de Vizcaya, headed by Juan-Miguel Villar Mir, and the distribution of the remaining 30% among Banco de Bilbao (15%), Banco de Vizcaya (10%) and Banco Urquijo (5%). The sale was concluded among the respective chairmen, José Ángel Sánchez Asiaín, for Banco de Bilbao, and Juan-Miguel Villar Mir, for A.H.V.



FROM OBRASCÓN TO OHL
CHRONICLE OF A CENTURY
1911-2011

An aerial, black and white photograph of a large, multi-span bridge crossing a wide river. The bridge has a complex truss structure. The image is rendered in a halftone or dithered style. A dark, semi-transparent rectangular box is positioned in the middle-right area of the image, containing the chapter title and number.

Chapter

5

Obrascón in the transition. From Banco de Bilbao to Altos Hornos de Vizcaya 1973-1987

In 1973, Spain experienced the first of the major changes that were to lead it to the political transition and democracy. That year, for the first time since the dictatorship had begun almost four decades earlier, Franco separated office of Head of State from that of Head of Government, transferring the latter responsibility to Admiral Luis Carrero Blanco, although Franco himself, with his health increasingly more precarious, maintained his status as Head of State.

Carrero Blanco headed the Government for only six months, as on December 20, 1973 he was assassinated in an attack by ETA terrorists. The so-called “Operation Ogre” consisted of the placement of close to 100 kilos of dynamite in a tunnel the terrorist band dug under the street over which the car of the then Prime Minister was to pass. The explosion was so violent that the car was catapulted over a high wall and fell on the flat roof of the Jesuit residence on Serrano Street in Madrid, killing a police officer,

Franco's remains are conveyed from the Royal Palace to their final destination in the Valley of the Fallen.



the driver of the car and Carrero Blanco. The attack occurred fifteen minutes before the commencement of “Trial 1,001” against ten members of the CCOO trade union –including the union’s Secretary Marcelino Camacho– which at that time operated underground. The death of Carrero Blanco deprived the regime of the strongman that Franco himself had chosen to succeed him. Torcuato Fernández Miranda then headed the Government temporarily until he was succeeded by Carlos Arias Navarro a few days later.

Franco’s health continued to fail, until his hospitalization became inevitable in October 1975. The political crisis and power vacuum were a reality that was taken advantage of by Morocco on November 6, 1975 to send around 350,000 citizens and 25,000 soldiers to invade the Spanish Sahara in

what was called the “Green March”, leading to the process of annexation of the territory by Morocco.

The Spanish political transition

Following a prolonged agony, Francisco Franco died on November 20, 1975. Two days later, the man who had been designated to succeed him was proclaimed King of Spain: Juan Carlos I. The Spanish transition was thus begun. Juan Carlos I swore allegiance in Parliament to the principles of the National Movement and to the Fundamental Laws of the Kingdom –the basic legislation that shaped the so-called “organic democracy” during Francoism– however, the reality of the situation evolved in another direction. The world was changing, and this time Spain did not remain on the sidelines. Those that had turned their backs to the



The recognition of his work as Deputy Prime Minister for Economic Affairs enabled Juan-Miguel Villar Mir to visit the United States in 1976 and meet with U.S. President Gerald Ford, a courtesy with few precedents in the case of Spanish politicians in the past century up to that time.



In December 1975, Juan-Miguel Villar Mir, shortly after taking up his office as Deputy Prime Minister for Economic Affairs, outlined to Parliament a stringent adjustment plan in order to rebuild the Spanish economy.

In 1976, Madrid newspapers featured the appointment of the new Prime Minister, Adolfo Suárez, chosen by the King from among the candidates presented by the Council of the Kingdom.



economic situation called for belt-tightening measures for overcoming an international crisis, maximized on the domestic scale, which were bound to be unpopular. As Villar Mir himself described in statements to the media, “telling a country that its economic situation is bad is unpopular, telling it that to lower inflation all must contribute and moderate their demands is unpopular and telling it that the peseta had to be devaluated was also unpopular”. The measures he had to take were not

Spanish political situation once the Second World War had ended, now supported the Monarchy as the route to democracy in Spain.

going to place him at the top of the new Spanish Government’s “most popular” ranking.

With Franco gone, a man who was fundamental in the history of OHL finally agree to hold a political office –which he had rejected twice prior to the death of the dictator– in the first Government of the Monarchy. Juan-Miguel Villar Mir, the current Chairman of OHL, became Finance Minister and the Deputy Prime Minister for Economic Affairs. Villar Mir undertook his tasks at that time as he has always done, with intelligence and hard work, establishing clear objectives together with the strategy for attaining them.

The recognition of his work as Deputy Prime Minister for Economic Affairs arrived for Villar Mir following a visit to the United States, which, with a heavy one-week-long schedule, was intended to obtain a broad financial backing and a better relationship with foreign markets. The visit was a resounding success, both from a political point of view, through meetings with both President Gerald Ford and Secretary of State Henry Kissinger, as well as in economic terms, as credits were obtained worth close to 3,000 million dollars. His figure went on to become one of the most highly valued, together with that of another member of the Government, Adolfo Suárez, who was soon to play an even more relevant role in Spain’s political transition.

In 1975, the first Moroccan volunteers who took part in the “Green March” penetrated the fringe of the Sahara close to the lookout posts of the Spanish Army. Gathered at the call of King Hassan II of Morocco, the “march” brought together as many as 350,000 participants.



The opening-up of the country towards a quick democratic transition was a need truly felt by the citizenry. Arias Navarro resigned in June 1976 and Adolfo Suárez was appointed to form a new Government and was entrusted with the task of having the Political Reform Act approved. This Act, although it did not introduce a democratic system into the Fundamental Laws of the Kingdom, did establish the possibility of creating it. Talks were soon held with the principal leaders of the various political parties and social forces that were more or less legal or tolerated, with a view to establishing a democratic regime in Spain.

The path taken was to draft a new Fundamental Law, the Political Reform Act which, not without tensions, was finally approved by Parliament and submitted to a referendum on December 15, 1976. As a consequence of its approval by the Spanish people, the new law was enacted on January 4, 1977. This legislation contained the tacit revocation of the Francoist political system in solely five articles and a call for democratic elections, which were held for the first time in 41 years on June 15, 1977. The

Democratic Center Union, a new political party, led by Adolfo Suárez and better known as UCD, won the elections just short of an absolute majority, followed by the PSOE of Felipe González. At a significant distance, only Santiago Carrillo's Communist Party of Spain, the Popular Alliance of Manuel Fraga, Jordi Pujol's PDPC, the PNV with Juan de Ajuriaguerra at the helm and Tierno Galván's PSP obtained a representation worthy of note. One year later, on December 6, 1978, the Spanish people returned to the ballot box, this time to ratify the supreme legal order of the country, the Spanish Constitution, through a referendum. The transition to democracy was consolidated.

The “transition” of Obrascón

Parallel to the Spanish political situation, Obrascón also experienced its own transition. The company, whose majority shareholder had been the Banco de Bilbao, changed hands in 1973 when it was purchased by Altos Hornos de Vizcaya. The purchase agreement was concluded with a handshake following a luncheon at a well-known Madrid restaurant. The recently elected

Altos Hornos del Mediterráneo, the most ambitious steel project

In 1900, the Basque entrepreneur Ramón de la Sota, with shipping, iron and steel and mining interests, and his cousin and partner Eduardo Aznar, created the Compañía Minera de Sierra Menera. A subsequent agreement with Echevarrieta y Larrinaga, another Basque company that owned the mining concessions of Ojos Negros in Teruel and Setiles in Guadalajara, provided a 60-year lease for mining iron at one peseta per ton. As the export of the ore to England required transportation to the closest point on the coast and a port for loading, Ramón de la Sota obtained the concession for building the port at Sagunto.

The first mining convoy with iron from Ojos Negros arrived at the new port in July 1907. Between 1911 and 1916, Sagunto registered its highest volume of shipments, totalling close to one million tons during that five-year period.

The considerable growth in the demand for steel products during the first Great War encouraged Ramón de la Sota to examine the advisability of a steel mill in Sagunto. The Compañía Siderúrgica del Mediterráneo was founded in 1917, with a capital of 100 million pesetas and the participation of Sota y Aznar, Euskalduna and Echevarrieta y Larrinaga. Its first blast furnace was completed in 1921 and its first casting process was performed in January 1923.

Following the end of the Civil War, Altos Hornos de Vizcaya purchased the Mediterranean plant, and plans were in place for the creation of the Fourth Integrated Steel Plant in the beginning of the seventies. For the performance of this major project, a decision was reached to purchase Obrascón, whereby all of the added-value of the project would remain within the group, not only from the performance of most of the construction work but also for controlling the tenders for the rest.

It was a time of a high demand for steel products in foreign markets. However, successive oil crises changed the economic scene with the result that steel went from a situation of insufficient supply to a surplus. And in the decade of the eighties, a drastic process of conversion of steel areas not only definitively frustrated the AHM project but also reduced the capacity of the remaining plants in the Basque Country and Asturias.

Chairman of the Banco Bilbao Board and a director of Altos Hornos de Vizcaya, José Ángel Sánchez Asiaín, and the Chairman of AHV, Juan-Miguel Villar Mir lunched together. It was the first time, but not the last, that Villar Mir purchased Obrascón, although on this first occasion he did so, on behalf of the Basque steel company that he was soon to abandon to take up an appointment as Deputy Prime Minister of the first Government of the Spanish Monarchy.

Why would a Basque steelworks invest in a construction company like Obrascón? In the early seventies, the increase in the international demand for steel products was an incentive for increasing this type of industrial process in Spain. The world oil crisis in that decade had not yet begun and the outlook was for orders to arrive from outside of the country in a volume sufficient for matching a supply much greater than that which Spain had to

Following the acquisition of Obrascón by Altos Hornos de Vizcaya in 1973, the top management of both companies celebrated the transaction at a restaurant accompanied by their wives. In the partial view of the celebration, from left to right: Beatriz Bravo, wife of Carlos Anabitarte, General Manager of Obrascón; Juan-Miguel Villar Mir, Chairman of AHV; Amelia Lefler, wife of Francisco Esteban Rodríguez-Sedano, Managing Director of Obrascón; Guillermo Visedo, Managing Director of AHV, and Silvia de Fuentes, wife of the Chairman of AHV.



offer at the time. In that context, the Government itself planned to increase steel production and even designed a new factory, considered necessary for meeting the expected growing demand.

That is how the decision was reached to create a fourth integrated steel plant, designed to be the largest in Spain, with a capacity for producing six million tons of steel that would complement the plants operating in Asturias, the Basque Country and Sagunto. This last mentioned town on the Mediterranean coast was the site chosen, as an expansion and renovation of the existing antiquated factory. That was the origin of Altos Hornos del Mediterráneo, a subsidiary of Altos Hornos de Vizcaya. The schedule for its start-up was subdivided into two major stages that would require ongoing construction work. The first phase included a major cold rolling facility, and the second, the more important of the two, involved the construction of the blast furnaces and the steel mill.

Against that background, it was not surprising that the AHV management decided outright to purchase a construction company that would perform part of the works and assist in controlling the tenders for the rest.



Obrascón changed hands in 1973. Altos Hornos de Vizcaya (AHV) purchased it for building the 4th integrated steel plant in Sagunto, the construction of which is shown above.

The seventies bore witness to important pipeline works performed by Obrascón. Below, water pipeline to Cadiz for the Guadalquivir Basin Authority.



Considering the relationship of the Banco de Bilbao with AHV at the time, Obrascón was the most logical choice. Thus, in 1973, the AHV management team arrived at an agreement with Banco de Bilbao for the acquisition of 70% of the shares of the Sociedad General de Obras y Construcciones S.A. The shares were paid at 333% of their face value. The rest of the shareholder composition was comprised by three banks: Bilbao, which retained 15%, Vizcaya, which acquired 10%, and Urquijo, with 5%.

Obrascón prepared itself for the performance of an enormous volume of construction work by purchasing quarries, setting up installations of all kinds, establishing an important machinery yard of public works equipment and a splendid workshop for very large metal structures, although, in the end, only the preparatory and general work was performed, together with the

first phase of the project: a modern cold-rolling mill, no doubt with the Ford factory in mind, among other potential customers.

The new accesses to the fourth plant were built, the general earth works were performed, together with the drainage and sewage system of the site, the construction of the new general offices of Altos Hornos del Mediterráneo, the fencing of the plant, a large part of the sheds for the cold-rolling mill, the foundations for the equipment, a large number of metal structures, four 85-meter-high water tanks, a new caisson wharf for steel products and an ore dock, at the port.

However, the oil crisis erupted on the scene; following the Yom Kippur war, fuel prices rose dramatically and did not come down again, even though it was thought that following that steep rise in crude oil prices that a rapid decrease would follow. The Economist published that “it is absurd to imagine that North America, Western Europe and Japan, accounting for more than 80% of the world’s industrial power, would allow their economic growth to be interrupted by a handful of Arab potentates who, together, represent less than 1% of the world population”. However, that is how it went, and there was no turning back. As a consequence, there was a considerable rise in the prices of imported goods, in line with the increase in energy costs, a strong inflationary outbreak, significant growth in wages due to increasing labor unrest, and a rise in unemployment, following the ensuing business investment constraints.

Coviles, the art of building dams

Construcciones Civiles, S.A., a company better known by its acronym Coviles, was incorporated on September 23, 1946, before the Notary Public of Madrid José Luis Díaz Pastor, with a share capital of twenty-five million pesetas. Luis de Urquijo y Ussía, Marquis of Amurrio, was chairman, Augusto Krahe, deputy chairman, and José Torán Peláez, promoter of the creation of the company and the driving force of Coviles until stepping down in 1958, was the company's first general manager.

The completion and heightening of the Vado Dam and the construction of its spillway comprised the first project performed by Coviles. With the inauguration of the dam, the water supply to Madrid, a city experiencing strong growth at the time, was on its way to a solution. Franco inaugurated this project in the summer of 1951, unveiling a stone marker dedicated to the Archpriest of Hita, with an inscription: "1351 – 1951/Cerca d'aquesta sierra/ Ay un lugar onrado/ Muy santo e muy devoto: Santa María del Vado/ Del ditado qu'el arcipreste de Hita/ Ofreció a Santa María del Vado", a poem in old Spanish reflecting the connection of the Archpriest with the site.

The dam forming the Guadalén reservoir is a straight, gravity dam, 55 meters in height over its foundations and with close to 200,000 cubic meters of concrete, and was the first dam built entirely by the company. In time, this project was followed by the Cenajo Dam, regulating the Segura River basin. Over the years Coviles became the leading specialist in dams, contributing to the Spanish countryside the reservoirs of Camarillas, Guadalmena, Zújar, El Collado, Torre del Aguila, Salto del Molino, Guadalfeo, Riaño, Retortillo, Navalmedio, Los Rosales, San Rafael, Villalba, Montanejos, La Pedrera and Bellús.

In 1955, the company was given the opportunity of participating in the bidding process for an exceptional project in terms of its volume and features: the Rota Naval Base. It participated in the call for bids in a 50% partnership with the U.S. company Corbetta Construction Company Inc. and won the contract. Vigo, Villagarcía, Cambados, El Grove, Moaña, Bueu, Cée, Adra, Algeciras and Motril were other ports where Coviles was active, performing a wide range of marine works.

However, there was one aspect in which Coviles was unable to stand out: it was rarely able to enjoy a healthy income statement. Its cash situation showed a deficit far too often. In 1973, it was purchased by Obrascón, shortly after the latter was taken over by AHV.

Altos Hornos de Vizcaya registered the best six years of its history in terms of production and profits under the executive chairmanship of Juan-Miguel Villar Mir, from May 1970 to December 1975. However, following Villar Mir's departure to take up an appointment in the first Government of the Monarchy, the chairmanship of Altos Hornos was entrusted to Javier Benjumea Puigcerver, who put a hold on the second phase of the Fourth Integrated Steel Plant, which included the new blast furnaces and the steel mills, never to be undertaken.

With a poor economic situation for AHV and its subsidiaries, on February 28, 1979, the National Institute of Industry (INI) purchased all of the shares of Altos Hornos del Mediterráneo (AHM), pursuant to agreements entered into between the former shareholders of the company and the Ministry of Industry and Energy, in the summer of 1978. The entry of the Government-owned holding company into the Sagunto steel company materialized through a symbolic outlay in exchange for the company's shares.

The last Chairman of the Board of AHM in the era of AHV was Ignacio Hidalgo de Cisneros, the same executive who, years later, was to serve as Chairman of Obrascón with instructions to sell 100% of Obrascón's capital.

Target: convert Obrascón into a generalist construction company

The main purpose of the purchase of Obrascón by Altos Hornos de Vizcaya was to have a construction company of its own for building the Fourth Integrated Steel Plant.

The 4,800 housing units built in Santa Eugenia and the 5,000 in Parque de Lisboa, both in Madrid, form a part of the most significant housing developments undertaken by Obrascón in the seventies.



However, it was not the only reason, because the intention was to convert a company devoted particularly to residential building and development into a large-scale generalist construction company, with the aim of attaining one of the top positions in the ranking of the sector. With this purpose in mind, a group of managers and specialists on the highest level were recruited for the company, drawn from the most prestigious firms of the time, such as Dragados y Construcciones, Entrecanales y Távora or Agromán.

Obrascón lacked the classifications necessary for participating in calls for bids for major government civil engineering projects and, therefore, a number of contacts were initiated for the purchase of a construction firm with significant classifications. The company chosen was Construcciones Civiles (Coviles), purchased on November 15, 1973. Coviles was faced with serious financial difficulties, practically on the verge of temporary receivership, but had experience in major engineering projects, particularly hydraulic works, with very high classifications that qualified the company for bidding on a wide range of civil works. Moreover, it had a backlog of projects not yet started worth around 1,800 million and an excellent establishment of technicians and middle managers.

An arrangement was made for the acquisition of 100% of the shares of Coviles by Obrascón at zero value, while the backlog of projects not yet started (group "A") was to be undertaken by Obrascón. Of the remaining activities in progress (group "B") or in the completion stage (group "C") would



A-19 freeway in Barcelona, one of the most outstanding civil engineering projects performed by Obrascón in the seventies.

continue to be the responsibility of the Coviles Board until finally concluded and settled, with the establishment of the necessary guarantees. In order to meet the most immediate needs for cash resources, it was decided that an outlay of 500 million pesetas as preferred credits was needed and would be provided equally between AHV and the members of the Coviles Board of Directors.

The new Obrascón owned by Altos Hornos de Vizcaya was structured into three major areas of production and a fourth area for the winding-up of Coviles. The first area -building- was managed by men from the old Obrascón, with Javier Quílez

in charge and the assistance of Carlos Sánchez Cebrián in the performance of building projects and José Luis Espelosín as commercial manager, as well as the various delegations of the company. For civil engineering projects, new managers were recruited by AHV, with Juan Antonio Esteban Rodríguez-Sedano in charge and the assistance of three managers: José de Castro Morcillo, Hydraulic Works; Mariano González Becerra, Roads and Communications, and José Antonio Fernández Durán, Industrial Works. The Metal Structures area was headed by Ramiro Rodríguez-Borlado, professor of this subject at the Civil Engineering School. This area was geared essentially to meeting



Jinámar Housing Development in Las Palmas, one of Obrascón's largest and most lucrative projects: 1,760 housing units, business premises and the development of the building lots.

the needs of the new AHV projects in Sagunto and Vizcaya. Roque Gistau Gistau, a Coviles engineer who went on to answer to Juan Antonio Esteban Rodríguez-Sedano, was responsible for the winding up of the Coviles B and C backlogs.

A Machinery and Installations management area was also organized, headed by Melchor Ordóñez, who came from Dragados y Construcciones. His most important assistants were Antonio Martínez Rubio, who had been the head of Machinery at Coviles, and Javier Molinero. Francisco Esteban Rodríguez-Sedano and Mariano Moneo were in charge of the Technical Department.

The first Board of Directors of the new Obrascón was made up by four members representing Altos Hornos with each shareholder bank represented by an additional member. Under the chairmanship of Sabas A. Marín García (AHV), the majority

shareholder (AHV) was represented by Guillermo Visedo Navarro, Juan Luis Burgos Marín and Carlos J. Anabitarte Prieto. Diego Martín Peramo (Banco de Bilbao), Joaquín Nebreda de Miguel (Banco de Vizcaya) and Rafael Cabello de Alba y Gracia (Banco Urquijo) completed the Board. Carlos J. Anabitarte Prieto, son of the previous general manager, Carlos Anabitarte Romero, continued to hold the position of general manager. He had replaced his father in the position on March 14, 1972, when Diego Martín Peramo was Chairman of the Board.

The first meeting of the Board, held on June 4, 1973, established the main guidelines to govern the company over the coming years. In this regard, the Chairman, Sabas Antonio Marín, put forward the need to draw up a five-year plan for the company that would cover the period between 1974 and 1978, determining the financing resources necessary for attaining the targets set. In addition,

The Bilbao-Behobia freeway was one of the benchmark civil engineering projects of the seventies. Below, the freeway crosses over the locality of Basauri in Vizcaya.



the Board decided to commence activities in the civil engineering and metal structures sectors, as well as to step up the areas of building, both private and well as official projects, with the final objective of making Obrascón one of the leading construction companies in the country. In this effort the Board counted on support of its three shareholder banks and Altos Hornos de Vizcaya, which planned on major investments. The construction company's targets were then to recruit new technical and administrative staff for the development of the new areas of activity

and to achieve a profitable company, competitive within its sector.

The appointment of Sabas Antonio Marín as Director General for Ports prevented him from supervising the satisfactory progress of the business plans defined for the new Obrascón. Following his resignation, on January 9, 1974, the company was left in the hands of the Deputy Chairman of the Board Guillermo Visedo, and the Managing Director, Francisco Esteban who, a few months later, on November 6, became Obrascón's new Chairman.

The expected growth rendered it necessary to address without delay a number of challenges for which recourses had to be made available. In this regard, an Extraordinary General Meeting passed a resolution on February 15, 1974 to increase the share capital by 348,408,500 pesetas, thereby moving from 151,591,500 pesetas—the amount of the previous share capital—to 500,000,000 pesetas.

Business was going well for Obrascón. In addition to the Fourth Integrated Steel Plant, other large-scale projects were set in motion, such as the La Pedrera reservoir, awarded to Coviles and, in 1975, two sections of the Bilbao-Zaragoza freeway for AUVACESA, worth 1,700 million pesetas, and the development of the land for the Jinámar housing complex in Las Palmas de Gran Canaria (800 million pesetas), for the Housing Ministry.

As early as 1974, the volume of work completed had tripled, in real pesetas, with respect to the figure for 1972, with Obrascón moving up from 16th place to 7th among the construction companies operating on the domestic level. At that time the audit report on Coviles made by Coopers & Lybrand gave reason for concern, with an assessment of 1,502 million pesetas in losses, in comparison to the 366 million estimated by the former Board of Directors of the company purchased.

The 1975 financial year commenced, in the midst of an economic recession, with a considerable backlog of projects (9,000 million pesetas), heavy structural burdens and growing cash difficulties. Instructions were given by AHV to adjust the pace of the work completed and new investments to the availability of financial resources. Loans were arranged with the Banco Europeo

de Negocios, maturing in five years, in the amount of 200 million pesetas, while a loan agreement in foreign currency was entered into in May for 20 million U.S. dollars, guaranteed by the shareholder banks and counter-guaranteed by AHV to the extent of 70%.

Thanks to that fresh injection of cash, in June Obrascón returned 943 million pesetas to AHV that had been provided to help with the cash situation of the Coviles projects being wound up, with another 957 million pending repayment. The results for the year were only 31 million pesetas, while the fixed structural expenses, in a company that was already perceived as oversized, rose from 5.10% in 1972 to 9.5% in 1975.

In December 1975, the Chairman of AHV, Juan-Miguel Villar Mir, resigned to take up his office as Deputy Prime Minister for Economic Affairs of the first Government of the Spanish Monarchy. The new Chairman of AHV, Javier Benjumea Puigcerver, delayed taking up his position until May of the following year, with the ensuing delay in decision-making processes. Urgent measures had to be taken.

In this regard, in September 1976, the Board of Directors approved a readjustment of the company to bring it into line with a volume of work equivalent to 9,500 million pesetas and to take the actions necessary to close down the metal structures workshop in Sagunto, a business area that was showing losses. A divestment plan, on a profit basis, was also approved with respect to the real estate assets, and a resolution was passed to convey to the shareholder banks the company's new financial needs in the face of the cash situation.



An Obrascón motor-driven sliding formwork used in the construction of the Crevillente Canal, one of the major projects undertaken in the eighties.



Fernández Casado Bridge on the León-Campomanes freeway, between the Castilian plateau and Asturias.

OBRASCÓN: KEY FIGURES 1973-1987. PESETAS.							
YEAR	RESULTS	REDUCTION	INCREASE	CAPITAL	%R./C	WORK COMPLETED	%R./W.C. PERSONNEL
1973	27,633,887.71			151,591,500.00	18.23	2,656,000,000.00	1.04 3,010
1974	50,178,719.20		348,408,500.00	500,000,000.00	10.04	3,925,000,000.00	1.28 4,372
1975	30,963,251.49		200,000,000.00	700,000,000.00	4.42	4,446,600,000.00	0.70
1976	-175,528,833.45			700,000,000.00	-25.08	7,038,882,117.00	-2.49
1977	-596,927,074.30		700,000,000.00	1,400,000,000.00	-42.64	1,559,766,325.91	-38.27
1978	-2,196,974,905.27	-4,156,000,000.00	3,806,000,000.00	1,050,000,000.00	-209.24	6,413,143,328.74	-34.26
1979	-4,407,935,663.33			1,050,000,000.00	-419.80	5,891,860,676.27	-74.81 4,463
1980	-1,791,432,490.88			1,050,000,000.00	-170.61	5,025,761,943.78	-35.64 1,975
1981	-231,932,109.87		4,268,342,500.00	5,318,342,500.00	-4.36	5,466,206,020.62	-4.24 1,599
1982	-415,241,504.45			5,318,342,500.00	-7.81	5,403,277,270.35	-7.68 1,316
1983	-40,053,681.61			5,318,342,500.00	-0.75	3,925,322,804.09	-1.02 1,068
1984	-102,672,899.00	-4,669,540,715.00		648,801,785.00	-15.83	4,693,117,600.00	-2.19 829
1985	-195,782,078.00			648,801,785.00	-30.18	4,158,803,837.00	-4.71 686
1986	-929,000,000.00			648,801,785.00	-143.19	5,319,600,000.00	-17.46 657
1987	-1,648,500,000.00	-648,801,785.00	932,100,000.00	932,100,000.00	-176.86	4,657,700,000.00	-35.39 523
TOTALS	-12,623,205,381.76	-9,474,342,500.00	10,254,851,000.00	780,508,500.00		70,581,041,923.76	-17.88

Barely three months later, the Board submitted a proposal to the shareholder banks to double the share capital from 700 to 1,400 million pesetas, seeking an increase in discount facilities of 1,250 million pesetas and an increase in guarantee ceilings of 850 million pesetas. As a prior condition for any decision on the financial facilities requested, the director, Joaquín Nebreda, on behalf of Banco de Vizcaya, asked for an urgent economic/financial study of the situation of the company and its projection over the coming financial years.

The 1976 financial year was the first, subsequent to the Civil War, to recognize a negative result. But it was not to be the last. A decade of heavy losses and capital increases to keep equity in the black commenced. Altos Hornos de Vizcaya, at the height of the steel crisis, supported its subsidiary as much as it could, going as

far as to provide assistance in kind, when it was unable to supply cash resources, thereby salvaging highly complicated situations. Francisco Esteban Rodríguez-Sedano tendered his resignation as Chairman and member of the Board of Directors of the company in March 1978, and his position was taken over, not by a natural person, as had been the case up to then, but by a legal person, Altos Hornos de Vizcaya, its majority shareholder. In an initial stage, AHV, as Deputy Chairman, was represented according to the agenda, indistinctly and in a joint and several manner, by Enrique de Aldama y Miñón, Juan Luis Burgos Marín and Juan Manuel Ruygómez Iza. In the month of July, AHV went on to hold the office of Chairman, although on this occasion, it was represented by a specific natural person, Guillermo Visedo Navarro, pursuant to a resolution by the AHV executive committee. At that same meeting, Juan José Alzugaray Aguirre, a versatile

Obrascón has recourse to barter agreements

Villar Mir's stage as Executive Chairman of AHV ended in December 1975, when he took up his office as Deputy Prime Minister of the first Government of the Monarchy. Up to that time, the financial years of AHV and Obrascón showed positive results in sales and profits. However, two years later, starting in 1977, the economic recession, a consequence of the exorbitant rise in oil prices, together with the cash needs of Coviles and the production growth policy in Obrascón, translated into needs for making cash available to the company. The shareholder banks accepted successive proposals by Obrascón and Altos Hornos de Vizcaya for increasing capital, involving around 5,000 million pesetas since the time the company had been purchased. However, in 1979 the banks stood fast and refused the proposals for further increases.

Faced with this situation, Altos Hornos de Vizcaya, at the height of the integrated steel crisis, helped its subsidiary as much as it could by making additional contributions, unfortunately insufficient for solving Obrascón's lack of liquidity.

Then, the idea of barter agreements arose. If Obrascón was allowed to use certain products manufactured by AHV, "gathering dust" on its warehouse "shelves", as a method for paying its suppliers, a number of problems of supply could be solved. Said and done. AHV drew up a list of the products in stock that were not particularly easy to move on the market and that could serve as additional contributions to Obrascón, if the latter succeeded in selling them.

The result was a considerable success. As the construction company's suppliers also needed to make sales, they cooperated actively by designing two- or three-party transactions, until the steel products offered were finally placed with purchasers. AHV ended up limiting its contributions in kind to Obrascón, which had served as an unexpected lifeline.

industrial engineer and prolific writer, was appointed as a member of the Board and Managing Director and was to become Chairman shortly thereafter.

In 1979, the situation continued to be difficult for Obrascón and for its parent company AHV. The three directors representing the shareholder banks resigned and were not replaced. In this context and in pursuit of restoring the company's financial situation to good health, a fresh increase in capital was attempted and was subscribed by AHV alone, giving its support once again to its construction subsidiary despite its delicate

economic situation. With respect to the shareholder banks, their decision on the financial restoration of Obrascón hinged on the steel industry restructuring process and, more specifically, on the solution that the Government would finally adopt in order to remedy the crisis of the integrated steel producers.

It was then proposed to appoint a sole director to represent all of the shareholders in the management of the company, and Juan José Alzugaray Aguirre, the then Managing Director, was appointed. Alzugaray headed the company up to December 31, 1985, when he resigned on having

reached retirement age. He was replaced by Ignacio Hidalgo de Cisneros, with instructions to sell Obrascón, which at that time was losing on the order of 1,000 million pesetas per year. In the sales representations made, the interested purchasers offered symbolic prices only and were not willing to accept Obrascón's liabilities or contingencies. That was the case until they approached Juan-Miguel Villar Mir as a possible purchaser. Villar Mir had lost contact with AHV and with Obrascón in December 1975, on taking up a position with the first Government of the Transition. And almost twelve years later, he was selected as a potential purchaser because, although he offered a symbolic price like the rest of the purchasers, he was the only one willing to accept all of Obrascón's liabilities or contingencies.

Projects and problems

Obrascón's financial difficulties starting in 1977 have been attributed to three problems that shackled the planned launch of Obrascón towards the top positions in the sector. Precisely AHV's star project, the Fourth Integrated Steel Plant in Sagunto was the first of these problems. Obrascón had been sized in order to undertake a major project that was later reduced to its initial stage, the cold-rolling mill occupying more than one kilometer in length. Although an important contract, it was significantly inferior to the volume of work initially intended. This circumstance affected the Metal Structures area of the construction company most directly. This area had to be dismantled on account of the heavy losses incurred without even having offset the costly initial investments made.

The Coviles contract/purchase agreement ended up in an arbitration process that was highly adverse for Obrascón,

as the arbitral decision rejected the claims made by the company.

The third unfortunate contract referred to the Basque-Aragon freeway, Areta-Altube section. In the course of the performance of the work, a multitude of new units, changes and additions arose, a usual circumstance in projects of this nature over a complicated terrain. In this case, the negotiation of the assessment and payment of the changes and additions were postponed by the concession company until the settlement of the contract, when all of the reasonable claims would be considered. In addition, the labor environment, manipulated by Basque independence proponents, further complicated the progress of the work. Almost all of the construction companies participating in the freeway project incurred serious losses. In fact, a major company took advantage of the Easter vacation break to abandon the work, removing all of its machinery in a convoy of tractor trailers. Obrascón's claims ended up in an equity arbitration process with a negative outcome for the company.

In the beginning of the eighties, Obrascón had become a company with an alluvial staff establishment where a number of factions arose with little cohesion and without a common goal, inclined towards discouragement or conformity in the face of difficulties. It is also true that it was an era of crisis and high inflation. The scant volume of government contracting led contractors to make desperately low bids, while the increase in costs, driven by constant wage demands, was not adequately offset by price revision indexes.



The Banco de Bilbao, now BBVA, central office on Paseo de la Castellana in Madrid was built by Obrascón and has been named as one of the most outstanding buildings of the early eighties.

Although the balance at the end of the AHV era was highly negative, as the sum of the losses outweighed the total profits, the conclusion that all of Obrascón's contracts ended up badly would not be accurate. Had that been the case, the company would not have lasted very long. The "Land Development for the Jinámar Residential Complex" was a project awarded to the lowest bid, with 45%, but turned out profitable. There was a longstanding Obrascón building delegation in Las Palmas de Gran Canaria, with a consolidated customer portfolio, that worked well but lacked experience in civil engineering projects.

The complex was assigned to Obrascón's Roads and Communications management area, and professionals from a range of origins arrived in the Jinámar valley. The crushing installations were set up, together with the concrete, cement-bound granular material and asphalt mix plants, the prefabricates and machine shops, the materials testing laboratory, the site offices, dressing rooms, dining rooms and installations, and the personnel were ready to go to work. And no one stopped working for the next eight to ten years, contracting and performing new projects, such as the Telde-Melenara sewerage system, the electrification of the housing complex, the pumping station and the underwater discharge pipe or the Mulato River dam, among others. Money was earned in all of them.

Probably one of the largest and most lucrative building projects performed by Obrascón in a single contract was the Jinámar complex: 1,760 housing units, business premises and the development of the building lots. The most striking feature of the case was that the performance of the work was not entrusted to the building delegation

in Las Palmas, to avoid overtaxing its capacity, but rather to the Jinámar organization, a team that worked like a clock, headed by an excellent site manager, Luis Hernando Gómez.

Other outstanding projects were also performed during that period. In terms of roads: the A-19 freeway in Barcelona and the León-Campomanes freeway, including the Fernández Casado Bridge, and the Seville-Granada and the Las Palmas maritime freeways. In building, in addition to the Jinámar Residential Complex: 4,800 housing units in the Santa Eugenia development and 5,000 units in Parque de Lisboa, both in Madrid; the central office building of the BBVA on Paseo de la Castellana in Madrid, and the University of Zaragoza School of Science. In the field of hydraulic works: the sewerage systems of Fuengirola and Marbella, the Zahara and Aspe dams and Sector VII of the Las Bárdenas Canal. Among the most significant maritime works performed: the ports of Tarragona, Cudillero, Garrucha and the recreational craft mooring facility for the Real Club Náutico in Vigo. Finally, the Bodovalle tunnels, the Crevillente Canal and La Pedrera reservoir.

When Juan-Miguel Villar Mir purchased all of Obrascón's shares on July 31, 1987, the company was in a more than complicated financial situation, not very different from the situation of its parent company, AHV. However, Juan-Miguel Villar Mir was able to convey confidence to the team and demonstrated with that second purchase of Obrascón, this time on a personal basis, that he was not mistaken when he purchased it for AHV in 1973 and that the company could be profitable. For AHV, it was the end of a years-long nightmare. At Obrascón, hope was reborn.

An aerial photograph of a city grid, likely O'Hare International Airport, is shown in a dark blue color. A semi-transparent blue rectangle is overlaid on the left side of the image, containing white text. The text is centered within the rectangle and reads: "FROM OBRASCÓN TO OHL", "CHRONICLE OF A CENTURY", and "1911-2011".

FROM OBRASCÓN TO OHL
CHRONICLE OF A CENTURY
1911-2011

POLIZA DE OPERACIONES AL C

RE TRANSMISIONES PATRIMONIALES Y ACTOS
DOCUMENTADOS.-ARTICULO 12. 3. TEXTO REFUNDIDO.

Madrid , 1 Agosto 1987

FINCERA OBRASCON, S.A.

INDICAR LA LEGITIMA PROPIEDAD DE LOS TITULOS QUE SE
DE LA SOCIEDAD GENERAL DE OBRAS Y CONSTR



FORMALES CAMBIO PESETAS EFECTIVAS

.000 - 1 peseta

NUMERACION DE LOS TITULOS	
.100	Serie B

The rescue of Obrascón

1987-1990

Juan-Miguel Villar Mir decided to submit a bid for the purchase of Obrascón at a symbolic price, like all of the other prospective buyers, but with the unique feature of offering the only proposal willing to take over all of the obligations and contingencies of Obrascón, “as if it were a case of shares purchased on the Stock Exchange,” a condition imposed by the AHV negotiator, José María Cortina, a government attorney on leave of absence. The agreement was concluded on the night of July 31 to August 1, 1987, and José Luis García-Villalba, friend and colleague of Villar Mir in his Chair of Business Organization at the Advanced School of Civil Engineering in Madrid, collaborated with Villar Mir in the negotiation.

It was the second time in fifteen years that Villar Mir purchased Obrascón, although on this occasion the former Deputy Prime Minister of the first Government of the Monarchy was purchasing it for himself. This acquisition transformed him, at 56 years of age, into an entrepreneur. The final price

of the transaction: one peseta. The condition: accept –without the right to make any subsequent claims– the losses accrued by the construction company which, in the first half of the year, totaled more than one thousand million pesetas. One year later, in 1988, Obrascón was already earning money, and four years later, it was traded on the Stock Exchange.

The new entrepreneur thus confirmed his recognized capacity for changing the color of the balance sheet of a company in the red with remarkable speed. As manager, he had made Hidro-Nitro profitable in a matter of only one year and had “turned Basque steel into gold”, a metaphor used by a Vizcaya newspaper to describe his contribution to the return to profits of the income statement of Altos Hornos de Vizcaya during his time as Chairman of the Basque steel producer.

In turning around Obrascón’s accounts, Juan-Miguel Villar Mir did nothing other than apply the same principle that had won him well-deserved prestige during his 20-year period as a salaried business executive: “clear targets and work, work and work”.

The first time that Juan-Miguel Villar Mir purchased Obrascón was in 1973, as Chairman of AHV, together with his right-hand man in the Basque steel producer, Guillermo Visedo. The seller was José Ángel Sánchez Asiaín, on behalf of Banco de Bilbao. At that time, Villar Mir wagered

personally on a project in which he believed but which he was unable to continue, on accepting, in 1975, the responsibility of the position of Vice-president for Economic Affairs and Minister of Finance in the first Government of the Monarchy in Spain.

Now, fifteen years later, the Obrascón challenge was different. Not only did it involve refloating the company, but also directing his efforts toward the control of the construction company as its majority shareholder, now with a slimmer backlog although without having lost the sheen of its longstanding brand prestige. He made the company the cornerstone on which he built, through twelve years of acquisitions and takeover mergers, today’s OHL.

The last stage in AHV: a purchaser is sought for Obrascón

During that summer of 1987, Obrascón was barely staying afloat in the sea of AHV losses, incurred as a result of the failed project for the Fourth Integrated Steel Plant that was to be built in Sagunto. The losses of the construction company, nevertheless, were only a few drops of water in the ocean of debts of Altos Hornos de Vizcaya and its subsidiaries, which totaled 148,260 million pesetas, 33,000 million of which were short-term.

For this reason, Altos Hornos de Vizcaya, owner of 70% of Obrascón’s shares, had been looking for purchasers for several of its subsidiaries, including,

of course, its construction company. During those years, the landmark Basque steel producer was faced with its most drastic restructuring since it had been nationalized in 1978.

With the first Socialist Government in power in Spain, headed by Felipe González, its first Minister for Industry, Carlos Solchaga, armed himself with

by the economy to enable Spain to find a place in the select group of countries forming the European Economic Community.

With this purpose in mind, in 1984, provisions were adopted in two directions: an adjustment in the industrial sectors most heavily affected by the crisis and reindustrialization, that is, the rebuilding of the

POLIZA DE OPERACIONES AL CONTADO

IMPUESTO SOBRE TRANSMISIONES PATRIMONIALES Y ACTOS JURIDICOS DOCUMENTADOS - ARTICULO 12.2. TEXTO REFUNDIDO.

7.ª CLASE 40057150

10 PTA

10 Agosto 1987

FOR EL REGISTRO EN LA OFICINA DE REGISTRO DE

FRANCISSA OBRASCÓN, S.A.

SE HA ADECUADO LA JURISDICCION PATRIMONIAL DE LOS TITULOS QUE SE RELACIONAN QUE HAN ACORDADO CON LA INSTRUCCION ASISTENTE DE LA DICCION GENERAL DE OBRAS Y CONSTRUCCIONES, S.A.

CANTIDAD NOMINAL	CLASE	PERIODO DE VIGENCIA	IMPORTE	PERCENTAJE	TOTAL IMPORTE
932.100.000	-	1 peseta	-	10	11 pesetas

NUMERACION DE LOS TITULOS:

1 a 932.100 Serie B

El Apoderado de Cobro y Pago

OPERACION EFECTUADA POR ORDEN DE

Official receipt of payment of the transfer tax for the purchase of 932.1 million Obrascón shares for 1 peseta. The acquisition transformed Juan-Miguel Villar Mir into an entrepreneur.

an iron scalpel to undertake a far-reaching industrial restructuring process, with aggressive surgery in the steel sector. “Industrial restructuring” went on to become the handiest term in economic policy and restructure was the favorite verb used by the Government. It was the hurdle still to be overcome

industrial fabric in those territories where it had been most seriously damaged. The labor unrest unleashed throughout Spain was particularly intense in the second half of the eighties and extremely virulent in the mature sectors of industry, whose major companies, the majority of which had been created

in the era of developmentalism, were hampered by their excessive size in relation to the country's needs and were capable of only minimum export volumes.

The positive side of the restructuring process was reindustrialization, focused on the most dynamic sectors. Emphasis was placed on the automotive, chemical and



The expression “industrial restructuring” became the handiest term in the new Government’s economic policy. In the photograph, CCOO protest against the restructuring of Altos Hornos del Mediterráneo, on July 14, 1983.

agri-food industries, capable of activating other economic environments, and on the high-technology areas. This economic policy was conducive to a situation where the regional governments themselves promoted a total of 3,200 business projects between 1983 and 1987, with an investment of close to 400,000 million pesetas and the creation of close to 45,000 jobs.

Relieved of an inefficient industrial deadweight and recently admitted as a full member of the EEC on January 1, 1986, Spain moved with an increasingly firmer step towards a service economy.

However, the future outlook considered by economic analysts for the construction sector during that summer of 1987 was quite different. As the sector had not suffered the rigors of restructuring, the projections were very optimistic in the short and medium term. This was also the position of the new Board of Directors in Obrascón’s annual report for that financial year: “The construction sector has continued the recovery initiated in 1985. In terms of growth by sector, it has ranked among the best. Although there are significant discrepancies in figures, it appears that the most reliable is a growth rate of around 6% in current pesetas [...] With respect to the future, including 1988, the outlook for the sector is in general quite favorable, at least with a half-decade projection”.

The projection made by Obrascón’s new management team was on target. By 1989, the sector had already obtained a growth figure of 13%, with civil engineering work, as the driving force, having increased 25%. Not at all surprising, on the other hand, considering that official tendering, boosted by the 1992 events, grew at a rate of 37%, with highly optimistic expectations for the following decade, heading into the final stretch of the twentieth century.

From the start the new investment group, led by Juan-Miguel Villar Mir, had the “clear objective of ensuring



The Obrascón management team in 1990 that was able to inject optimism and hope into the company's staff. Seated, from left to right: José Luis García-Villalba, Deputy Chairman and Managing Director; Juan-Miguel Villar Mir, Chairman. Standing, from left to right: Pedro Espada Aguirre, Building Construction Manager; Joaquín Blanco Fernández, Civil Engineering Manager in Andalusia; José Antonio Fernández Eléjaga, Economic and Financial General Manager; Francisco Marín Andrés, Construction General Manager; Juan Samos Hernanz, General Manager of the Real Estate Division; Juan Carvajal Fernández de Córdoba, Technical Manager; Javier Prieto Veiga, Civil Engineering Manager; Salvador Caballero López, Human Resources Manager; and José María Sánchez Moreno, Head of Administration.

that Obrascón would participate in the good results foreshadowed for the sector”. However, attaining that objective was not at all a simple and easy matter for Obrascón. As it belonged to a steel producer, the crisis had impacted on the company more intensely than in the case of other construction firms. From ranking 13th in the sector in 1978, it dropped to the twenty-sixth place in 1985. Not even the radical reduction of one-third of its staff, starting in 1979, was sufficient to alleviate the situation. From the 6,000 million pesetas invoiced during that financial year, the company's turnover declined to less than 4,200 million in 1985, when losses were ranging around 100 million

pesetas monthly. Although at that time it appeared impossible, Obrascón still managed to get a slice of the new construction pie.

Juan-Miguel Villar Mir shows an interest in Obrascón

When Villar Mir learned that AHV was looking for a purchaser for Obrascón, he headed Electra de Viesgo, at the request of the Banco de Santander, then led by Emilio Botín Senior, “a great banker and a great gentleman, who always distinguished me with his friendship and trust”. Villar Mir repeats this praise publicly whenever he

recalls the patriarch of the Botín family. As he also fondly remembers his time as Chairman of the Cantabrian electricity company between 1983 and 1991, which could very well have been another “start from scratch” episode on his way towards entrepreneurship.

When Emilio Botín placed the chairmanship of Viesgo in the hands of Juan-Miguel Villar Mir in 1983, he entrusted him with the design of a strategy for the future of the electricity company and offered him the opportunity of forming a part of its shareholder composition. Finally, control of the Cantabrian company was taken over by the Banco de Santander following a takeover bid, studied and prepared by Villar Mir, one of the earliest launched in Spain and the first of the four that Villar Mir won in the course of his business career.

Villar Mir was more attracted to the construction sector rather than to electricity and, during those years at the head of Viesgo, he decided it was time to leave his past as a professional business manager behind and become an entrepreneur and the owner of his own business. He had been considering the idea of entering the real estate and construction markets. He had created the company Miralba together with José Luis García-Villalba. He stood out in the media among the investors who participated in the bidding for the privatization of the Torres de Jerez, currently the Torres de Colón, a landmark office building project performed by Huarte (the “H” in OHL), and very popular at the time on account of having been built in reverse, from the roof down. He also bid on the real estate division of Rumasa.

Probably, the unsuccessful Rumasa transaction helped Villar Mir to shape the true “start from scratch” of his

career as an entrepreneur. He looked for other horizons. His strong civil engineering vocation took him once again to the construction sector. The fact that Obrascón was up for sale was the deciding factor. As soon as he learned that AHV had decided to sell, he lost no time in preparing a purchase proposal.

After ruling out possible legal incompatibilities as a purchaser -derived from the fact that, fifteen years earlier, he had chaired AHV, the selling company-, Juan-Miguel Villar Mir decided to examine the situation of the construction company with the intention of submitting an offer. He made an exhaustive and rigorous analysis. He contacted Juan Luis Burgos and Ignacio Hidalgo de Cisneros to obtain the basic information on the company (structure, personnel, backlog of projects, accounts, and the like) and visited the construction sites in order to learn firsthand what the actual situation of the company was. The field study was made by José Luis García-Villalba, who made the final estimate of the real value of Obrascón.

If the company’s balance sheet was dramatic enough, García-Villalba found its employees swept up in a wave of uncertainty. Belonging to the once powerful AHV Group was, in those years, a real possibility of losing one’s job. In the lengthy restructuring process, the Government had favored Ensidesa with a 70% share in the distribution of the steel production, relegating the Basque steel producer to a 21% share and punishing Altos Hornos del Mediterráneo with an insignificant 9%. As a consequence, AHV was forced to close down many facilities showing losses.

Following the heralded accession to the European Community as a member in January 1986, which placed

Spain fully in the scenario of the world economy, the hard truth of the fact that the international economic context was not at its best was soon apparent. The second oil crisis, although delayed, had also impacted strongly on the Spanish economy, with serious effects that still lingered in the mid eighties.

On the local political scene, Spain was finalizing the details of its membership in NATO, while, on an international scale, major changes were in the wind: Mikhail Gorbachev launched to the outside world the challenge of nuclear disarmament and, domestically, promoted his Perestroika project that would eventually lead to the disintegration of the Soviet Union and the re-founding of the old Russia. Other historical events were to follow those initiatives: the fall of the Berlin wall, the reunification of Germany and the opening-up of the countries of Eastern Europe. Thus communism fell as a socioeconomic system, incapable of generating wellbeing and of providing its people with the basic freedoms.

Precisely in that summer of 1987, a spectacular plunge taken by the New York stock exchange, known as the crash of '87, alarmed investors worldwide, with the memory of the great crash of '29 on that same Wall Street scenario. This was happening while, in Spain's economic environment, another restructuring process was taking



The Spanish Prime Minister, Felipe González, signed the Treaty of the Accession of Spain to the European Economic Community (EEC) at the Royal Palace in Madrid, in the presence of King Juan Carlos.

With respect to the political panorama, changes occurred rapidly. Spain finalized the details of its membership in NATO after a majority "yes" vote in a referendum called by the first Government of Felipe González. In the photo, Socialists Joaquín Leguina and Javier Solana campaigning in favor of the "yes" ballot.



place, the financial markets. The two banks that had been founders of OBRASCÓN, Banco de Bilbao and Banco de Vizcaya, were very much in the limelight during those years. In 1988, the two Basque banks started out on the long journey to bank concentration through a merger that gave rise to the BBV and, following the subsequent

Times of Expo and the Olympics

The coincidence in 1992 of the two most important events organized by our country in the entire past century, the 20th Universal Exposition in Seville and the 25th Summer Olympic Games in Barcelona, gave a strong boost to public works in Spain. Between 1985 and 1991, the intense contracting of new infrastructures brought about a first construction boom which, faithful to its cyclical vocation, led to a significant recession when the memorable celebrations ended.

There was a period of six years in which construction grew at an average rate of 8.6%, four points above the GDP during that period and at a more rapid pace than in the rest of the major sectors of production. That was the most expansive period for the sector during the past century. In exchange, public expenditure soared and a by-then-endemic public deficit beleaguering the public coffers became consolidated. The main beneficiaries of the boom, the construction companies, then suffered the downturn in government tendering. It was like being fattened up before death. Once the party was over, several companies fell into a crisis from which they were unable to emerge.

For Barcelona, the Olympic Games marked a “before and after”. Barcelona citizens are still enjoying the improvement in the city's infrastructures, with investments for the entire event calculated at 1.11 trillion pesetas. The construction of the beltways -Litoral and Dalt-, as well as the expansion of the airport –where terminal B was upgraded and terminals A and C were created-, were long-awaited improvements made possible by the Games. The Olympic facilities, grouped into four areas –Montjuic, Diagonal, Vall d'Hebron and Parc de Mar- transformed Barcelona into one of the best equipped capital cities of the world in terms of sports infrastructures. New and modern facilities were built, such as the Palau Sant Jordi and the Olympic harbor. The city opened itself to the sea through new beaches created from nothing and wide promenades and marine facilities.

The Universal Exposition, held in Seville between April and October 2012, also transformed the urban development of the provincial capital. The city opened itself to the river, over which eight new bridges were built -two of them, the Cartuja and the La Barqueta- were floated on the Guadalquivir to their final location. The '92 Freeway became a transversal axis crossing all of Andalusia from east to west. The city was fitted out with 60 kilometers of new roads: freeways and bypasses, mainly. A new railway station was built, Santa Justa, replacing the old stations of San Bernardo and Plaza de Armas, and the airport was enlarged with a design by the architect Rafael Moneo. One hundred and eleven countries participated, and 36 million people visited the city. The cost of the exposition, without including the investments in infrastructures, was calculated at around 400,000 million pesetas.

The star project for Seville and Western Andalusia was the construction of the New Railway Access to Andalusia (NAFO) which, with a budget of 500,000 million pesetas, converted Spain into a member of the high-speed club. Madrid and Seville were thus connected in less than three hours by train. A “before and after” for passenger transportation.

incorporation of Argentario, today's BBVA. As a result of that merger, Spain's financial sector entered into a process of concentration that another crash was to revive at the end of the first decade of the 21st century.

Although the picture of the economic outlook at the time, both domestic as well as international, was still not clear and reflected turbulence, the new framework was already offering promising stimuli beyond its imprecise appearance. Spain was then being viewed as establishing the foundations of a new, more modern economy that was gradually finding a space among the countries with relevance on a world scale. For this reason, investing in a construction company was seen as a good bet in the context of an economy in expansion, in a territory where there was much to be built and much need for construction. In this context, the key question was whether Obrascón was a good option.

The company was heavily in debt. It was losing money at the rate of around one hundred million pesetas monthly and, except for a change in direction, the outlook was for the losses to continue increasing. However, on the positive side of the scale, Obrascón had a good organization and highly qualified staff. The key element in the decision-making process was, in the end, whether the purchasing team felt capable of improving the management to the extent of making the company profitable. Villar Mir then met with the company's trade union representatives to dispel their concerns about the possible winding-up of the



The concentration processes began at the end of the eighties, and the banking sector started before the construction companies. In the photo, José Ángel Sánchez Asiain and Pedro Toledo, chairmen of the banks of Bilbao and Vizcaya, respectively, Obrascón's two founding banks, sign the deed through which both were dissolved and created the Banco Bilbao Vizcaya (BBV). The signature took place on October 1, 1988.

company following the purchase and, once he had won the trust of the employees and managers, he decided to offer one peseta for Obrascón.

The new purchasers took advantage of AHV's need to sell in order to propose yet another purchase, that of Inmobiliaria Espacio, the current head company in the Villar Mir Group's real estate activity, whose sale was closed at 500 million pesetas. The activity of this real estate company was highly centralized in Madrid. It had around fifteen employees at its office, a 500-meter condominium on

Madrid's Paseo de la Castellana, a residential development in San Sebastián de los Reyes and a number of building lots in areas on the outskirts of the capital city. Juan-Miguel Villar Mir obtained financing for this project from the Banco de Santander. He repaid the loan prior to the agreed maturity date of one year.

Goal: make Obrascón profitable

If anything was to become clear in the subsequent evolution of the company it was that, in the course of that summer of 1987, Obrascón was destined to initiate a new stage. The fourth major stage in its existence, in terms of the ownership of its shares. During its first 22 years, the company's capital had been divided equally among the five founding shareholders. The second stage commenced in 1934, when the Banco de Bilbao went on to become the controlling shareholder, a status it maintained for almost 40 years. The third era, starting in 1973, spanned its 14 years in the orbit of Altos Hornos de Vizcaya, which had purchased the company for the construction of the Fourth Integrated Steel Plant.

In 1973, then within the organization of AHV, Obrascón grew in size with the addition of Construcciones Civiles, S.A. (Coviles), a company with its own technology and outstanding experience in the construction of major dams. It was the first of a long list of purchases/mergers/takeovers with Obrascón in the leading role, in a process that was completed in Spain in the last third of the decade of the nineties and reinitiated by OHL in the following decade outside of Spain, continuing yet today.

In this fourth stage, Obrascón's shareholder composition was no longer comprised by a large corporation, and the reins of the company were in the hands of a small group of professionals linked to the construction sector, who had risked their money in its purchase and were committed to the direct management of the company. An experience that produced excellent results, as evidenced by the continuous growth of the company from that time onward.

Juan-Miguel Villar became its Chairman and chief executive officer. He debuted in his new status at the service of a business venture of his own. The new entrepreneur "had twenty years of experience as a manager, capacity for restoring companies with difficulties to health, talent for encouraging team performance and knowledge of a range of sectors", as explained by journalist Julia Brines in the newspaper *Expansión*⁽¹⁾, in the introduction to a interview in which Juan Miguel reviewed his professional career.

His friend and associate in the operation, José Luis García-Villalba, was elected Deputy Chairman and became the company's Managing Director. Both were quick to shape the company's new organic structure, reinforcing it with new general management positions for giving impetus to business areas with little weight in the company up to that time. In the Construction area, two departments were created: Civil Engineering and Building Construction. Finally, the legal area was reinforced, to enable it to settle the bulk of legal controversies existing at the

⁽¹⁾ Brines, J. (2009): "No hay edad para ser emprendedor". *Expansión*. July 29. Madrid.

time of the change in shareholder composition as quickly as possible.

Francisco Marín Andrés, an outstanding civil engineer among the new management staff joining the company, was recruited from Ferrovial to take charge of the Construction General Management. José Antonio Fernández Eléjaga, a Basque lawyer and economist who had been performing the same tasks at Obrascón since 1974, continued as Economic and Financial General Manager. A new Department of Administration was added and was headed by José María Sánchez Moreno, a civil engineer, with the main task of centralizing and organizing the many payment collections processed by Obrascón. Each project now had clear targets, with the commitment of the relevant project head, and progress was supervised on a month-to-month basis through a centralized computer



In 1987, Inmobiliaria Espacio was purchased for 500 million pesetas, and is now the head company of the Villar Mir Group's real estate business. To the left, one of the subsequent real estate developments in Alicante.

system created ad hoc. This innovative system made it possible to earn money in projects where, previously, money was lost.

The new management team had already carefully studied what it had to do the day after the



The world witnessed the disappearance of communism, and history recorded a chain of events in a matter of a few weeks: the fall of the Berlin Wall, the reunification of Germany and the opening-up of the countries of the East.

purchase. Among the basic targets set, none was more important than to complete the works in progress committed for delivery prior to July 1987, in the best possible terms for the company and to make a special effort in the contracting of new projects with the expectation of a better economic result in order to achieve, as soon as possible, the profitable volume of activity for which the company was sized.

Another important aspiration was to balance the composition of the projects contracted, where the private development of residential building was preponderant. Among the contracts obtained in the second half of 1987, then under the new management, two contracts stood out that reflected the effort made to achieve a balance in contracting. One was for civil engineering work, the Loja bypass, tendered by the regional government of Andalusia for an amount of 1,173 million pesetas, while the other was for the construction of an institutional building, the extension of the Taxation Delegation in Madrid for the Ministry of Economy and Finance, worth 777 million pesetas.

The objective was to secure a more balanced backlog of projects, between public and private contracts and between civil engineering and building construction projects that would make it possible to address the recovery of the company on a better footing and pave the way for Obrascón to leave its difficulties behind.

When taken over by AHV in 1973, Obrascón discontinued its activities in residential building and

worked mainly on industrial projects, although it later returned to private contracting. In its last stage with the Basque steel producer, the company's backlog contained mostly private development contracts, with which it was difficult to renegotiate unforeseen additional costs arising with respect to the initial budget and which also involved a lesser degree of reliability in payments. The list of contracts obtained in the new stage evidences the effort made by the company in bidding for government contracts to gain a market share among the public administrations. Obrascón thus returned to its beginnings, with a priority in major civil engineering, port and hydraulic infrastructures.

And as it was not a question of performing projects but of performing them well, the new team initiated a process directed towards quality management. It intensified the focus on quality in its projects, which became one of the key policies of its development. The Deputy Chairman, José Luis García-Villalba explained this policy some time later: "Since 1987, on taking over the management, Obrascón's present management team has paid particular attention to Community regulations on construction, even in cases where compliance was not compulsory in Spain. This measure, at the same time as it anticipated the company's competitive capacity, covered it thoroughly with respect to the requirements of safety and control in the performance of its construction work".

An injection of optimism for emerging from its lethargy

As some of the senior managers in the previous stage of the company recall, the most important



With the new management, in the second half of 1987, significant contracts were obtained, such as the La Loja bypass and the extension of the Taxation Delegation in Madrid.

contribution by the new executives was the injection of contagious optimism and hope that spread throughout the entire staff. A lethargy of ten years in the company, from 1977 to 1987, accompanied in the last few years by the uncertainty generated by the steel production restructuring process affecting all of the companies in the Altos Hornos de Vizcaya Group, had inevitably led to an attitude of generalized discouragement among the entire Obrascón staff establishment. The setting of new goals and the road map for reaching them was communicated to everyone clearly and with convincing arguments. And this created the basis for an operating procedure that relieved tensions for everyone.

The hardest part of the adjustment to the market by the new Obrascón was no doubt the need to adapt the staff to the real activity of the company. The new managers plunged into laborious negotiations with the trade union representatives that concluded with a staff reduction plan involving 134 employees. The company spared no resources in order to ensure that the economic terms were the best possible, given the company's circumstances at the time, and the employee representation demonstrated its good common sense throughout the negotiations. At the end of 1987, the payments for redundancy compensation totaled 440 million pesetas.

Villar Mir put into practice the principle -for him, axiomatic- that "without targets, a company

doesn't exist". And also true to his principle of "always putting in writing" the strategy of any business project, from the very start, he put the policy that was to guide the company in black and white. In the introduction to a prospectus published in the context of the stock market flotation in 1991, the Chairman himself summed up the road Obrascón needed to follow in its new stage:

- "Center its activities in the area of construction, where it fully masters the technology.
- Control the measure of its growth.
- Diversify its activities towards sectors of known technology, connected with the construction sector, such as the operation and maintenance of public works and services.
- Give ongoing attention to the recruitment, training, safety and motivation of all of the staff.
- Offer the highest possible levels of quality and guarantee in all of its work at competitive prices.
- Obtain maximum returns per share for its shareholders as a permanent objective."

In pursuit of financing: a partner?... stock market flotation?

Having changed its financial course, in a matter of one year, the company went from a situation of losses to obtaining profits, which, already in 1989, exceeded 300 million pesetas after taxes. The new commercial and operating strategy had also recovered the level of turnover, close to 8,000 million pesetas in 1988 and more than 11,000 in 1989.



The construction business in Spain did not decline in the early nineties. Neither the first Gulf War nor the context of crisis in Europe debilitated the dynamism of the sector. The construction of numerous residential and vacation developments continued at a steady pace, particularly on the Mediterranean and Andalusian coasts. In the photo, apartments in Denia (Alicante) and golf course, houses and apartments in Puerto de la Duquesa (Malaga).



It was then, after consolidating the company's new course and in the context of the rapid upsurge of the construction industry in Spain, with double-digit annual growth figures and public civil works as the main driving force, when Obrascón's new management team decided to take a step forward in growth and how to finance it.

At the same time -Villar Mir explained to the newspaper ABC in 1989- Spain's membership in the European Economic Community awakened the "interest of companies in the rest of Europe in the Spanish construction sector, in view of the significant growth experienced in recent times and looking towards the future single European market".

The year of great satisfaction was 1989. In a matter of only two years, Obrascón had reached many of the targets set by Villar Mir following the purchase of the company. Its main customers now included the public administrations and major private corporations, and geographical diversification was by then a reality. The Ministry of Public Works, IVIMA, the regional governments of Andalusia, Madrid, Canary Islands, Valencia, Aragon and the Ministry of Economy, among others, stood out among its public customers, while Telefónica and Alcampo had awarded the most significant private sector contracts. By the end of that financial year, the backlog was already four times larger than the last figure under the discipline of AHV.

The need for a financial alternative to accelerate growth, the satisfactory progress of the company and the dynamic performance of the construction industry in Spain, now a new member of the EEC and preparing for the events of 1992, all combined favorably for Obrascón when the decade of eighties was at an end. This is why it was not surprising for a medium-sized Spanish construction company to find itself "courted" by foreign construction firms, mostly European, very interested in taking a stake.

From among these, the media learned of the bid made by Campenon Bernard, a construction company belonging to the French group Compagnie Generale de Eaux which, in 1987, was ranked 23rd among companies in the sector in Europe, with a turnover far superior to the figure invoiced by the number one construction company in Spain, at that time Dragados y Construcciones.

Designed jointly by the executives of both companies, the operation consisted of the taking of a 35% direct stake in Obrascón by Campenon Bernard, while another third of the capital was to be placed on the stock exchange. However, the negotiations did not meet with success, as Villar Mir rejected the proposal due to "fundamental differences with respect to the volume and characteristics of the stake to be taken", as Villar Mir himself explained to the press at the time.

The Madrid newspaper, ABC, published an interview on January 10, 1989, in which Juan-



Mijas Resort, in Malaga.

Miguel Villar Mir “definitively rejected the sale of a part of Obrascón to any foreign group”. He therefore finally chose the option of stock market flotation, an objective attained in 1991. Villar Mir then explained something that he was to repeat often for some time: “construction is a business for people who are close to the terrain, a fact that makes it difficult for foreign interests to enter into local construction companies”.

Two years of work remained prior to the stock market flotation, during which time the company continued to grow and strengthen its policy of diversification, reflected in the excellent results obtained in the subsequent financial years. It opened the new decade with a financial year in which the

results had been clearly turned around: in 1990 the company was already earning more than 700 million pesetas, a figure that almost surpassed the losses accrued in the first half of 1987, prior to its purchase by Villar Mir. In that same year, sales were already in excess of 17,000 million pesetas, and the backlog of work was worth around 50,000 million.

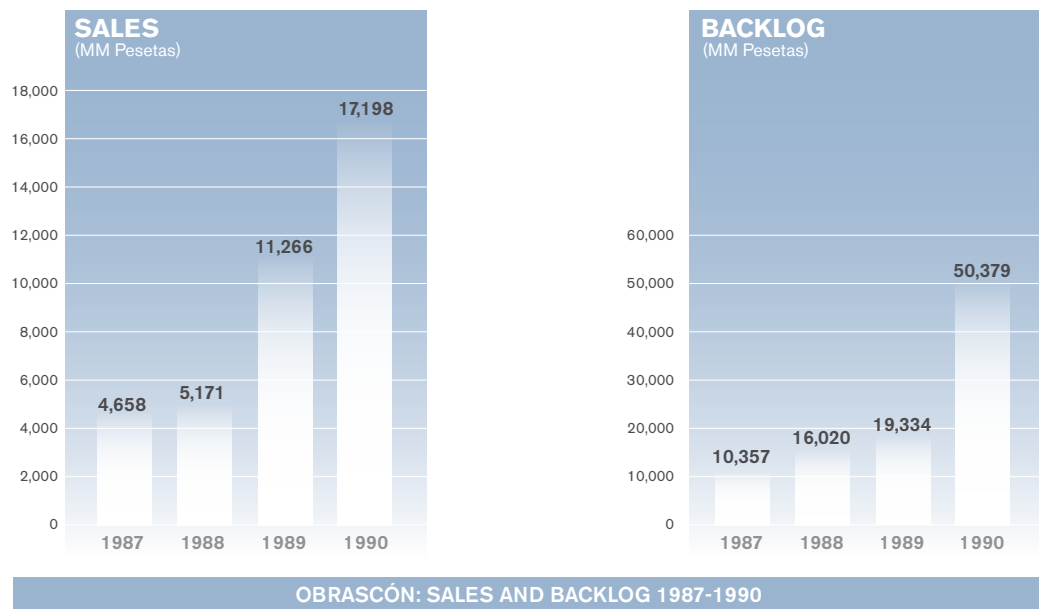
At the end of the 1990 financial year, Juan-Miguel Villar Mir himself said that “among all of the Spanish companies in the sector that publish their results, Obrascón is, with data referring to 1989 and all of the known figures for 1990, on the top level of productivity, both with respect to its human as well as in terms of its financial resources, with a turnover per permanent employee of 63.5 million pesetas and an ROE of 34.9%”.

As had been envisioned by Obrascón's new management team, the construction sector was growing at a steady pace in Spain and, compared to Europe, this pace began to be highly accelerated: 9%, in comparison to 2.7%, at the start of the last decade of the century. Neither the impact of the first Gulf War, an armed conflict declared following the invasion of Kuwait by Iraq, nor the context of economic crisis in Europe, which even forced the EEC to review its forecasts, debilitated the dynamism of the construction activity in our country.

Neither was the new management team mistaken in determining the contracting preferences for Obrascón. Its wager on projects with public financing, particularly civil infrastructures, encountered a very favorable situation that same year of the new decade of the nineties, with growth rates of 22% in the awards by the public administrations. Specifically, civil works increased 33% over the previous year. "The inevitable need for bridging the gap with the European Community, with

respect to which our country is still far behind in terms of infrastructures", an opinion voiced in a comment included in the annual report on the 1990 financial year, had in reality already become a great opportunity.

That opportunity had also materialized with extraordinary realism in Obrascón's backlog. To the extent that 64% of the new contracting secured by the company in 1990 referred to civil works, as the most outstanding business line in the entire backlog, four-fifths of which was comprised by official tendering awards by that time. The Ministries of Public Works and Urban Development and of Economy and Finance and the regional governments of Navarre and Andalusia were among its main customers. Outstanding among the major projects: the West Bypass of Malaga, the Murcia freeway CN-340 (Alhama-Puerto Lumbreras section), several buildings for Telefónica in the Canary Islands and a long list of works on roads, hydraulic infrastructures, civil constructions and building construction that would have been impossible for



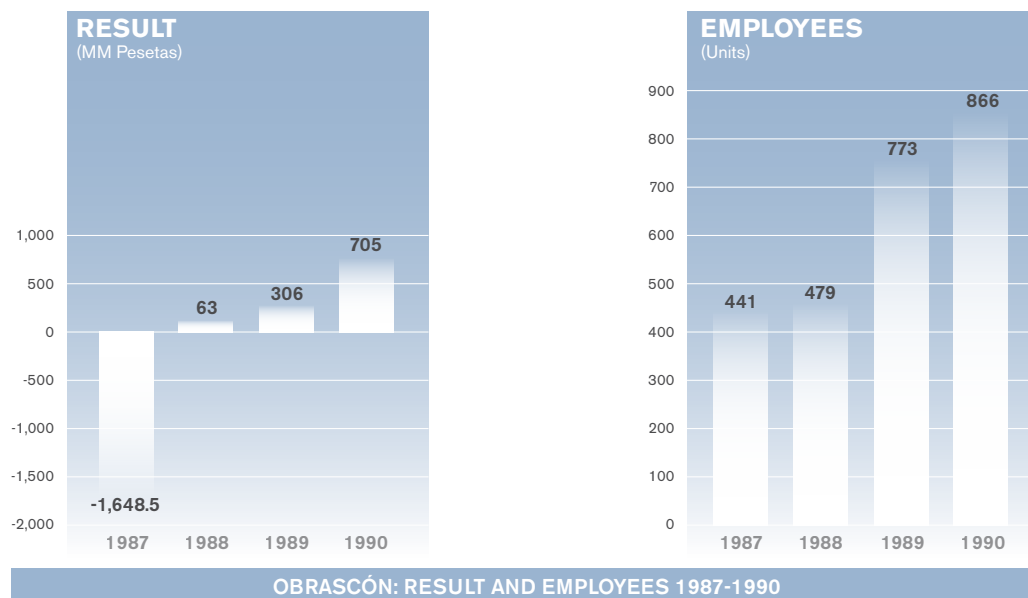


64% of the new contracting secured by Obrascón in 1990 referred to civil works, as the most outstanding business line in the entire backlog. To the left, East Bypass II in Seville.

Obrascón to obtain only three years earlier. The target of balancing the backlog, by giving preference to official over private contracts, was thus attained.

Inevitably, the customer portfolio began to include a new organization that had already been signaling

an era of prosperity in the sector and was to focus construction activity in the following two years: “Expo-92”, the organization responsible for setting in motion the Universal Exposition to be held in Seville in 1992. An event that had only been held on twenty occasions in eleven cities throughout the world. Obrascón carried



out a number of parking facility and land development projects for the event in Seville.

However, the Seville Expo was not the only major event confronted by Spain in 1992. In 1990, Barcelona reinvented its urban landscape in order to host the 25th Summer Olympic Games of the modern era, to a similar or even greater extent than in the case of Seville. The scheduling of events for the most lavish year experienced by Spain in the last few centuries did not end here. During that same year, the country celebrated the Fifth Centennial of the Discovery of

America, and Madrid was designated as the European Capital of Culture. That year of celebrations ended for Spain like the “hangover when the party’s over”. Later we will see why.

Meanwhile, Obrascón continued exploring new territories for diversification and debuted on the stage of the operation and maintenance of public works and services. In 1991, it obtained a three-year contract for the upkeep and maintenance of the Discovery Freeway, A-92, in the province of Granada. A name well focused on the events celebrated in the south, with Seville at the core.

Solid bulk terminal at the Port of Alicante.





DE OBRASCÓN A OHL
CRÓNICA DE UN CENTENARIO
1911-2011



Chapter

7

Stock market debut at eighty years of age 1991-1995

And the third of September 1991 arrived. Obrascón drew all of the economic and business comments of the day. That morning it had debuted as the eighth construction company share on Spain's stock exchanges. The company's top echelon, headed by Juan-Miguel Villar Mir, was present at the Madrid Stock Exchange to bear witness to the debut. Representatives of the senior management of Benito y Monjardín, the brokerage firm that had designed and managed the offering of shares, also attended. With their presence they attested to their unconditional wager on the future of the share, regardless of what might come to pass. The

On September 3, 1991, Obrascón drew all of the financial and business comments as the eighth construction company share on the Madrid Stock Exchange.



hustle and bustle of brokers and traders on the floor of the Madrid and Barcelona stock exchanges was evident during Obrascón's debut session, with a question in the air, halfway between wary and ironic: How long would the new share stay fast at its issue price?

The question was not without reason, but was not only the usual speculation about the debut of a listed security. It also stemmed from the fact that a construction company was involved that had gone public while still only medium-sized and just four years after having being incapable of contracting new projects for more than 500 million pesetas in the first half of 1987. It seemed miraculous that just a few financial years later it would show a profit and, to a certain extent, its stock market flotation was perceived to be an audacity.

"Another about to go the way of Lain" was the comment shared by brokers and traders on the Madrid Stock Exchange floor that first Tuesday of September, with suntanned faces on their recent return from vacation. Lain was another medium-sized construction company that had debuted on the stock market one month earlier, whose share had not succeeded in recovering from the severe drop in its placement price on the first day it was traded. Those were bleak times for trading on the stock exchange and the curse of the former times of prosperity had made its phantasmagoric appearance in the markets. Not in vain were only three of the thirty companies that had debuted on the stock market during the two previous years managing to trade above their issue price in that end-of-summer session.

That is, the greatest flotation boom experienced in Spain, which had registered 28 placements in the two-year period between 1989 and 1990, had come to a abrupt halt in 1991, with only three successfully concluded⁽¹⁾. Nevertheless, the miraculous recovery of Obrascón and the commitment of a brokerage firm with the prestige of Benito y Monjardín kept the question alive in the midst of so much skepticism.

A fruitful wager in the medium term

The doubt was dispelled and there was no surprise. It was another debut with a drop in price: the Obrascón share did not manage to maintain the price of 3,600 pesetas at which it debuted. However, its Chairman, steadfast and satisfied on having done what had to be done, predicted, as a hopeful wrap-up of the day, that "an investor who has wagered on the company will harvest the fruits of his investment in the medium term". That third day of the month of September of the year initiating the last decade of the twentieth century had become one of the most transcendent of Obrascón's historic anniversaries. It marked the achievement of a goal that placed it among the leading companies in the sector and set a course of no return.

It was as if that inaugural act at the stock exchange had consolidated the company's majority of age, precisely when it had just celebrated the anniversary of its first eighty years, two months previously, since that fifteenth of May 1911, when José de Uribasterra and Pío Ezcurra went enthusiastically to the office of a Notary Public in

⁽¹⁾ Data obtained from the study "Fracaso de las nuevas compañías cotizadas", published in the newspaper "La Vanguardia". Barcelona. November 1991.



The twelve-strong Obrascón senior management team in 1991, the year of the company's stock market flotation: From left to right, Carlos Lafitte, Automated Information Systems Manager; Fernando Sotos, Contracting and Development General Manager; Salvador Caballero López, Human Resources Manager; José Antonio Fernández Eléjaga, Economic and Financial General Manager; Pedro Espada Aguirre, Building Construction Manager; José Luis García-Villalba, Deputy Chairman and Managing Director; Juan Carvajal Fernández de Córdoba, Technical Manager; Juan-Miguel Villar Mir, Chairman; José María Sánchez Moreno, Head of Administration; Francisco Marín, Construction General Manager; Luis García-Linares, Civil Works Manager, and Ramón García-Moliner y González-Regueral, legal advisor and secretary non-director of the Board of Directors.

Bilbao to register the new Sociedad General de Obras y Construcciones. Although, under Villar Mir, the company had not yet completed its first five years.

Another seven major construction companies, whose shares were struggling to raise their sagging quotations at the end of that year of 1991, shared a fate on Spain's stock markets: Agromán, Cubiertas MZOV, Dragados, Focsa, Huarte and Ocisa, which were traded on the computer-assisted continuous market, and Lain and Obrascón, the most recent debutants on the stock exchange floor. Never had there been such a large number of construction companies listed, and never again would there be so many in the future.

It was like a "swan song", because precisely that year of 1991 ended a decade characterized, among other economic events, by the industrial restructuring process

and was the start of a new ten-year period, in which the Spanish business scene was marked by the restructuring of the construction sector. In a few years' time, the sector became unrecognizable. As a result of a hard-fought race, the transformation of the sector concentrated the twenty-five most important construction companies into six. That is why today none of the shares mentioned preserve their identifying brands in an independent manner. Obrascón is the exception, after having taken Huarte and Lain into the same corporate name, the brands that today generate the acronym OHL with their initials.

Three months prior to the stock market flotation, on June 4, Obrascón's General Shareholders' Meeting learned of the determination of its Board of Directors to trade on the stock exchange. With his celebrated didactical capacity, Chairman Villar Mir explained

to his colleagues in the Obrascón operation the need for taking an additional significant step forward in the consolidation of the project undertaken. Once again, the Chairman was persuasive: in order to undertake projects of a greater dimension, the stock market has to be considered, and the company's situation facilitated this option, particularly after ending the financial year with a backlog of close to 50,400 million pesetas, doubled in a matter of a single year.

The new course charted in the direction of the stock exchange had no alternative. The strategy was very well defined, after two years of planning. Once the financial situation had been righted, the backlog of projects had been restructured with a growing preference for public customers over private, sales had quadrupled, the backlog had quintupled in three years' time, and with a result that had gone from more than one thousand million pesetas in losses in 1987 to 705 million in profits in 1990, it was time for a new move to give even greater impetus to the progress of the company.

Obrascón had good managers, who had already demonstrated their talent, but without a personal or family fortune or major banks or corporations behind them. And even so, in slightly less than five years, the new owners, with the stock market flotation, had already planned an outlay of close to 4,000 million pesetas, as reported in a nationwide newspaper following a conversation with Villar Mir⁽²⁾.

The most propitious money for maintaining growth, obtaining fresh momentum and not losing control could only come from a public offering of shares and their subsequent trading on the stock exchange. For this reason, the General Meeting did not hesitate to approve the "request for admission to public trading and stock exchange listing of the Obrascón S.A. shares by the Comisión Nacional del Mercado de Valores (CNMV – National Securities Market Commission)".

Making a public offering called for greater transparency in the company's accounts, and the CNMV required an audit for admission to trading. This condition did not catch Obrascón by surprise, as it had already been having its accounts audited by Arthur Andersen. An advocate of discipline and honesty in the governance of the company, Juan-Miguel Villar Mir always considered audits as major allies in the management of the company. And this same reason was also another of the arguments, and not the least important, for the stock market flotation.

The placement operation was entrusted to Benito y Monjardín, Sociedad de Valores y Bolsa, which immediately, under the direct management of a young José María Álvarez Pallette⁽³⁾, set to work at the height of the summer heat. There was no time to lose on the part of the brokerage firm and much less so, as not only had the firm committed its skills as manager of the placement but also its assets, as it had insured the transaction. However, the ordinary citizen proposes but it is the Government who decides.

⁽²⁾ "Juan-Miguel Villar Mir cabalga de nuevo. El hombre y la empresa". Article by Pablo Fernández in "La Vanguardia". October 12, 1991.

⁽³⁾ José María Álvarez Pallette was appointed Chairman of Telefónica Internacional in 2002 and General Manager of Telefónica Latinoamérica in 2006.

When Benito y Monjardín had deployed all of their logistics for placing the new shares, in the middle of the month of July and by surprise, the Government adopted a decision to make a severe cutback in its investment in infrastructures to rebalance the budget, heavily affected by the excessive social expenditure. The uncompleted general road “mega-plan” (2.8 trillion pesetas), launched with great pomp and circumstance by the first Socialist Government in 1984, was thus anesthetized by surprise.

Once again, and this was not to be the last time, the joy of unproductive expenditure brought with it a subsequent downturn in infrastructure investment. This decision by the Government, in the ninth year of Felipe González's time as Prime Minister, marked the end of the most expansive five-year period in the history of construction in Spain during the twentieth century and gave rise to the strongest crisis experienced by this sector in fifty years.

Would Juan-Miguel have proposed the stock market flotation if the above-mentioned budget adjustment had been made prior to the General Shareholders' Meeting on June 4, 1991? Most likely, yes. And in that case, would have Benito y Monjardín have insured the placement of the shares? Most likely, no. With the placement of Obrascón, the financial broker suffered a setback. A short time later, brokerage firms abandoned the practice of insuring stock market flotation operations.

The twelfth-ranked Spanish construction company

The Obrascón that debuted on the stock exchange floors of Madrid and Barcelona had reinforced itself



A severe cutback in infrastructure investment in order to rebalance the public accounts, adopted in 1991 by the third Government of Felipe González, marked the end of the most expansive five-year period in the history of construction in Spain during the 20th century and initiated the strongest crisis in the sector up to that time. Next to the Prime Minister, José Borrel, Minister for Public Works.

previously. The company had made two capital increases in 1990 and a third in 1991; this last increase, in the proportion of seven new shares for every ten old shares, with an issue premium of 100% and an influx of 1,082.2 million pesetas into the company. Prior to this last increase, it had divided the face value of each one-thousand-peseta share, thereby, doubling the number of shares issued.

With these transactions, the share capital had grown, rising from the level of 932.1 million pesetas in 1987 (after a capital reduction followed by a capital increase) to 2,628.2 million pesetas at the end of 1991: capital fully subscribed and paid in, represented by 5,256,400 bearer shares with a face value of 500 pesetas each. Following the difficult debut on the stock exchanges, the share progressively gained a surer footing, culminating the last quarter of 1991 with a new profit per share of 285.6 pesetas and a hopeful P/E ratio of 5.1.

When 1991 ended, Villar Mir's Obrascón showed a balance sheet that could hardly conjure up a memory of what the construction company was like in 1987. From losing 1,648 million pesetas annually in 1987, it had gone on to earn 1,500 million, and from a turnover of 4,657 million pesetas, it had jumped to 21,985 million pesetas. All in all, the clearest evidence of the transformation of the company was the structure of its backlog at that time. From being concentrated in private building construction, with a scant volume of around 10,000 million pesetas in 1987, the company had gone on to end 1991 with a backlog worth more than 42,700 million pesetas and in a proportion of 60% in civil works and 40% in building construction. And what was most important, 81% of its clientele was comprised by public administrations.

It was thus a "healthy construction company that since 1987 had not found it necessary to have recourse to a line of credit", as stated in a report published in the newspaper *La Vanguardia* on the occasion of the company's stock market flotation. In an interview granted to that same newspaper, Juan-Miguel Villar Mir predicted: "Obrascón is going to be the Viesgo of the construction sector [...]. We prefer to be small but the most profitable and productive".

This option was a clear reflection of the management thinking of the Chairman in that year of 1991, after having increased Obrascón's net profit by 112.3%, sales by 28% and with praiseworthy rates of return (34% in return on equity and almost 7% in the ratio of profit to sales) and productivity: 81.1 million

Ayamonte International Bridge (Huelva), between Spain and Portugal, built by Huarte and inaugurated in 1991.





pesetas of sales per permanent employee. The sector ranking that year reflected the satisfactory progress of the company, as Obrascón was placed among the top twelve construction companies in Spain, after moving up eleven positions.

The Viesgo model was very much alive in Villar Mir's memory. He had headed the Cantabrian electricity company for a period of nine years. It was his last experience as a professional executive chairman and had left a very good taste in his mouth. During that time he obtained significant successes, including the design and management for Banco de Santander of the first major takeover bid launched in Spain. By a very short space of time, he missed holding the chairmanship of two listed companies simultaneously. In 1991, a few months prior to the listing of Obrascón, Electra de Viesgo changed ownership and was taken over by Endesa. Villar Mir left his position as chairman in order to concentrate on Obrascón.

Collapse of the construction sector

If 1990 had been a record financial year in terms of backlog, 1991 followed suit with respect to profits. However, with the new five-year period, the major crisis took hold and, between 1991 and 1995, Obrascón only managed to surpass the peak reached in the last year of the previous decade during one of those years. That was in 1993, when it obtained a figure of 54,112 million pesetas. However, never again did it register a net profit as spectacular as that of 1991 during that entire period.

As already mentioned in the description of the stock market flotation process, the first alarm of the impending crisis was sounded by the Government itself. It all began with the 30% adjustment in the public infrastructure tendering, improvised by the third Government of Felipe González at the height of the summer of 1991, in order to balance a National Budget weighed down by the alarming deficit generated by social expenditure and the financial commitments of the events of '92. And the strongest construction crisis experienced since the Stabilization Plan ensued, with a collapse of more than 7% during the 1992-1993 period.

In these two years alone, construction companies lost all of the added value obtained in the previous five-year period, characterized as the sector's most expansive period, with an average growth rate of 8.6%, four points above the GDP figure in the same period. The collapse in the sector was so dramatic that it contributed significantly to a complete paralysis of Spain's GDP during that two-year period. It was not until after the first half of the nineties that the sector began to recover its strength.

Obrascón's Chairman, on the alert following the very negative impact that the unexpected budget cutback caused in the debut of its share on the stock market, met the economic downturn head-on, without wasting time, and adopted a policy of discipline and rigor in the last quarter of 1991 for the coming financial years. Villar Mir formulated the policy clearly at the General Shareholders' Meeting of that financial year. Obrascón's policy would have, as its main objective, "maximum



Projects completed by various companies belonging to OHL on the eve of Expo 92: Navigation Pavilion, Madrid-Seville high-speed train line section, development of the South Zone and the Alcora Hotel.



profit per share, always seeking profitability preferably to growth, whereby priority will be given to the quality of the work, customer care, diversification restricted to sectors close to construction, great selectivity in contracting, permanent austerity, the lightest possible

burden of overhead expenses and careful recruitment, training, motivation and security of human resources”.

Nevertheless, the 1991 financial year ended untouched by the crisis and with an excellent

income statement. As if the executives of Obrascón had foreseen what was coming, they ended the year with excellent growth figures: 132% in equity; 112.3% in profits and 28% in turnover. Solely the adjustment in backlog of more than 15% reflected the Government's tendering cutback, and a 21.7% reduction in the total staff establishment, complying with the strategy of adjusting the level of employment to the market, presaged the bad situation to come.

1992: from the trillion-peseta events to devaluation

And along came 1992, the year that was supposed to place the brand "Spain" in the top position on the international podium and demonstrate the capacities of Spaniards through three major events. The entire country was emerging from a period of feverish activity, in which construction had been one of the sectors playing a leading role. All of Spain decked itself out with spectacular infrastructures in order to

welcome the many national and foreign groups that were to converge for the Summer Olympic Games in Barcelona; at the Universal Exposition in Seville, as well as in Madrid, designated the European Capital of Culture that year. The connection of these last two venues of events through the AVE (Spanish High-Speed Train) marked a technological milestone.

Although it arrived late, because its rescue did not begin until the second half of 1987, Obrascón also was able to partake of the bustling feast of contracting generated in Barcelona and Seville, the cost of which has been rounded off by chroniclers at one trillion pesetas. Obrascón's backlog included several infrastructures, such as the access and streets for La Barqueta and Isla de Tercia, the development of the land of a number of outside areas of Seville's Expo 92, the accesses to the city's port and the Seville bypass, among others.

And making good the saying "hangover when the party's over", Spain woke up at the end of 1992 from its historic



In 1992 Spain concentrated the two top events of the 20th century: the Universal Exposition of Seville, formally opened by the Royal Family, and the Barcelona Olympic Games, where the Crown Prince was the national flag bearer. Both events were preceded by a five-year period of intense development in the construction sector.





Atocha railway station: the reconstruction works for accommodating the head shunt of the Madrid-Seville AVE railway line were completed in 1992.

Elsan, the science of asphalt

Elsan was created in 1925, in Salamanca, by the entrepreneur, Elpidio Sánchez Marcos, as a construction and road maintenance company with the objective of participating in the so-called National Special Pavements Circuit, which commenced operation in 1926, promoted by the Count of Guadalhorce. In 1944, the Sociedad Anónima Asfaltos y Construcciones Elsan expanded its territory of action and proposed to work in construction and road maintenance throughout Spain.

Towards the end of the winter of 1954-1955, Elsan completed the pavement and asphalt surfacing work on the section of road along the Portuguese border, between Ciudad Rodrigo and Fuentes de Oñoro. This section was given the best project award by the Ministry of Public Works. A few months earlier, Elpidio Sánchez Marcos had already received a medal recognizing him as a millionaire (in kilometers) of the road, awarded by the Spanish Road Association "to the man who has spent half of his life dedicated to asphalt".

Elsan has been a ground-breaking company in Spain in the research and the use of all kinds of bituminous products in pavements for roads and airport runways, ranging from the Betelsan binder of the early forties, which was basically a fillerized tar, through the cold emulsions, to the high-modulus asphaltic bases. In the sixties, the company began to stand out technologically with the first application in Spain of treatments with slurries.

In the decade of the nineties, Elsan was already the top Spanish company specialized in road and airport surfaces, maintaining its technological leadership on the basis of ongoing innovation in paving techniques, color pavements, auto-reflexive membranes against cracks (sand, asphalt), special high-modulus mixes, cold-poured open mixes with modified binders, sheet asphalt with the incorporation of fibers and others.

In December 1995, Obrascón entered into an agreement for the purchase of Elsan, which became its first major acquisition on the road to OHL. The purchase was formalized in 1996 and, thanks to this, Obrascón consolidated its presence in Catalonia and Extremadura.

celebrations with an equally historic hangover and with its economic heartbeat in a totally lethargic state, with the consequence of minimal growth of only 0.8% in GDP, the lowest for a decade; an unemployment rate of 20.06% of the workforce; a decrease in gross fixed capital formation of 3% and a 5.4% inflation rate. And the inevitable currency devaluation in order to emerge

from the crisis, which was supposed to return our peseta to the international real world.

However, "misfortunes never come singly", to continue with another popular saying. The weakness of the international economy was so generalized throughout the world during that year, that only the

U.S. managed a degree of growth at that time. In addition, a monetary storm plunged the European system (EMS) into the most serious crisis experienced since its creation, forcing the lira out of the system and the devaluation of the peseta, the escudo and the Irish Pound. In this scenario the growth of a sector such as the construction sector was impossible. On a continental level, the Gross Domestic Product dropped almost two points that year, after sustained growth over the previous five years.



The budget adjustment led Obrascón to enter new areas of business, such as those relating to water management.

The situation was much worse in Spain, where construction experienced a 6% downturn after an eight-year-long stage in which it had grown at an average rate of 8.8%. Among the causes of this collapse, the earlier mentioned investment adjustment, both public as well as private, was the main factor and translated into a decline in tendering with respect to 1991 of more than 22%, added to the high level of debt owed by the public administrations to the construction companies, in excess of 800,000 million pesetas, and a poor gross fixed capital formation. One-third of the 480,000 unemployed counted in December of that year were from the construction sector.

In the midst of this stagnation, Obrascón managed to keep its head above water. It slowed down its year-on-year activity in order to carefully manage the backlog accumulated in the two preceding financial years, avoiding fresh borrowings with their added financial burdens, a dangerous mistake

often made on account of the delays by the public administrations in settling progress payments. The company reduced its staff establishment by 11.5% in 1992 in order to stimulate productivity by 25%, and increased its sales by 2% and its equity by 6.75. And had there been even the slightest activity on the real estate market, its profits would have increased.

Anti-cyclical diversification

For the first time, at the end of the 1992 financial year, Obrascón showed a volume of diversified production of certain relevance. Although designed and programmed in the last financial year of the preceding decade, the company's entry into other businesses, which were different but proximate to construction, did not begin in Obrascón until 1992.

During that financial year, diversification materialized in three major lines of activity: one, real estate, particularly apathetic that year, with Inmobiliaria Obrascón playing a key role and focused almost exclusively on a major

development scheduled for completion in five years at the Plaza Elíptica in Madrid, a building site very well located adjacent to the M-30 beltway and the entrance to the freeway to Toledo; two, the maintenance of public works and services, provided by the parent company itself and performed through a number of cleaning contracts in the regions of Madrid and Andalusia, the most significant of which referred to the Discovery Freeway in Granada; and three, water treatment and management, with the incorporation in February of the company, Obrascón-Northumbrian, 60% owned by the former.

In those first years of the last decade of the century, a situation arose that created an essential condition for stimulating diversification, that is, the alarmingly low cycle of the construction sector. That is, the need to diversify the business activity of a company stems from the eminently cyclical nature of the construction market. Years later, the Chairman of Obrascón wrote: “it is to be expected that, in order to laminate periods of recession, construction companies will look for business opportunities in markets with different cycles, thereby achieving more sustained and stable growth at the same time. Moreover, as a country progressively develops, the demand for infrastructures -the basic activity of an infrastructure company- gradually declines, and it then becomes necessary to seek an alternative to the future demand deficit by looking towards diversification”⁽⁴⁾.

Such a decline in infrastructure demand was not a case applicable to Spain in the last decade of the past

century, and the author did not intend to say so in the article quoted. All of the compared analyses of our country in the European context referred to the deficit of transportation infrastructures as the most significant contributing factor to our economic imbalance. For this reason, the bulk of infrastructures still to be built was the lighthouse shining hope on the future of construction companies in the medium term and, therefore, their respective share prices held fast, maintaining a profile as a good investment. These, among others, were the arguments that encouraged SEOPAN, the employers’ association of the major companies in the sector, to insist on the fact that the crisis was cyclical and to predict that, despite the low level of contracting, the sector would begin to recover starting in 1993.

If the future appeared to become clear in the minds of financial analysts, with stock markets on the rise, the present was increasingly less inviting, both within as well as outside of Spain, in the month of January 1993. Within the country, the political scandals were beginning to tarnish the general perception of public life, with Juan Guerra, the Filesa scheme, Luis Roldán and the GAL headlining the daily media reports. Politics were centering the main concern of public officials in an election year, while investment and private consumption were floundering in the midst of a very worrying apathy. In the public sector, the Maastricht factor and its convergence criteria had been added to the existing budget restrictions, adjusted by the Maastricht Treaty, then fully in force after overcoming the

⁽⁴⁾ Villar Mir, JM (1999). *Las empresas constructoras españolas en el siglo XX*. Revista OP, No. 48, Volume 1. Barcelona.

Danish and British conflicts. The EC had become the EU.

And those who were expecting a change in the political sphere that would alleviate the galloping recession saw that expectation frustrated when Felipe González won the elections again, although this time without an absolute majority, which forcing him to reach agreements with the nationalist parties in order to obtain his investiture. Politics, far from clearing up the panorama of the economy, were adding fresh uncertainties.

At that time, three news items of considerable relevance upset the economic world in general and the banking sector in particular. The first two concerned the intervention of Banesto and the death of Emilio Botín, the driving force behind the Banco de Santander, the bank which, a few years later, was to be awarded the bank intervened in the re-privatization process.

The third, foreseeable, was less of a surprise. It was a fresh devaluation in order to overcome the recession, at the same time as a number of structural reforms were undertaken, including the cutback in unemployment subsidies and lower interest rates on money, as well as the acceleration of a range of privatization processes.

The construction collapse touches bottom with a loud bang

The negative balance of Spain's economic performance in 1993 was summed up by Villar Mir as follows: "The fiscal year turned out highly unfavorable for the Spanish economy [...] and especially negative for the construction sector, which ended the year with a 7.5% decline, although official tendering, on which a good part of its future depends, performed extremely well,



The Maastricht Treaty made it necessary to introduce major budget adjustments in order to contain the deficit, with the ensuing cutback of public investment in infrastructures. In the photo, Javier Solana and Rosa Conde, Minister for Foreign Affairs and Government Spokesperson, respectively, explain the scope of the Treaty on October 19, 1992.

growing 55% and, in particular, the calls for bids by the Ministry of Public Works, Transportation and Environment, which increased 153%".

With respect to Obrascón, inevitably, the balance sheet that its Chairman was able to offer at that General Shareholders' Meeting in May 1994 did not

improve the rating applied to the outcome for the domestic economy. The net profit had dropped 8.2%, as a consequence of the exhaustion of the fiscal fall-back accrued, although in a scant 3.2%, as a result of the strategic limitation of precautionary self-restraint in activity which, as in previous financial year, had been continued.

Although the pace of business had been reduced in the 1993 financial year, the company's activities kept moving in the direction established. The breakdown of turnover was as follows: 55% in civil works, 40% in building construction and 5% in diversification. The identity of the company's customers was maintained in the intended proportion of 70/30 between public administrations and the private sector. Contracts for roads and freeways consolidated their position in the lead of the company's awards and included the Alhama-Puerto Lumbreras (Murcia), Irurtzun, Mediterranean and Malaga West Bypass projects, among others. Insofar as hydraulic works, the company participated in construction of the Bellús (Valencia), Zahara (Cadiz) and Chanza (Huelva) dams.

In building construction during that financial year, the company built more than 1,100 housing units and, among its landmark buildings, the central office building for the company, Transmediterránea, in Madrid was particularly outstanding. Diversification continued, increasing its share of sales in the consolidated turnover, with additional cleaning contracts, water concessions in Granada and Soria awarded to Obrascón-Northumbrian and a re-launching of real estate sales.

Nevertheless, Villar Mir was able to conclude that shareholders' assembly by repeating a hopeful projection for the following year, as the increase in public tendering had enlarged the backlog by almost 27%, exceeding 50,000 million pesetas for the first time and placing it at a record high of 54,112 million. There was work for 18 months when, one year earlier, there was barely enough for fifteen and, most importantly, 1994 was shaping up as the year of a change in trend, a transition towards the end of a five-year period that would open the doors to a new reactivation. And for the first time at a General Meeting, the Chairman made a commitment to long-term estimates: on the horizon of 1996, the level of sales would be 1.8 times higher and the net profit would double with respect to 1993.

Too optimistic? There were data in support of saying no. The sector had the advantage of a strong increase in public works tendering, the approval of a new infrastructure master plan, a government commitment to maintain infrastructure investment at 5% of GDP and the injection of 4.5 trillion pesetas in support up to 1999 from Community funds, all of which, among others, were positive arguments for being optimistic. Within the company, in the first quarter of 1994 Inmobiliaria Obrascón had sold more than the total estimated for the entire year, an indicator of the re-launching of the real estate market.

With his hopeful projection, Obrascón's Chairman was at the same time probably looking out of the corner of his eye at the share price and was trying to encourage investors. The performance of the stock markets was indeed a clear indication that the



Zabara reservoir in Cadiz and construction work on the Bellús dam in Valencia, carried out by Obrascón in 1993.

recession had touched bottom, particularly for the construction sector. During 1993, the general index of the Madrid Stock Exchange had grown 50.7% and the sector index, 80%. The average quotation price for construction companies had doubled, with Obrascón standing out with a 150% rise. At the same General Meeting, Villar Mir announced that application had been made for the listing of the share on the computer-assisted continuous market, and approval was obtained in October 1993. Nevertheless, the construction sector employers'

association was not entirely confident. It insisted that the consolidation of growth depended necessarily on the application of a number of measures, such as the need to comply with the promise of earmarking 5% of GDP yearly to public investment in infrastructures, the speedy instrumentation of the 4.5 trillion from the Cohesion Fund promised to Spain in the tense agreement at the Maastricht Summit, the approval of a number of plans, such as the Road, Airport, Housing and National Hydrological plans, as well as the establishment of financing formulas for public

investments complementary to the traditional formula of the National Budget.

People and machinery geared to efficiency

Obrascón's new management team not only had focused its efforts on making the company grow in sales and profits, by shifting course with respect to the kinds of projects in the backlog and the customer profile, it was also building the human, technical and technological bases for creating a modern, productive and efficient company. Among these, the enhancement of its human resources and the upgrading of its computer equipment became an essential task to be prioritized not only as an individual factor of human and career development and an internal factor of positive environment, but also as a competitive advantage in the face of the competition.

For Villar Mir the company's teams have always been a cornerstone on which to found a good business organization. He has known how to respect the teams of the companies taken over, obtaining the best of their potential and even taking advantage of the qualification of their managers. "They have been and are the most solid foundation and the most important active contribution to the management and development of the Obrascón Group". In that five-year period of crisis, the staff proved its efficiency with average annual sales ratios per employee of between 20 and 37 million pesetas.

During that stage of recession, Obrascón was careful in adjusting the total staff establishment to its operating

needs, in tune with its policy of controlled growth. The permanent staff figure of 266 with which the company began 1991, did not exceed 282 employees at the end of 1995, while the average temporary employment numbered around 350 during the same period. The staff was made up by interactive teams, well composed, organized and capable of acting as initiating and catalyzing factors of the projects to be performed. In the composition of the personnel, 36% were technicians, 49% specialists and 15% clerical staff. Innovation and the process of ongoing learning were constant elements in the day-to-day of the construction company, with a strong wager on training.

With respect to computer equipment, the management software, already being developed in 1991 through in-house designs, was divided into two areas: decentralized and centralized. The first area enabled the running of operating centers such as delegations, worksites or the machinery yard and included applications for the implementation and monitoring of the work performance budget, the control and management of warehouses, labor, machinery and auxiliary structures and installations, subcontracts, production, progress payments and, finally, costs, sales and collections in the subsidiary, Inmobiliaria Obrascón. The second area was responsible for the applications for the host, which interconnected areas in order to source the information necessary for the maintenance and management of the corporate databases that enable personnel management, general accounting, cash management, checking of the backlog status and the control of suppliers and subcontracts, among others.



*Alhama-Puerto
Lumbrenas section of
the Mediterranean
Freeway and the
Ulla Viaduct on the
A.9 freeway, Caldas
de Reis-Pontevedra
section.*



The Safety and Health plans were another priority, and the intensification of such plans grew parallel to the volume of works contracted. As a result of these actions, the severity of the accidents in 1991 was reduced by 201.2% with respect to the previous year, maintaining a constant decline over the following years of 60.37% in 1993 and 22% in 1995, placing the company in all of those years below the severity index of the average for SEOPAN members, positioning it in the lead of the sector in accident reduction.

Getting organized for the future

In 1993, the company was comprised by four general management areas forming the management team and reporting directly to the company's Chairman and Deputy Chairman. There were three new additions to the traditional general management areas of Construction, headed by Francisco Marín, and Economic and Financial, under José Antonio Fernández Eléjaga: Real Estate, headed by Juan Samos; Contracting and Development, focused on promoting the policies of selective contracting and diversification in the service sector, particularly in the areas of public works maintenance, under Fernando Sotos; and Water and Wastes, with José Rubio in the top position.

The managers throughout this period were as follows: Luis García-Linares, Civil Works; Pedro Espada, Building Construction; Juan Carvajal, Technical Department; José María Sánchez-Moreno, Administration; Cándido Valentín, Cash Management; Carlos Lafitte, Automated Information Systems; and

Salvador Caballero, Human Resources. All of these positions were complemented by Ramón García-Molina as the head of the Legal Department.

These general management areas were supported by nine delegations located in the provinces with the most intense activity: Alicante, Barcelona, Granada, Corunna, Las Palmas, Malaga, Seville, Valencia and Zaragoza, together with eleven works offices connected with projects in progress.

The Machinery Yard was additional to the foregoing and was located in the Madrid town of Fuente el Saz del Jarama, where the machinery and equipment owned by company was housed and whose personnel were responsible for the maintenance and upkeep of all such elements to ensure their optimum working condition.

The results of adhering to the policy of selective contracting, of investing in the creation of the most advanced in-house computer equipment, of purchasing the machinery best suited to the demands of civil works, of maintaining a strict control of activities and of recruiting highly qualified personnel combined to bring about the desired result: high productivity and a significant increase in the volume of sales per employee. This last ratio evolved from 28.4 million pesetas to 36.6 million on an average, between 1991 and 1995, per employee of the total staff establishment.

In this aspect of the ratios, the strategic target of profitability over quantity, during that five-year period, translated into a profit after taxes over sales of an average

of approximately 4%, which in the case of the profit after taxes over equity was around 18%. “Obrascón is going to be the Viesgo of the construction sector”, Villar Mir predicted in 1991. Remember? Well, the prediction came true, as the company held its own in the midst of the sector’s most severe crisis ever.

Recovery, at last

At last, recovery began. 1994 ended with a panorama of generalized economic reactivation on an international scale, with growth devoid of inflationist tensions in all of the economies of the world. In Spain the initial figures also indicated that the march across the desert of recession was coming to an end. Spain’s GDP growth was 1.7%. And the construction sector also ended the financial year on a positive note, with 1.2% growth in comparison to the 7.5% drop in 1993. The building construction subsector was already shaping up as the main driving force, in contrast to civil works, which had played that same role at the end of the eighties.

However, the financial year was not lacking in difficulties for the sector in general and Obrascón in particular, derived from the strong competition, from the 15% contraction in public tendering and from the persistence of the heavy indebtedness of the public administrations with respect to the construction companies. As the Chairman explained at the General Meeting, Obrascón’s sales grew around 8% and the net profit, 11.7%, while the accumulated backlog dropped 5%, although the level of activity increased to 18.3 months.



Getafe General Hospital, restoration of the Casa de la Panadería and housing in Tres Cantos, Madrid, all projects performed in the Autonomous Community of Madrid.



Among the new projects contracted in 1994, outstanding examples included the Rías Bajas freeway, the remodeling of the terminal of the Jerez airport, the integrated water management for the town of Alhaurín de la Torre in Malaga and the channeling of the Segre River in Lérida. The real estate market was taking off. As Villar Mir underlined at the General

Shareholders' Meeting, "the rate of sales of our real estate subsidiary increased threefold with respect to the previous two financial years".

The 1995 financial year eventually confirmed that the march across the desert was giving way to an increasingly bigger oasis. The world and the domestic economies grew at the same rate: 3%, with a reduction in inflation to a record low for the era and a generalized reduction in interest rates, all of which appeared to guarantee the continuity of economic growth on healthy parameters. The Maastricht effect, however, constituted an enormous burden to bear for public investment, which allowed little scope for entrepreneurial optimism, particularly in the construction sector.

On the political scene, the panorama was not at all encouraging, with a team in government hounded

by corruption scandals and the electoral losses by the Socialists to the Popular Party in the most recent municipal and regional elections and for the European Parliament, foreshadowing a change in Government.

Construction, despite the public cutback, was strong in 1995, with 5% growth based primarily on the building construction subsector, which boosted employment 7.4% and reduced the jobless rate in the sector up to 18%. Construction thus made a comeback, employing 9.4% of the workforce and contributing 12.2% of GDP. The forecasts were for a new boom in the sector, now driven by private building construction which was growing at a rate of 8% annually, complemented by the rehabilitation and maintenance of buildings, an area that was developing at rates above 7%. The strong increase in the demand for housing, the drop



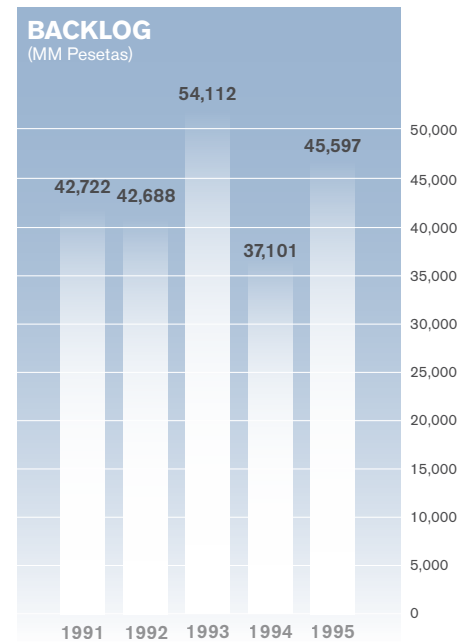
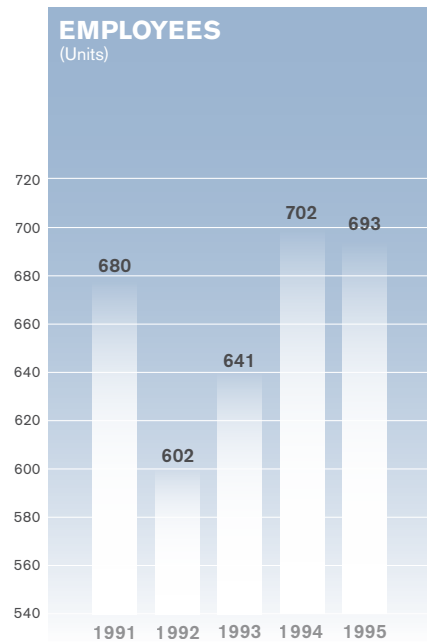
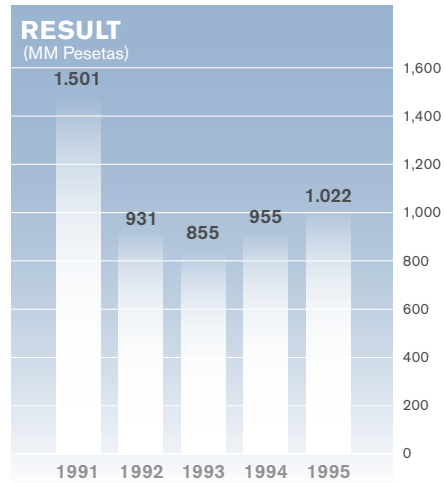
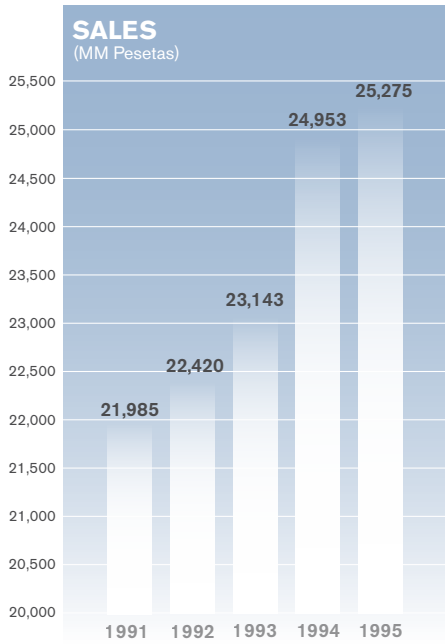
Work on the Príncipe de Asturias sea wall, El Musel harbor, Gijón.



Expansion of the Navío wharf, Port of Algeciras, and extensions of the Reina Sofía sea wall at the Port of Las Palmas.



OBRASCÓN PERFORMANCE: IN THE FIVE-YEAR PERIOD 1991-1995



in the price of money and the new Urban Rentals Act consolidated the fresh momentum, which was to last for more than a decade.

The figures registered by Obrascón in the 1995 financial year reflected a company that was completely consolidated. Contracting had been adjusted to avoid risks, dividing projects almost evenly between the public and private sectors. Sales had grown 1.3%; the profit after taxes, 7%, and the backlog, 23%, up to 45,597 million, placing the company's activity at 21.6 months. The identity of the new projects contracted already indicated the shift from public clientele to private. Of close to 26,000 million pesetas, 16,000 million referred to building construction, compared to 7,000 million in civil works and the 2,000 million obtained by the subsidiary, Ondagua, in water management and services.

The company, Gestión y Explotación Pública (GEPSA), purchased in November, with a backlog of water management contracts, mainly in Alicante and Murcia, worth 6,242 million pesetas, was added to the area of Ondagua.

The road to OHL

The purchase of Asfaltos y Construcciones Elsan in 1995 represented the first major acquisition by Obrascón since the beginning of the seventies when it purchased Coviles, while still within the scope of AHV. By the mid-nineties the construction firm had already met all of the targets set in 1987.

The profitability target, already attained, was displaced by the necessary increase in size. The growing devolution of responsibilities to the Autonomous Communities (regional governments) was forcing construction companies to multiply and strengthen their local presence if they were to obtain awards where a strong establishment in the area was a priority.

In this context, the quickest and surest way to grow was by means of mergers and acquisitions. With the addition of Elsan, Obrascón's consolidated turnover reached 55,000 million pesetas, besides achieving an active presence in sectors such as the construction of sewage treatment plants and railways, and in regions such as Catalonia and Extremadura, where Obrascón had little presence but where Elsan was very well consolidated.

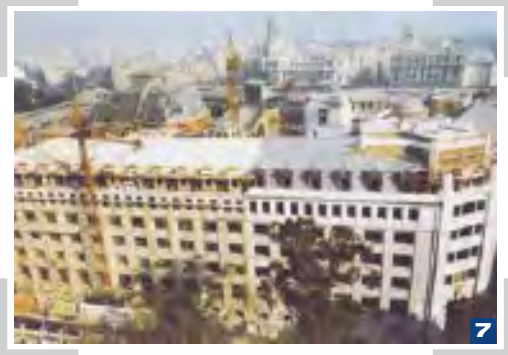
Initially, as reported to the CNMV and to the rest of the relevant official bodies, consideration was given to a takeover merger of Elsan by Obrascón, by means of a capital increase to be subscribed by the Elsan shareholders. However, for reasons of agility and effectiveness, the final decision was to purchase 100% of the Elsan shares, whereby the company became an Obrascón subsidiary. Later would come SATO, Huarte, Lain... and all in less than four years' time. Juan-Miguel Villar Mir had just celebrated his 65th birthday, an age when many are already thinking about retiring, but as he remarked to the newspaper *Expansión*: "There is no age for being an entrepreneur". And the business newspaper highlighted that statement profusely. *con gran profusión.*

An aerial, high-angle photograph of a city grid, likely Madrid, Spain, showing a large stadium in the foreground. The image is monochromatic, rendered in shades of blue. A semi-transparent white rectangular box is overlaid on the left side of the image, containing the title text.

FROM OBRASCÓN TO OHL
CHRONICLE OF A CENTURY
1911-2011

La Castellana in Madrid, an OHL avenue

Projects bearing the OHL mark
on the main avenue of Spain's capital.



- 1 Atocha Railway Station
- 2 Reina Sofía Museum
- 3 Conservatory of Music
- 4 Botanical Garden
- 5 Plaza de las Cortes underground parking
- 6 Navy Headquarters
- 7 Bank of Spain
- 8 Plaza de Cibeles underground parking
- 9 Torres de Colón
- 10 Telefónica Building, Plaza de Colón
- 11 Plaza de Colón underground parking
- 12 Ocaso Building
- 13 Former Banco Peninsular Building
- 14 Monument to the Constitution
- 15 Nuevos Ministerios government office buildings
- 16 Building at Pº de la Castellana corner Pº de la Habana
- 17 BBVA Central Headquarters
- 18 Santiago Bernabeu Stadium
- 19 Palacio de Congresos convention hall
- 20 Courthouse complex
- 21 Plaza de Castilla tunnel
- 22 Aresbank Building
- 23 Avda. Pío XII tunnel
- 24 Torre Espacio
- 25 Cuatro Torres underground distributor road
- 26 La Paz Medical Center
- 27 Ramón y Cajal Hospital
- 28 Access from Avda. de la Ilustración to Ctra. de Colmenar



An aerial, black and white photograph of a large stadium complex. The stadium has a prominent circular track in the center. The surrounding area includes various structures, roads, and parking lots, all rendered in a halftone dot pattern.

Chapter

8

Eleven construction companies in one: OHL is born 1995-1998

As the decade of the nineties advanced towards its end, the process of concentration of Spain's construction companies continued unerringly, until finally shaping a profile of six major groups. That new map of Spain's construction, drawn in the last years of the past century, was still current in the first months of the second decade of this 21st century.

The extremely severe crisis in the first half of the last decade of the 20th century, favored by the aftermath of the celebrations of '92 and the political uncertainty prevailing in Spain at the time, moved the "majors" of the sector to realize that they were actually not all that big, that in business size does matter, and much more so in construction. And this led them to apply to their companies the age-old maxim that "only the strongest survive".

For this reason, after a decade had transpired since the industrial restructuring process, in a space of little more than five years' time, the construction

sector in Spain was restructured, although in this case, the restructuring process took place with less public control. The companies themselves –all except one privately owned company– approximately 25 in number, undertook the process of concentrating themselves into six. Within the country, there was not enough of market for all of them, and the search for opportunities abroad involved meeting the challenge of acquiring size and financial, commercial and technological muscle.

The criterion that Spain's business structure needed to grow in size if it was to be competitive in the new Europe of Maastricht began to dominate the Spanish scene. That was what business leaders were thinking, and the politicians soon followed suit, embracing this thesis. Getting bigger was the challenge still to be met by the business world. The time had come for such an excellent host of multinational companies, as Spain had been in the previous thirty years, to favor the generation of major groups of domestic capital and stimulate their establishment abroad.

This challenge was understood by the construction companies immediately. It inspired a strong momentum, produced from within the sector itself, convinced that size was the test that had to be passed without delay on the business horizon. If the five-year crisis between 1991 and 1995 had served any positive purpose at all, it was to demonstrate that the sector was excessively fragmented, led by companies whose size was not the least comparable to their competitors in neighboring countries, thereby undermining the sector's competitiveness

and weakening it particularly in recessive cyclical situations, so typical of this business activity.

Although the process began to take shape in the beginning of the decade as a long-distance race, it became a highly-disputed sprint starting in 1995. With their merger into FCC, Focsa and Conycon pulled the starting pistol trigger in 1992. In 1995, Ferrovial purchased Agromán. In 1996, Entrecanales and Cubiertas gave rise to Acciona. In 1997, OCP, having already included Ocisa and Auxini, joined forces with Ginés Navarro to become ACS. In the final stretch of the century, Dragados maintained its leadership of the new group of major construction companies. The big question was: who would be number six? The answer was not long in coming.

Spain's sixth largest construction company

At the end of 1995, Obrascón's management team had already succeeded in building a healthy, profitable company, a possibility that was unthinkable in 1987, when the purchase was made. However, in order to keep the company competitive in the new Spanish construction market, its small size had to be remedied. This is why Juan-Miguel Villar Mir launched the challenge of conquering a new frontier through a renewed strategic effort: grow in order to improve the company's capacity for access to contracts on a larger scale. The target proposed at that time involved becoming consolidated as a major national company, a peak that was to be scaled step by step during the next four years, until reaching the goal in 1999:

acquire the dimension necessary for meeting the new challenges of the twenty-first century in an optimum condition for competing.

The number of Obrascón's acquisitions and mergers began to climb in late 1995 when –although the end of the long dark tunnel of the previous five years was already in sight– Spain was still in caught up in the last throes of the 1992 crisis, from which construction was one of the last sectors to recover. The Obrascón Board of Directors commenced the concentration process on a modest scale with the purchase of Elsan, the acronym of Elpidio Sánchez, a Salamanca entrepreneur who, after founding the company in the thirties, had specialized in the maintenance and repair of pavements. Juan-Miguel was familiar with the company on account of having provided it consultancy.

The complementary nature of the two construction companies was the main reason for this merger. Obrascón had an outstanding presence in roads, hydraulic works, building construction and integrated water management, while Elsan was strong in roads and paving. Elsan's entry into the Group brought with it the addition of its subsidiary, Fernández Constructor, a company operating in Spain since 1959 and which had excelled for its skill in the construction of major bridges and other special structures.

Juan-Miguel Villar Mir himself summed up the reasons for this purchase in an interview for the newspaper El País in December 1995, with these words: “To increase the profit per share of the group formed and to achieve a size on the level of a national company”. Through Elsan,



Elsan was Obrascón's first acquisition in its effort to grow in size. In the photo, the Chairmen of the companies, Juan-Miguel Villar Mir and Mariano Aísa, flanked by Luis Sánchez Marcos and José Luis García-Villalba, at the merger signature ceremony.

Obrascón enhanced its presence in Catalonia and Extremadura, communities where the new subsidiary had a strong establishment. Mariano Aísa, a well-known and respected civil engineer who had led Elsan during the previous two years, joined Obrascón. Aísa had taken up his position with Elsan in the autumn of 2004, when he left office as president of the SEOPAN employers' association, which groups together the major companies in the sector. With his lengthy experience in the construction world –he had also headed Auxini–, Aísa reinforced Obrascón's management team as Deputy Chairman.

Although the operation had been designed as a takeover merger, Elsan's high indebtedness made it advisable in the end to use the formula of adding the company as a subsidiary, thereby avoiding an impact on the Obrascón share price, which by then had become a security with its own pulse. That same reason also led to the sale of Inmobiliaria Obrascón, which at that time presented a debt of 4,000 million pesetas, a very high level although not unusual in the real estate sector. This decision marked the final separation between the construction and real estate businesses in Obrascón.

Obrascón had taken the first steps towards larger sizes. Not only did it not remain on the sidelines of the construction concentration process in Spain, but rather became its flag-bearer. Obrascón went as far as to group together eleven construction companies in a matter of only four years' time, the majority of which were small in size and originally family undertakings. This process enabled the company to multiply its turnover by 10, giving rise, in 1999, to OHL as we know it today. With a sales volume of 263,000 million pesetas, it had become the sixth largest company in the national ranking.

Popular success and record failure of Huarte

At the end of 1995 and in early 1996, production sectors observed with uncertainty a political panorama that augured changes. The loss of power by the Socialists in the forthcoming general election was considered a sure thing, at the same time as the conflicts between political parties became radicalized in a media context of tense confrontation.

These were times when the investment in public works continued to be semi-frozen: subject, the same as in other neighboring countries, to the rigorous European public expenditure control requirements. The priority objective was for the nation's coffers to pass the public deficit examination of the Maastricht Treaty. And if that were not enough, the postponement until after the March general election of the publishing of the regulation pursuant to the new Government Procurement Act was announced. The regulation was destined to establish the basic requirements of the terms and conditions governing the awards of government contracts, a circumstance that had paralyzed new tendering processes.

However, what worried the business sector most in those first months of 1996 was that a change in the party governing the country following the election would contribute to prolonging economic inaction. The media reflected this concern, repeatedly voiced by a number of entrepreneurs in the same terms. The more than likely change in party, after almost fifteen years of Socialist teams in power, would foreseeably prolong the stagnation of public tendering much more than what would have been desirable, in the eyes of the major construction companies. The change of government was welcome but there were fears of a slow transition until the new ministers would have fully settled into their new portfolios.

Nevertheless, even though in its fourth year, the crisis had not gone as far as exhausting the sector. With significant effort, the majority of the construction companies were emerging from the recession, thanks to the gradual growth

in private sector projects, particularly in building construction, offsetting the collapse of public tendering. The average backlog of these companies at the end of 1996 was already in excess of one and a half years. In those years the spectacular real estate boom took root and was to last for more than a decade, until well into the new century.

Finally, the March 3, 1996 election date arrived. The Popular Party won the general election with 38.8% of the votes and 156 seats. It was termed a bittersweet victory, because the party did not obtain the absolute majority predicted by opinion polls. And with this bittersweet victory,



1996 ended with the victory of the Popular Party in the general election and GDP growth of 2.2%; 1.3% higher than the European average. In the photo, from left to right, Mariano Rajoy, F. Álvarez Cascos, J.M. Aznar, his wife Ana Botella and Rodrigo Rato celebrate the electoral victory on the evening of March 3, 1996.



Promoting Obrascón, Juan-Miguel Villar Mir poses together with a group of employees at a company trade fair stand in 1996.

uncertainty once again returned to the economy. Again a government was about to be formed that would need to negotiate support in Parliament. It appeared inevitable that the PP would make an agreement with nationalist parties in order to govern.

Nevertheless, the change in the party in government signified the end of the climate of confrontation and brought with it fresh economic measures supported by the OECD. That international body forecast 2.3% growth for the country in 1996, a figure very close to the 2.2% finally obtained and far above the 1.6% for the European Union overall. Construction, on the contrary, would have to wait yet another year to return to growth. In 1996, the sector's production still declined 1%, a figure two tenths lower than the downturn experienced in the Community context. Positive growth figures were not obtained until the recovery of public tendering.

During that year of 1996 Obrascón enjoyed the Elsan effect on its sales, which grew 83%, moving from 25,000 million pesetas at the close of accounts for the previous year to 46,000 million pesetas in 1996. Moreover, the company reached a new milestone: the backlog surpassed the 100,000-million-peseta mark, after having grown 127%, also in relation to the previous year. Another very different outcome was registered in the consolidated result before taxes, down 41.8%, from 1,344 million to 782 million pesetas, due particularly to the rehabilitation of the finances of the new subsidiary. Dedicating more than 500 million pesetas to rehabilitate the finances of Elsan was necessary. The test of size had to be passed.

However, not all of the major construction firms emerged unscathed from the crisis of '92. Little more than one week after the Popular Party election win, on March 14, 1996, a brand of prestige and long tradition made the headlines in all of the media: Huarte enters into temporary receivership. The liabilities of more than 90,000 million pesetas earned the company the dubious honor of placing first in the ranking of business failures in the history of the construction sector and the third largest failure by a Spanish company up to that time.

The Navarre builder was unable to hold out and fell just when the crisis was touching bottom. Its agony had lasted months, and Huarte was finally forced to take its books to the courts in order to survive its severe indebtedness, caused primarily by the default in payment of 30,000 million pesetas by its parent company Hispano Alemana S.A. (HASA).

Other players in the sector suffered the impact of the failure of Huarte, one of the most important construction companies at the time. The close interdependence between the activities of construction and real estate that had suffocated Huarte was also evident in other major business concerns in the sector, if not in all of them. The usual strategies of long-term immobilization with short-term financing became impossible to sustain following the drop in sales derived from the crisis. The Huarte earthquake led to a far-reaching strategic change. As a consequence of that experience, construction businesses gradually began protecting themselves against the real estate sector whose activities eventually were excluded as alternatives of diversification by the major

construction firms. From a natural travel companion for the construction sector, the real estate business went on to become a dangerous alliance.

Earlier, in his analyses of the trend in the sector, Juan-Miguel Villar Mir had already arrived at the same conclusion. In that arduous march across the desert during the crisis between 1992 and 1995, he had reached the conclusion that real estate was a poor travel companion, as it intensifies the cyclical factor enormously, unquestionably the greatest problem facing the construction business. For this reason, in the autumn of 1995, he made the decision to sell Inmobiliaria Obrascón.



Following the Huarte crisis, the real estate business was no longer a natural travel companion but rather a dangerous alliance. In the photo, housing units in Campello (Alicante) and Marbella (Malaga), built by Obrascón in 1996 and 1997.



Size does matter

The Chairman of Obrascón was looking in another direction. Obrascón's race for the conquest of size to transform it into a national-scale company would have to progress step by step, controlling all of the constant values. His intended course of action was more of a marathon than a sprint. It was to be a long-distance race, worked out in detail, like all of his achievements, and at a considerable distance, precisely, from the powerful sprints of the company's larger competitors.

All around Obrascón, the most relevant construction firms in the country were being featured in the headlines of the business press with their mergers and takeovers. Ferrovial had just purchased Agromán from the Corporación Industrial Banesto in 1995 and, as early as 1986, Entrecanales and Cubiertas had merged into the Acciona Group, which combined its construction assets into Nueva Entrecanales Cubiertas Servicios y Obras (NECSO). The relationship between the two dated back to the end of the previous decade when, in 1989, Cubiertas y MZOV successfully confronted a hostile takeover bid by Ferrovial, which Entrecanales took advantage of in order to increase its stake up to 25%, taking over the shares of Ferrovial itself and of the Banco Pastor.

The assault against Cubiertas by Ferrovial was the entrepreneurial move that made the most noise at the time but was not the operation with the most impact. Other construction companies had started the race to size sooner, such as in the case of Focsa and Conycon, already merged as FCC since 1992. That same year, Ocisa had to change its brand name

and, under Florentino Pérez, initiated its merger run with Padrós, giving rise to OCP which, four years later, was to take 40% of Auxini, acquiring 100% ownership in 1997, just before the merger with Ginés Navarro, giving rise to ACS. Only Dragados y Construcciones remained on the sidelines of the concentration fever at that time, although not entirely. The owners of Sacyr tried to get bigger through the purchase of a package of shares of the construction leader, controlled at the time by the Banco Central Hispano. Dragados ended up in the hands of ACS in the following decade, at the same time as Sacyr purchased Vallehermoso as a springboard for another major jump forward.

As the days went by it was observed with growing concern that neither profitability nor work well done were a sufficient guarantee of survival in the construction sector. That is why Obrascón's Chairman continued to wager on size, but from more modest positions, although there was no time to lose. The moves in the merger and acquisition of companies were occurring at an increasingly faster pace. With the takeover of Elsan consolidated, Obrascón looked for another small construction company to bring into the group. Thus, in June 1996, an agreement was reached to add the Sociedad Anónima de Trabajos y Obras (Sato), a company created in 1935 with Dutch capital and specialized in marine works, whose ownership in 1973 had been taken over by Spanish shareholders.

This was a transaction that took Obrascón back to its origins. It recovered the facet of marine works with which it had so ably operated at the start of its



These projects, finalized in 1996 and 1997, reflect a change in scale of the company's construction activity in Spain. They were delivered by companies that today form a part of OHL: 1. Arenos Dam, in Castellón; 2. Deusto station, Bilbao subway; 3. Rande-Pouxeiros section of the Atlantic Freeway; 4. North Concourse of Barajas Airport; 5. Alcorcón Hospital, in Madrid.



Sato, projects in the sea

In 1927, the construction of the new sea wall at the Port of Las Palmas was awarded to Koninklijke Nederlands Maatschappij Voor Havenwerken N.V. The good result of the operation convinced the then Dutch company of the advantages of setting up business in our country and continuing to bid on the construction of public works here. For this purpose, in 1935, it incorporated Sociedad Anónima Trabajos y Obras (SATO), a name evidently very much easier to pronounce and to remember for the Spanish authorities in charge of awarding contracts.

The Dutch stake in the shareholder composition was maintained for almost forty years, although it progressively decreased to the extent that it eventually became completely Spanish in 1973. In that year, the controlling shareholder was identified with the Garrigues family. In 1990, in a management buy out operation, the management team, with the support of the Rodríguez Inciarte family, took control of the company and finally negotiated its integration into Obrascón in 1996. The merger was made through a swap of shares issued in an Obrascón capital increase for such purpose, with a subscription period ending on January 24, 1997. The Sato shareholders obtained a 14% stake in Obrascón. Sato was invoicing 13,396 million pesetas at the time, with a profit after taxes of 511 million pesetas and a backlog worth 13,346 million pesetas, 97% of which referred to the public sector, with 78% in marine and port works.

Since its incorporation, Sato was highly innovative in construction procedures, registering patents on prefabricated pile driving and jetty demolition systems, as well as for the manufacture of floating caissons, prefabricated elements for the construction of wharves and equipment for the recovery of submerged blocks. At the present time, the company is developing a new element for the construction of breakwaters on slopes, called the Cubipod, with the collaboration of the Polytechnic University of Valencia.

Sato has worked as a generalist builder throughout its history, although it has always maintained the marine vocation and specialization of its origin. It is the reference in marine works of the OHL Group and undertakes projects with a high cost and great complexity, from the design through to the performance of the work and the putting into service and operation of the projects built in all port and coastal environments.

The company also owns a significant fleet of floating machines, without a doubt one of the most complete in Spain, indispensable for maintaining its leadership in marine works. This fleet, together with once-off arrangements according to need, enables the company to undertake the full range of coastal and port works.

Sato's leadership is evidenced in its participation in major projects in ports throughout Spain. Among these, the expansion of the Port of Gijón, the new harbor at Punta Langosteira (Corunna), Granadilla (Tenerife), Barcelona South Breakwater, Alicante, Algeciras, Cadiz and others. Its backlog was worth around 400 million euros at the end of 2010.

An excellent reflection of how Sato has maintained its marine leadership is that six decades later, in 1991, it expanded what had been its foundational project in Spain, the Reina Sofía sea wall in Las Palmas de Gran Canaria, which is today the main protection of the La Luz harbor.

existence. For this operation, the method used was a capital increase which, having finalized on January 24, 1997, marked the effective integration of the company Sato. Pedro Rodríguez Inciarte, a highly recognized civil engineer, continued to head Sato and was described by Villar Mir on welcoming the management team as “an excellent asset”. Fourteen years later, Pedro Rodríguez Inciarte is still at the helm of Sato.

Parallel to the growth represented by the integration of Sato, Obrascón continued to pursue diversification.

Five months later, in July 1996, it purchased a 60.3% stake in Cida Hidroquímica, an engineering firm concerned with water treatment facilities, “for the purpose of increasing the presence of the group in this subsector”, as the Chairman himself indicated in his letter to shareholders in the annual report on the 1996 financial year.

Huarte, a challenge tailored to Villar Mir

Maintaining a calm approach to the size race was beginning to become increasingly more difficult



The restoration of the Teatro Real in Madrid, performed by Huarte, is one of the landmark projects of the OHL brand.

when the competition was filling up with sprinters. The feverish sprint of its competitors preventing Obrascón from continuing at a slow speed. It had to search for companies that would enable it to acquire a larger dimension and a more diversified backlog of projects. And Huarte began to shape up as a good option, a challenge tailored to Villar Mir.

In early 1997, Huarte was negotiating with its creditors how to lift the temporary receivership it had applied for in March 1996. As one of Spain's major construction companies, it had enjoyed a stage of extensive development in the decade of the sixties, under the outstanding Navarre entrepreneur, Félix Huarte, one of its founders. It had also ranked among the pioneers of growing through foreign markets, mainly Latin American. Now, its executives, with Rafael Fernández as Chairman, were struggling to keep afloat.

Precisely the first major setback experienced by Huarte occurred in its international adventure. The Venezuelan foreign payments control, decreed on the famous "Black Friday" in February 1983, caught the Navarre company off-guard, and it had to meet a bond backing a large stock of public housing unsold in the Caribbean country. This forced the Huarte family, the majority shareholder, to transfer ownership in 1986. A business group led by the Caprile family took over the reins of the company. This group had just been awarded -in a second privatization process- the company Hispano Alemana de Construcciones (HASA), nationalized previously as part of the Rumasa Group. Although it got back on its feet, recovering a turnover of 100,000

million pesetas, the real estate factor once again -in this case due to the 1992 crisis- left the company "mortally wounded", until it had applied for to the aforementioned temporary receivership.

While the majority of the sector was pulling strings in the hopes of seeing the company dissolved, thereby eliminating a competitor, the executives of Huarte were working hard to find an industrial partner with the appropriate business and financial capabilities that would enable them to save the company. An attempt by Constructora San José, accompanied by a group of commercial banks, did not meet with success, because the problems of the Navarre construction company were more than the experience and capacity of the Galician company could handle. Jacinto Rey, its strongman, decided to withdraw from the operation and wait for a better occasion to grow.

The attitude of Juan-Miguel Villar Mir towards the Huarte crisis was quite different. He focused the problems of that company from his particular entrepreneurial angle: acquiring Huarte would signify the opportunity of adding a major brand, with solid expertise, an extensive reference of projects, tradition and experience and the challenge of refloating it, without an outlay that would involve an excessive investment for Obrascón. And although the Arthur Andersen experts engaged for determining the exact situation of the company recommended dropping the idea, he decided that Huarte would be the new target.

The challenge was too attractive to resist for an entrepreneur such as Villar Mir, who in the previous

four years, when the winds of crisis were strongest, had created a solvent business group through the purchase of companies such as Ferroatlántica, Fesa-Fertiberia, Cuarzos Industriales or Sefanitro. From near bankruptcy, all of those companies were radiating optimism under the ensign of the new Villar Mir Group.

“I purchased Obrascón when it was losing money and today it is earning a profit, and I have repeated this same operation with Ferroatlántica, Fertiberia and Hidronitro and hope to be able to do the same with Sefanitro and Huarte”, Juan-Miguel Villar Mir told the newspaper *El País* in December 1996, after his imminent entry into the capital of the Navarre construction company had been made public.

The agreement was signed on November 28, 1996, while the stake, worth 2,500 million pesetas, was taken by Inmobiliaria Espacio, head company of the Villar Mir Group, with the intention of finalizing the rehabilitation of the finances of Huarte, before proceeding with its merger with Obrascón, thereby avoiding possible negative impacts on the share derived from surprises in the status of the Huarte accounts. Rafael Fernández, who had steered the entire arduous process of negotiation of the debt with 9,000 creditors, continued to head the company.

The agreement with Jacinto Rey was, nevertheless, subject to three conditions: the approval of a staff reduction process affecting 419 employees, which Comisiones Obreras, the majority trade union,



Obrascón Huarte (OH) is born. Juan-Miguel Villar Mir and Rafael Fernández, respective Chairmen, sign the merger agreement.

The Obrascón Chairman went to work immediately. When his name began to be heard as a potential purchaser, he had already negotiated the acquisition of 24.9% of Huarte’s capital with Jacinto Rey.

supported solely if the entry of Villar Mir was formalized; the lift of the temporary receivership and the granting of support funds by the ICO. The first condition was met almost immediately, while

Huarte, el emblema malogrado

Huarte was the outcome of a dream of two artisan entrepreneurs: Félix Huarte, son of a carpenter, who on the basis of effort had moved up from an apprentice to a draftsman and then to a site technician, and Emilio Malumbres, a bricklayer. With the financial backing of the Navarre industrialist and financier, Toribio López, they incorporated Huarte y Malumbres, S.L. on August 1, 1927, in Pamplona. Their first project was the "Aramburu House" in the capital of Navarre.



Thanks to the reliability, quality and compliance with delivery dates which Huarte y Malumbres impressed upon its business activities, residential and non-residential building projects with the Huarte mark proliferated in Pamplona from the very start. The headquarters of the Spanish Red Cross, the branch of the Banco Hispano Americano, the offices of Crédito Navarro and the Church and Residence of the Capuchin Friars stand out among the achievements of those years.

Having consolidated its presence in Pamplona, the company decided to take the leap to Madrid in 1929, evidencing its early vocation as a nationwide construction company. The Directorate General for Health, on Plaza de España, was Huarte's first project in Madrid.

Later, in 1932, and within a period of only six months, the company built the School of Philosophy and Letters of the Complutense University. The unusual speed in the performance of the work was the basic condition required of the bidders on this project, given the strong social unrest during those years. In order to comply with the tight deadline, Huarte had to organize 24-hour shifts.

This success, which earned the company the congratulations of the University Board, together with a culture of reliability in its work, opened the door to Huarte to other major projects in Madrid, such as the Nuevos Ministerios government office building complex, the first stage of which was awarded in 1933, with the entire complex being completed in the forties, after the end of the Civil War.

Between 1940 and 1960, the Navarre construction company became a trademark of national prestige. A number of its landmark projects date from that time: the Santiago Bernabeu Stadium, the National Mint, the Central Air Force Headquarters, the La Paz Medical Center and the Valley of the Fallen complex. Landmark buildings in Spain's capital were to follow, including Torres Blancas, Torres de Colón, the Palacio de Congresos convention hall on La Castellana, Chamartín Railway Station and the Ramón y Cajal, Doce de Octubre and Leganés Hospitals, without overlooking significant restorations, such as the Atocha Railway Station, the present Reina Sofía Museum and the Teatro Real.

On a national scale, Huarte references abounded in the following years, particularly in hospital construction, to the extent that the company became the builder of the majority of Spain's hospital facilities, together with other institutional buildings.

In civil works, it undertook the construction of a number of freeways, some of which it later managed under concession agreements.

The León-Campomanes-Oviedo freeway, whose cable-stayed bridge over the Barrios de Luna lake obtained a world award for its length, dates from that time. Huarte obtained similar success with its pioneering experience in the construction and operation of underground parking facilities in a number of cities, mainly Madrid.

His entrepreneurial zeal led Félix Huarte to foreign shores. The Buenos Aires elevated urban expressway built under a concession agreement dates from the seventies. However, his misfortune arose precisely in his overseas adventure. Coinciding with Venezuela's payments crisis in 1983, the company's subsidiary Huarver was carrying out a major public housing development whose payments were not met by the Venezuelan government, leaving the parent company on the verge of temporary receivership. In order to avoid this situation, the reference shareholder family had to transfer the ownership to Hispano Alemana de Construcciones (HASA), acquired a few months earlier in the process of the re-privatization of the nationalized Rumasa holding.

Although the company recovered turnover in a short space of time with HASA, up to around 100,000 million pesetas, consolidating a significant backlog of projects, it was unable to overcome the 1992-95 crisis, which had impacted so severely on the sector. In 1996, the real estate payment defaults of the parent company, together with the demands of the bank creditor, led it to the largest default in payments ever incurred by a construction company in Spain, with liabilities of 90,000 million pesetas.

Its own executives, led by one of their own, Rafael Fernández, closed ranks in order to refloat the company, lift the temporary receivership following significant debt relief by its creditors and, finally, to find a group that would take in a brand with so much history. On November 28, 1996, Juan-Miguel Villar Mir reached an agreement with Jacinto Rey, Chairman of Constructora San José, in order to purchase the 24.9% of the Huarte capital the latter owned, at the price of 2,500 million pesetas. Following the purchase, Huarte rehabilitated its financial situation during the 1997 financial year and merged with Obrascón in January 1998. That was how Obrascón-Huarte was born.

The resistance of its executives against the entire construction sector, which hoped for the disappearance of the company, and the skill of Juan-Miguel Villar Mir as a rescuer of companies in crisis made it possible to maintain the Huarte brand name. Together with others, OHL reflects today the culture of quality, reliability and work well done that made Huarte one of the landmark construction companies of Spain during several decades in the past century.

the second did not come about until the beginning of January 1997. The third condition never materialized, however, despite this circumstance, Villar Mir signed the purchase option, which he exercised on January 23, 1997.

On that date, Huarte was staffed by 500 workers, and its balance sheet for the 1996 financial year showed losses of 2,670 million pesetas. A difficult task lay ahead, which was to be addressed during 1997, before it could be merged with Obrascón.



Following the Huarte-Obrascón merger, the new OH brand name incorporated landmark references such as the Chilean Palacio de Congresos convention center in Valparaíso.

The general economic context in Spain during 1997 had become promising for the first time in the last six years. The year ended with a 2% inflation rate and a public deficit of 2.6%, complying with the requirements of Maastricht, and GDP grew 3.4%, below the average for the OECD (+4.1%) but eight-tenths above the figure obtained in the EU (+2.6%). The lowering of interest rates by one and a half

points, down to 4.75%, added optimism to business opinions and forecasts.

Construction also reflected the recovery with highly favorable growth compared to Europe overall: 2% in contrast to 0.4. Yet another year building construction, most especially private development, offset the downturn in public works, particularly civil



South leg of Barcelona's Coastal Beltway.

engineering, derived from the budget adjustments that the public administrations were forced to make in order to meet the Maastricht public deficit criteria.

The improvement in the economy was also reflected in Obrascón during 1997, the financial year in which it debuted with its new size, following the consolidation of Elsan, Fernández Constructor and Sato. Sales grew 54% to close to 72,000 million pesetas, and the result was for the first time in excess of 2,000 million pesetas, four times the amount obtained one year earlier, as a consequence, among other factors, of the significant savings of 12% achieved by the mergers in the structure burdens.

Huarte, which in 1997 was still operating independently, although closely supervised by Villar Mir himself, was also doing its homework well. Villar Mir's intention was for the company to disinvest in the real estate sector, the business activity that had caused its financial crisis, but not indiscriminately, giving preference to those assets with clear expectations of appreciation. For this purpose, he traveled to South America where he decided to maintain, among other interests, the stake in the Ezeiza-Cañuelas toll road concession company in Argentina, which channels all of the traffic between Buenos Aires and its airport, and the land at Mayakoba on Mexico's Riviera Maya, facing the island of Cozumel. He also renegotiated a number of significant loans, giving several buildings in payment. The disinvestment thus amounted to 2,700 million pesetas of the company's own assets and 2,500 million of those belonging to its subsidiaries. Inevitably the sales by Huarte declined

in 1997, however, the now financially healthy company obtained a profit before taxes of 1,354 million pesetas, in addition to tripling its equity.

In a single year, Huarte's income statement had been turned around completely. And this outcome was even more satisfactory for Juan-Miguel Villar Mir, considering that it had been obtained without any official support whatsoever, as the ICO loan did not materialize in the end, despite the fact that the conditions required were fully met. On October 28, 1997, the General Shareholders' Meetings of both companies, held respectively in Madrid and Pamplona, approved the merger, to become effective as from January 1998. The General Meeting in Pamplona was to be the last for Huarte. The company's 75th birthday occurred only three months earlier.

The 1997 financial year was also the last for Obrascón as an independent security on the stock exchange, precisely the stock market year of its consolidation. In its last session under its original name, each Obrascón share was traded at 825 pesetas, with an important appreciation of 230% in the year and a P/E ratio of 12.2, performing far better than the already excellent construction sector index that ended the year with a profitability of close to 80%.

Obrascón-Huarte, number six

The merger was finally concluded on September 18, 1998, but with economic effects as from January of that same year. The bank consultants –Schroders,

OH Steering Committee. From left to right, standing: Joaquín Gonzalo, Building Construction General Manager; Juan-Miguel Foulquié, Foreign Operations, Subsidiaries and Real Estate General Manager; Francisco Marín, Civil Works General Manager; Mariano Asa, Third Deputy Chairman; Pedro Rodríguez Inciarte, Chairman of Sato; José Antonio Fernández Eléjaga, Economic and Financial General Manager. Seated: José Luis García-Villalba, First Deputy Chairman and Managing Director; Juan-Miguel Villar Mir, Chairman, and Rafael Fernández, Second Deputy Chairman.



for Obrascón, and Lehman Brothers, for Huarte—agreed on a swap equation of nine Huarte shares for five of Obrascón. The new Obrascón-Huarte (OH) entered into a new dimension and became the sixth largest national construction company.

OH was born with a strong presence in the traditional sectors of roads, hydraulic works and housing, environments in which both companies had extensive experience and an excellent reputation. Once again, the complementary nature of the categories of projects stood out in the merger process steered by Villar Mir. To an Obrascón specialized in asphalts, marine works and water management and treatment was added a Huarte who contributed leadership in hospitals, significant experience in

landmark buildings and an active presence in toll road and parking facility concessions.

The consolidated figures of the 1998 OH Annual Report spoke eloquently of the timeliness of the operation: 171% growth in sales; 306% in the profit after taxes; 260% in equity; 198% in backlog, without including the long-term modality, referring for the most part to concessions. The maintenance and upkeep of public works and water services engineering, with the start-up of several reverse osmosis seawater desalination plants for industrial uses, stand out in the area of diversification.

For the first time, the company's international presence occupied a significant chapter in the

report on projects for the year, with a number of sections of the Ezeiza-Cañuelas toll road in Buenos Aires and the expansion of the Malabo International Airport (Guinea), in terms of civil works, as well as several non-residential building contracts in Chile and Uruguay, and a contract with Sonatrach for the fitting-out of two sewage disposal plants in Algeria. The group had eleven companies located abroad: three in Argentina, two in Chile and one each in Ecuador, Uruguay, Mexico, Peru and Equatorial Guinea.

Obrascón Huarte now ranked sixth in Spain's construction sector, representing a significant jump in size, almost a change in scale, with consolidated sales of more than 121,600 million pesetas, a backlog worth more than 400,000 million and profits after taxes in excess of 6,214 million pesetas. However, its new dimension lacked sufficient strength in order to compete in equal terms of capabilities with the groups ahead of it in the construction ranking. The fifth-placed company, Ferrovial-Agromán, was at a considerable distance in terms of turnover. Conscious of this difference, without scarcely time

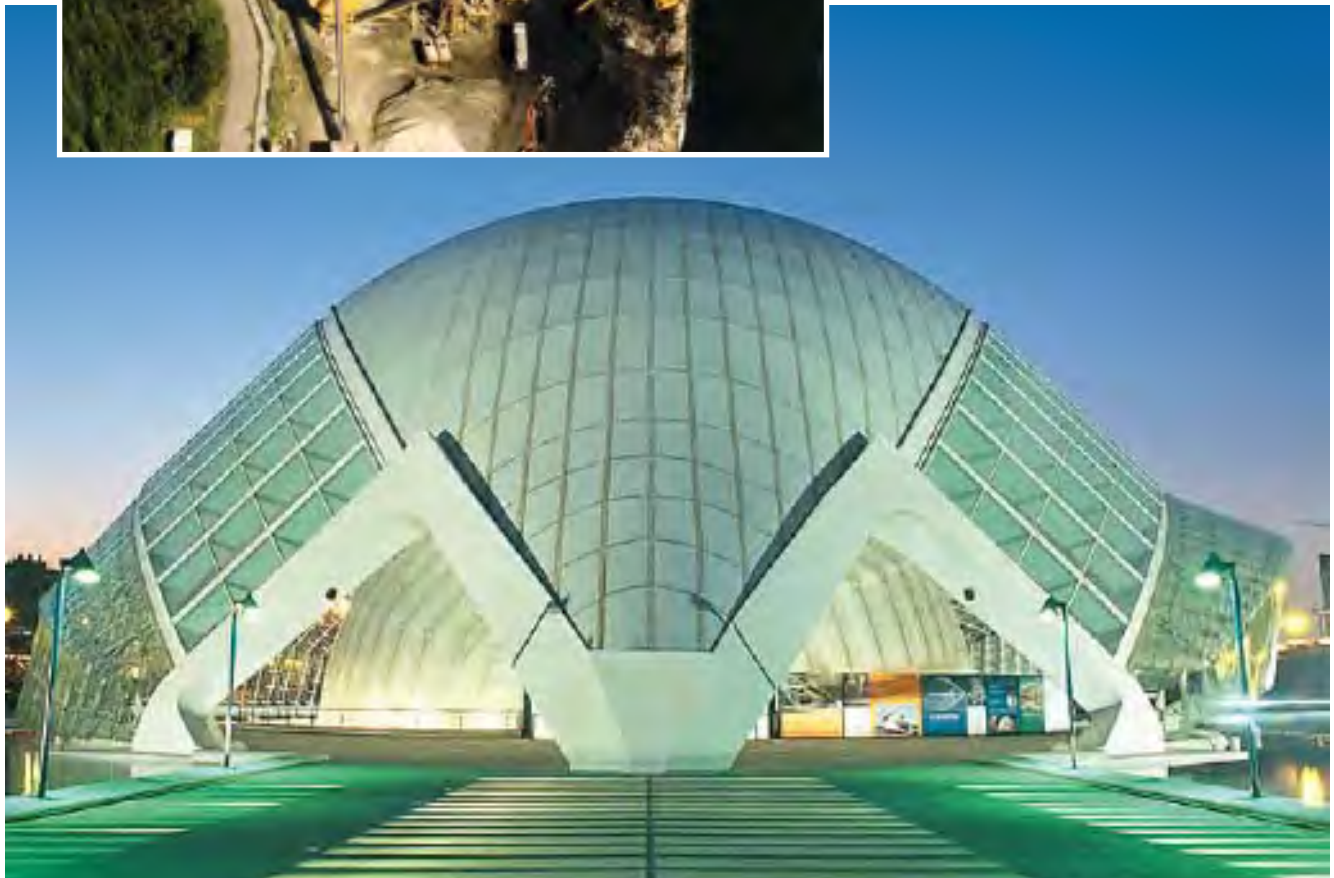


Palma de Mallorca airport, the national leader in tourist traffic, was renovated by the Group in 1998.



The San Esteban de Pravia harbor is linked to the history of Obrascón. Almost eighty years separate one of its first contracts for dredging the harbor's access channel and the channel restoration works in 1998, when this photo was taken.

L'hemisfèric, one of the landmarks of modern Valencia, also bears the mark of OHL.



for digesting the previous merger, Juan-Miguel Villar Mir was looking around again in search of a fresh opportunity. Acquiring sufficient size was urgent and indispensable if the company was to compete for contracts on all levels, particularly in the area of the public private infrastructure projects that were beginning to proliferate in Spain's civil works environment, promoted by the Popular Party government.

The construction sector had recovered momentum in Spain, to the point where in 1998 it became one of the most dynamic, contributing 8% of GDP and employing 10% of the workforce, after growing almost 6%, far above the 1.6% average growth figure for Europe. Residential building marked the difference with increases of close to 10%, while in Europe this area was declining 1.7%. Lower interest rates, by then down to around 3%, boosted the sale of homes, which began to be seen as a good business opportunity. Parallel to this, public investment in civil works had at last recovered, following 56% growth in official tendering, activated by the Directorate General for Roads, with an increase in calls for bids of 119% that same year.

The perception of the OH Chairman, on whose Board of Directors José Luis García-Villalba and Rafael Fernández were seated as Deputy Chairmen in that autumn of 1998, was that there was no time to lose. Those around him and the informed media suspected that Villar Mir had not yet satisfied his appetite for size, that he was not going to settle for Obrascón-Huarte and that he was preparing the surprise of another merger, which would finally enable him to achieve a size in line with the requirements of the market. The disclosure of the identity of the new candidate was not long in coming.

OHL, in the spotlight

One of the potential candidates for contributing to the OH momentum with a fresh merger was Lain, a construction company that had developed over time in a way very similar to that of Obrascón. For this reason, when the news of the merger of OHL with Lain was made public, only those outside of the construction reality were taken by surprise, although, once again,



Starting point for the formation of OHL. The Chairmen of Lain and Obrascón Huarte, Enrique de Aldama and Juan-Miguel Villar Mir, shake hands after announcing the merger before a crowded press conference at the Meliá Castilla Hotel in Madrid.



Some of the companies integrated into Obrascón between 1995 and 1999 until forming today's OHL, including among these the most important of the construction companies merged.

the surprise factor was not absent in an event where Villar Mir played a lead role. On this occasion, it was the celerity of the agreement, signed only four months after the consolidation of OH. Juan-Miguel Villar Mir and Enrique de Aldama y Miñón called the media and financial analysts to a press conference on the afternoon of the second of February 1999.

They announced at that informative meeting, held in a crowded room in a Madrid hotel, that the Boards of both companies had approved, earlier that very same day, the commencement of a process for the merger of Obrascón-Huarte with Lain on an equal footing. They also informed that the operation would be carried out through a swap of shares in the proportion of four OH shares of for every 15 of Lain, with economic effects as of January 1, 1999.

The prestige of the three trademarks led their top executives to maintain the reference of all three in the name of the new company which, little by little,

evolved until it became the OHL trademark. As its logo, a highly unique pictography was chosen, represented by the profile of a very classical human face, shaped by tesserae. Although it continued as the sixth largest national construction company, OHL significantly shortened the distance separating it from the other five. Turnover in 1999 totaled 263,000 million pesetas, and the profit before taxes exceeded 10,000 million, with respective growths of 16.2% and 27.7% over the figures obtained by OH in the same parameters one year earlier.

Juan-Miguel Villar Mir had searched for a partner with interests close to his own and a company of a similar size. He found both in Enrique de Aldama and in Lain. Aldama was a prominent civil engineer, who had won his reputation both for his work in the sector as well as for his service to the Public Administration in senior positions. Their longstanding relationship was friendly, even close between their respective families. For this and other

Lain, a pioneer in diversification

Lain is the youngest of the three initials comprising the acronym, OHL. Incorporated in Spain in 1963, with the name of Laing, S.A., it never relinquished its British origin. A subsidiary of the British group John Laing Construction, one of the major world construction companies, it operated in two main areas: construction per se, undertaking the full range of projects, and also in other activities associated with construction, such as studies and designs, real estate development, tourist developments and even toll road concessions. Diversification in areas close to the construction business, to which the major Spanish construction companies began to have recourse in the decade of the nineties of the past century in order to break out of the construction cycle, had already been practiced by Lain in the sixties.



The company inherited one hundred years of construction tradition. The material resources its parent company provided enabled it to establish itself and grow in the Spanish market, where it enjoyed significant expansion starting in the seventies, with growth rates ranging around 40% annually. From invoicing little more than 650 million pesetas in 1970, it reached the 5,000 figure in 1975.

In that last year, Laing ranked among the top ten Spanish construction companies, with a presence in all of the regions of Spain. A number of outstanding projects date from that era, including the Bilbao-Behobia freeway, where the complicated terrain made it necessary to apply highly innovative technical solutions; the Juan Bravo-Eduardo Dato overpass, in Madrid; the domestic passenger terminal at Barajas Airport; the former chancery of the British Embassy in the capital of Spain; the engine shed for the Ford factory in Almusafes (Valencia) and the runway of Bilbao's Sondica Airport, among others.

Starting in 1975, the British parent company decided to expand the activity of its Spanish subsidiary beyond the borders of the Peninsula, with a focus preferably on Latin America and North Africa. It ended the decade of the seventies with a turnover of 10,000 million pesetas and a consolidated presence in Venezuela. At the end of the following decade, the British firm decided to disinvest in the business, and a group of Spanish entrepreneurs, led by Enrique de Aldama, took over the trademark in 1988, in order to re-launch it on the Spanish market. Construcciones Lain, S.A. was thus born.

Under Aldama, an entrepreneur with close ties to the construction sector employers' groups, Lain enjoyed a stage of expansion very similar to that experienced by Obrascón during those years. Its stock market debut in 1991 took place only a few weeks before Obrascón and with very similar results.

Since the mid-nineties, the same as its domestic competitors, Lain progressively grew in size through the purchase of small construction companies. The final goal was to give momentum to the company, driving it towards diversification and the foreign market. In this context, the Catalan companies OSHSA and Guinovart were taken over in 1994 and 1995. One year later, it was the Basque Sobrino's turn and, in 1998, the company purchased Pacsa, the same year in which Villar Mir and Aldama shaped an agreement that in 1999 led to the merger of Obrascón Huarte with Lain.

The argument for the merger, very mature following the process of integration of Huarte into Obrascón, was to gain size in order to address sectors of diversification other than construction, major projects and an international projection. The agreement was signed and approved in April 1999.

reasons, including the fact that the merger would be on equal terms, both agreed to comply strictly with the mandate of their directors and adopted the decision to co-head OHL. Juan-Miguel Villar Mir, as Chairman of the Board and of the Steering Committee, and Enrique de Aldama as President of the Company.

The offices of Deputy Chairmen and delegations of the Board were held on an equal basis: José Luis García-Villalba, as First Deputy Chairman and Managing Director, and Julián Nuñez Olías, who formerly held the same offices as García-Villalba in Lain, as Second Deputy Chairman and Managing Director.

The parallelisms between both companies were clear. Lain, of a British origin, had been acquired by a group of prominent Spanish entrepreneurs, led by Enrique de Aldama, in 1988, one year after Villar Mir had purchased Obrascón. Both companies had debuted on the stock market just a few weeks apart in 1991. They had also attempted to acquire a larger size starting in the mid-nineties through the purchase of small construction companies that were family businesses. With Lain came Oshsa, Guinovart, Sobrino and Pacsa, and with Obrascón, Huarte, Elsan, Fernández Constructor and Sato. They seemed to be destined to merge.



OHL's major references in building restoration include, together with the Teatro Real in Madrid, Barcelona's Gran Teatre del Liceu, in which Lain participated.

The arguments put forward by both Chairmen before the General Meetings of their respective companies, which finally approved the merger on April 20 of that same year, were based on three lines of reasoning: strategic, the complementary nature of the merger and economic-financial considerations. With respect to the strategic reasons, the creation of OHL favored access to contracts of any volume whatsoever, diversification in business activities other than construction and the reinforcement of operations abroad. The complementary nature of the merger translated into a reinforcement of territorial coverage, the enhancement and expansion of the range of activities and an increase in the number of subsidiaries leading the field in their respective

areas of specialization. Finally, the strictly economic reasons were clear: cost savings in structural expenditure, estimated, according to the 1998 Lain Annual Report, at 3,000 million pesetas per year; the strengthening of the balance sheet in order to facilitate access to the capital market and an increase in liquidity on the stock exchange.

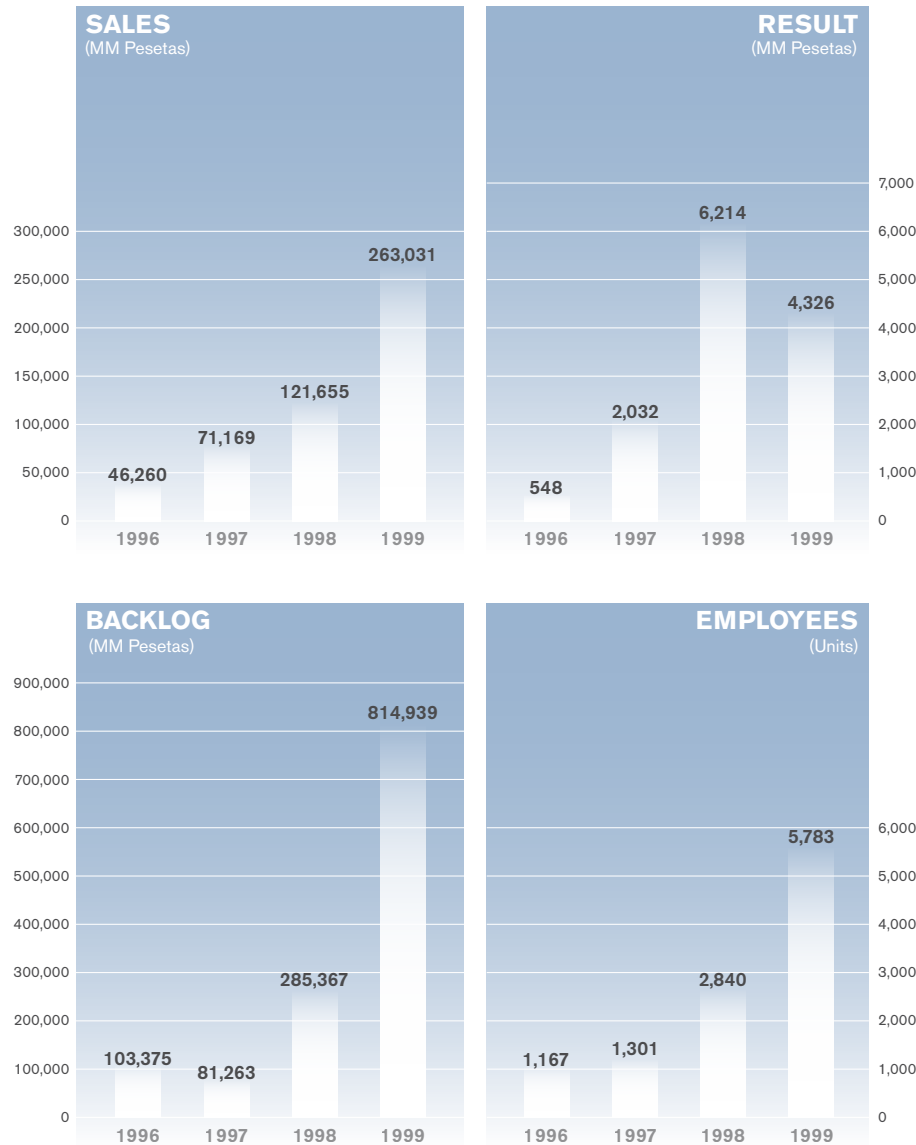
A capital increase by the new company was also approved in the amount of 20,000 million pesetas, for the purpose of reinforcing the balance sheet financially and of addressing the investment required by infrastructure development. It was also agreed to set in motion a public offering of shares, at the same time, with a view to increasing the free-float on the stock market, in such a way as to ensure that it would not drop below 70%. Some of Lain's shareholders took advantage of this operation to leave the new company; the Fiat Group stands out among such shareholders. The Villar Mir Group became the reference shareholder of Obrascón Huarte Lain, OHL, with 35%.

In this last aspect, the markets received the announcement with satisfaction, and this enabled the appreciation of the shares of the two companies, a circumstance even more deserving of merit, when considering the volatile context of the stock market, as a result of the international financial difficulties stemming from the 1997 Asian crisis and the spread of that crisis to Russia and Latin America, in 1998. The new share generated great expectations on the stock exchange and, already at that time, thought was given to the possibility of the entry of the OHL



The new OHL share, the outcome of the merger of OH and Lain, debuted on the stock market. In the photo, Enrique Aldama, Antonio Zoido, President of the Madrid Stock Exchange, and Juan-Miguel Villar Mir, on the day of the debut.

FROM OBRASCÓN TO OHL: PERFORMANCE 1996 - 1999



share into the Ibex 35, the benchmark index of the Spanish stock market.

The performance of the share on the stock market between 1996 and 1999 was subject to the logical ups and downs of the successive mergers, even more so if we take into account that Huarte and Lain, two of the companies integrated into Obrascón, were being traded at the same time, a circumstance which, within the context of the process of concentration

experienced by the sector in those years, was so unique that it actually only occurred in the case of OHL. In a matter of only four years' time, the number of shares was multiplied by 17, moving from little more than five million in 1996 to 89.5 million at the close of accounts for the 1999 financial year.

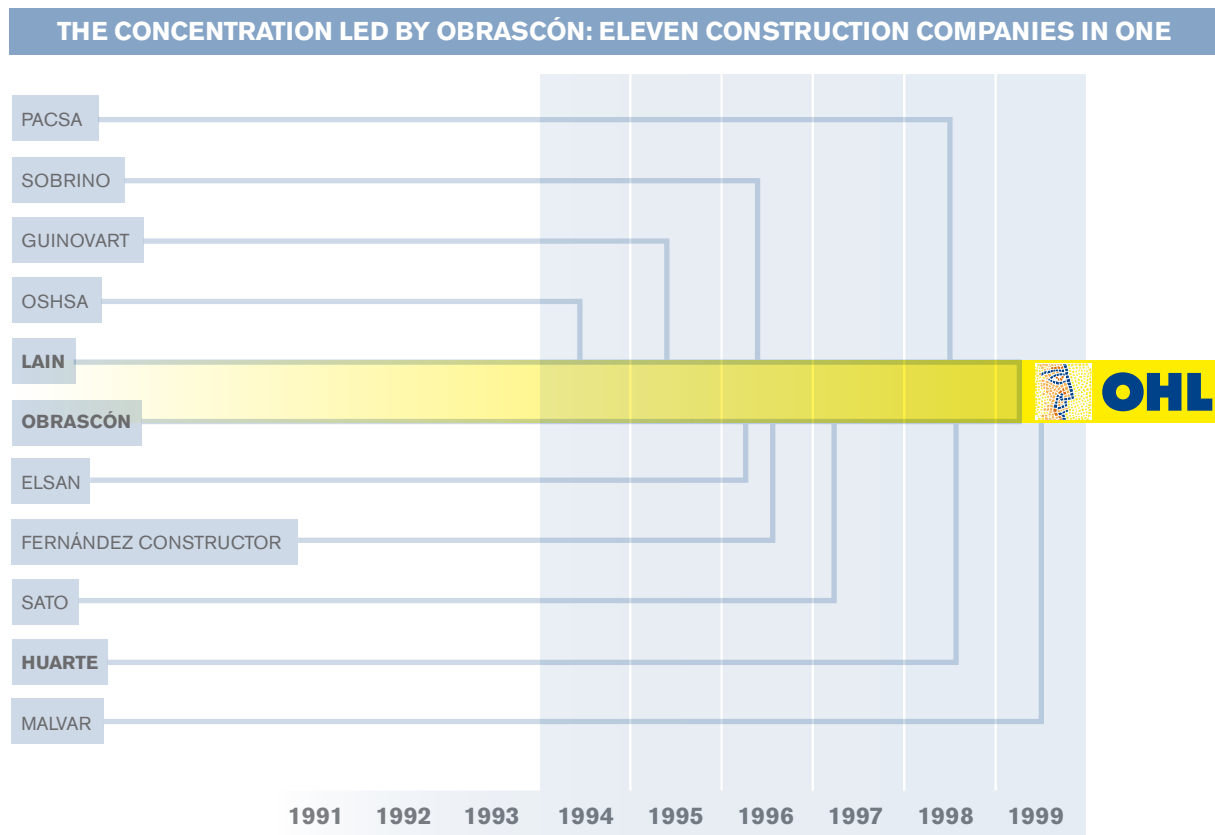
Since December 1995, when Obrascón adopted a policy of growth based on the integration of other companies, up to March 1999, the share price grew

significantly on the stock market. It went from 295 pesetas to 2,000 pesetas, with an annual accrued appreciation of 78%.

The positive performance on the stock market lasted several years, particularly in the construction sector, but experienced an abrupt downturn in the last few months of 1999 due to the massive migration of savings from the traditional sectors to technological shares. It was the start of what later was to be called the dot-com bubble, which burst starting in 2001, making many of those companies that had emerged under the shelter of the “new economy” disappear. For this reason, at the end of 1999, the shares of the new OHL slumped to 982 pesetas, a decline also experienced by other construction companies. The new OHL was already shaping up as the leader in

concessions that it would later become in the first decade of the 21st century. The total backlog grew 53.5%, boosted particularly by the concessions which, with 480,000 million, doubled the backlog that OH had in 1998 in this same area. Moreover, 24.4% of the Group’s future activity was to be performed outside of Spain.

Although unable to apply the calm approach planned in 1995, in the end Juan-Miguel Villar Mir achieved somewhat more than simply acquiring a larger size in the last four years. He had built a strong and diversified company capable of competing confidently, within and outside of our borders. However, in order to do so on a sound footing, a demanding task for the integration and rationalization of the two companies needed to be addressed and would be carried out in the course of the following two years.





FROM OBRASCÓN TO OHL
CHRONICLE OF A CENTURY
1911-2011



Chapter

9

Concentration continues, but within 2000-2001

“Our computer systems commenced the year 2000 without anomalies of any kind”, as stated in the OHL Annual Report referring to the last year of the twentieth century. Was the OHL management afraid that the migration of the computer systems and databases of the eleven construction companies that had joined forces in OHL since 1995 would bring about a collapse in the Group’s central computers? Was the integration of these companies so complex that their technicians thought that the computer systems would not be capable? Why was

At the end of 1999, there was a widespread fear termed by the media as the “Y2K Problem”, a series of disasters that supposedly were going to be unleashed starting at 00 hours on the first day of the new century. It all ended up as a false alarm that served to make the developed countries aware of their enormous dependence on the new technologies. To the right, the office for the “Y2K Problem”, directed by the then Deputy Prime Minister Francisco Álvarez-Cascos.



the management looking at its computers with apprehension at the time when it needed them most, when the adjustment of the organic structure of the company was the number one priority?

This apprehension was not exclusive to the executives of OHL. An apocalyptical fear of a collapse of computer systems enveloped the world at the end of 1999. Political leaders, entrepreneurs and a multitude of ordinary citizens had placed their computer and electrical equipment in quarantine, due to the fact that such equipment was by that time the exclusive support of the most critical operations of the global economy, with no possible alternatives. Everyone feared the worst.

Daily the media were broadcasting fresh predictions of the chaos that would break out at twelve midnight on the 31st of December 1999; blackouts, traffic jams, failures in nuclear power plants, losses of bank data, collapsed emergency services, pillaging, and the like. And that disorder was destined to affect all companies directly. Those final months of 1999 kept senior managers busier in preventing the expected chaos than in preparing the budget for the coming year.

To the relief of both the Government and companies alike, the state of alarm created by the “Y2K Problem” dissolved like a sugar cube in a glass of water, no sooner had the twelve gongs signaling the passage to the first decade of the 21st century sounded. It

was a bad dream and, as a result, much too costly, considering the significant expenditure involved. In Spain alone, 900 million euros were spent, divided equally between the public and private sectors; a small portion, nevertheless, of the 214,000 million euros used worldwide to counteract the effects.

However, that event, which today might appear to be no more than an anecdote, signified an important change in focus. For the first time, the developed economies became aware of how much they depended on the new technologies. The companies in the ICT sector were trading at record highs on



Anti-globalization movements multiplied throughout the world in the early years of the new century through demonstrations and actions against a phenomenon they considered capitalist.

stock markets the world over. The so-called “new economy” and the “dot-com” companies dominated media headlines, with no inkling at all of the economic bubble being formed and that was soon to burst, affecting other more consolidated technology companies and triggering a new economic recession.

In that environment of the year 2000, the world was experiencing a period of enthusiasm not only caused by the birth of the new millennium. Four key events contributed decisively to favor that state of mind:

1. The last throes of the economic crisis affecting the countries of Southeast Asia, the first big financial storm of the globalized world, initiated at the end of 1997, and the germ of the anti-globalization movements spreading throughout the world with actions characterized by aggressive radicalism.
2. The birth of the so-called “dot-com” companies and of the “new economy”, which led the securities markets to a state of “irrational exuberance”, in the words of Alan Greenspan, who at the time was the

Chairman of the U.S. Federal Reserve Board, and which investors paid for dearly starting in March 2000 when the “dot-com” bubble burst.

3. The creation of the euro, which was to be placed in the hands of European citizens in 2002.
4. Finally, that fateful 9-11-2001 in the United States.

Simplifying structure to save costs

In this international context, the newly incorporated OHL was also more of a reality of the 21st century than of the twentieth, although there was still much work to be done, in order to complete the profile

Recently incorporated in the last financial year of the 20th century, OHL was already a reality of the new century, as its Chairman was quick to underline at the General Meeting in 1999.



of the new Group. In the short term, the as yet outstanding issues of how to digest the successive purchases and takeover mergers by Obrascón during the previous five years had to be addressed.

Although these corporate transactions had contributed the much sought-after size, in order for the new size to be effective and to give rise to a strong and profitable business consortium, capable of attaining the new priority corporate goals of diversification and internationalization, a progressive adjustment of the organic structure was inevitable. The road traveled with the mergers would have been useless had OHL become a mere sum of companies; a real merger into a new structure that would capitalize on synergies and integrate the best of the companies merged into a cohesive whole was needed.



The inauguration of the San Martín de la Vega highway in Madrid, with Juan-Miguel Villar Mir and the then President of the Community of Madrid, Alberto Ruiz Gallardón, in the leading roles.

Already in August 1999, Juan-Miguel Villar Mir addressed the shareholders to report that “the new size of the Group enables it to undertake any kind of project whatsoever and to continue to grow,

particularly in diversification and internalization”. Well into the year 2000, the time had come to make that goal a reality.

And Villar Mir had his entire team get on with the job. True to his usual method, Villar Mir put the new strategy down in black and white with the intention of following it through until it was fully implemented. The first step in the internal reorganization of the company was the reduction of overhead costs that were not absolutely necessary, by adjusting both the number as well as the tasks of the subsidiaries and endowing OHL with an experienced and capable management team. Although, initially, the Group gave itself a period of two years for making these adjustments, the entire organizational process was completed in only one. At the General Shareholders’ Meeting referring to the 2000 financial year, the Chairman was already able to announce “the attainment of the target set, following the merger of the Obrascón-Huarte and Lain groups, of generating a savings in structural costs of 3,000 million pesetas per year” during 1999 and 2000.

The priority concern in the procedure put into place in the year 2000 was the centralization of the governance of the companies until the reduction of their number was possible. The small regional construction companies originating from Lain and Huarte maintained their local portfolios in order to reinforce commercial penetration in each geographical area where OHL had specific brands: Sobrino, in the Basque Country; Malvar, in Galicia, Guinovart & Osha, in Catalonia; Elsan, in Castile; Pacsa in Madrid; Sato in marine works, to mention only the most well-known.

Docking facility for flammable cargoes at the Port of Barcelona, one of the most important marine works performed by Obrascón at the beginning of this century.



The same policy was followed with the various companies specialized in different areas but closely associated with construction, such as Inima, Aymasa and CIDA Hidroquímica in the environment sector, or Wirelec in the field of electricity. The real estate companies from the triple merger geared their activity essentially toward liquidating their assets, rather than adding others.

Far from weakening the capacity of OHL, this juxtaposition of companies favored a significant

increase in contracting during the year 2000. All of the synergies induced in the merger process, to the extent that advantage was taken of the complementary elements of the old companies, made it possible to improve commercial actions in the marketplace, which contributed a 35% increase in contracting in the year 2000 with respect to the previous year.

However, the internal concentration of OHL was inevitable and was even more evident the following year. In 2001, the organizational simplification, the

disinvestment in non-strategic fields, the reduction of subsidiaries and the reorganization of diversification activities were the lead players on the stage of work and worries of the financial year.

By the 2001 annual closing, OHL had already shaped an organic structure that, with inevitable additions derived from the entry into new markets, would support the subsequent growth of the Group with few changes. In order to concentrate its internal organization, the Group had disinvested in non-strategic businesses and eliminated up to 20 subsidiaries, outstanding examples of which include the real estate firm, Uicesa, the construction companies, Salcoa (Almería) and Cevalls (Andorra), as well as IFC, specialized in pile driving and screens.

The organization was also simplified, achieving a more agile and simpler communication between the top management of the company and the positions responsible for the operating areas of each specific business. Rounding off the policy put into place one year earlier, the subsidiaries that continued in the Group were fully integrated into a single command structure on the level of the operating divisions and, in addition, the activities of diversification were reorganized, with a focus on those areas considered most profitable and in line with the type of business pursued by OHL.

At the same time a number of lines for growth were defined and have been maintained subsequently. In domestic construction it was decided to develop a strong presence in civil works and, already at that time, a “prudent and selective” activity in building

construction, centered primarily on major institutional projects. In 2001, domestic construction, with 1,859 million euros, accounted for 70% of sales and 68% of the net profit obtained by OHL, whose backlog surpassed the level of 7,000 million for the first time.

Finally, in regard to diversification, the focus was placed on four priority lines of action:

1. Infrastructure development.
2. Water services and environment, with Inima at the helm.
3. Urban services and infrastructures, for which purpose the two subsidiaries specialized in these areas were merged into a new company, Elsan-Pacsa.
4. Care and leisure services that ranged from retirement homes through to the management of hospitality businesses, shopping malls and tourist and leisure complexes both in and outside of Spain.

A multicultural Steering Committee

Executives from the various companies that had progressively merged into the sixth largest construction company in Spain shared tasks on OHL's first Steering Committee. As a good manager of teams, Juan-Miguel Villar Mir has consistently been more in favor of internal promotion rather than the recruitment of executives from his competitors. On this occasion, bringing in managers from outside of the Group would have been even more surprising, since there was a wide range to choose from. The challenge in this case was to manage the different organizational cultures of the eligible managers. As a result, Villar Mir formed a multicultural Steering Committee.

Reporting directly to the Chairman, three senior executives went on to control the company's day-to-day. Mariano Aísa, who had headed Elsan, in his capacity as Second Deputy Chairman and Corporate General Manager, took over a broad spectrum of responsibilities closely tied to the process of digestion of so much corporate concentration by OHL in the previous five years, including a minimal adjustment of the staff establishment. Juan-Miguel Foulquié Usán, one of the executives who survived the Huarte crisis, became the Managing Director and top manager of the business areas.



During 2001, OHL initiated active participation in forums and conferences relating to Quality and Environmental Management. In the photo, Mariano Aísa (center), Second Deputy Chairman and Corporate General Manager, accompanied by Gregorio Nieto, Risk Prevention Manager (left) and Francisco Martín Morales, Inima Manager, at the First National Environment Congress, in Madrid.

The third man was Julián Núñez Olias, Deputy Chairman and Managing Director of Lain until its merger with Obrascón-Huarte, who, in his capacity as Managing Director of OHL Concesiones, was entrusted with the task of orienting the diversification of the Group towards concessions, as the most advisable option. José Luis García Villalba, the engineer who consistently accompanied Villar Mir in his operations in the construction sector, was no longer involved in executive tasks, but maintained his position on the Board of Directors as First Deputy Chairman.

In order to share the responsibility for the day-to-day running of the company, a second executive line was selected as general managers from among top executives of the merged companies,

essentially on the basis of their professional and technical capacities and avoiding any temptation to distribute positions owing to the companies of origin of those selected. José Antonio Fernández Eléjaga, with his in-depth knowledge of the company's finances, continued to head the economic and financial management, a responsibility he already held in Obrascón when it was purchased by Villar Mir in 1987.

Francisco Marín Andrés also continued as the Civil Works General Manager, an area that he had reorganized and had been managing for the previous thirteen years, when he formed a part of Villar Mir's first Obrascón team. Joaquín Gonzalo was appointed to head Building Construction, while Ángel Puente de Lucas was placed in charge of the Technical area, after having held similar responsibilities in Huarte and in Obrascón-Huarte.

Enrique de Aldama, co-President of OHL with Juan-Miguel Villar Mir since Lain merged with

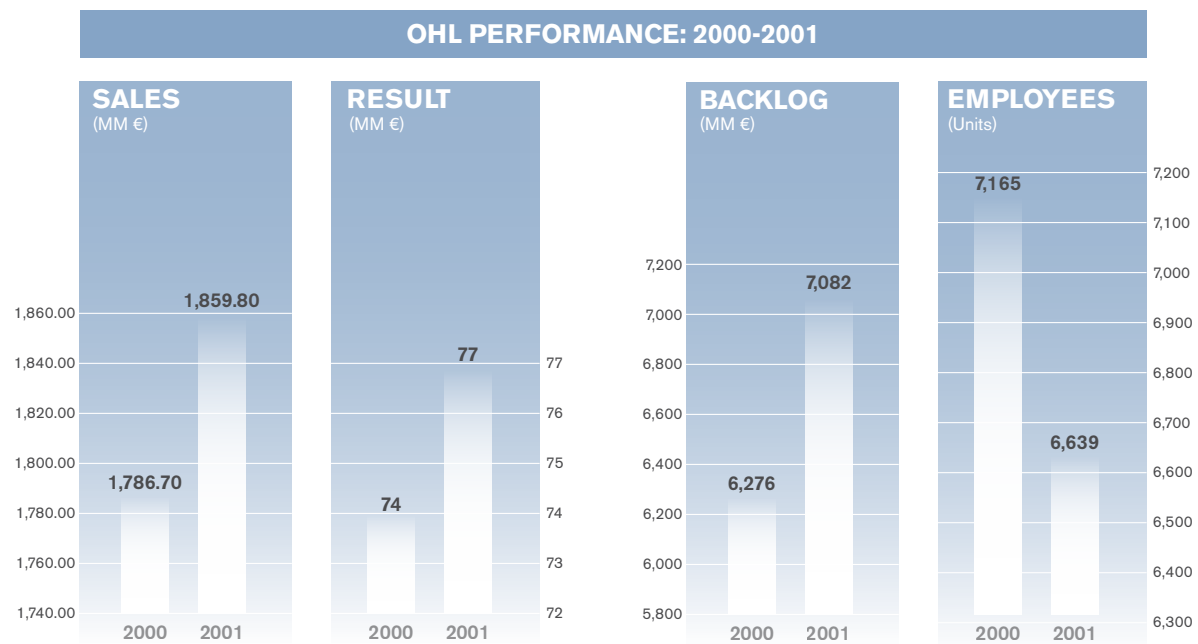
Obrascón- Huarte in 1999, decided to leave the company in the year 2000. His personal interests led him to undertake a new entrepreneurial project closely linked to the technological boom of the Internet, the Build2Build portal, dedicated to services for the construction sector, in which five major construction companies participated: FCC, Ferrovial Agromán, ACS, Acciona and Sacyr. OHL, together with Dragados and BtoB Construcción had previously set up the e-difica.com portal, also specialized in services for the sector.

Construction’s “new economy”

The construction sector did not remain on the sidelines of the so-called “new economy”. The construction groups wagered –some very strongly– on direct participation in the telecommunications sector, taking advantage of the opportunities arising from the public calls for bids for the concession of the new mobile telephony networks.

Acciona took the lead, with a stake in Airtel, later included in the Vodafone consortium. FCC and ACS followed suit and incorporated Xfera, then the first operator of the third generation of mobile telephony. They were not the only ones: in 2000, Ferrovial declared stakes in Cableuropa and Lince Comunicaciones, while Dragados took up positions in Jazztel and purchased the company SRFM, specialized in the installation of towers for the mobile telephony networks.

Without allowing itself to be drawn into that current of investment in information and communications technology, during those years OHL maintained its wager on diversification, primarily in concessions, although with its magnifying glass focused on business opportunities in areas associated with construction. This criterion led to the materialization in 2000 of the alternative of transportation infrastructures, particularly toll roads. Juan-Miguel observed, with undisguised skepticism, the new technologies



investment boom which was dominating the markets in the final stretch of the 20th century.

Perhaps due to the Chairman's position, OHL addressed all initiatives relating to the new technologies with extreme caution, an attitude that in the end saved the company from the effects of

performance by all of the stock market indexes, both the IBEX 35 as well as the construction and the General Stock Exchange indexes.

In March 2000, the trading of the "dot-com" bubble peaked. A strong speculative current, generated by the momentum of the companies connected with



Germany inaugurated the new century with a World Exposition with the slogan "Man, nature and technology, the origin of a new world". OHL built the Spanish pavilion.

the burst of the "dot-com" bubble. However, OHL's share price was unable to avoid being affected by the considerable volatility and the migration of capital to the "new technology" markets. OHL experienced a decline of 28.5% on the Madrid Stock Exchange during the year 2000, and was accompanied in this

the new sector of the Internet, played the leading role in the evolution of the markets between 1997 and 2001 and swept the stock exchanges of the industrialized countries, mainly those of the West, away with it. Later it all came crashing down. In the period between the year 2000 and 2003, 4,854



Jordi Pujol, the then President of the Generalitat of Catalonia, accompanied by Joan Clos, mayor of Barcelona, laid the cornerstone of the Santa Creu y Sant Pau Hospital in Barcelona in the year 2000, one of the 45 hospitals built by OHL in a dozen countries.

Internet companies disappeared, either because they had merged or had gone bankrupt. The impact of the Argentine “corralito” and the 9-11 terrorist attacks in the United States accentuated that crisis, when the year 2000 had already ended.

OHL weathered the crisis well, as its sole investment approach to the information society was the creation of the company, Tecnología Servicios Logísticos y Aplicaciones, S.A. (TESELA) in April 2000, when the “dot-com” process was at its height. This company was incorporated as a holding, for the purpose of integrating the existing stakes in advanced technology companies and those of eventual new acquisitions in this area, although always “with criteria of prudence and the express waiver of purely speculative premises”, as Juan-Miguel Villar himself

stressed in this speech before the the General Shareholders’ Meeting referring to that financial year.

One year later, at the following General Meeting, the Chairman himself remarked on the “considerable decline in the commercial interest” of the companies of this kind, although, in contrast to them, OHL continued enhancing the internal use of the most

innovative applications developed by the companies integrated in Tesela to the maximum degree, as tools of its day-to-day work.

Companies such as Avalora or Structuralia, created during those years, have managed to survive the crisis and continue operating in the market; the former, as the information technology subsidiary of the Villar Mir Group, and the latter, now outside of the Group, as an online training school, specialized in the construction and infrastructure sector.

Economic optimism at the turn of the century

Prior to the burst of the technological bubble, an expansive economic situation had become consolidated in the world. With Southeast Asia back on its feet, the economy grew 4% in the OECD overall during the first financial year of the 21st

century, a rate somewhat higher than in the EU but similar to the performance of Spain's GDP, with 4.1% growth. The unusual sight of the Spanish economy growing above the European average was only tarnished by uncontrolled inflation.

Inflation was the sole variable at the turn of the century that cast a shadow on the dynamics of strong growth experienced by the Spanish economy for the third year in a row: with a growth rate of 4%, the country was moving away from the convergence criteria and the EU average, which increased around 1.4% in the year 2000.

The public deficit represented 0.3% of the GDP, which enabled the Government to present, for 2001, the first budget with a zero deficit and guarantee the strength of public investment, particularly in the area of infrastructures. Years of prosperity were forecast for infrastructures, thanks to a Government plan which, with a horizon in 2007, included investments of around 19 trillion pesetas, preferably focused on civil works, which were already growing at a rate of 7%, lower, however, than the rate of building construction, which increased 9% with respect to the previous year. The avalanche of the real estate market accounted for half of the activity in the

Another bubble in the making

The strong upsurge of housing construction at the end of the decade -530,000 (+9%) in the year 2000- marked the start, even though it was not yet perceived, of the worst crisis ever experienced by the real estate sector in Spain. According to the Bank of Spain Bulletin of September 2002, "between 1980 and 1994, an average of 58% more housing units than those strictly necessary for meeting the demand of new homes were built, while between 1995 and 1999, this percentage rose to 82%, and between 2000 and 2001, 152%".

"[...] Since 1997, the pace of construction of new homes progressively accelerated. In fact, in the three-year period of 1999-2001, the number of housing starts per year exceeded one-half million, compared to a rate that had ranged between two hundred thousand and three hundred thousand in previous years [...] Also in 1997, a new expansive stage was initiated in the real estate market, with price increases of 48% between the fourth quarter of 1998 and the last quarter of 2001. The increases occurring in Spain in the last few years are among the highest in the OECD" [...], was the conclusion of the article published in the Bank of Spain Bulletin.

The medium-sized construction companies that centered their operations in this area, due to the fact that they were unable to have access to major civil works projects, suffered the greatest impact. However, several years still remained for the real estate bubble -blown up to the maximum on the basis of cheap loans and a strong pace of building activity- to finally burst.

construction sector during the year 2000, with an all-time record of more than 530,000 housing starts. The new century began with a strong real estate momentum that would mark its first decade.

Construction had recovered the leading role it had played in Spain ten years earlier, growing at a year-on-year rate of 6.5% and contributing 8 points to GDP. It had also returned to creating employment: 80,000 of the 491,800 new jobs generated. The sector was again one of the main driving forces of the growth of the Spanish economy.

Consequently, a highly favorable time was shaping up for the major construction companies, on concentrating activity in formidable civil works projects with public-private financing. This model required the backing of companies with healthy balance sheets, such as OHL, which had already presented itself to its shareholders at the 2000 General Meeting as “one of the major Spanish construction and services groups”.

Internationalize and diversify

The Group's sales had grown 13% in 2000 with respect to the previous year, but if 1995 is taken as the calculation benchmark, the zero year of the five-year period of expansion, the compound annual growth rate was 63.7%. Profits increased 59.2% also in that period, while net borrowings had dropped 22%. By the close of accounts for the year, it was already possible to get a glimpse of the importance being gained by the two main pillars that were to support OHL's strategy throughout the first decade

of the 21st century: the operations of international construction and of diversification, with growth figures of 177.1% and 42.5%, respectively.

The contracts connected with these business activities were gradually adding greater volume to OHL's backlog of civil works. With respect to international construction, cautious growth was planned by applying careful preventive requirements in the contracting of projects abroad. Prior to taking part in calls for bids, the company ascertained whether the relevant feasibility studies ensured:

- A positive cash-flow.
- Margins of more than 15%.
- Payments guarantees by international bodies.

At the end of 2000, the international backlog had grown 182% with respect to 1999 and was equivalent to 41 months of production. Chile, Argentina, Mexico, Costa Rica, Ecuador, Turkey and Morocco were the main destinations. In this context, the Ankara-Istanbul high-speed rail line in Turkey stands out, with a budget of 70,000 million pesetas, the largest railway project ever undertaken by a Spanish company, together with the Santiago-Los Vilos freeway in Chile and the Río Grande bridge in Mexico.

The rationalization of the financial structure was also addressed in the reorganization effort. In this regard, in 2001, OHL obtained the “Investment Grade” rating given by the international agencies Moody's and Fitch IBCA, with the intention of facilitating the company's access to international markets. No other Spanish construction company

OHL was endowed with a foreign presence from the start. Its most outstanding assets included the Ezeiza-Cañuelas toll road in Argentina, connecting the capital city of Buenos Aires to Argentina's principal international airport, and the "Pabellón Cuauhtemoc" shopping mall in Mexico, D.F.



ventured to meet this challenge of submitting their accounts to an examination by international agencies. Neither then nor later.

Three position-taking decisions gave impetus to the diversification strategy that year. In AECSA, the concession company of the toll road connecting the city of Buenos Aires to the Ezeiza International Airport, OHL increased its stake of 48.6% to 68.6%. In INIMA, Servicios Europeos de Medio Ambiente, S.A., following the purchase of 24.87%, OHL obtained a total stake of 69.26%. Finally, it raised its stake from 30% to 80% in Latina de Infraestructuras, S.A., which held 30% of the capital of Autovías, S.A., the company operating a 316-km toll road in the Brazilian State of São Paulo.

All of these investments were made in line with criteria of prudence and with the advantage of OHL's prior knowledge of the situation of the companies involved, as it was already part of their shareholder composition. In this way, another step forward was taken in the firm strategy to strengthen diversification, particularly in the business of infrastructure concessions.

OHL Concesiones, in the spotlight

The increasingly more clearly defined strategy of diversification necessarily had to materialize in the new structure of the Group. In November of the year 2000, the decision was made to incorporate OHL Concesiones, which held its first Board meeting on the first of December of that same year. It was

created in order to act as a holding company for the Group's investments in the development of the full range of infrastructures in all parts of the world. From the start, the new company was true to the policy of growing by securing majority stakes, 100% wherever possible, particularly in the most significant concessions in the backlog.

In an initial stage, OHL Concesiones started out with assets that the OHL Group already had in its backlog, worth close to 7,986.5 million pesetas, which were progressively taken over by the company, by means of the formula of successive capital increases. The new OHL subsidiary, specialized in concessions, held, among other interests, the OHL stakes in the Brazilian concession companies, Autovías and Autopark; the Madrid companies, Accesos a Madrid, Concesionaria Española, and Euroglosa 45, Concesionaria de la Comunidad de Madrid; the Catalan company, Muelles y Espacios Portuarios, and the Chilean Estacionamientos Providencia. The Group's infrastructure division ended its first financial year -also the first financial year of the new century- with sales of 42 million pesetas, which it was to multiply by almost 20 by the end of the first decade.

OHL Concesiones debuted on an economic stage fraught with problems. The bonanza that appeared to inundate the economic and business world in 2000 did a turnabout in 2001, as the "dot-com" crisis stepped up its pace with a considerable negative impact on the securities markets, and growth in Europe and the United States began to decline.

First Strategy & Investment Committee of OHL Concesiones: from the left, Tomás García Madrid, Managing Director of the Villar Mir Group; Juan Villar-Mir de Fuentes, Chairman; Julián Nuñez Olias, Managing Director; Felipe Ezquerro Plasencia, Economic and Financial General Manager, and Juan Luis Osuna Gómez, Operations General Manager.



The year ended in the worst way possible, with the terrible September 11 attacks against the World Trade Center in New York and the Pentagon in Washington, bringing about a change in mentality.

The terrorist threat was now hovering over the political and business world, replacing optimism with uncertainty in an increasingly more globalized economy.

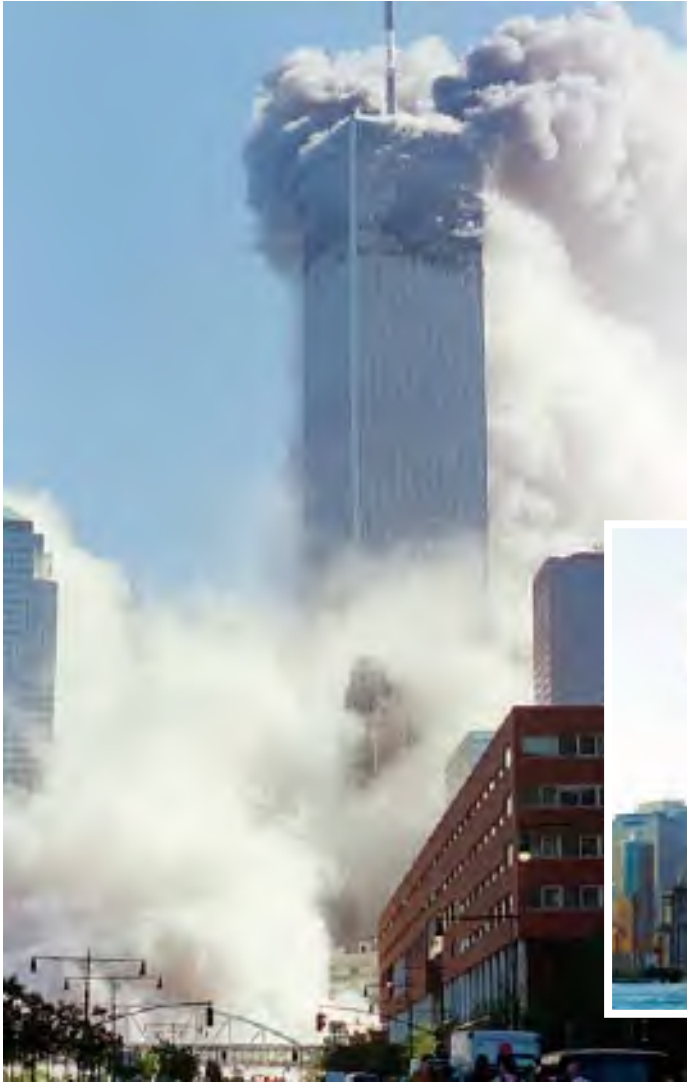
The projects completed by OHL in the first year of the 21st century reflect the company's operating diversity:

- 1. A railway project, the 13th section of the Madrid-Zaragoza high-speed rail line.*
- 2. A significant civil engineering project, the Cantábrico freeway (Sierra Pando-Torres section in Cantabria).*
- 3. An industrial project, the Vandallós nuclear power plant in Tarragona.*
- 4. An environmental project, the Besós sludge treatment plant in Barcelona.*





At the close of accounts for 2001, although the infrastructure development area had only contributed 5% to OHL's total sales, it already accounted for 28% of the net profit. This represented a significant step forward for the division that contributed to consolidating infrastructure concessions as the core activity of diversification. Having evidenced the efficiency achieved



The excellent earning power of OHL Concesiones in its first complete financial year was overshadowed by the threat of the bankruptcy of Argentina, the country where it managed its principal toll road under concession. The so-called “corralito” signified the restriction of the free use of fixed-term cash deposits, current accounts and savings accounts, imposed by the Government of Fernando de la Rúa in December 2001. The objective sought with these restrictions was to prevent a bank run, in an attempt to avoid a wave of panic and the collapse of the sector. It was the recognition of the country's bankruptcy.

2001 ended in the worst way possible, with the 9-11 terrorist attacks against New York's World Trade Center.



in only two years' time, within and outside of our borders, the infrastructure development business moved vigorously ahead. Its high rate of profit, based on business activities with recurrent revenues and not subject to the cyclical factor involved in construction, precluded any other alternative to this diversification option.

Faced with this situation, OHL reacted immediately and, already in the 2001 financial year, made a special non-recurrent provision of 28.8 million euros, “as a necessary measure of prudence in view of the precarious situation of Argentina”. Likewise, the application of a 1.7 peso/dollar exchange rate for the conversion of

the financial statements of Aecsa from pesos to euros, signified a reduction in the Group's consolidated reserves at the end of year in the amount of 3,776 million pesetas.

Julián Nuñez headed the first OHL Concesiones Steering Committee, in his capacity as Managing Director, seconded by Juan Osuna, who was appointed General Manager at the first Board meeting, and by Felipe Ezquerro, entrusted with the responsibility for the economic and financial strategy. Ezquerro had performed similar tasks in Lain.

With his appointment to the Board of Directors of OHL Concesiones, Juan Villar-Mir de Fuentes, the eldest son of Juan-Miguel Villar Mir, took up the position of Chairman of the Board of a company in the OHL Group for the first time. He was accompanied by José Luis García-Villalba, as First Deputy Chairman, and by Julián Nuñez, as Second Deputy Chairman and Managing Director. Juan Osuna headed the Board membership, shared with José Antonio Fernández Eléjaga, Juan-Miguel Foulquié Usán, Tomás García Madrid, Javier López Madrid and Víctor Morte Casabó.

Sufficient size for any project

The satisfactory progress of OHL Concesiones and its remarkable rate of profit with respect to the usual

The 2001-2002 Argentine crisis was a disaster for the country that affected the profitability of OHL Concesiones, present in several infrastructures in that South American country.



margins in a construction company was a further addition to another goal attained, although it did in fact require a much longer period of time and greater effort: to achieve sufficient size in order to be able to bid on any scale of project whatsoever without the need to depend on outside support. This conquest was the subject of a discreet comment during one of the times he spoke at the year 2000 General Shareholders' Meeting and was expressly highlighted at the 2001 Meeting. At a breakfast with journalists prior to the Meeting, to the question as to what would be the next letter to be added to OHL, the Chairman's answer was as concise as it was definitive: "There will be no more letters, because OHL is now big enough to be able to undertake projects of any size on its own, both within as well as outside of Spain".

The second year of the new century ended much better than expected for the construction sector in Spain.

GDP grew 2.8%, a low increase when compared to the figures for previous years, but higher than that of the European Union overall. The increase in domestic demand, thanks to private consumption and construction, prevented a more accentuated slowdown in our country. Public investment in construction increased 8.8%, consolidating Spain as the fifth largest market of the European Union in the sector, behind Germany, France, Italy and the United Kingdom. Of

the 256,000 new jobs created that year in Spain, one-third was generated in the construction environment.

Still immune to the fears of a crisis predicted by experts, the Spanish construction sector calculated its data in euros for the first time, the same as the rest of the companies, one year prior to the circulation of the single currency among the citizenry. In 2001, the sector achieved a production



The construction of the Riberao Preto sewage treatment plant, in Brazil, has been one of the most significant projects connected with the “water and environment” area, as it was designed for providing service to 600,000 inhabitants.

of 95,200 million euros, accounting for more than 8% of GDP. It was the fifth consecutive year of a period of expansion that had commenced in 1996, following the severe crisis of '92, which had led the major construction companies to undertake a process of concentration from which they emerged stronger and better sized in order to withstand adverse situations, confront major technical challenges and compete abroad.

In a year in which public tendering had increased 31%, materializing the Infrastructures Plan that included a colossal investment program worth close to 114,000 million euros, it was very difficult to predict any alternative for the major construction companies other than construction itself, which had grown more than 10% in civil works, as a demonstration of what still remained to be done in Spain in order to place the country on the



During 2001, 35% of the total budget contracted referred to building construction. The Satellite Building of the new Terminal 4 of the Madrid-Barajas airport, built by OHL for Aena, ranks among the most outstanding awards.



Views of the Palacio de Deportes sports center in Santander and the Las Lamas viaduct in León.





Sato has been the Group's marine trademark since 1996. In the photos, the underwater discharge pipe of the Baix Llobregat sewage treatment plant and the Ore Wharf at the Port of Gijón.



same level as its European partners. Precisely this gap guaranteed the financing of the plan by means of the contribution of European funds in the amount of 30,000 million euros, added to an innovative system for the private financing of public development to the extent of 18% of the total of the Plan.

The situation was particularly favorable for Spain's major construction groups, whose top six positions were held by Acciona, ACS, Dragados, FCC, Ferrovial and OHL, with a turnover of between 1,800 million euros and 43,000 million euros. At a considerable distance, another four construction companies followed: Sacyr, Corsan-Corviam, San José and Comsa, with turnovers of more than 350 million euros and less than 900 million euros. All of the aforementioned construction companies together accounted for 15% of the Spanish market, while the remaining 85% was distributed among 145,000 small contractors.

The group of the top six, having consolidated their business activities in the domestic market, had turned their efforts toward penetrating international markets and diversification. They all had strong financial capacity and were listed on the Stock Exchange, in addition to excluding the presence of foreign capital –except for FCC–. The processes of diversification were a reality, even though not all of the companies had chosen the same fields. For example, FCC concentrated on urban services, while Dragados and Ferrovial

already ranked among the world leaders in infrastructure concessions.

The OHL Group's sales in 2001 had totaled 1,859.8 million euros, with an increase of more than 4%, a rate of growth similar to that which it would have obtained in the profit for the year, had it not been forced to make provision for the extraordinary situation in Argentina. The total backlog exceeded 7,000 million euros, 4,500 of which were long-term. International contracts already accounted for 47% of the backlog, with significant increases in infrastructure development.

That year, the Group was working on the following freeways: Northwest Murcia, Cantábrico, La Plata, Northwest, R3 and R5, Santiago de Compostela-Alto de Santo Domingo and GC 1, among others. It was also present at the ports of Gijón, Alicante and Motril. Railway works included: Metrosur, Ave Madrid-Barcelona and Metropolitano of Bilbao. This was in addition to the airport of Palma de Mallorca and Madrid's T4, and to the hospitals of Valdecilla, León and Ciudad Real. Outside of the country, work was being performed in Buenos Aires, São Paulo, Santiago de Chile, Honduras, Michoacán and Rabat.

The foundations for a major international construction and transportation infrastructure group had been laid, however, another turn-of-the-screw was needed with respect to the strategy designed, starting in 2002, by enhancing its implementation for extending growth and profitability throughout the world.



FROM OBRASCÓN TO OHL
CHRONICLE OF A CENTURY
1911-2011

An aerial, high-angle photograph of a city grid, showing a network of streets and buildings. The image is rendered in a halftone or dithered style, giving it a textured, grainy appearance. A dark, semi-transparent square is overlaid on the right side of the image, containing the chapter title and number.

Chapter

10

A success strategy running against the tide

2002-2006

The first decade of this 21st century has left a bittersweet taste in the mouths of Spaniards. The decade bore witness to two radically opposed economic scenarios, closely associated with the construction sector. Economic euphoria, favored by the real estate boom where the savings escaping from the “dot-com” bubble had sought refuge, gave way to the panic of other much less virtual bubbles: the real estate and the credit bubbles. These also burst.

In this three-bubble-burst scenario, companies and entrepreneurs have had to steel their nerves in order to confront the drama of an economy alternately beset by sudden alarms or bouts of generalized commotion. For all of them, success has been paid for dearly and has been short-lived. Many of them have not withstood the onslaught and have disappeared, swallowed up by the crisis.

The bursting of a bubble of the size of the real estate bubble could not leave its principal production sector

The burst of the real estate and credit bubbles in the first decade of the 21st century made construction fall from extreme euphoria into the worst crisis of its history in Spain.



unscathed. For this reason, in a matter of only six years –those transpiring between 2002 and 2008–, construction went from extreme euphoria to the worst crisis in its history in Spain. During that period it had played an excessively prominent role in the economy, to the point where the sector accounted for 11% of GDP, in comparison to rates of an average of 6% for the EU. This hypertrophy, only partially the result of the momentum of civil works –favored by a generous injection of European structural funds–, was fed mainly by the investment in housing which, in 2007, the last year of a prodigious decade, happy and confident in economic terms, represented half of the total amount invested in the areas of construction.

A unique strategic wager

However, not all of the companies were affected to the same extent. Some, like OHL, still in its first decade of existence, made a wise choice of strategy for the medium and long term. OHL chose to minimize

the weight of residential building in its turnover and to reduce domestic construction. And this decision, a truly unique strategic wager, unmatched and implemented against the tide of the real estate boom, liberated the company from bearing the brunt in its income statement of the impact of the economic downturn derived from the bursting of the three bubbles.

The strategy of the new OHL was supported on five basic pillars:

diversification in areas close to construction, with priority growth in concessions, internationalization and domestic civil works, reduction of residential building and real estate activities and disinvestment in non-strategic assets.

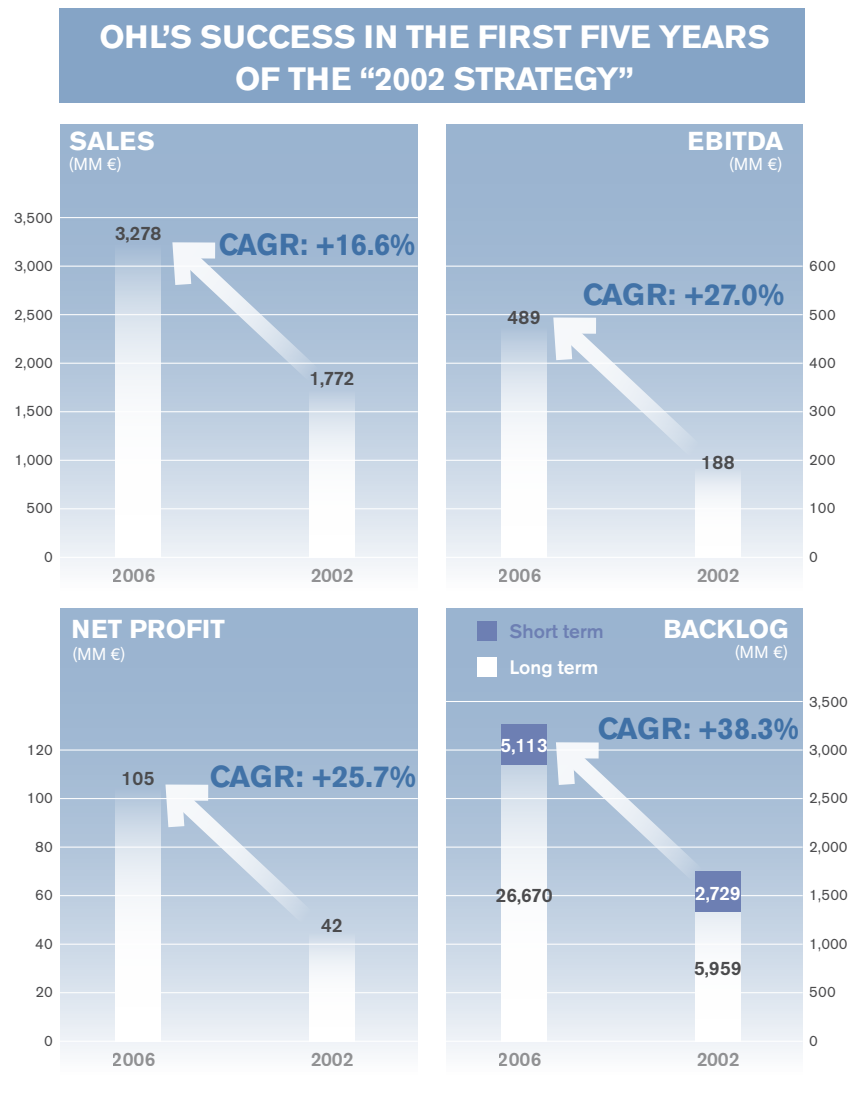
Choosing to abandon the construction of homes and to invest abroad in the acquisition of companies and infrastructures under concession, when within Spain there was a spiral of unprecedented growth in civil works and residential building, was an exceedingly unique decision. Neither experts nor analysts applauded this decision as timely or on target, although they always prudently respected it. Not in vain, did this decision have Villar Mir behind it, whose wisdom as a business strategist in the forging of a leading construction firm, such as OHL, was unassailable.

The rest of the major construction companies were not looking beyond Spain's border, not even out the

corner of their eye. Although highly committed to the domestic real estate market, Ferrovial alone was ahead of OHL in the wager on internationalization and diversification. Despite it all, OHL's Chairman maintained his wager.

Nine years later, at the press conference called to announce the purchase of a Polish construction company, the Chairman of OHL summed up the strategic philosophy he had defined for his Group in the following words: "In 2002 we were ahead of the game, on recognizing that the construction market in Spain was proportionately too big in relation to the size of our economy, with volumes that doubled our economic dimension. I thought then that a reduction in the size of construction in Spain was inevitable and, as consequence, we put into place a new policy of investing in international construction, exporting construction from Spain to other countries, and also investing in infrastructure concessions. Today, we are in 25 countries, working actively, and we are much more of a concession company than a construction firm, while domestic construction only accounts for 13% of our total turnover" ⁽¹⁾.

Observed from a perspective of nine years, the evolution of the construction company is seen as ongoing progress in business and results, in disciplined pursuit of the key objectives of the strategy designed: diversification and internationalization. It was not easy to keep a steady helm, maintaining the course set throughout that long journey, particularly when the ship was navigating against the tide. Only a captain with a firm grip could ignore so many siren songs inviting him to focus the efforts of the construction company on the domestic market and take advantage of the



⁽¹⁾ Statements by Juan-Miguel Villar Mir to Intereconomía TV. (12-28-2010).

The public offering no one took up

The OHL share price ended 2005 with an annual appreciation of 114%, the highest in its sector and the fourth highest for the Stock Exchange overall, the outcome of a daily trading average of 516,872 shares. In order to favour the liquidity of the share as a form of additional remuneration for shareholders, on January 23 of that year, an Extraordinary General Shareholders' Meeting approved a proposal submitted by the Board of Directors for carrying out a "Temporary Share Buyback Program" by the company, involving up to a maximum of 3% of the share capital.

Five months later, on the 26th of June, the program ended with the purchase of 2.291% of the capital at the average price registered during the previous six months of 15.62 euros per share. A second Extraordinary General Meeting, held on the 18th of September, voted to reduce OHL's capital by 1,231,105.80 euros, which became effective ten days later.

One month after the September Meeting, the Villar Mir Group, which had become OHL's majority shareholder with 50.72% subsequent to the capital reduction, was forced to launch a public offering for the entire capital of the company. It did so through its subsidiary Cartera Villar Mir and was authorized by the National Securities Market Commission on the second to last day of 2006. The offering affected 49.28% of the capital at a price of 15.62 euros per share (average price in the preceding half-year period) and the acceptance period extended from the second of January to the same day of the following month.

On January 9, the OHL Board of Directors issued a report with the recommendation not to take up the public offering which had been launched by a company of the Group owning OHL. That unique operation, unprecedented in the Madrid market, had an even more unique ending: no one took up the offering.

tempting opportunities repeatedly offered by the real estate gold mine.

In overcoming the temptations of the local environment, Juan-Miguel Villar Mir had an invaluable advantage: his aversion to short-term strategies. As he often repeats, he has always preferred medium- and long-term planning. His firm conviction as to the wisdom of undertaking new business activities capable of providing recurrent revenues and of moving to other geographical markets for neutralizing the cyclical behavior of the

construction sector also contributed significantly to this position.

In that year of 2002, OHL was still liquidating real estate leftovers incorporated into the Group with the purchase of Huarte, a real-life case study of a construction company that failed on accumulating excessive risks in building developments promoted by the business group itself. Obrascón had already commenced its divorce from real estate activities when Huarte went into temporary receivership in 1986. The lesson of that crisis was not learned by the

sector until eleven years later, when the real estate bubble burst.

At the same time as infrastructure concessions were filling out the long-term backlog, the international construction line was moving up the ladder to significant heights in the short-term backlog. The patient efforts of the men and women of OHL were bearing fruit in the markets on several continents: Europe, America and North Africa, primarily. The most definitive aspect of the new direction taken was that its consolidation and success enabled OHL to meet the severe economic and financial crisis of the end of the first decade of the new century head-on, maintain sustained growth and obtain excellent results in the most significant business figures.

Less construction and more concessions

When the OHL Steering Committee decided to drastically reduce the volume of residential construction in the company's backlog and exclude real estate activities, the amazement of some of its competitors was transformed into a question: how could one of the major construction firms completely forego a pie as tasty as the real estate business? OHL's strategists, however, were investigating in other mental and geographical latitudes. They were especially concerned about how to optimize efficiency and the rate of profit through the new channels of business designed for the company. Confidence in the infrastructure concessions was increasingly stronger. This area fit in perfectly with the business idea that had been defined. As yet with a discreet presence in

the aspect of sales (4.5%), the weight of concessions had multiplied fourfold in its contribution to the net attributable profit during the 2002 financial year.

The infrastructure concessions business was, therefore, already highly profitable and destined to generate a growing flow of sales as the new infrastructures under concession gradually became operational. The new tolls would progressively contribute an annual flow of recurring revenues, with growth in profits from one financial year to the next. This perspective suggested possibilities of more accurate planning to the Group's senior management. And at the same time this strategy added a very innovative advantage, particularly for construction companies, traditionally accustomed to dealing with so many factors, at times uncontrollable, and at other times, erratic, and habitually overly dependent on cycles and political and/or administrative decisions.

Moreover, the concessions were providing a twofold business opportunity. The balance sheets of OHL Concesiones and of Construcción Internacional began to reflect the added value of the contracting of new construction in the projects to be built and already awarded as a concession. Fed essentially by concessions, the long-term construction backlog began to climb during that era, to the point of playing the lead role in the performance of OHL's accounts.

This role of construction should guarantee OHL's growth and, at the same time, the stability of its income statement, a strategic reflection that compensated for the effort in making the investments necessary for

funding the new projects awarded. The time had come for addressing the most difficult part, but with the assurance that the investment effort was also having immediate repercussions in the short-term backlog. In the future, the new awards would contribute all of their potential in sales and profits to the income statement as soon as their operation commenced.

In addition, in the financing of the concessions, OHL encountered another comparative advantage in support of its wager on this business alternative: the payment of the major portion of the operation through the exclusive guarantee of the project itself, without recourse to the Group's finances –an innovative formula that committed only a small amount of the company's own capital in each concession taken up–. This technique, known as project finance, found in OHL not only a frequent user but also a convinced promoter among Spanish concessionaires.

Project finance provided the Group with an added advantage: keeping its borrowing under control, thereby avoiding tensions with the agencies, Fitch and Moody's, responsible for overseeing compliance with the requirements for the Investment Grade rating that OHL alone had been maintaining within the construction sector since 2001. The project finance procedure facilitated the investment wager through OHL Concesiones. In the first three financial years of the new century, OHL Concesiones had moved from managing a total investment in infrastructures of 767 million in the year 2000 to 4,566 million at the end of 2002.

The infrastructure manager option was, thus, responding very positively to all of the questions raised in order to put the Group on the right course to a very profitable business alternative and with significant prospects for the future. In practice, it had also made a number of important contributions to the balance sheet. For this reason, in May 2003, during the General Shareholders' Meeting, the Chairman was categorical on announcing that “the backlog acquired by the Group in infrastructure concessions during the last two years is splendid. This business line already constitutes our main area of diversification, and our investments during the coming years will be concentrated in it”. Clear ideas, as always, with no room for doubt.

2002, year zero for a success strategy

But, what were the scenario and the situation of OHL when the success strategy was designed? In 2002, the Group had ceased to be a mere addition of companies and had consolidated, at last, a stable, centralized structure focused on the business areas that had been set as priority targets. The strategy of diversification that was to mark the destiny of the Group had been maturing since the last financial year of the 20th century and had gradually become evident in the philosophy of governance of the company inspired by its Chairman in the two previous financial years, the first of the new century.

For this reason, when Villar Mir reconfirmed that strategy in 2002, setting the new course out in black and white, the awareness of the OHL

Steering Committee had been fully raised in order to address, without delay, the relevant procedures and protocols. The doubts harbored outside of the Group as to the timeliness of the new direction had never existed within.

The objective of this new strategy was to achieve an about-face in the importance of the basis areas in the company's sales. However, in 2002, that objective was perceived as a mirage in the short-term. Domestic construction represented –at an abysmal distance– the fundamental business of OHL, accounting for 74.2% of its sales, while this figure for the projects outside of the country was

only 8.2%, and the infrastructure concessions, with 4.5%, were only perceived in the Group as areas with possible potential but with a long road ahead. Fortunately, the hydrological and infrastructure plans approved in Spain guaranteed that the calls for bids in the environment of domestic civil works would continue supporting the fundamental weight of the Group's growth over the next few years.

On Spain's economic scene towards the end of 2002, a performance was being staged with a plot more on the dramatic side, of economic dismay, a reflection of the prevailing instability and difficulties, although with the promise of better times in the short term.



Ordinary General Shareholders' Meeting where the strategy followed by the OHL Group since 2002 was approved.

Despite the fact that the Spanish economy was performing better than the average for its continental environment, with 2% growth in comparison to the 1% of its European neighbors, uncertainties, such as those caused by the war in Iraq, the rising crude oil prices and the appreciation of the exchange rate of the euro, among other factors, were delaying the expected and much hoped for end of the crisis derived from the bursting of the “dot-com” bubble.

Finally, the European Union currency had reached the purses of ordinary citizens, sparking inflationary price hikes that, in Spain, were calculated at as much as 4%. However, that was not the only shadow cast on Spain’s economic performance. In 2002, unemployment grew by 113,000, particularly in the areas of the new economy and the information technologies, which were still struggling to emerge from the “dot-com” crisis and recover their identity on the economic scene.

On the political side, the stability resulting from the absolute majority obtained by the Popular Party in the 2000 elections was beginning to waver. The fishing controversies with Morocco that reached their critical point with the border incident of the Moroccan invasion of Perejil Island and the ecological disaster caused by the sinking of the “Prestige” oil tanker off the Galician coast of Finisterre, served as a springboard to rearm the Socialist Party, whose weakness in recent years was a concern for its new leader, José Luis Rodríguez Zapatero.

With that economic scenario, difficult but promising, the construction sector began, little by little, to shape

up once again as the driving force that, together with internal demand, would re-launch Spain’s economy in the following years. The 2000-2007 Infrastructure Plan and the National Hydrological Plan were responsible for making the Spanish construction market the most dynamic in Europe, with 4.7% growth, although still far from the figures reached in the last years of the previous century.

There was also another reason for concern for Spain’s construction companies. The growing positive trend in our country was in contrast to a grim scenario observed in Latin America. Countries such as Argentina, with a tremendous economic crisis, or Brazil, for which 2002 had been an election year with the left led by Lula da Silva as the winner, brought uncertainty back to the region. The expectations for companies, such as OHL, who had economic interests in the area, were fraught with doubts. The currencies of both countries depreciated, with a devaluation of 58% in Argentina and 43% in Brazil. Other currencies in the area were affected by the contagion of these crises, such as the Mexican or Chilean pesos, with depreciations of 26% and 22%, respectively.

Nevertheless, OHL maintained its policy of concessions and internationalization and added a new activity that year to its concession curriculum: airport management. It acquired an interest in Fumisa, one of the companies managing the operation of the Mexico City airport. Previously, it had purchased Centrovías, a Brazilian concession company that managed 218 kilometers of toll roads in the State of São Paulo.

For the first time, the international business activity affected OHL's accounts. Its result for 2002 marked a turning point in the progress of the company. To the Latin American crisis was added a delay in the performance of major projects in the international backlog, the most relevant example of which was the Ankara-Istanbul Railway in Turkey. However, not even with the risk of a decline in its accounts was OHL unfaithful to its policy of prudence in its foreign contracting. It delayed the start of these projects until it had completely concluded the collection mechanisms, thereby reducing possible future risks as far as possible.

The result of this unfavorable situation in the company's strategic activities was that in 2002, OHL's sales and profits dropped, as the company was forced to make a provision of 59 million euros to cover possible risks of customer debit balances –derived primarily from the merger processes– and as a way of adaptation to the new European accounting rules to

be introduced in 2005. Growth figures in the project backlog of 22.7% and in the area of personnel, with 9%, were a promise of a more positive balance sheet in 2003.

OHL takes up positions in Europe and “seeks its fortune in the Americas”

During the General Shareholders' Meeting called for approving the accounts for the 2002 financial year, held in May 2003, Juan-Miguel Villar Mir made an explicit statement that it was necessary to take up positions in a number of foreign markets in order to be able to contract in them. “OHL will remain alert to all opportunities as may present themselves abroad in order to take stakes in companies that will introduce us to new markets”, he said.

And the offensive began. If in the second half of the decade of the nineties, a process was undertaken to take over domestic companies in order to grow



The euro reached the purses of Spanish citizens. To the left, King Juan Carlos, the Deputy Prime Minister for Economy, Rodrigo Rato, and the Permanent Secretary for Economy and Finance, Fernando Díez Moreno, next to the poster showing the format of the 20-euro bill, at the National Mint in Madrid.

larger, the first decade of the 21st century witnessed a number of acquisitions on an international scale. When Obrascón was determined to become a powerful company on a national level, it took over other construction companies and obtained a positive outcome. Therefore, in order to become powerful on an international scale, the idea of using the same method did not appear unreasonable, at

incorporating the company Autopista Los Andes (ALASA) in Chile for building and operating the Camino Internacional Route 60 toll road that crosses the country from east to west between the Los Andes mountain range and Valparaíso. In June of that same year, it purchased from the Spanish electricity company, Endesa, a 60% stake in Infraestructura 2000, concessionaire of the El Sol toll road –connecting the capital city of Santiago to San Antonio, the most important port on the west coast of South America– and the Los Libertadores toll road, which links Santiago with the Andean mountain range and serves as the main route to Argentina.



OHL's most relevant European investment in 2003 took place in the Czech Republic. OHL purchased a controlling interest in the construction company ZPSV-ŽS Brno (OHL ŽS at the present time). It was the first of the positions taken up in the markets of Central and Eastern Europe. Above: OHL ŽS workers on a Central European railway.

least in an initial stage. This procedure was advisable for approaching certain markets, contracting in them and growing in size quickly. And it was indispensable in order to enter others, because without a brand of its own within those markets, entry was impossible.

A good reflection of the energy with which OHL addressed that offensive of taking up positions in a number of European and American markets is the fact that it began the following year, 2003, by

Still within the Latin American region, OHL Concesiones concluded the purchase of the concession company, Autovías, which manages 316 kilometers of toll roads in the area surrounding the city of Riberão Preto, one of the largest in São Paulo, Brazil's most prosperous State. And in Mexico, work commenced on the first phase of the Eastern Road System, also known as the Circuito Exterior Mexiquense, a 141-kilometer toll road developed in four phases which, when completed, was to connect the Greater Mexico City expressways with Querétaro, Pachuca and Puebla.

However, the most significant event in the area of direct foreign investment took place in Europe. OHL purchased a controlling interest in the Czech

construction company, ZPSV-ŽS Brno (OHL ŽS at the present time), in order to penetrate that market. The company had invoiced around 240 million euros in 2002. The transaction, which signified the first position taken up by OHL in the markets of Central and Eastern Europe, was the outcome of several months of negotiations with the owner of the Czech group, at the end of which OHL signed a purchase agreement for acquiring 61.1% of the capital of the Czech company ZPSV Uherský Ostroh, head of a Czech construction group, whose parent company was ŽS Brno, located in the city of the same name and one of the leading companies in the construction sector of the Czech Republic, at the price of 23.1 million euros (726.8 million Czech crowns).

In addition to these moves by OHL Concesiones and OHL Construcción Internacional in foreign markets, Inima, head company of the Group for environmental activities, mainly in the technological sector of sewage treatment and water desalination, was also active on an international scale. Once OHL had consolidated its control of the company through successive acquisitions from a range of shareholders, Inima progressively grew more relevant and, in that year of 2003, became the first Spanish company to secure a contract for a desalination plant in the difficult U.S. market. The plant was designed for converting brackish water from the Taunton River in the town of Brockton, near Boston, Massachusetts, into drinking water. It was a unique achievement, because the 45-million euro contract was agreed as a concession, an uncommon modality in the United States. It also signified the first incursion of OHL into the U.S. market.



The first incursion of OHL into the U.S. market occurred through Inima, the Group's head company for environmental activities. It was the first Spanish company to contract a desalination plant in the United States, in Brockton, Massachusetts. The cornerstone laying ceremony was attended by (in the photo, from left to right): Jack Yunits, Mayor of Brockton; Jeff Hanson, partner of Bluestone; Marc Pacheco, Senator for the State of Massachusetts; Pedro Mejía, Secretary of State for Trade and Tourism of Spain, and Mariano Aisa, Deputy Chairman of the OHL Group.

These acquisitions and awards necessarily had to have an impact on the accounts for the year. In 2003, sales grew 19.6%, exceeding two thousand million euros for the first time, being placed at 2,111.8 million euros, while, with a 15.2% increase, the net attributable profit was around 49 million euros. The figure that benefited most from the new contracts was, inevitably, the new project backlog, with a spectacular 61% increase over the previous year, taking it to 13,965 million euros, of which, 10,656 million were long-term. This was the best evidence of the effectiveness



The disaster caused by the sinking of the oil tanker “Prestige” off the coast of Finisterre, Corunna, increased political tensions and marked the last years of the Popular Party in power. At the same time, it sparked the cooperation of thousands of volunteers for restoring the polluted shores.

of OHL Concesiones and an omen of a significant increase in turnover and profits.

OHL ended that financial year of 2003 as an important Group, with around forty outstanding member companies that already employed close to ten thousand people, after having increased the payroll by 61%. The new acquisitions had raised the participation of foreign employees to half of the staff establishment. The main contribution of the new human capital was by the Czech Republic.

The strategy seeds sown in 2002 were already bearing fruit. And not only in OHL Concesiones; also in

Construcción Internacional. In a matter of a single year, the weight of this latter area over the total sales had gone from 8.2% to 14% and that of Concesiones, from 4.5% to 6%. On presenting the results for the 2003 financial year in May 2004, the Chairman recalled, nevertheless, that “very selective growth was going to be maintained in the international areas, by setting up business in geographical areas of long-term growth -such as Eastern Europe and the leading South American countries- and by maintaining an occasional presence in certain countries presenting once-off opportunities”.

However, also during that same Meeting, Villar Mir again emphasized the business activity of

At the end of 2002, Spain was going through a stage of economic uncertainty. Although the economy was performing better than the European average, the war in Iraq and the appreciation of the euro were delaying the much desired end of the crisis brought about by the bursting of the “dot-com” bubble. In the photo, a demonstration against the military intervention in Iraq.



Concesiones as “a core business line for OHL”. Not in vain had the area ended that year by contributing 60.6% of the Group’s total backlog and 30% of the composition of its EBITDA. The statistical progress derived from the purchases and awards concluded in the course of the financial year took OHL Concesiones up to seventh place in the world ranking of this business activity, according to the prestigious magazine Public Works Finance.

Meanwhile, the Spanish economy continued to perform better than Europe overall, with inflation more effectively controlled at 2.6% and with GDP growth of 2.5% over the previous year, two points above the average for the eurozone. For the first time in the entire recent history of Spain, the public accounts were balanced at the annual closing. And construction and consumption continued driving this bonanza. Construction already accounted for 9.1% of GDP after having grown 3.9%. Better years were still to come.

On the political scene, Spain’s support to the war in Iraq gave rise to a division of positions that clashed with public opinion in the streets and in the media. Another tragic accident was added to the ecological disaster of the “Prestige”, still a subject of debate and with its environmental impact as yet to be neutralized, and radicalized positions to an even greater degree: on the 26th of May, 62 Spanish military personnel died in the crash of the Yak 42 aircraft in which they were returning from a peace mission in Afghanistan.

Terrorist massacre in Madrid and the Socialist return

The climate of political unrest reached its height following the terrible attacks of March 11, 2004 in Madrid. Three days before the general election scheduled for determining the composition of the eighth legislature of Spain’s democratic Parliament, the country suffered the worst terrorist attack of its history, with the explosion of ten bombs in four

Madrid commuter trains, causing 191 fatalities and more than 1,500 injured. According to the court judgment that closed the case, there were no internal agents behind the attacks and the blame fell upon international terrorist elements inspired by the most radical Islamic fundamentalism.

The scenes of that morning of terror in Madrid on the 11th of March traveled around the world in a matter of minutes, immediately taking over the headlines of the front pages of the digital editions of the media worldwide. The horror experienced in Madrid revived memories of the tragedy of the 9-11 attacks in New York. The immediate consequence of

the attacks was a change in government. The PSOE returned to power after winning an election with a simple majority that a few days before the election and of the attacks, it was clearly expected to lose.

And the first decision made by José Luis Rodríguez Zapatero as Prime Minister was to withdraw the Spanish troops deployed in Iraq, a unilateral initiative that seriously upset Spain's Western allies, particularly the United States. U.S. President George Bush made the relationship with his Spanish counterpart difficult from that time onward, a circumstance that cooled the relations between the two countries. For the first time, a Spanish Prime Minister was not invited to the White House during an entire legislature.

In the business environment, neither the abrupt change in government nor the negative international repercussions of its initial measures were expected. Perhaps for this reason, the progress in the first one hundred days in power of the new Cabinet was scrutinized with extreme precaution. The freezing of public tendering, as is usual with changes in the Ministry of Public Works, was the aspect that worried the construction companies most. The new Minister for Public Works, however, scarcely slowed down the pace of the tendering dependent on her Ministry, as it increased 4% over the preceding year, making



The darkest episode of Spain's recent history occurred on March 11, 2004. Ten bombs placed in four Madrid commuter trains caused 191 deaths and more than 1,500 injured. Madrid was witness to the largest demonstration of rejection of that terrible attack.

The Socialist Party, PSOE, took over the reins of the country once again. In the photo, the Socialist candidate to the office of Prime Minister, José Luis Rodríguez Zapatero, with party members after learning the results of the election held on March 14, 2004. To the right, José Blanco and Carmen Chacón, members of his governments.



construction, yet another year, the most dynamic sector in the Spanish economy. For the fourth year in a row, construction had become the driving force of the economy, accounting for one-fourth of GDP growth, to which it had contributed 9.5% in 2004, and generating 12% of the total employment.

This good economic performance, particularly by the construction sector, returned confidence to business momentarily. Spain's GDP maintained stronger growth than the average for the eurozone (2.8% compared to 1.6% for our neighbors) and only the CPI, the economic variable that had demonstrated greater instability in Spain in the last few years, continued to perform unfavorably, with a 3.2% increase in 2004 over the previous year. Construction companies cheered up when they learned that the new Strategic Infrastructure and Transportation Plan (PEIT) 2005-2020 involved investments worth more

than 240,000 million euros. So significant a wager on public works in Spain was unprecedented, and that information contributed to throwing caution to the winds and to returning confidence to the sector.

The satisfactory progress of the international businesses that OHL continued to promote enabled the Group to end 2004 with sales of 2,230.5 million euros, with a 5.6% increase and 1.6 points above the average for the sector. Domestic construction contributed 61%, with a decline of 8 points, the same proportion in which international construction raised its contribution, placed by then at 22% of the total sales. By geographical origin, the proportion was 70/30 in favor of the sales generated in the domestic market.

The targets were being met in OHL Concesiones. In 2004, it contributed with more than 30.5% to

Thirteen directors, thirteen executives

The number thirteen failed to unnerve either the members of OHL's Board of Directors or the members of its Steering Committee when these bodies were formed in 2002. The top management bodies were presided over by Juan-Miguel Villar Mir and each had thirteen members.

The most representative positions on the Board were held by Juan-Miguel Villar Mir, nominee director and Chairman for the fifteenth consecutive financial year; José Luis García Villalba, First Deputy Chairman during that same period of time and independent director for one year, on having lost his status as executive director on retirement; Mariano Aisa, executive director since 1996 and Second Deputy Chairman; and Juan Miguel Foulquié, executive director and Managing Director as from one year earlier. The composition of the Board also included the following members: Luis Blasco Bósqued, independent director (15 years on the Board); Tomás García Madrid, nominee director, 6 years on the Board and one of the most relevant executives on the Chairman's team, as Managing Director of the Villar Mir Group; Javier López Madrid, nominee director (10 years); Juan Mato Rodríguez, independent director (3 years); Karl Ronnberg, independent director (3 years); Joaquín García-Quirós, representing the company Saarema Inversiones, nominee director (6 years); Luis Solera Gutiérrez, independent director (3 years); Jaime Vega de Seoane, independent director (14 years) and Juan Villar-Mir de Fuentes, nominee director (6 years).

The Steering Committee team had defined their departmental strategies, taken over their command positions and centralized the important decisions of the processes of the organization. In the corporate areas of the functional organizational chart, Mariano Aisa acted as Deputy Chairman; J. Antonio Fernández Eléjaga was Economic and Financial General Manager and Ángel Puente headed the Technical Office. In the operating areas, Juan Miguel Foulquié controlled all of the construction activities, as Managing Director, assisted in Civil Works by Rafael Martín de Nicolás; in Domestic Building Construction, by Joaquín Gonzalo; in International Construction, by Francisco Marín; in Water Services and Environment, by Francisco Martín Morales; in Urban and Infrastructure Services, by Enrique Gómez, and in Care and Leisure Services, by Salvador Linares. Juan Villar-Mir de Fuentes headed concessions as the Chairman of OHL Concesiones, with Julián Núñez as Deputy Chairman and Managing Director and Juan Osuna as General Manager.

the Group's EBIT, placed at 162.9 million euros after growing 14% with respect to the previous year. This subsidiary had enabled the backlog to double its size in only two years, moving from 8,688 million euros in 2002 to 16,467 million euros in 2004, contributing 80% of the total. This position augured even greater growth in the business for the years to come.

Finally, after two financial years of erratic behavior, stability returned to the exchange rates in Latin America, and this monetary calm translated into good results for OHL's business activities in Brazil, Argentina and Mexico. In that 2004 financial year, the Group had grown significantly abroad. Inima contracted the construction and operation of a desalination plant in Los Cabos, a locality in

Mexico's Baja California; the Ciudad de La Justicia and Military Hospital were awarded in Chile; and in Turkey, work continued on two major contracts, where the conversion of the railway connecting Ankara and Istanbul into a high-speed line stood out particularly.

In the Czech Republic, the purchase of ŽS Brno was consolidated, and in 2003, its first full year in OHL,

Spain and other EU States would progressively stop receiving European structural funds in favor of the new member countries.

Acutely aware that the amount of civil engineering work would be reduced in Spain with the disappearance of the European integration funds, which had been contributing so much to the development of the infrastructures in our country,



Accompanied by Juan-Miguel Villar Mir, the Mayor of Madrid, Alberto Ruiz-Gallardón, laid the cornerstone of Torre Espacio on December 21, 2004. This tower is today the headquarters of OHL and of the Villar Mir Group, among other major organizations and institutions.

the new subsidiary added more than 290 million euros to the Group's sales. And as early as 2004, it contributed more than half of the sales of the area. It was shaping up as a strategic lever with significant underlying future potential. In the coming years,

the Steering Committee wasted no time in taking up positions in Eastern Europe, a geographical area with great potential for development, in which only one other Spanish construction group was established.

In 2004 the excellent international results won for the Group the Award for Internationalization, in the companies category, granted by the prestigious Club de Exportadores. At the award ceremony, the then Minister for Industry, Trade and Tourism, José Montilla, highlighted the merits of companies, such as OHL, that do not hesitate to assume risks in order to establish a presence in other markets. An historic performer of construction work and provider of services in more than 33 countries for more than a century, by 2004 OHL had a permanent presence in 16 of them. Chile, Turkey, Slovakia, the Czech Republic and Mexico, in this order, produced 489 million euros of the total invoiced in 2004.

Ten days before the end of the year, OHL took yet another step with significant future projection. On December 21, 2004, the Mayor of Madrid, Alberto Ruiz Gallardón, participated in the laying of the cornerstone of the new headquarters of OHL and of the Villar Mir Group, the Torre Espacio skyscraper. On that very same day, construction of the landmark building commenced on land that was formerly occupied by the Real Madrid's sports complex, on the north side of the Paseo de la Castellana in Madrid, in close proximity to the La Paz Medical Center, one of the Group's landmark hospital facilities. Aware that the stone being laid was the first of one of the ten tallest buildings in Europe, the Mayor also wished to bear solemn testimony to the occasion by starting that "in terms of urban development and architecture, the Madrid of the 21st century begins today".

Since that day, Torre Espacio became the major building project that OHL needed to conclude as soon as possible, working without haste but at a steady pace, in order to take the lead in the future office building market generated by the four towers already planned in the same area. Other outstanding projects in the building construction backlog included the Mayakoba resort on Mexico's Riviera Maya; the Brno municipal theater, in the Czech Republic and the Satélite Building of Terminal 4 at Barajas Airport in Madrid. The rest of the major contracts on which OHL was working at the time were civil works, such as the San Pedro tunnel on the Madrid-Valladolid High-Speed Rail Line; the Eje Aeropuerto airport access toll road in Madrid; the Casares dam in León and the expansion of the Ore Wharf at the El Musel harbor in Gijón.

On the Novo Mercado of the São Paulo Stock Exchange

The Group was progressing satisfactorily in 2005, driven by a macro environment firmly entrenched in the buoyant dynamics of the economic cycle. The rate of growth of GDP in Spain was 3.4%. And, for once, the stock market panorama was shaping up in a similar manner and was beginning to look promising for OHL. The share price, so unstable during the period of the mergers in the decade of the nineties and the subsequent process of integration of the companies during the first two years of this century, had been increasing slowly but surely since 2002. Investors, wary in the wake of the "dot-com" bubble that burst in 2001, had once again turned

their sights on the shares of more traditional sectors, and construction was one of the chosen.

The OHL share, which had ended the 2002 financial year trading at 4.03 euros, rose to 6.30 euros at the end of 2004. It needed to double that amount in order to recover its record high of March 1999, then as Obrascón Huarte, just prior to its integration with Lain. Those who saw this achievement as far off in the future were wrong. There was not long to wait. Just one year later, the climb up the ladder became a reality. The price was more than 13 euros per share, a level that would almost double when it peaked at 23.40 euros in 2006.

This good performance of the share in Spain and the excellent progress of the traffic flows on the Brazilian State toll roads, which were contributing to the consolidation of OHL Concesiones in that country quicker than expected, gave impetus to the plan for flotation on the São Paulo Stock Exchange. The management team of OHL Concesiones, led by its Chairman, Juan Villar-Mir de Fuentes; its Managing Director, Julián Núñez; the General Manager, Juan Osuna, and the Financial Manager, Felipe Ezquerra –the OHL executive who is most familiar with Brazil- lost not a single moment once that decision was approved. They undertook the relevant road shows with optimism, visiting a number of cities in order to explain the significant opportunity of the OHL Brasil share in the making.

The effort culminated at the height of summer. It was the fifteenth of July 2005, at the Novo

OHL Brasil has been traded on the Novo Mercado of the São Paulo Stock Exchange, Bovespa, since July 2005. The photograph shows the moment when Julián Núñez, Deputy Chairman of OHL Concesiones at the time, and José Carlos Ferreira, Chairman of OHL Brasil, pressed the stock market flotation button. Behind them, Juan Osuna, Managing Director, and Felipe Ezquerra, Economic and Financial General Manager of OHL Concesiones, respectively.



Mercado building of the São Paulo Stock Exchange, Bovespa. The simplicity of the scene on the floor of Bovespa, with the presence of the top management of OHL Brasil and OHL Concesiones, could not disguise the importance of one of the key events of the year, both for the Group as well as, expressly, for OHL Concesiones. Julián Núñez and José Carlos Ferreira, Chairman of OHL Brasil, pressed the inaugural button. Behind them, Juan Osuna and Felipe Ezquerra observed the scene, smiling and satisfied at having culminated an important goal. The success of the wager on diversification in infrastructures under concession and of the ensuing strategy had just been sealed.

That inaugural day, OHL Brasil placed 40% of its capital on the São Paulo Stock Exchange to enable national and international shareholders and institutions, as well as Brazilian minority investors, to have the chance to share in a project destined to succeed. Twenty-nine percent of the package of shares floated on the market originated from the sale of old

shares and the remaining 11%, from a capital increase. Moreover, for OHL, it was therefore possible to recover 100% of the investment made in Brazil, at the same time as it maintained control of the company.

The performance of the share during its first year was excellent. Its price rose as high as 23 reais/share, 28% above the initial price on flotation, whereby OHL Brasil, with a book value of 90 million euros, was trading at a market price of more than 300 million euros. In a matter of three years, the Group had succeeded in tripling the value of its 60% stake in OHL Brasil.

The listing on the São Paulo Stock Exchange was not only a brilliant transaction from the standpoint of the stock market success. The placement of the package of shares contributed capital gains of 46.5 million euros to the parent company and 45 million euros in cash for the subsidiary, which it soon had the occasion of using for fresh investment operations in Brazil.

The Group celebrated the first five years of the new century with an excellent financial year. In 2005, it registered strong growth in the main figures on its income statement. With 2,442.7 million euros invoiced -a 10% increase over the previous year-, the progressive improvement in the balance of the composition of its sales delivered an increase of 151.4% in profits. From a net profit of 40.7 million euros in 2004, the Group went on to 102.3 in 2005. Excluding the extraordinary effect of the stock market flotation in Brazil, the result would also have been very positive: 55 million euros, following an increase of 37%.

Although the sector maintained its line of growth in the domestic market, with a 6% increase over the previous year, which translated into a gross added value of 10.4% on GDP and a rate of employment of 13% of the active workforce, the domestic construction business continued to intentionally reduce its volume in the OHL Group's turnover. It declined almost 8%, although it remained as the principal source of revenues with 56% of turnover and succeeded in closing the backlog for the year with a significant increase of 14.6%, which signified work for nearly three years.

By the end of the financial year, OHL Concesiones already had 12 toll roads under construction or in operation -two in Spain, three in Chile, three in Brazil, three in Mexico and one in Argentina- and operated at the Mexico City International Airport, through Fumisa, 43,710 m² of commercial surface areas, 2,285 parking spaces and 11 aircraft boarding bridges. The total investment in the concessions managed had reached 3,484 million euros, 3,315 of which referred to toll roads and 169 to the investment in Fumisa. The nine toll roads in operation carried traffic flows of 699,900 vehicles/day, and Fumisa provided service to 8 million passengers/year at Mexico City's airport. The new Amozoc-Perote Road concession in Mexico and the opening to traffic of the first phase of the Circuito Exterior Mexiquense beltway and the Madrid M-12 were among the most significant events of the year.

The concessions were progressively becoming consolidated as the Group's core business, on



The Eje-Aeropuerto or M-12 airport access toll road in Madrid included supplementary civil works for improving mobility in the areas on the outskirts of the city, mainly with respect to the accesses to the various terminals of the airport. The tunnels built in relation to these works were executed by using the so-called “Madrid method” and have received awards as the best and safest tunnels in Europe.



contributing, for the first time, more than half of EBITDA, accounting for 10% of the total sales and 91% of the long-term backlog. For these three items, growth in the financial year was over 50%. This business activity therefore maintained a strong pace of development, although through the award of additional infrastructures rather than purchases.

The international construction business also shot up in 2005. The work performed for the concessions and the good outcomes in the countries with a permanent OHL presence, such as Mexico, Chile or the Czech Republic, as well as the important Ankara-Istanbul railway project in Turkey, placed the area's share in sales at 30% of the total for the Group, up 45% in the year. This division and OHL Concesiones brought about a highly significant change in the geographical composition of the Group's sales: 40% took place abroad, after increasing this share by 10%. For the first time, more than half of the Group's employees (59%) were working outside of Spain.

The performance in 2005 of the other two general management areas, Environment and Developments, was also positive, with increases in sales of 18.9% and 84.3%, respectively. In the first case, Inima was operating seven desalination plants in five countries with a treatment capacity of 544,000 cubic meters daily. These plants included the largest in Latin America, in Antofagasta (Chile), and the most important in Europe, Carboneras, in Almería. Inima also managed two sewage treatment plants, with a capacity of 218,000 cubic meters daily. In the second management area, Mayakoba commenced operation

of the golf course and of the first hotel, managed by the Fairmont chain. Agreements were also formalized with two additional chains for the operation of another two hotels: the Rosewood and the Banyan Tree.

On the domestic scene, construction maintained its status as the most dynamic sector yet another year. With a growth figure of 6% over the previous year, civil works and residential building stood out once again, with increases of 8.5% and 9%, respectively. The strength of the sector was reflected by the fact that Spain was placed as the top consumer of cement in Europe, with 50 million tons, a ratio in which the country was to continue to grow until the onset of the real estate crisis and the abrupt cessation of housing construction starting in 2008.

In the meantime, town councils and autonomous communities gave impetus to public tendering, which grew 25% that year, up to 39,400 million euros. The Central Government administration, on its part, was already moving on its Strategic Transportation Infrastructure Plan, with a planned 7% increase in tendering on civil works for the following year.

Entry into the United States

The year 2006 marked a new milestone in the history of OHL. The acquisition of two construction companies in Florida, Community Asphalt and The Tower Group, introduced the Group into one of the most mature and competitive markets in the world, the U.S. market. This step, together with the growing importance of the European Union in the Group's foreign business, was

the first indication that the strategy of avoiding markets mature in infrastructures on account of the scant rate of profit of such investments was changing. In case there was any room for doubt, Chairman Villar Mir himself, on addressing the shareholders, underlined that “the presence of our International Construction

seaport and one railway. The acquisition of the Brazilian toll road concession company, Vianorte, and of 32.7% of the Toluca International Airport in Mexico reinforced the international presence of this business activity. In Spain, OHL Concesiones opened a new business line as a railway operator, after



OHL Concesiones commenced a new business line during 2002: airport management, after acquiring a controlling interest in Mexico's Toluca Airport.

Division has been consolidated in stable and solvent countries”. Everyone realized that another longstanding aspiration had at last been achieved: that of balancing the international business by improving the Group's presence in non-emerging countries.

The company already had 17 concessions in its backlog, including 13 toll roads, two airports, one

obtaining the concession of the light rail connecting the Madrid subway network to the towns of Pozuelo de Alarcon and Boadilla del Monte, within the Madrid public transportation system.

With respect to its accounts, the Group registered strong growth and significant improvement in its rate of profit yet another year. Sales and backlog performed

on unprecedented levels: in the first case, surpassing the three thousand million mark (3,782 million) with growth rates in all branches of activity of at least 30%, and in the second case, the thirty thousand million mark (31,783.4 million), with a 40.5% increase. In the operating margins, the increases in EBITDA and EBIT were 71.4% and 103.4%, respectively. The net profit increased 88.4 over the result for 2005, moving to 105.1 million euros.

During the year the company also experienced changes in its Board of Directors and senior management. The retirement of Mariano Aísa, Second Deputy Chairman up to that time and Corporate General Manager, brought about a

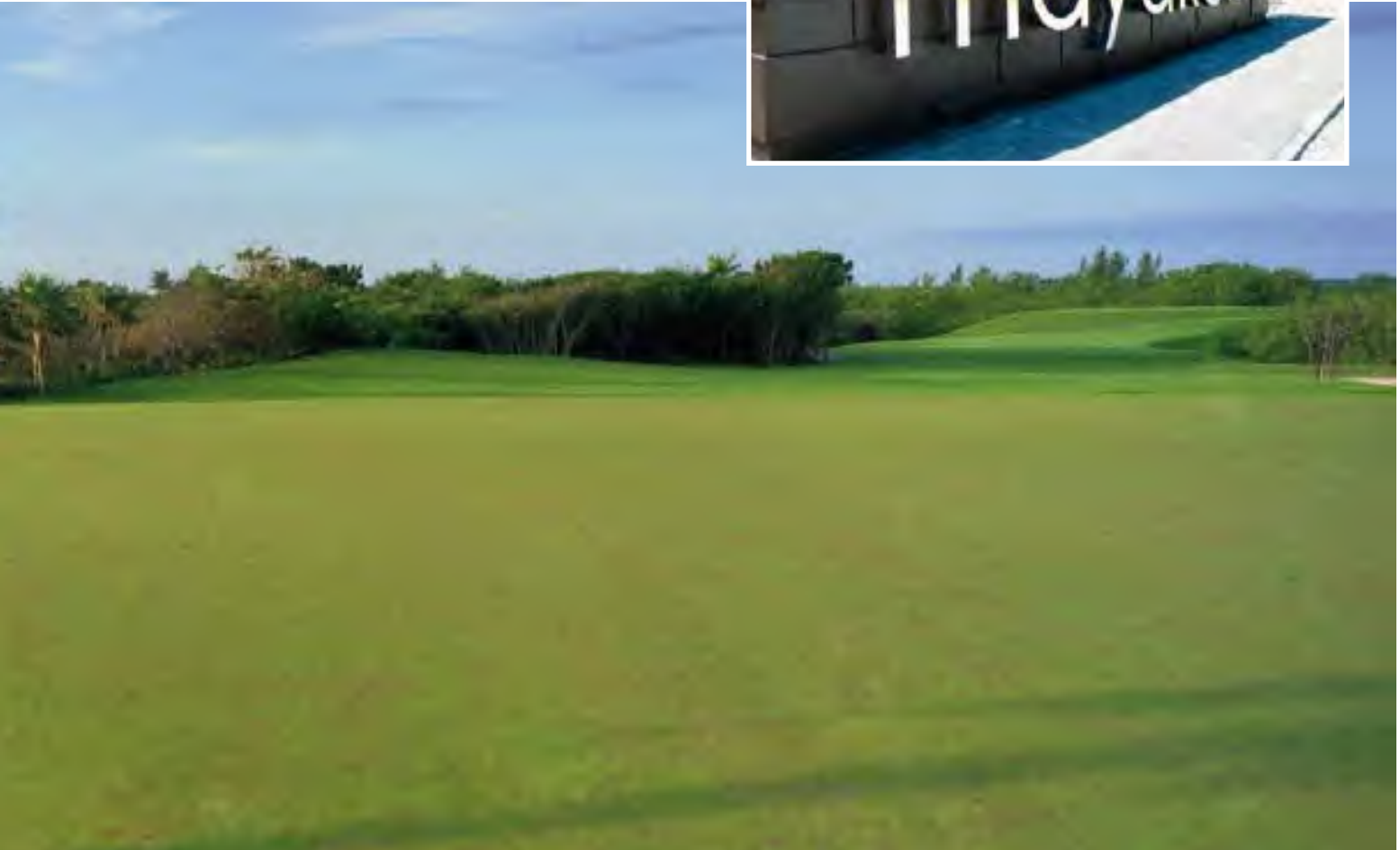
change in the Board of Directors. Juan Villar-Mir de Fuentes, Juan-Miguel Villar Mir's eldest son, was elected as the new Second Deputy Chairman. The new Deputy Chairman had already been a member of the Board since 1995 and headed OHL Concesiones since its foundation in the year 2000. The extensive Corporate General Management area was entrusted to Luis García-Linares García, a long-standing civil engineer with the company who, over the last few years, had been managing Pacadar, a subsidiary of the Villar Mir Group.

The figures reached by the Spanish economy in 2006 were the best of the decade. It was the swan song of the buoyant cycle. GDP grew 3.9%, with 2.7%





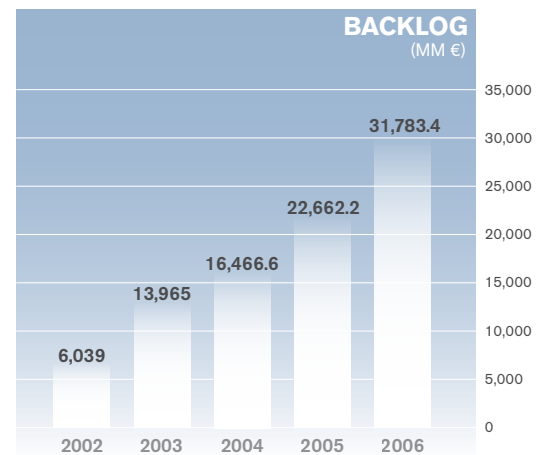
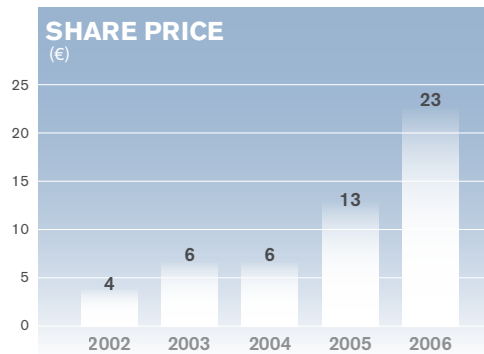
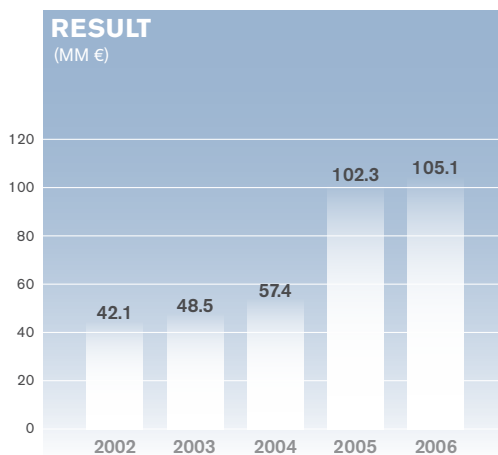
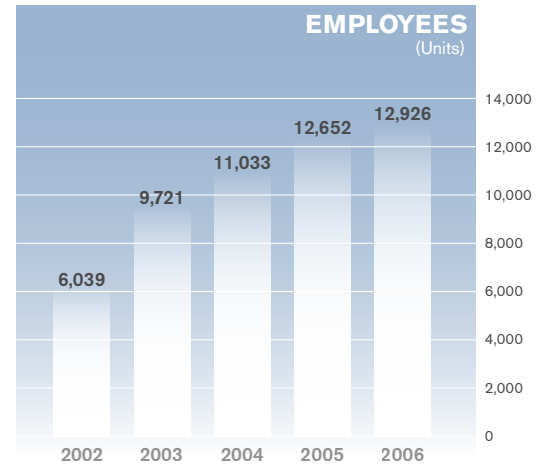
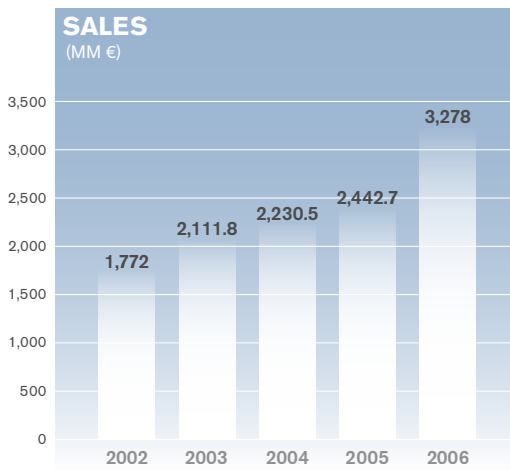
The Mayakoba resort on Mexico's Riviera Maya was one of the major projects undertaken during these years. In the photo, Juan-Miguel Villar Mir and golf champion Greg Norman, designer of the installations, inaugurate the Mayakoba golf course, the first to host a PGA tournament outside of the United States. Photos of this exclusive resort, recognized on numerous occasions for its environmental excellence.



inflation, an unprecedented public surplus of 1.4% and average rates of interest of 3.5%. Construction grew 6% once again, contributing 17.8% of GDP and one-fourth of all of the new jobs created in the year. A high influx of immigrants found employment

as laborers in the sector, taking up jobs unwanted by Spanish workers. Spain was by then the fifth largest consumer of cement in the world, and residential building, with growth of 8.5% over the previous year, accounted for 36% of the sector.

OHL: ANNUAL PERFORMANCE IN THE FIRST FIVE YEARS OF THE “2002 STRATEGY”





FROM OBRASCÓN TO OHL
CHRONICLE OF A CENTURY
1911-2011



Chapter

11

A prodigious decade is left behind as OHL moves to another level 2007-2009

The habit of foreseeing the future to be prepared to confront it and avoid unpleasant surprises favored the financial success of OHL's strategists in the spring of 2007. Their intuition that the debt markets could narrow down facilitated a transaction that a few months later was described as a true success story. A few months more and that same move would have been a failure, as was soon evident in the last quarter of the year. Major Spanish companies were then forced to withdraw their issues in the face of the difficulties and rising costs of the markets.

That transaction transformed OHL into the first Spanish construction company to make a public bond issue in the Euromarket. It closed at 700 million euros, with a single maturity date at five years and a five percent coupon. Although the amount could have been even higher, as the demand tripled the offer.

In this transaction, the company's financiers seized the opportunity just in time. They caught the train of financial normalcy at the last moment, when the storm was just hitting the markets. Statements by José Antonio Fernández Eléjaga, the head of the Group's economic and financial management at the time, describe the moment and the success: "I realized that it was the right time for the issue when, after a few months had passed, on my return from summer vacation, I discovered the difficulties arising in the financial markets. Luckily, there was no need for us to worry. When the media were reporting the problems of other issuers, we already had ensured the smooth continuity of our investments in new concessions and also in foreign construction companies, as well as the possibility of refinancing part of the corporate debt under better terms". Although OHL's senior financial officer realized that the situation was changing, at that time he could never have imagined the enormity of that change.

After the bond issue, which was traded during a period of four years on the London Stock Exchange, the OHL Group had more than 831 million euros for investing at the end of 2007. A position that it was soon to implement, although in line with the policy of rigor and financial security that had made it one of the least indebted construction companies; seven times below the average of the other major five companies and with longer-term leverage and without the need for refinancing. This was to be expected of a construction company with an Investment Grade rating, under the obligation -monitored by Fitch and Moody's- of maintaining

very strict recourse borrowing over recourse Ebitda. OHL complied with this discipline in 2007 for the seventh year in a row and was alone in doing so within its sector in Spain.

A new economic environment

In effect, it was a timely choice in the market context. Soon, the increase in the cost of loans would be followed by the impossibility of obtaining them. Incredulous, Spain observed the news in the last quarter of 2007 originating from the other side of the Atlantic, reporting a financial crisis generated by, among other factors, subprime mortgages, in contrast to the messages of reassurance issued by the local authorities. The Spanish Government was the staunch author of the theory that the problem had nothing to do with Spain. It repeated that the strength of Spain's financial institutions would prevent the critical episodes of the subprime mortgages, whose wave of defaulted payments had been spreading almost like a virus throughout the United States since August 2007.

Despite the denials by the Spanish Government, precisely in the year when a prodigious decade was ending, the Spanish economy was facing another crisis. The leading entrepreneurs and bankers were once again the first to express concern and warn of the seriousness of the problem. The cyclic nightmare of the economy infected them with uncertainty. Prevention appeared on the economic scene and spread relentlessly like a plague. The consumption of cement became stagnated for the first time in

a decade and the dizzying pace of the building of new homes came to a halt under the influence of the recent financial debacle that was inexorably engulfing the United States.

The change in cycle was upon us. Finally, the real estate sector, overcome by a sudden attack of pessimism, closed the 2007 financial year under the influence of the crisis. For the first time in many years, the sector registered a drop in housing approvals, of sales and of mortgages, although residential building still held out with 4% growth, less than half of the figure one year earlier, as a consequence of the 10% reduction in the number of housing starts and of a decline of close to 15% in the public tendering of residential building.

Even so, in the 2007 financial year, building construction still accounted for more than one-third of the 200,000 million euros generated by construction sector sales. The slump in sales most likely did not occur abruptly, due to the fact that developers and builders decided to finish the projects underway that year rather than suspending them. With respect to civil works, the area grew once again, for the tenth year in a row, with a 5.5% increase.

Neither was Spain's macroeconomic performance out of tune with the results of previous years. Although the economic environment certified the start of the downhill slide, there were no dramatic symptoms as yet. At 3.8%, GDP growth was only one-tenth lower with respect to the previous year and, for the first and



OHL anticipated the risks of the 2008 financial crisis and reacted in time in the face of the changes to come. At the General Shareholders' Meeting held in May 2008, referring to the 2007 financial year, the Chairman clearly explained that the Group had closed the accounts of a splendid year: "This year has given rise to a stronger OHL well placed for confronting the crisis".

only time in more than a century, there was a 2.23% surplus, equivalent to 23,368 million euros. One of the major milestones achieved in times of democracy. However, not all of the macro performances were that exemplary. Inflation and the price of money rose 4.3% and 4%, respectively. In the first case, the figure was double that of the previous year and, in the second, the rates of interest rose one-half point. The traditional imbalance of the country's foreign accounts reached 10% of GDP, the highest in the industrialized world.

While the Spanish Government did not want to see the impending crisis or even mention it, business leaders, first, and a number of institutional forces, afterwards, gradually sounded the alarm, issuing warnings from a range of forums and with growing frequency of the destructive avalanche of problems that was about to engulf the economy. Among the early-risers, Juan-Miguel Villar Mir who, vested with the authority of having repeatedly warned—as far as six years back—of the excessive real estate production and having ruled it out in OHL, in the last quarter of 2007, advised that the cycle of intense growth at GDP rates of 5% in the world, of 3/4% in Spain and 1.5/2.5% in the eurozone was over.

OHL's Chairman was also of the opinion that the subprime contagion was only one of the risks faced by our country. He felt that the danger of the real estate bubble was greater, with so many housing units built without taking into account a sustainable demand. He also noted that our economy was badly positioned with respect to competitiveness, seriously hampered by uncontrolled inflation and very high labor costs in comparative terms within the eurozone.

A foothold in Brazil

Fortunately, for OHL things were still going well and would continue that way throughout the crisis. At the General Shareholders' Meeting on the 2007 financial year, the Chairman clearly stated that the Group had closed the accounts of a splendid year. "The 2007 financial year has taken our company to another level. Starting from now, OHL will be a different OHL", he said and stressed the following: "...the critical year of 2007 has given rise to a stronger OHL, also very well positioned for confronting the now-acknowledged crisis".

The move to another level had been sealed in the first days of the last quarter of the year in Brazil. It was the ninth of October and the São Paulo Stock Exchange, where the OHL Brasil stock market flotation had taken place two years previously, was again the scenario. The same as that day in May 2005, OHL performed a new feat. On the earlier occasion, it became the first Spanish security to trade on the Brazilian securities market and now did so as the first Brazilian toll road concessionaire.

Paraphrasing a traditional Castilian expression alluding to the Carolingian empire, on that day, OHL established a foothold in one of the countries with the most promising future in the 21st century. Its Brazilian subsidiary was the successful bidder on five important federal toll roads forming a network over the immense territory of Brazil. The company obtained five of the seven concessions that the National Inland Transportation Agency (ANTT),

the relevant regulatory authority of the country, had submitted to a public auction during a procedure that took place at the Stock Exchange in São Paulo. Its competitors, including several Brazilian companies and one Spanish firm, were taken by surprise by the competitive proposal that transformed OHL Brasil into the leading private toll road operator of that Latin American giant, with 26% of the market. The Spanish company, Acciona, and the Brazilian, BRvias, were awarded the other two.

The federal toll roads awarded (see a detailed table later in this chapter) added 2,079 kilometers to another 1,147 that four OHL Brasil state concession companies already operated on their respective infrastructures, all in service within the scope of the State of São Paulo, the most prosperous State in the Brazilian federation, contributing more than one-third of the nation's total GDP.

Prior to the establishment of the rates to be applied on the new toll roads added to the backlog, OHL Brasil accepted the commitment of rehabilitating the roads and converting them into dual highways; an operation budgeted at 1,600 million euros in five years. Upgrading the infrastructures as soon as possible in order to obtain returns from their operation was one of the greatest challenges faced by the Brazilian subsidiary and by the central headquarters of OHL Concesiones as well. It was necessary to strengthen the structure of the company itself, work at the same time on several fronts, repair a highly degraded network and modernize layouts that were too old and slow.

If in 2005 it had been the first Spanish security present on the Brazilian stock market, two years later OHL became the largest private toll road concession company in South America. Below: toll booth on the Ezeiza-Cañuelas toll road in Buenos Aires.



This was not the only good news received by OHL Concesiones in 2007. Two months after the Brazilian auction, the company entered into an agreement with Spain's Ministry of Public Works on the concession for the maintenance and modernization of a section of the A-2 freeway, involving the 56 kilometers between Madrid and Guadalajara. It was one of the first contracts for the modernization of the so-called first generation freeways, through which the Ministry addressed the renovation of



OHL Brasil not only undertook works for upgrading the road infrastructures under concession, but also carried out an intensive corporate social activity for raising traffic safety awareness. The Escola, Viva and Verde Via projects are outstanding examples of this activity, as shown in the photographs on this and the following page.



these roads, built in the decade of the eighties in the 20th century. The concession was granted under the shadow toll modality for 19 years.

Between one award and another, in that year of 2007, OHL Concesiones was able to increase its kilometers under concession by 117.4%, reaching a total of nearly 4,000 kilometers (3,981). With the six new infrastructures in Brazil and Spain, toll roads had gone on to represent 81% of the total committed investment in the area of concessions, becoming the company's most important asset from that time onward.

Double-digit figures in 2007

The close of accounts at the end of 2007 marked a financial year with “highly satisfactory performance, showing double-digit growth figures in the main

headings of the income statement and with significant progress in OHL's consolidation as an international construction, concession, environmental and development Group”.

Domestic construction was the only area where growth failed to reach a double-digit figure, with 7.6%. Although it still contributed more than half of sales, this was the only heading that distinguished the area, which just a few years earlier had sustained the development of the Group. As a demonstration of the situation of the domestic market, the Ebitda of this division did not exceed 22% after having declined almost 12% with respect to the previous year, aligned in profit downturns with the areas of Environment (-27.4%) and Developments (-44.1%), while Concessions, with 58% and International Construction, with 16% of the total, had increased their Ebitda to a rate above 25% annually.



Leading private toll road operator in Brazil

The month of October 2007 marked a before and after in the concession history of OHL. Its subsidiary OHL Brasil, which only a few months earlier had begun to trade on the Bovespa Index of the São Paulo Stock Exchange, was awarded five federal toll roads by the central government administration, with a network of 2,079 kilometers. That spring day in Brazil has become a date to remember for the OHL Group.

THE FIVE FEDERAL TOLL ROADS OF OHL BRASIL

Curitiba - Rio Grande do Sul	413 km
Río de Janeiro - Espírito Santo	320 km
São Paulo - Belo Horizonte	562 km
São Paulo - Curitiba	402 km
Curitiba - Florianópolis	382 km

Added to the 1,147 kilometers of the four State toll roads already operated in São Paulo –Autovias, Centrovias, Intervias and Vianorte-, these new roads have now made OHL Brasil the leading private operator of toll roads under concession of that immense South American country, with nine concessions and a network of 3,226 kilometers.

The concession terms established for the nine roads were for 25 years, and the investment committed during the first five years totaled 1,500 million euros. The OHL Concesiones backlog was thus increased from 13 to 18 toll roads and from little more than 1,800 kilometers to 4,400.

The signature of the concession agreements finally took place on February 12, 2008, once the Brazilian National Inland Transportation Agency had type-approved the tender of December 2007.

By the end of the financial year, OHL was one of the leading operators of concessions worldwide, with a valuation of its subsidiary OHL Concesiones in excess of 3,100 million euros, based on Investment Grade countries: Mexico, Brazil, Chile and Spain, primarily. The investment effort of the Group concentrated in this subsidiary, which in the 2007 financial year had accounted for more than

80% of the total investments, was bearing fruit, considering that the aforementioned valuation was equivalent to multiplying by 4.2 the investment of 754.7 million euros made by the Group during the previous five years.

It was also a highly internationalized Group, as more than 50% of its key figures, except for sales,



were generated in activities outside of the country: 59%, in staff; 77%, in Ebitda; 73%, in backlog, and 65%, in intangible assets, with a presence in 17 countries and experience obtained in another 21. The two strategic areas contributed 43% and 74% of the Group's sales and gross margin. Consequently, the development of the strategy of diversification and internationalization was moving full speed ahead.

Two of the main contracts on which OHL was working during the last few months of 2007 were the new Vielba tunnel, gateway to the Valley of Aragón, and the Torre del Agua, landmark building on the fair grounds in Zaragoza where the Universal Exposition in the capital of Aragón was held.



Analyzed in the medium term, the progress of the business erased all doubts as to the wise direction taken. While domestic construction completed a five-year period of Compound Annual Growth Rate (CAGR) in sales below 7%, in the case of international construction, that figure was 51.5%; in concessions, 40.6%, and in the rest of the business activities, 10%. The average of the CAGR for this item was 16.3%, as from the time when the company's new course was set in 2002.

In 2007, sales increased almost 15%, to 3,764.4 million euros. And the total backlog, with a CAGR over the last five years of more than 38%, was in excess of 38,000 million euros following a 20% increase over 2006. With respect to the operating

margins, the net result stood out with 33.7% growth, to 140.5 million euros, although Ebitda, also increasing by 11%, represented 14.4% of the total sales figure. Both margins had maintained the CAGR prevailing during that five-year period: 27% in Ebitda and 25.7% in net profit.

At the end of 2007, the main contracts on which OHL was working were, on the domestic level, the expansion of the El Musel harbor in Gijón, the new Vielha tunnel and the Torre del Agua building on the Zaragoza fair grounds for the Water Expo. Outside of the country, the Group was working on the widening of the Sawgrass Expressway in Florida, on the accesses and the technical university of the Czech cities of Brno and Ostraba, respectively, on the high-speed railway



OHL Desarrollos increased its Ebitda 86.3% in 2008 thanks to the operation of its first two hotels and the golf course at the Caribbean resort of Mayakoba. In the photo, Felipe Calderón, President of Mexico, and Juan-Miguel Villar Mir, Chairman of OHL, at the opening ceremony of the Banyan Tree Hotel.

between Ankara and Istanbul and on the development of the Mayakoba resort on Mexico's Riviera Maya.

The recession is here

It was in May 2008 when, with undisguised satisfaction, Juan-Miguel Villar Mir analyzed that financial year of "double-digit growth in all key figures", exactly on the completion of the first year of a crisis which the Socialist Government at the time said that it had not perceived. An attitude in sharp contrast to the position of OHL's Chairman, who concluded his speech by warning shareholders that "the financial crisis that has been affecting the Spanish economy, and the construction sector in particular, since the second half of 2007, has already marked an evident change in cycle in 2008 that will involve for many companies a necessary reorientation of their operations and strategy, although for OHL, it will have no effect whatsoever".

The OHL shareholders had been able to observe, five days prior to the Meeting that brought them together on May 20, 2008, the first fatal corporate effects of that evident change in cycle. The Don Piso network of real estate agencies, one of those that had blossomed most lavishly in the greenhouse of the real estate boom, with 400 offices of its own or under franchise, had announced the closure of all of its offices and the dismissal of all of its staff after registering a 66% drop in sales.

However, the colophon of the crisis was to come two months later when Martinsa-Fadesa, the country's leading real estate concern, went into temporary

receivership and sought judicial protection in order to work out its continuity in the face of a large body of creditors. It represented the largest temporary receivership in the history of Spain, with estimated liabilities of 7,000 million euros.

In the end, what appeared as absolutely inevitable finally occurred. The Spanish economy ended 2008 in recession, following two quarters with a shrinking GDP, which grew only 1.2%, in any case, a situation that was better than for the eurozone overall. The much feared public deficit reappeared, and it did so with 3.82% of the GDP (41,774 million euros). An even sharper counterpoint, considering that the Spanish economy had ended 2007 with a 2.23% surplus, the largest ever obtained in Spain's history as a democracy.

For the first time in 15 years, Spain was returning to its chronic ills, among which the foreign deficit of 9.5% on GDP appeared as one of its heaviest burdens to bear. The scenario of the previous recession was the Spain of 1993, immersed in the ruinous epilogue of the costly celebrations of the Olympic Games and the Seville Universal Exposition in 1992.

At last, the Ibex

Those months in the spring of 2008, a preamble to a recession that was to last several years, bore witness to events that were unprecedented in the history of OHL. In May, the leased headquarters of Gobelas, occupied by the Group since its merger with Huarte in 1998, were vacated. A total of 613 employees abandoned the central headquarters located in the

residential neighborhood of La Florida, on the outskirts of Madrid, in order to move into the new offices in Torre Espacio, a privileged watchtower, a privileged watchtower and unsurpassable reflection of OHL's excellence in building, with an unmatched view of the capital city's agrarian horizon.

An environment plethora with thriving green nature, located in an exclusive residential development separating

The change in corporate headquarters was not the most significant milestone of that year. In June, the Ibex Technical Advisory Committee notified its decision to include the Group in the index, and the OHL share began to trade on the IBEX-35 at last, on the first of July. The aspiration expressed by Villar Mir in 1999, when OHL was created, had thus become a reality. However, the debut was bittersweet. OHL debuted when the recession was



OHL began to trade on the IBEX-35 on July 1, 2008, a key anniversary for the share and a long-awaited target reached.

the city of Madrid from the Monte del Pardo nature reserve, was replaced by another, radically different environment, delimited by the four tallest skyscrapers in Spain, whose concrete skeletons and glass skin had become one of the futuristic icons of the capital and of Spain. A decade had gone by, in which OHL had changed to such an extent that the headquarters of its birth bore no resemblance whatsoever to its new environment.

clearly in the making, in what can be described as a financial storm, with the result of a generalized stock market plunge starting in the second half of the year.

The same as occurred in 1991, when the trading of the Obrascón share commenced on the Madrid Stock Exchange floor, the glow of this repeat debut was tarnished by an unstoppable downside in the

stock markets both within as well as outside of Spain. The securities of the construction, real estate and financial companies were hit the hardest, dropping around 50%. Although initially the OHL share managed to hold its own, thanks to the Group's geographical diversification and its recognized scant exposure to the residential sector, in the end, its only recent inclusion in the index and its lower stock market capitalization in comparison to its Ibex competitors contributed to weakening the security, which fell 57%, down to 9.96 euros per share. However, this time the initial stumble was a passing setback on its way, and the share regained its footing without difficulty the following year, when its price recovered despite the worsening of the financial crisis in Spain.

The success of perseverance

The crisis was not affecting everyone to the same extent. OHL had anticipated the crisis and had done its homework, steering its course in the right direction during the years of prosperity. The strategy designed in 2002 had completed six financial years of success and had made the company increasingly stronger the longer it persevered in applying that strategy.

Again in 2008, the Group ended a financial year that had improved upon the previous year by double-digit figures in its resources, on increasing Ebitda by almost 12% and placing it at 607.6 million euros, beyond the 600-million-euro mark for the first time. Other significant goals were reached by the end of that same financial year: the 4,000-million-euro mark

was surpassed in sales (+6.5% with respect to 2007); the 150-million-mark in net profit (+7.3%); 6,000 million in the short-term backlog (+13.6%); 50,000 million in the long-term backlog (+62%) and with a record of more than 20,000 employees (+46%). It was by then a Group of a different dimension with a spectacular increase in its staff establishment during a financial year in which companies were adapting to the crisis by means of a wave of staff reduction plans.

As Juan-Miguel Villar Mir was able to tell OHL's shareholders during the Ordinary General Meeting called for approving the accounts for the 2008 financial year, in May 2009, "OHL has kept away from initiatives relating to the traditional real estate business since 2002 and, after meeting all of its commitments to its customers, it has gradually moved out of the residential building segment, which today accounts for less than 2% of the company's Ebitda. Consequently, having focused on business activities removed from the real estate crisis, Obrascón Huarte Lain is not directly affected by it". In 2008, the domestic building construction activity sunk into the morass of the crisis with a drop of 13.5%, while the increase in civil works of around 5% was unable to avoid a sector downturn of 5.1%.

All of the divisions of the Group had contributed to the double-digit growth, both of the Ebitda as well as the Ebit figures. The most significant increase in Ebitda was achieved by Developments (+86.3%), as a consequence of a 39% improvement in sales with the operation of its first two hotels in Mayakoba, belonging to the Fairmont and Rosewood chains, together with the golf

course, which had hosted a PGA tournament outside of the United States for the second year in a row.

The Ebitda increase experienced by Environment (+48.5%) was also remarkable, with sales of 120 million euros, doubling the contracting target set in 2008 for the domestic market as a result of the public tendering for the desalination plants included in the Water program. Of the eleven major concessions managed by Inima, only three were operating in Spain. In the recently ended financial year, this division had commenced operation of the Taunton River plant in the State of Massachusetts, U.S.A., and had initiated the construction of the Mostaganem and Cap Djiner desalination plants, both in Algeria.

Insofar as construction activities, the relevant divisions had obtained increases in Ebitda of 28% in International and 2.4% in Domestic. In the first case, the division had ended a splendid financial year, with the award of 46 new projects that had increased the short-term backlog by 64%. Outstanding examples of projects in this area include the Oran Convention Center which, with a budget of 580 million euros, is the largest such facility in the entire Mediterranean basin, together with a hospital in Sidra, Qatar, that had become the largest construction project in the history of the Group. The subsidiaries in Central and Eastern Europe and in the United States ranked among the leading construction companies in the Czech Republic and the State of Florida. Among the landmark projects delivered or in progress, particular mention should be



Contracts such as the Oran Convention Center, the largest in the entire Mediterranean basin, contributed to increasing the sales of OHL Internacional by 28% during 2008.



OHL performs large-scale projects, a good example of which is the construction of the Bicentennial Viaduct in Mexico City.

made of the Bicentennial Viaduct, the Circuito Exterior Mexiquense and the Toluca Airport in Mexico; the high-speed railway line between Ankara and Istanbul, in Turkey; the La Reina Military Hospital, in Santiago de Chile; the Mount Sinai Hospital, in Miami (U.S.A.) and the San Eduardo tunnels, in Guayaquil (Ecuador).

At the end of 2008, highlights in Domestic Construction included the Alba Synchrotron Light Laboratory and the new South Terminal of the El Prat Airport, in Barcelona; the Canal Theaters, in Madrid; the East Bypass of the fourth beltway around Zaragoza; the Reinante-Barreiros section of the Cantábrico freeway; the transportation of water to the La Mancha plain; the ports of Gijón and Langosteira (the latter in Corunna) and the West Bypass in Malaga.

A fresh wager on diversification

The allusion to diversification was the most substantial fragment of the Chairman's report on the 2008 financial year given before an audience of several hundred shareholders, followed by this other statement: "The aspect of the distancing of the Group from the real estate business is complemented by other elements established in our strategy, which the Group has been complying with successfully, anticipating the current problems. This strategy calls for diversification, always in activities associated with construction, and internationalization, always in observance of criteria of prudence".

A few days before the Ordinary General Meeting where the OHL shareholders listened to the report given by

The decade of the three bubbles

Forewarned did not mean forearmed in the case of the Spanish market when the real estate bubble burst: it was just as loud and just as destructive as if no one had sounded a warning. Having overcome in 2002 the aftermath of the “dot-com” bubble (2000-2002), investors, after learning that lesson, found a new promised land in the “brick and mortar” environment, whose securities were star performers on the markets. And starting in 2002, after building an average of 800,000 homes year after year during more than half a decade, double the amount that could be reasonably absorbed by a sustainable demand, the real estate business collapsed and, with it, a substantial key to the growth of the Spanish economy.

If, in the last years of the above-mentioned five-year period (2002-2007), the investment in housing had grown yearly at an average real rate of 7%, attracting more than 30% of the total investment in our country, to the point of accounting for 9% of GDP, starting in mid 2007, real estate investment dropped 35%, also in real terms, until it was below one-fourth of the total investment.

Observed from the perspective of 2010, the Spanish real estate market was only able to sell a monthly average of less than 30,000 housing units during that year when, three years earlier, at the height of the cycle, by the same calculation that figure was in excess of 80,000. The bursting of the bubble hit a real estate scenario buoyed by a price euphoria and confident of the rate of return on the investments in the sector which, three years after the onset of the crisis, still had not come to grips with the idea that it needed to abandon its unyielding line of defense of prices and cut back the value of the assets based on housing⁽¹⁾.

A particularly critical contributing factor to blowing up that speculative bubble, which multiplied the price of open market housing by three (+193%) between 1998 and 2008 -proportionately higher in our country than in others- was the existence of much-too-low rates of interest over an excessively extended period of time, with the inevitable expansion of the money supply. That abundance of money became a practically unlimited availability of liquidity, which favored the blowing-up and subsequent bursting of a third bubble –the credit bubble-. In the last quarter of 2007, individuals and companies involved in the real estate market and construction activities used up 61.4% of the total credit flow in Spain, with an even greater exposure in the savings banks, whose concentration of loans in this area accounted for 70.6% of all of the loans granted⁽²⁾.

After withstanding the initial onslaught of the crisis with remarkable strength, when compared to the international scene, Spain’s financial institutions, mainly the savings banks, found themselves trapped by an exaggerated portfolio of financial assets contaminated by the real estate crisis, impossible to digest, which led to an in-depth restructuring of the status of such banks. The defaults in mortgage payments, particularly by less solvent homeowners, were added to the progressive, although slow, decline in housing prices. A large amount of unpaid dwellings and of housing developments left unfinished then went on to fatten bank assets in volumes never before imagined. Three years after the financial bubble burst, credit institutions have become the principal agents of a real estate market beleaguered by prolonged stagnation.

⁽¹⁾ Eurostat.

⁽²⁾ Bank of Spain. 2010.



The OHL Industrial division was launched on May 7, 2009 and originated from the integration of four companies with extensive experience in industrial engineering. Antonio Berjillos, on the right, next to Mariano Martín Elices, General Manager of Ecolaire España, manages the new division.

their Chairman, the Group had surprised the markets with a fresh wager on diversification. In this case it bore no relationship with its preferred activity of concessions, but fully abided by the mandate of operating in areas proximate to construction. On the seventh of May, the Group introduced OHL Industrial, a new division of business designed for launching OHL on the market of the engineering and construction of industrial facilities.

At the presentation to the media, held in the new corporate headquarters of the company, the Corporate General Manager, Luis García-Linares, who hosted the meeting with journalists, explained that the new industrial division had been created to cover a gap in the Group. He pointed out that “the new division is in response to a strategy of synergies with the construction divisions that will combine technical know-how and the capacity for managing complex industrial projects with the construction potential of other divisions”.

The new industrial division arose from the integration of four companies with extensive

experience in industrial construction, with more than thirty years of activity in the sector and which OHL had acquired very recently: Ecolaire, Chemtrol-Proyectos y Sistemas (Chepro), Proyectos y Sistemas (Prosisa) and Atmos. Also in this instance, OHL was true to its management culture of maintaining the teams incorporated with its new acquisitions. With Gonzalo Sancristobal as Chairman, Antonio Berjillos was chosen to steer the new operation, after having managed Ecolaire España for 20 years and with more than 30 years of experience in the sector.

The four companies merged contributed to the new OHL Industrial very complementary synergies. Ecolaire, in the areas of energy, refining, gas and petrochemicals and the treatment of industrial waters. Proyectos y Sistemas (Prosisa), in transportation and bulk merchandise handling projects and facilities. Chemtrol-Proyectos y Sistemas (Chepro), in active and passive fire protection, and Atmos, in extraction equipment for use in mining and cement making.

Torre Espacio: concrete skeleton and glass skin

"The Madrid of the 21st century begins this very instant", were the solemn words of the Mayor of the capital of Spain on laying the cornerstone of Torre Espacio. The ceremony took place during the last month of 2004 and, only three years later, the newly completed roof of the tallest skyscraper in Spain was topped with a huge Spanish flag. In its immense 230-meter high body, a space had already been reserved for accommodating the headquarters of the Villar Mir Group.

The celebration of the placing of the flag coincided with a no less celebrated anniversary: the 20th birthday of the Villar Mir Group, born following the purchase of Obrascón by Juan-Miguel Villar Mir in 1987. A business conglomerate operating in around thirty countries, with several companies ranking as leaders in a number of international markets.

Three years of hard work were now in the past, during which time Torre Espacio had grown from a square ground floor through a slow evolution, as if it had been a living being, to become transformed into an ogival structure, shaped in a curve represented mathematically by the cosign function, a geometrical mechanism that makes the rotational change appearing to give life to the tower real. Its index of curvature is not constant, but rather decreases as it advances, impressing upon the tower a palpable sense of acceleration that breathes life into it. The result is a skyscraper with a concrete skeleton wrapped in steel and glass skin, much like a living organism, exactly as architect Henry N. Cobb, its designer, had envisioned it.

Juan Villar-Mir de Fuentes, Chairman of Inmobiliaria Espacio, the developer of the initiative, directed – even on site- the building strategy of the Tower, based on four basic premises: the safety of the people involved, the quality of the performance of the work, controlled cost and completion date compliance. A team of seven people with top technical qualifications and with experience in the construction of landmark buildings was contracted and took charge of the definition and successive revisions required by a project of this kind.

The design incorporated the most advanced technology, both with respect to materials as well as to installations, façades, elevators, computer systems and security and presence control systems. A truly intelligent building. For this reason, the conception and calculation of the structural design was entrusted to the engineering studio MC-2, headed by the prominent civil engineer Julio Martínez Calzón. Two universities also participated in the design: the Advanced School of Aeronautical Engineers of the Polytechnic University of Madrid and the Western Ontario University of London (Canada), whose tunnels were used for the wind studies required by buildings of such height.

With respect to the materials used, the reliability of concrete was chosen as the structural material, as steel, despite being lighter and easy to work with, gives less solidity to the structure of the building. Concrete provides incomparably better fire resistance and better sound insulation, although the differential element does not reside as much in the concrete as it does in the use of fire-resistant and high-strength concrete

when it is mixed with steel in some unique elements subject to particularly heavy loads.

However, the choice of a high-strength concrete structure posed a problem: this kind of material had never been pumped at a height of 230 meters. The ideal determination of the composition and batching of the concrete for enabling it to be pumped at the required height was the solution. Moreover, an industrialized construction cycle was designed –as repetitive as possible- based on self-climbing formwork for the cores, enabling an almost vertiginous pace of construction for buildings of this kind.

The construction of Torre Espacio, the first started and completed within the Cuatro Torres complex on the Paseo de la Castellana, Madrid's main avenue, faced a real "trial by fire", when a fire broke out in building materials stocked on the 41st and 42nd floors of the building. It happened on the night of the 4th of September 2006 and was more spectacular than worrying, as it was followed live by dozens of television cameras that were covering the arrival at a nearby plaza of the National All Star basketball team, which had recently won the world championship for the first time in its history.

When in March 2007, the 58-floor structure reached its roof at 232 meters, Torre Espacio became a milestone in the history of Spanish construction on establishing a record in height. The Discovery Channel's prestigious documentary series Extreme Engineering devoted one of its episodes to the construction of one of the floors of Torre Espacio.

More than 1,500 people took part in the construction of Torre Espacio, with an average staff establishment during the work of 500 employees, between technicians and operators, from more than twenty different countries

on four continents. Today, the tower accommodates the offices of the OHL Group, those of the Villar Mir Group and those of their companies which, in addition to OHL, include Fertiberia, Ferroatlántica, Pacadar, Inmobiliaria Espacio and V.M. Energía, besides four embassies and even a chapel which, located on the 33rd floor, houses the highest tabernacle in Spain.



The prodigious four years of OHL Concesiones

With the 2008 financial year, the concessions subsidiary had completed a four-year period of spectacular success. With 4,401 kilometers of toll roads, the growth in this area in the aforementioned period had been 227%. Although less spectacular, its annual volume of daily traffic flows had increased 175%, and the 22 concession companies it owned at the time were 120% more than those existing four years earlier.

With this track record it was easy to understand the reasons behind a fresh option of diversification. The concessions area had evolved in so short a time that it had already become a mature business. It had lost the risk profile inherent to all new business starts. Wagering on industrial construction was as if the Group's strategists needed an added injection of excitement, now that OHL Concesiones had come of age.

In consonance with its usual performance, OHL Concesiones ended the 2008 financial year brilliantly, contributing 56% of the Group's resources, with an Ebitda figure of 340 million euros, up 7.2%, but which would have been more than 25% had it not been forced to make significant provisions for losses in the Madrid Eje Aeropuerto airport access toll road and having had to discount the sale of its stake in Fumisa, the concession company operating the shops, parking facilities and other services at the Mexico City Airport. It had also contributed more than 85% of the long-term backlog, with 50,425 million euros, after growing close to 67% over the previous financial year. With

542.4 million euros in sales, after an increase of 24.5% with respect to the previous year, OHL Concesiones had contributed 13.5% to the Group's total turnover.

During 2008, OHL Concesiones had experienced an average increase in daily traffic flows on its toll roads, and the Toluca Airport in Mexico, whose management company it headed, had surpassed the four-million-passenger mark for the year. The company had also debuted as a manager of commercial ports, after inaugurating the Terminales Marítimas del Sureste container facility at the Port of Alicante and had opened to traffic the first sector of the Los Andes toll road in Chile and the last section of the Amozoc-Perote Road in Mexico.

Also, in the last few months of the year, it had added to its concessions three new projects under the integrated system of design, construction, financing and subsequent operation. In Mexico the company was awarded the Libramiento Norte bypass around the city of Puebla, with a total investment managed of 134 kilometers, and the Bicentennial elevated viaduct, to which 1,188 million euros will be earmarked in its three phases of construction. With the third project, the Group returned to Peru, where it had operated previously –through Huarte– one of the construction companies integrated ten years earlier. The Lima Government awarded it a section of the Road Network 4 on the Pan American Highway, in the last few days of the year.

If, guided by his didactic specialty, practiced over so many years, Villar Mir had insisted, General Meeting after

With the award of a section of Road Network 4, on the Pan American Highway, OHL returned to Peru in 2008, where it had operated through Huarte one of the construction companies integrated ten years earlier. Below, Alan García, President of Peru, and Juan-Miguel Villar Mir, Chairman of OHL, seal the signature of the concession agreement.



General Meeting, that the sole key to success consisted of setting a goal and persevering in its pursuit until its attainment, at the Meeting held on May 5, 2009, this philosophy was even more warranted, if indeed any justification at all was necessary. Not in vain did success back his position. The OHL Group was weathering the recession storm much better than its competitors. Some, with more stock exchange capitalization, were bogged down in the real estate mire or suffocated by considerable indebtedness derived from diversification efforts unrelated to the construction sector. All of the major construction companies had turned their compasses towards foreign

markets, the same road that OHL had been traveling since the beginning of the century. The emerging countries and the concessions were contributing better results each year to Villar Mir's construction company.



Mexico has become one of OHL's strategic countries. In the photo, work on the Federal District commuter rail.

The O'eixo viaduct on the Madrid-Galicia high-speed train line is one of OHL's most spectacular engineering projects.



In the sixth quarter of recession

For Spain the 2009 financial year was one of the worst in its recent economic history. Our country ended the year in the throes of a crisis, which by then had lasted close to two and a half years, and was trapped in a severe recession for the sixth consecutive quarter. The economy ended the first decade of the new century the same as it had started out, with a crisis. That is how things were, and it could be thought that the situation was not at all new, but such a belief could not be more wrong. The crisis marking the beginning of the century, that is, the “dot-com” crisis, at its height in the two-year period between 2000-2001, could not compare with the situation of the world economy shortly after that first decade, considered to be the worst on an international scale since the 1929 Wall Street crash.

In our country, the recession stemmed from several causes, added to what was affecting the

rest of the world, and these involved a slower and worse solution. In addition to the financial and real estate bubbles, caused by the easy credit that led families and individuals to excessive borrowing and by the hypertrophy of residential building, it was already evident during 2009 that the loss of competitiveness by our economy was a very serious problem. This was reflected in a number of rankings published by international institutions, such as the World Bank and the World Economic Forum in Davos, among others ⁽³⁾.

This loss of competitiveness is perceived as even more dramatic because the Spanish economy, in general, and companies, in particular, now needed to sell more and better in the international markets. That was the sole alternative for stimulating any degree of growth, following the repeated sluggishness of the internal demand, held back by the high levels of indebtedness of households and a wave of unemployment affecting around 20% of the workforce. The aggregate demand of exports had become the sole possible lever for growth following a high public deficit of 11.4%, which had tripled that of 2008, and the express determination of the Government to taking that rate, unprecedented in the last few decades of the Spanish economy, back down to 3% in 2013.

This competitiveness crisis in Spain had two underlying causes that had taken root in the course of the first decade of the new century. On the one

⁽³⁾ On *The Global Competitiveness Index*, Spain went from being placed 27th in the year 2000 to 43rd in 2010.



Two of the most outstanding projects of OHL Construcción Nacional at the end of 2008 in Barcelona: the ALBA light synchrotron laboratory and the new south terminal of the El Prat Airport.

hand, the persistent inflationary imbalance between Spain and the rest of the eurozone, with a differential of 12%. Spain had been incapable of harnessing its prices, growing at the rate of one point more each year with respect to the average for the eurozone, since its inclusion in the zone. This loss of competitiveness through the price factor was further accentuated by the increase in labor costs per unit produced in real terms. These costs rose in the same decade almost 25% compared to rises of 15% in the European Union overall and of only 2.5% in the case of Germany ⁽⁴⁾.



⁽⁴⁾ Between 2000 and 2008, Spain was the developed country that had increased its costs most, on an average of 2.75% annually, behind only Italy and Australia, according to the Bureau of Labor Statistics, Division of International Comparisons of Manufacturing Productivity and Unit Labor Cost Trends, 2008.

This extremely serious loss of productivity by Spain⁽⁵⁾, in addition to contributing to a more rapid increase in labor costs than in other European countries, had made the goods and services that Spain needed to export more expensive, a circumstance that generated the development of a trade deficit over the last few years as never before in our country, with a world record in annual terms, above 10% of GDP, at the end of 2009.

In the world, 2009 had already harvested a few “green shoots” in a number of economies. Japan, Germany and France, the second, fourth and fifth most important economic powers, started to improve from the second quarter, the U.S. and Italy, the first and seventh ranked powers, followed suit as from the third quarter, while the emerging countries in general, improved as from the middle of the year. Spain, however, was facing a much slower economic recovery. Following a 3.6% drop in GDP, unprecedented in recent decades, the most optimistic⁽⁶⁾ forecasts only saw one stabilization factor that could end its GDP downside. Solely inflation, with less than a one-point increase with respect to the previous year, had performed on a promising note, probably due to the weakness of the economy.

The real estate sector continued on a low level of activity owing to a very significant stock of housing units still unsold, estimated at a figure as of the end of 2009 in excess of 800,000. Added to this were levels of indebtedness of households and unemployment

rates that continued very high, therefore stalling any possible increase in consumption in the private sector. With respect to the public sector, indebtedness had been increasing consistently, moving from 39.7% of GDP at the end of 2008 to 55.2% in 2009.

The construction sector broke a new record in terms of decline. Its production fell 11.3% in 2009, dragged down by the 25% collapse of residential building, burdened by the weight of 800,000 unsold housing units, and despite a slight 2% growth by the civil works subsector. In so fateful a financial year, these sectors that had been the champions of employment in the previous decade sent almost 600,000 people to jobless lines, and the consumption of cement, its own particular thermometer, had dropped to the levels of 1991.

Il sorpasso **of International Construction**

With such significant decadence in the Spanish construction market and a much more buoyant foreign situation, to the point that the crisis had barely been noticed in the emerging⁽⁷⁾ economy countries, no one was surprised by the fact that the International Construction Division had overtaken Domestic Construction. *Il sorpasso* was celebrated in the headlines of a number of media, emphasizing the great progress of the Group as a reward for a wise

⁽⁵⁾ Between 2000 and 2008, Spain was placed at the end of the line of average growth in the productivity of the manufacturing sector in Europe, with an annual average growth ratio of 1.5%, only ahead of Italy, and 5.9% for South Korea, holding first place, according to the Bureau of Labor Statistics, Division of International Comparisons of Manufacturing Productivity and Unit Labor Cost Trends, 2008.

⁽⁶⁾ Forecasts published in the Boletín de Estudios of the Bank of Spain.

⁽⁷⁾ The IMF had calculated the world GDP decline at 0.8% in 2009 while it forecast growth of 3.9% and 4.3% in 2010 and 2011.

OHL Concesiones contributed 56% of the resources of the Group in the 2008 financial year. One of the milestones that year was the opening to traffic of the first sector of the Los Andes toll road in Chile. In the photo, the then President of Chile, Michelle Bachelet, cuts the ribbon during the opening ceremony. To her left, Juan Osuna, Managing Director of OHL Concesiones.



strategy of internationalization and concessions. It was if that warning bell had sounded an alert drawing attention to a track record that had registered significant and sustained performance in the Compound Annual Growth Rate (CAGR) during the past eight years with 13.8% in sales; 33.8% in backlog; 21.8 in Ebitda and 21.6 in net profit. The fact is that the construction company, OHL, had consolidated in the year of the most severe crisis of the construction sector in Spain –with downturns in the Domestic Construction division of 10.2% and

13.1% in sales and Ebitda- its international character. In all of the key figures the international business outweighed the domestic business. It contributed 59.1% of the total sales; 87.8% of Ebitda; 86.4% of the backlog; 70.5% of the fixed assets and 71.5% of staff. It was operating in 22 countries: 9 in America; 7 in Central Europe; 2 in Western Europe; 3 in Asia and one in Africa. Only Oceania remained for completing the intercontinental quintet. It was not long in coming, as one year later the division opened an office in Australia.



OHL is considered in a number of local rankings as one of the leading construction companies in the southeast of the United States. In the photo, one of the expressways on which OHL has performed work: the Ronald Reagan.

Some of the most important projects on which OHL was working at the end of 2009 were also international. Among them, a phase of the subway and the intermodal transportation center in Miami, U.S.A.; the Bicentennial viaduct in Mexico; a subway station in Prague, in the Czech Republic; the Oran Convention Center in Algeria, and the Sidra Hospital and Research Center in Doha, Qatar. And among the projects in Spain: the expansion of the El Musel harbor in Gijón; the O'eixo viaduct on the Madrid-Galicia high-speed train line; the Vitoria-Eibar freeway, in Guipúzcoa, and the Vela Hotel in Barcelona.

A very important factor of the international sorpasso had been the wager on diversification, with OHL Concesiones in the lead role. Its strong growth of 36.9% in sales and 28% in Ebitda was contributing considerably to the success of OHL Construcción Internacional, which had increased both figures by 34.1% and 55.9%, respectively, over the previous year. Year after year, the OHL Group was increasingly more OHL Concesiones. The subsidiary was driving the development of the parent company more and more: 88% of the backlog, 61% of Ebitda and 61.4 of Ebit, with 29% of the staff establishment, 17% of sales and 83% of the investments.

Yet another year the company maintained seventh place in the international ranking of infrastructure concessionaires, with 22 toll roads comprising 4,405 kilometers, two railways, one seaport and one airport. In April 2010, the month prior to the Ordinary General Shareholders' Meeting called for

approving the accounts for the 2009 financial year, OHL Concesiones was assessed at 3,243 million euros, equivalent to multiplying the book value of the initial investment by 2.6. Juan-Miguel Villar Mir reminded the shareholders at the Meeting that the subsidiary was worth one and a half times the capitalization of the parent company in the Madrid Stock Exchange. Another il sorpasso, this time by diversification.

As if the crisis had nothing to do with OHL, the key figures on its income statement showed significant growth in 2009: 9.9% in net profit, which would have been 66.1% excluding the sale of financial instruments in the 2008 and 2009 financial years; 9.5% in sales (42% international share and 37% domestic); 22.9% in Ebitda and 26.5% in Ebit.

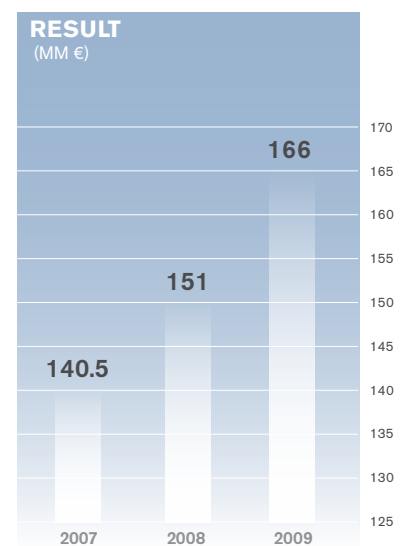
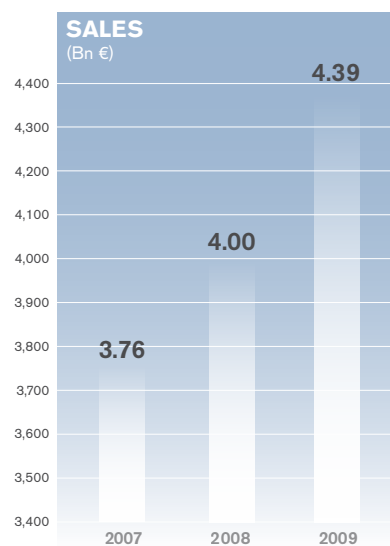
In a financial year of such difficulty for the Spanish economy, so bleak for the construction sector and particularly tight in the financial circuits, OHL's Chairman decided to propose a capital increase to his shareholders in order to optimize the financial structure of the company.

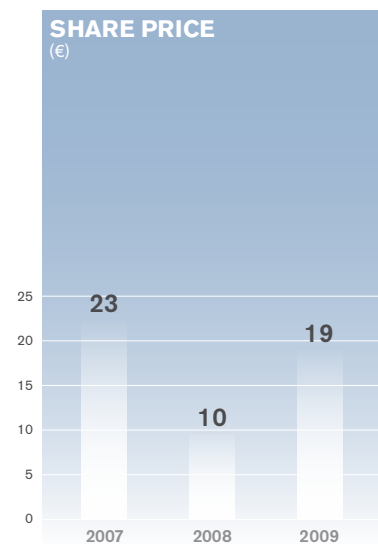
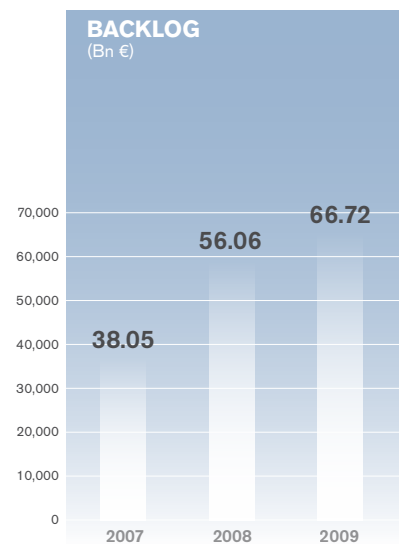
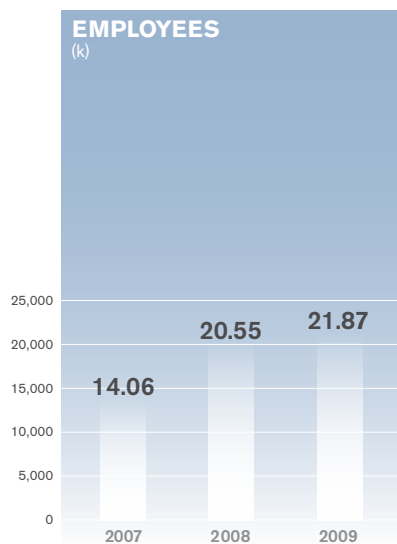
The capital increase was concluded successfully in the month of December in the amount of 199.5 million euros by means of the subscription of 16,623,490 new shares that raised the total number of shares to 99,740,942. This transaction was to be rounded off in March and April 2010 with a two-year extension of a syndicated loan for 190 million and the increase of that amount to 240 million and with a five-year bond issue

Prior to the end of 2009, some of OHL's most outstanding marine construction projects included the revamping of the Vega Harbor in Asturias and the new facilities at Punta Langosteira, Corunna, shown on the following page.



OHL PERFORMANCE 2007 - 2009





The first woman director

Assurance in the successful management of the company has always gone hand in hand in the history of OHL with great stability in its Board of Directors. Scant changes in the Deputy Chairmen and very few in the membership. The most spectacular change occurred in April 2008, when Silvia Villar-Mir de Fuentes was appointed to the Board, representing the Villar Mir Group. The stage was set in May of that year when Silvia, holder of a BBA from The American College of London, was seated at the table of the presiding officers of the Ordinary General Shareholders' Meeting that approved the accounts for the 2007 financial year.

Silvia Villar-Mir's membership on the Board is a landmark event in the history of OHL, not only because she is the first woman to serve on the company's Board but also on account of ranking among the first women directors in Spain's construction groups, traditionally a sector characterized by male leading roles, both on the operating as well as the managing levels. Silvia, who was already a director of the Villar Mir Group, most likely did not need a lengthy apprenticeship in her new position as, for the discharge of her duties, she enjoyed the advantage of having good and very close mentors: her husband, Javier López Madrid is another of the members of the Board; her brother Juan Villar-Mir is the Deputy Chairman and her own father, Juan-Miguel Villar Mir, is the Chairman.

However, the first few months of 2010 did see a number of changes on the Board. Perhaps it was the busiest period of change ever experienced by the Board under the name of OHL. Those months bore witness to three moves. The first, in January, was the departure of Jaime Vega de Seoane and later, in March, the appointments of Álvaro Villar-Mir y de Fuentes and of Alberto Miguel Terol Esteban. The former, the youngest son of the Chairman, is Deputy Chairman of Puerto de Sotogrande and a director of the Villar Mir Group, which he represents on the Board. The latter holds an advanced degree in Economics and Business Administration and is a former member of the Andersen world executive committee, responsible for the integration of that firm with Deloitte in the legal and tax practice.


for 700 million, through which 178.4 million in bonds from a previous issue were swapped. Despite the very strict positions of the controlling agencies, the Investment Grade rating proved to be a very useful tool for continuing to obtain loans. Many applicants had had to return empty-handed from London, on whose market OHL's bonds are traded, on failing to find a willing lender. The culture of foreseeing the dynamics of the markets in order to meet financial difficulties

head-on continued to assist OHL in reaching its target of optimizing the maturity profile of its recourse borrowing.

OHL's move to another level, on completing its first decade, had been so formidable that the Group was unrecognizable. It started a new decade, coinciding with the second decade of the 21st century, being more international than domestic, and more of a concession than a construction company.

An aerial photograph of a city street grid, overlaid with a semi-transparent blue layer. The streets form a clear grid pattern, and some buildings and structures are visible. The overall tone is monochromatic blue.

FROM OBRASCÓN TO OHL
CHRONICLE OF A CENTURY
1911-2011



Chapter
12

In the year one hundred

2010-2011

Madrid, May 23, 2011. In the auditorium of the Meliá Castilla Hotel on calle Capitán Haya, parallel to the avenue of Paseo de la Castellana, the traditional venue of the General Shareholders' Meeting of the OHL Group, several hundred people congregated yet another year. Juan-Miguel Villar Mir, Chairman of the Group, flanked, as is also traditional, by the OHL Board of Directors, was preparing to open the Meeting and to report on the results of the company for the 2010 financial year.

It was the twenty-fourth Ordinary General Shareholders' Meeting that he had chaired since the purchase of Obrascón in 1987, but it was not just another Meeting. The first of the companies from which the Group originated, Obrascón, whose first letter is also the first letter of the acronym OHL, had celebrated its one hundredth birthday only nine days previously. And the results he was about to present were the best gift that could be possibly given on so singular an occasion.

Obrascón, a company ahead of its time, a Spanish construction firm that one century ago had been born with an international dimension, on contracting its first major project for performance at the Port of Lisbon, was on that day in May 2011 a fully internationalized company. To the extent of having generated 93% of its gross margin outside of Spain during the 2010 financial year –the year whose accounts were being submitted to the approval of the shareholders at the Meeting. “Few Spanish companies present an Ebitda figure such as ours, and certainly none in the construction sector”, the Chairman firmly stated. Behind him a huge screen reflected a number of graphs showing the key figures on OHL’s income statement. In front of him, a long table, with the remaining eleven members of the Board on either side.

OHL had started its centennial year with strong international momentum. Between January and February 2011, the company had obtained awards outside of the country worth 1,400 million euros, a figure that represents, as highlighted by Villar Mir on addressing the shareholders of the one-hundred-year-old OHL, “more than the total value of all of the awards obtained in a full year in domestic construction”.

An elevated viaduct in the capital of the Emirate of Kuwait, the enlargement of a subway station in New York (U.S.A.) and several new sections of the Toronto (Canada) subway, as well as the Montreal university hospital, also in Canada, and several contracts in the Czech Republic, had all been added to the company’s backlog during the first months of the year one hundred of its history. All of these are projects on a

scale requiring a performance guarantee by a company with excellent technical expertise, highly disciplined management and financial security: three requirements that the OHL Group meets to perfection.

“OHL likes large-scale complex projects”, the Chairman emphasized, with a grin. “And the company likes them because it has the experience and knowhow for undertaking them with the quality they require”, he added as a comment to the entry of the company into its one hundredth year on a very positive note.

Shine in times of crisis

But the performance in the first months of 2011 is a clear continuation of the brilliant work of the company in the 2010 financial year, with very significant growth in profits. Even more so when taking into account the complicated world macroeconomic environment, particularly critical in Spain during that year, where the timid signs of recovery perceived in the first few months became diffused in the second half of the year as a consequence of a number of inevitable budgetary adjustments, forced by the increasing cost of the country’s foreign debt and the public deficit.

Despite all of these circumstances, 2010 ended with a drop of 0.1% in GDP, a somewhat better outcome than the expected figure of 0.3%, thanks to the good performance of exports and the containment of export prices. Europe, in contrast, was recovering its economic pulse and was beginning to grow. An encouraging factor.



In 2010, 93% of OHL's resources originated from outside of the country. The Group is present on the five continents and has offices in eleven European countries, nine in North and South America, five in Asia and one in Oceania.

However, in the Spanish construction industry, in which OHL plays a lead role, there was no sign of the much-longed-for “green shoots”. With a decline of 11.4%, the industry had been the economic sector hit hardest by the crisis for the third year in a row. Even so, Spain ended the 2010 financial year as the European Union's third largest investor in construction, increasing 12.7% with respect to its GDP, two points above the EU average.

In this not very encouraging economic environment, OHL's results shine even more in their own light. While the group of the six major listed construction companies (ACS, Acciona, FCC, Ferrovial, Sacyr Vallehermoso and OHL) had seen their net profit for the 2010 financial year grow 5.6% and their

sales decline 3.1%, OHL had increased its profit 25.3%, with an increase in sales of 2.7%. Behind this spectacular improvement in the rate of profit was, once again, the strategic wager of the Group, made in 2002, prioritizing diversification in concessions and the internationalization of the company.

A year of major records

In the 2010 financial year, the OHL Group had broken its own record with new maximum figures to be included in the history of the company. It was a hair's breadth away from reaching the 5,000-million-euro mark in turnover. The same occurred with the 1,000-million mark in Ebitda and 200 million in net

profit. Three good jumps in performance that had driven OHL's climb in the ranking of Spain's major construction companies, moving up from sixth to fifth place, both in sales as well as in net profit.

Since the time when Obrascón merged with Huarte in 1998, the company had held fast in sixth place in the



In 2010, OHL ranked once again as one of the most outstanding construction firms in the Southeastern United States. In the photos, two major projects in the city of Miami: the Airport Link Metrorail, an extension of the subway to the city's airport, and the Cultural Center.





ranking of the sector majors, a position it maintained following the merger with Lain, although considerably shortening the distance separating it from the fifth from the top. In mid 2003, the merger with Vallehermoso introduced Sacyr into the scenario of the majors, although the later purchase of Dragados by ACS in October of that same year reduced the group of leaders once again to six. The effort by OHL in the first decade of the 21st century, with particular emphasis on its last three financial years, had produced results at last: improve its positioning among the major construction companies.

The Group was still in sixth place in one of the partial rankings of the sector: level of indebtedness. With 4,419 million euros in net borrowings –only 1,173.5 with recourse- OHL continued to be the least indebted of the major construction companies yet another year.

Prior to that Ordinary General Shareholders' Meeting, the Chairman had already addressed the issue of debt. He had done so at a meeting with financial analysts and journalists specialized in the construction markets that he organizes regularly in the first quarter of each year in order to report on the previous year. At the year one hundred meeting, held on the same date as that of the submission of the 2010 results to the National Securities Market Commission, Villar Mir did not avoid answering several specific questions on indebtedness, precisely one of the ills troubling the rest of Spain's major construction companies.

At Torre Espacio, before a group of more than one hundred experts, Villar Mir spoke cautiously when he was asked about the company's strategy with

respect to the Investment Grade rating. He reiterated his confidence in the disciplinary effectiveness of the rating and expressed his hope that the Fitch and Moody's strategists would give a solvent rating back to OHL's finances, finally acknowledging its current status as more of a concession than a construction company, as well as the sure-footed progress of the company demonstrated in recent financial years. And he reminded those in attendance that OHL has ended a decade as the sole Spanish construction company that submits itself on a regular basis to the strict examination of the financial rating agencies.

The Chairman contended that the Group had maintained conservative borrowing ratios during 2010. The total net debt referred to the total Ebitda had been 4.4 times, an extremely prudent ratio for a Group whose Ebitda had come from concessions to the extent of 74% in that financial year. With respect to recourse debt, the Group had even maintained the target of indebtedness of three times over Ebitda, which in previous times the rating agencies themselves had established as adequate.

Likewise, he highlighted that OHL was now more a concession company than a construction company, a very important factor in terms of indebtedness, because neither the profitability nor the relevant investment needs of the two businesses are the same. And he was very explicit on describing OHL's financial position as comfortable, with 1,717.9 million in its cash and cash equivalents, and very well backed by the 2,428 million euros at which the stakes in the Brazilian and Mexican subsidiaries had been assessed, "more than the value of



In the first year of the second decade of the 21st century, OHL was a fully internationalized company; the Ebitda generated outside of Spain already amounted to 93%. In the photo, OHL's Chairman, Juan-Miguel Villar Mir, during the presentation of the 2010 results to financial analysts and the media in March 2011. He was accompanied, in the foreground from left to right, by: Francisco Marín, Chairman of Construcción; Juan Osuna, Managing Director, and Juan Villar-Mir de Fuentes, Deputy Chairman of the Group and Chairman of OHL Concesiones.

the parent Group on the Spanish Stock Exchange". Villar Mir also underlined the relaxed profile of the maturity of the debt and announced that he would take advantage of the best time for redeeming the bonds maturing in 2012.

And as a demonstration of coherence with this thinking, one week later he went to work. He announced a bond issue for 700 million euros and went to London to sell it. As in the case of the 2007 bond issue, so successful as a result of having been launched ahead of the credit shutdown on the eve of the onset of the crisis, the new issue was to be listed on the London Stock Exchange and used to refinance the maturities of that loan scheduled for 2012, among other purposes.

OHL Concesiones emancipates itself

At the same informative meeting, the Chairman announced an historic strategic change in the evolution of the Group: the financial emancipation of OHL Concesiones. A true personal triumph and an outstanding achievement of the team that had developed the concession subsidiary, headed by Juan Villar-Mir de Fuentes and managed by Juan Osuna. At the end of a decade of concentrating all of the investment strength in OHL Concesiones, the time had come for the subsidiary to finance its own growth and take up the challenge of plotting its course in a completely independent manner and form. This

Villar Mir Group: industrial leadership and family shareholder composition

The OHL Group celebrated its one hundredth birthday in a healthy situation and with an excellent outlook for the future, brought about by its spot-on choice of strategy. The anniversary coincided with the celebration of the Chairman's own eightieth birthday. However, Juan-Miguel Villar Mir's celebrations did not end there. The Villar Mir Group celebrates its 25th birthday in 2012. Its owner not only has succeeded in making OHL a leading company but has also had enough time for creating and developing several companies now included in the Villar Mir Group, one of Spain's most important industrial conglomerates, of which OHL is the flagship.

In a year such as 2010, posing serious difficulties for many Spanish companies, the Villar Mir Group completed a very satisfactory financial year, with net sales on the order of 8,000 million euros, Ebitda of over 1,400 million euros and industrial activities in 31 countries. In 2011, it expects to increase sales to 10,000 million euros.

In addition to construction operations through OHL, the Villar Mir Group carries out relevant activities in the sectors of electrometallurgy, with Ferroatlántica; energy, through V.M. Energía; basic chemicals and fertilizers, through Fertiberia; and real estate, with Inmobiliaria Espacio and Torre Espacio. All of these together provided 30,000 direct jobs, which probably would not exist today without the entrepreneurial ability of the Chairman of the Group. The great majority of these jobs had their origin in companies lacking a business continuity horizon (some were already closed-down) at the time when they were purchased. All of them owe their present existence to their re-launching within the Villar Mir Group.

The Villar Mir Group is a family business. The Board of Directors is made up by its founder and Chairman, Juan-Miguel Villar Mir, while Juan Villar-Mir de Fuentes is its Deputy Chairman. Javier López Madrid and Tomás García Madrid are the managing directors, and other Board members include Silvia Villar-Mir de Fuentes, Álvaro Villar-Mir de Fuentes and Francisco Javier de la Riva Garriga.

The continuity of the family consortium rests with its Deputy Chairman. At a recent press conference, when asked about who was to succeed him in heading the Group, Juan-Miguel Villar Mir explained that the succession was "crystal clear", that it was "a dish already prepared and ready to serve", pointing to his son Juan Villar-Mir de Fuentes as his successor, highlighting his outstanding preparation for the job. "He knows the Group as well as I do and he's young. I'm also young and that's why he is still only Deputy Chairman", Juan-Miguel Villar Mir joked.

Juan Villar-Mir de Fuentes holds a graduate degree in Economics and Management and is specialized in Business Administration. At the present time he combines his position as Deputy Chairman of the Villar Mir Group with that of Chairman of the Real Estate Division and others within OHL. His most outstanding responsibilities are those of the offices of Deputy Chairman of the Board of Directors of the Group and of Chairman of OHL Concesiones, its most important subsidiary.

decision was then possible because the revenues of the concession company were already sufficient in order to confront the financing of new projects on its own. This investment capacity was also rounded off by the low level of liabilities of OHL Concesiones, in a stage of increasing profitability as the new toll roads were progressively commencing operation.

Yet another year, the sixth in a row, OHL Concesiones ranked again among the leading companies in the world in the field of transportation infrastructures, maintaining its position as the seventh largest concessionaire, according to the PWF (Public Works

Financing) ranking, and was also the number one private investor in Latin America. The 2002 wager on infrastructure concessions had continued to contribute recurrent and stable revenues in 2010. Thanks to this stability, the OHL Group has succeeded in overcoming the cyclical nature of the construction business and has obtained the best results of its history in the last four years. A success achieved in spite of a very difficult economic environment, in the midst of the worst crisis ever experienced by the highly developed countries on our planet since the Second World War. The revenues obtained by the Group in the area of international construction remained stable.

During the 2010 financial year, OHL's scant domestic production was concentrated in civil works. The expansion of the El Musel harbor (Gijón) was one of the star projects in domestic construction and the project requiring the largest investment made in the sector in Spain.



The concession business was, again in 2010, the driving force behind the Group, on contributing 32.1% of sales, 74% of Ebitda, 78% of Ebit and 90% of the backlog. In that financial year, the concessions had even managed to offset the decline experienced by domestic construction which, due to the adverse economic cycle in Spain during 2010, had fallen 22.6% in sales and 30% in Ebitda.

The fact that the business in Spain at the end of 2010 had only contributed 7% of the Group's Ebitda necessitated structural adjustments in the domestic construction division to the extent of around 50%, in consonance with the reduction in activity. Thanks to the foresight of this policy, it was possible to attenuate the negative impact of the cutback ordered by the Government in the investments earmarked for civil works, in an effort to reduce the deficit. OHL's domestic production was by then highly concentrated in civil works, specialized particularly in the railway and port segments through subsidiaries such as SATO and Guinovart, although maintaining a presence in non-residential building, mainly in hospital facilities and other landmark buildings. Inevitably, the division was now smaller than in the past, but continued to be as profitable as before.

Beyond our borders

In his detailed exposition of the 2010 financial year, the Chairman came to the point concerning the Group's performance abroad. His talk continued to hold the attention of the huge auditorium of the Meliá Hotel, under a subdued light.

Latin America is OHL's most traditional foreign market, with a presence that already totals four decades of business activity, since 1970 when the Group established itself in Argentina. However, since then it has set its sights on other fronts, particularly Brazil and Mexico. Brazil is certainly a great country for investment. According to estimates by Goldman Sachs, the BRIC -acronym for Brazil, Russia, India and China- markets will generate 44% of the world GDP in 2050. Also, by that time, forecasts see Brazil as the fourth largest economic power in the world, behind China, the United States and India. And OHL was able to perceive this projection considerably in advance. It has been one of its major wagers on the international scene since 2004.

On this, OHL's first centennial celebration, Brazil is considered to be an even more strategic market for the Group. The Group's entry into construction can be added to its current presence predominantly in transportation infrastructures, taking advantage of the strong development due to arise in relation to the forthcoming 2014 Olympic Games and the 2013 World Football Cup, for which events 670,000 million dollars for infrastructures are expected to be budgeted.

OHL Brasil, 60%-owned by OHL Concesiones, is traded on the Novo Mercado da Bolsa de Valores de São Paulo (Bovespa), where it progresses year after year. Tolls have been collected since 2010 on all of the kilometers of all of the Brazilian federal and state toll roads managed by this subsidiary. At that time it owned 100% of nine toll road concession companies operating a road network of 3,226 kilometers, which,



In the “year one hundred” Mexico and Brazil led the group of markets where OHL operates. Above, the Governor of the State of Mexico, Enrique Peña Nieto, presides over the inauguration of Phase II of the Circuito Exterior Mexiquense, in September 2010, accompanied by Juan-Miguel Villar Mir, Chairman of the OHL Group, and José Andrés de Oteyza, Chairman of OHL in Mexico. Below, the Litoral Sul toll road in Brazil, where OHL Brasil manages nine concession companies that operate a network of 3,226 kilometers of toll roads, making it the leading private operator in Brazil.





The largest stock market flotation transaction of the last decade on the Mexican Stock Exchange and the third in the transportation infrastructure sector worldwide was carried out by OHL Concesiones México in 2010. In the photo, the building where the Mexican Stock Exchange is located.

since 2007, had made it the primary private operator in the Brazilian toll road market, with a 22% share and a total investment managed worth 5,803 million euros.

The other major Latin American market for OHL is Mexico. In contrast to Brazil, whose roads were already built when the company took over, in the country of the Aztecs all of the kilometers under the toll system had been developed by OHL Concesiones through OHL Construction Internacional. OHL Concesiones México, a subsidiary 100%-owned by OHL Concesiones, with a total investment managed

worth 3,907 million euros, had become one of the major Mexican toll road operators. It held a stake in five companies that were building, operating and maintaining a 347-kilometer road network. The Circuito Exterior Mexiquense, a 155-kilometer toll road bypassing Mexico DF from north to south along the east, and the 32-kilometer Bicentennial Viaduct, crossing through the metropolitan center of Mexico's capital, stand out within that network.

Aware of the potential of the country, at the end of 2010 the Group carried out the largest stock market flotation transaction of the last decade on the Mexican Stock Exchange and the third in the transportation infrastructure sector worldwide. Of the total amount of the transaction, which reached 577 million euros, 94% referred to the capital increase and the remaining 6% to the sale of shares. Of that total, 325 million stayed in Mexico, for meeting the future equity needs of the current concessions, while 252 million returned to the parent company to reduce its net recourse debt. OHL Concesiones maintained a 74% interest in the Mexican subsidiary, while the free float was taken up by an important group of Mexican institutional and international investors.

On the large screen dominating the Meliá Castilla convention auditorium, the shareholders in attendance at the Meeting observed a cascade of data on the performance of the Group in 2010. Mexico and Brazil contributed, respectively, 40.2% and 37.2% to the Group's total Ebitda, while the business in Spain only accounted for 7% of this ratio, a figure similar to the percentage contributed by Chile.

However, Mexico and Brazil are only two of the 27 countries where the OHL Group had a presence in its year one hundred. The company, present on all five continents, had offices established in eleven European countries (Spain, Czech Republic, Slovakia, Hungary, Bulgaria, Bosnia, Montenegro, Romania, Portugal, Italy and Poland); nine North and South American countries (Canada, U.S.A., Mexico, Colombia, Ecuador, Peru, Brazil, Chile and Argentina); five Asian countries (Turkey, Qatar, Azerbaijan, India

international construction: more than 1,000 million euros in new projects, increasing the international backlog by 24%. This backlog included, among other projects, the modernization of the E30 railway line in Poland; the Los Poetas-Luis Cabrera and Urbana Norte toll roads in Mexico; the reconstruction of an interchange in Miami, the modernization of the Florida Turnpike and the construction of the Water Siphon in New York, all three in the United States, and a hydrological project in El Quimbo (Colombia).



Since the end of 2010, OHL has controlled Judlau Contracting, a New York construction firm highly familiarized with the territory of the city. In the photo, a subway station in the “Big Apple”, built by the U.S. company.

and Kuwait); one country in Africa (Algeria) and one in Oceania (Australia).

In the year one hundred, the Chairman was able to point out two new flags on OHL’s world map. He noted with pride that, finally, “we are in the Far East after having obtained the award of a harbor in the Indian city of Ennore and have also opened our first office in Australia”.

The 2010 financial year had been prolific in outstanding actions abroad. Added to the recurrent revenues from concessions were the awards in

The month of December 2010 brought with it the purchase of the U.S. firm Judlau Contracting, a construction company highly familiarized with the city of New York and specialized in difficult projects, following almost two years of negotiations. Its owner, an entrepreneur who knows very well how to open roads in the rocky subsoil of Manhattan, finally agreed to share the management of his company with OHL and to transfer a controlling interest.

However, not only had OHL conquered New York, a landmark city within the U.S. context, but other markets of particular complexity had also fallen

into the company's backlog at the start of the "year one hundred". OHL announced its entry into the Canadian market. Shortly before this announcement, the other major North American contract of the year had also been concluded, and was for subway construction as well. This contract, in Toronto, was awarded to a joint venture with FCC, another of Spain's major construction companies, for the extension of the city's subway system. Another example is Kuwait, where OHL was building an urban viaduct on the main avenue of the capital, a project which the Persian Gulf emirate had commissioned for its similarity with the Bicentennial elevated viaduct that OHL had built in Mexico's Federal District. The development of this project was another opportunity that enabled the Group to consolidate its presence in the Middle East, where it was already building a major hospital center in Qatar, classified among the largest in the world.

The Chairman also reported that, in the year one hundred, the Group also planned to conclude its most important corporate transaction in the last five years in the European market, also announced in the last few days of December 2010. It concerned the acquisition of 51% of Hydrobudowa and 50.1% of Aprivia, in Poland, the most important Central European market, which will add strength to OHL ŽS, through which it has a strong presence in the Czech Republic. The transaction in Poland was to contribute close to 1,000 million euros to OHL's backlog.

Impossible not to regard the future of the international construction business optimistically, a feeling conveyed by Villar Mir to OHL's shareholders. Behind the table

where the Board of Directors was seated, the screen showed two large graphs illustrating how the business abroad accounted for 90% of the total backlog, with Mexico and Brazil accounting for 49% and 30%, respectively. The long-term backlog (93%) totaled 78,546.4 million euros, 97% of which was contributed by the concessions, while the short-term backlog added another 5,760.4 million euros, signifying 22.5 months of construction.

Surprising the stock market

The OHL shares shot up more than 4% following the publication of the annual results for 2010 on the first of March of the "year one hundred". The accounts succeeded in giving the expectations of the market a positive surprise. However, this was just another milestone in the Group's recent stock market track record.

During 2010, a total of 202,681,322 OHL shares had been traded on stock exchanges (203.2% of the total tradable shares) with a daily average of 791,723 securities traded and a share price appreciation of 20.04%. It was one of the four Ibex-35 securities with the best performance in the entire financial year, far above both the Ibex-35 and the construction sector indexes, which experienced declines of 17.4% and 14.9%, respectively.

Strongly in favor of the continuance of the OHL share on the stock exchange, a market that Villar Mir follows fervently on the floor and personally, the Chairman was particularly emphatic on describing



OHL continues to consolidate its position in the Arab Emirates with a fresh contract in Kuwait, which is added to the hospital and research center in Doha (Qatar), one of the largest in the world.

the share performance during 2010, especially in the last quarter. As a wrap-up, he said that an upward trajectory on the stock market had been consolidated over the last few years, in which the share had proven to be one of the most profitable on the stock exchange. One hundred euros invested in OHL in 2002 had become 566 euros as of December 31, 2010, a capital gain of 466 euros. This rate of profit was even more attractive when considering that it was 13 times better than the average for the rest of the construction companies during the same period of the last eight years. The average capital gain of the rest of the construction firms had not exceeded 35 euros during that period, while the average for the companies listed on the Ibex-35 during those same years had been 65 euros, seven times less than OHL's performance in the same period. Despite its spectacular rise over the last few years –it has been listed on the Ibex-35 since 2008- analysts were of the opinion that OHL still has a good road ahead.

Size, yes, but with excellence

The pursuit of size in the domestic market that the OHL Group had undertaken during the second half of the nineties was continued in the first decade of the 21st century. The mosaic that identifies the brand is also a reflection of the multiple cultures of the eleven construction companies at the heart of its structure, to which they have contributed knowledge and a range of specialties. At the age of one hundred, OHL is not only one of the major construction groups in Spain, in addition to ranking

among the undisputed leaders in concessions worldwide, but is also, and above all, a company that likes to do things well, that pursues excellence in everything it does and that has the experience and knowledge necessary in order to do so.

In the previous decade, the Group had progressively acquired voluntary commitments that determined its performance in Corporate Social Responsibility (CSR). In 2001, it adopted the Quality and Environment and Occupational Risk Prevention Policy Statements, reviewed and updated in 2006 and 2007. In 2002, the OHL Executive Staff Code of Conduct was approved; in 2003, the Sustainability Policy; in 2004, the Good Neighbor Code entered into force, and the Group acceded to the United Nations Global Compact; in 2005, the Action Guidelines were drawn up and, in 2007, the Fight Against Climate Change Commitment was signed. Finally, in 2010, the R&D&I Plan and the OHL Group Code of Conduct were approved.

As Juan-Miguel Villar Mir explained on receiving the prestigious European Environment Award in March 2010, “the Spanish business sector is aware of the need -in a globalized world with limited natural resources- to adopt a model of economic development which, while meeting current needs, will not restrict the future aspirations of mankind and, at the same time, will care for the environment. And this growth model is the foundation for sustainable development, understood as a perception of the business in the long term, integrated into all of the areas and levels of the

During 2011, OHL consolidated its presence in Poland by taking a controlling interest in the Polish companies, Hydrobudowa and Aprivia. It was to be a significant corporate transaction due to contribute close to 1,000 million euros to the OHL backlog. In the photo, Jerzy Wisniewski, Chairman of PBG (company owning Hydrobudowa), with Juan-Miguel Villar Mir, during an informative meeting in December 2010, in Madrid.



organization and based on the values of prudence, transparency and responsibility in the economic, environmental and social environments”.

Technological innovation, one of the strategic pillars of the OHL Group, has the sustainability of the company as its main objective, through increased productivity and competitiveness and the reduction of the negative impacts of the business through the development and use of new materials and production processes. For this reason, since the year 2000, OHL has had an R&D&I Committee,

comprised by the same members who serve on the Steering Committee, together with an Innovation and Development Department.

The ethics of the 21st century

In its pursuit of sustainable excellence, the Group’s most recent move in 2010 was the approval of its Code of Conduct, a direct and inevitable consequence of the process of diversification and internationalization undertaken by the company in 2002. The diversity of people and scenarios was and, at the present time,



Corporate Social Responsibility is one of OHL's signs of identity. The photos show different initiatives in Spain and Brazil.



continues to be a sign of identity of the OHL Group. Directors, management staff and employees in general have a generic code for acting in line with the ethical standards set by the parent company, regardless of their scope of action or the country in which they perform their work.

This Code of Conduct is one of the main elements in the management of OHL's Corporate Social Responsibility and is the channel for the development of its corporate values: integrity, honesty, ethics and effectiveness in all of the actions of the Group; a spirit of achievement and ongoing improvement in performance; responsible loyalty with respect to customers, employees, the community and shareholders, and transparency in the dissemination of information, which must be adequate, accurate and verifiable.

As stated in the Code of Conduct itself, "the OHL Group shall take the legal or disciplinary measures as deemed appropriate, in accordance with the legislation in force, in order to avoid noncompliance with this Code of Conduct and shall be alert to ensure that those who report breaches of the Code will not be exposed to retaliation. Improper conduct, subject to a legal or disciplinary penalty, shall extend not only to the person infringing the Code but also to those who, by action or omission, approve such conducts or who are aware of infringements and do not try to remedy them immediately".

In the words of Juan-Miguel Villar Mir, "we find ourselves at a turning point in the history of the Earth, at which we must establish the basis premises for our

future. Sustainable development is a delicate balance that calls for investment in economic and social progress, at the same time as the natural resources on which our ecosystems depend must be preserved. All of this requires an integrated strategy in order to create wellbeing and opportunities, always with respect towards our planet earth". And for OHL this philosophy is already a reality –a reality that guides our work every day–.

The future, like one hundred years ago

On reaching one hundred years of age, the inevitable pathway to growth of the OHL of 2011 is to continue

conquering foreign markets, like Obrascón had to do in 1911. If at that time the company's first contract took it to the Port of Lisbon because there was little work in Spain, today, OHL's sights continue to be set on Mexico, Brazil, Colombia and Peru as its priority markets.

Possible opportunities are also being observed with great interest in toll road concessions in the United States, now that the various state territories have adapted their legislation to the public-private partnership models. The undeniable need for infrastructures of many of the new members of the European Union, together with China and India, has also been perceived as presenting possibilities on the horizon for OHL's business activities.

The Berria Underwater Discharge Pipe for the collection, treatment and subsequent discharge of sewage water for the purpose of preserving the high ecological value of the Santoña Marshlands, obtained the European Environment Award.



Embracing innovation

Although historically the companies integrated into OHL had already been carrying out R&D&I activities since the last decades of the 20th century, the year 2000 became a highly relevant milestone. In order to confront the turn of the millennium, the Group equipped itself with three important management tools. In the first place, the R&D&I Committee, the most senior body governing this area since that time, comprised by the same members as the Steering Committee and chaired personally by Juan-Miguel Villar Mir. Secondly, the R&D&I policy developed by OHL and the Framework Plan, establishing the commitment and the premises of the Group in this regard, as well as the structure and work methodology. And, finally, the Innovation and Development department, in charge of materializing the guidelines established and articulating the R&D&I activity,

In the eleven years transpired since that time, more than 65 major projects have been set in motion, with a total investment of more than 50 million euros and an accrued total input in excess of one-half million man-hours of the Group's own staff.

The decade began with R&D&I focused primarily on the upgrading of processes by means of the development of ICT tools and, progressively, over the second half of the decade, parallel projects were initiated that were more closely associated with the Group's construction activities in fields such as the improvement of materials, innovation in construction processes, the development of technological systems for the operation of toll roads or the ecological restoration of areas affected by civil works. In this unique environment, since 2003, OHL has succeeded in consolidating a first-rate joint university-company scientific team, now a national reference and with international projection.

In the period between 2006 and 2010, OHL experienced a veritable explosion of R&D&I activities, extending to practically all of the Group's business divisions, achieving important milestones, such as participation in major research consortiums, often in leadership positions; the multiplication of cooperation projects with universities and technology centers (36 in 2010 alone); the flourishing of R&D&I experiences in the Group's foreign subsidiaries, particularly in the Czech Republic, Brazil and the United States; the creation in 2006 of the R&D&I Service within the Innovation and Development Department; and the certification in 2008 of the Group's R&D&I Management System to the standard UNE 166,002.

It was in this second stage when three-fourths of the total investment of the decade was implemented, with a spectacular CAGR of 34% in this investment between 2006 and 2010. Moreover, the R&D&I investment effort (expressed by a percentage as the quotient between the investment made by a company

As an epilogue to his speech, Villar Mir summed up the future in a few words: "the future of OHL is therefore supported on OHL Concesiones, which has become consolidated as its main business area and now has an independent financial capacity.

With respect to OHL Construcción, this division will give priority to civil works and non-residential building construction. With a permanent presence in Spain, Central Europe, the United States, Mexico and Chile and other attractive

in R&D&I activity and the GVA generated by it) over the last few years has represented more than double –and now very close to triple– the amount invested on an average by the Spanish construction sector, while the constant growth undergone by OHL is in contrast to the contraction observed in this regard in the sector since 2008.

OHL's participation in the most important construction R&D&I forums and platforms in Spain and in Europe was also accentuated in the second half of the decade. OHL chairs SEOPAN's R&D&I Committee and heads the technical office of the EurekaBuild umbrella, an initiative of technological relevance in the European construction environment.

During these eleven years, the OHL Group has developed advanced in-house technology, aligned with the needs of the business, in areas such as:

Linear infrastructures: systems for the operation of safer, more intelligent and more sustainable roads; new materials for road surfaces; technologies for cleaner and more efficient construction and ecological restoration techniques for areas affected by linear works.

Construction elements: parts for the construction of sea walls in ports; embedded track for railways, and floating docks and high-strength concrete.

Construction systems: systems for the extraction of blocks on seawalls; protocols and technologies for surveying on site, and new floating docks for building floating caissons.

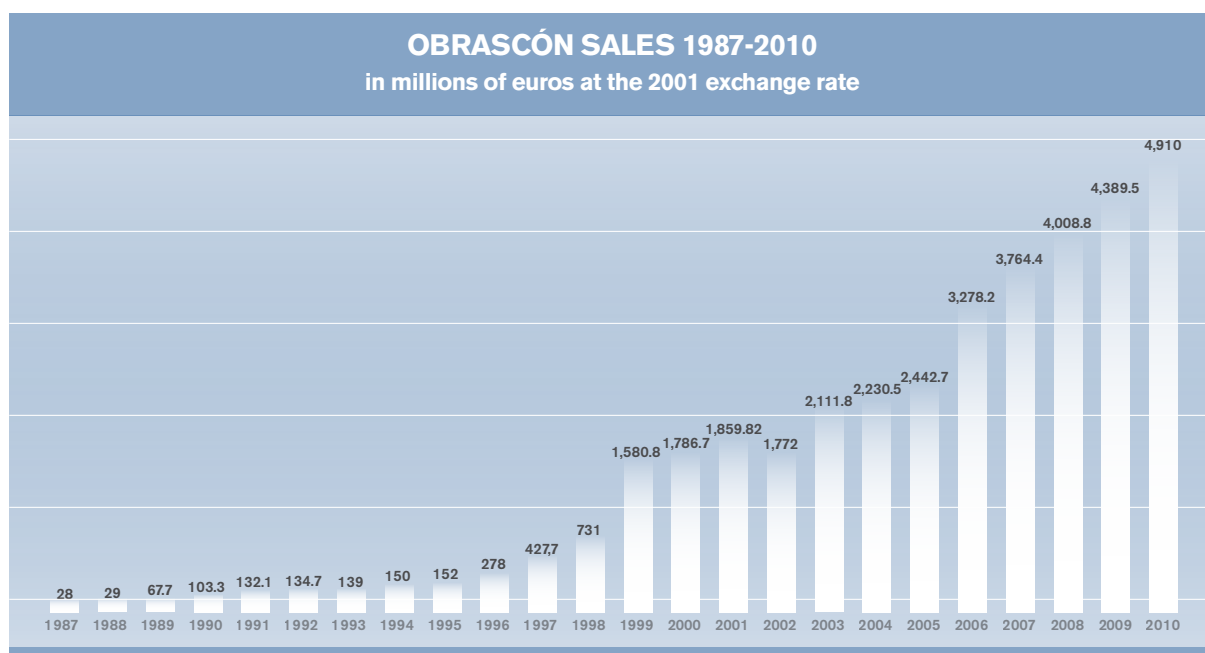
Technology for water management, such as the upgrading of equipment and processes in sewage treatment and desalination plants.

Upgrading of processes through ICT's: management of indicators and procurement, employee portal and collaborative management, among others.

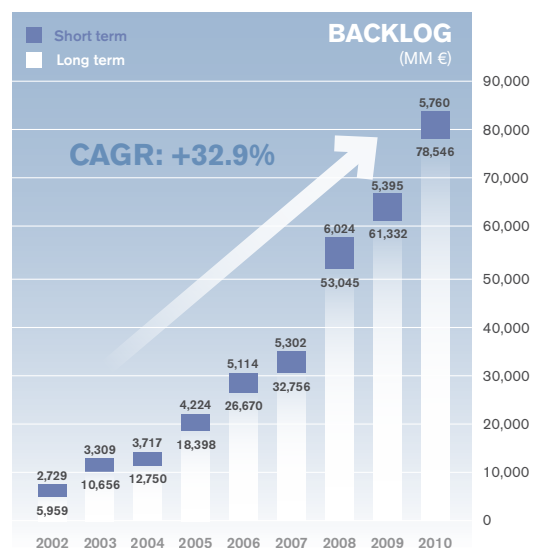
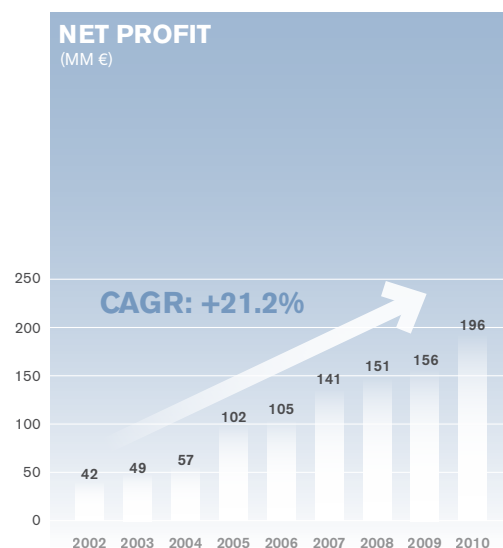
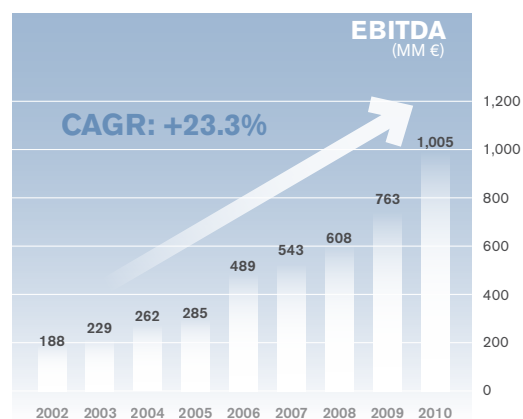
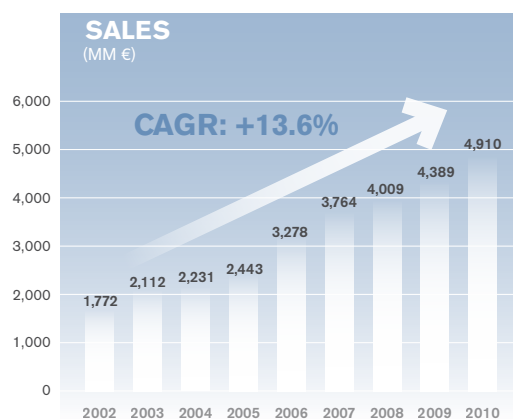
In order to address the challenges facing the Group, OHL's R&D&I Committee has approved the 2010-2015 Master Plan, which sets patterns of operation adapted to the new reality of a Group that is already international and diversified and technologically well positioned in all of its business areas.

markets based on criteria of opportunity, OHL Industrial will continue to focus on the design and performance of turn-key industrial plants. It is shaping up as the other emerging business area. Sectors not associated with construction and the

real estate market are not included in the options of the Group, while in residential building, now practically forgotten, the trend is zero”.




NINE YEARS OF A SUCCESS STRATEGY





FROM OBRASCÓN TO OHL
CHRONICLE OF A CENTURY
1911-2001

An aerial, high-angle photograph of a large, rectangular swimming pool complex. The pool is divided into several lanes by dark lane lines. A central building with a flat roof and several windows is situated in the middle of the pool. The pool is surrounded by a concrete deck with various walkways and a fence in the background. The entire image has a halftone dot pattern.

Chapter

13

A future in construction

“Always save something for tomorrow, and if possible, for many days thereafter. Learn how to look ahead. If you do, you will not be caught unawares. Do not wait until trouble comes upon you; you should be able to anticipate difficult situations. With mature reflection, you can avert bad times.” [Baltasar Gracián ⁽¹⁾].

On May 7, 2002, during OHL's Ordinary General Shareholders' Meeting, Chairman Juan-Miguel Villar Mir, in his report to the shareholders, considered the processes of integration that since 1996 had progressively led to the shaping of Obrascón Huarte Lain as one of the major Spanish construction and services groups to have finalized. If the primary goal of the previous five-year period –1996-2001– had been the move to a higher level, from that

⁽¹⁾ The cover page of this work reads: “Manual oracle and art of prudence. Taken from the aphorisms found in the works of Lorenzo Gracián. Published by Vincencio Ivan de Lastanosa and dedicated to His Excellency Luis Méndez de Haro, Count-Duke. With a license: printed in Huesca by Juan Nogues. Year 1647”.

moment on, what was needed was to undertake and consolidate sustained growth. For achieving this objective, a long-term strategy had been designed that was explained to the hundreds of shareholders present at the Meeting. Since that 2002 gathering, Juan-Miguel Villar Mir has extolled that strategy at all of the subsequent General Meetings, because the Group has registered sustained growth in sales and profits year after year.

Seven years later, in 2010, when the Group completed its first ten years under the identity of OHL, the Chairman himself described the performance of the company in 2009 as the best of its entire history. That financial year ended the first decade of the new century, and in his report to shareholders, he reminded them once again of the success strategy designed seven years earlier. His recap concluded with the following epilogue: “the strategy adopted by the Group has proven to be on-target, as it has delivered the excellent results we have seen in all aspects and because it has protected us from unnecessary risks which we will likewise avoid in the future. For this reason, our guidelines will be those that are already familiar to you. As in the past, we will stay away from undertakings unrelated to our original business of being builders; we will continue with our diversification solely in businesses connected with construction and will also keep our distance from the real estate sector, because this distance

has preserved us from unnecessary risks that we will continue to avoid in the future”.

As if he had adopted the mindset of Baltasar Gracián who, 362 years earlier, had predicted the advisability of learning how to foresee difficult situations and thereby avert bad times, OHL’s senior management surely made that same reflection which so long ago had led the Jesuit from Huesca to the express his aphorism 151. Unquestionably, the building of the future of the Group commenced at the very moment when its management began to apply the new strategic lines of action. Gracián’s didactic prose, written in the Baroque era when –as has occurred at the end of the first decade of this new century– society was immersed in a severe crisis, evidently has not become outdated ⁽²⁾.

Challenges of the new century

The challenges posed by the new century to companies based in the First World, that is, the world of the most highly developed economies, do not discriminate between one organization and another, or between sectors of business. Therefore, those challenges facing OHL are inseparable from those to be met by the rest of the major Spanish construction companies and, in general, by a high percentage of Spanish companies.

⁽²⁾ This is demonstrated by the fact that a version in English, translated as a handbook for executives, sold more than fifty thousand copies in the English-speaking world in the last decade of the past century – Christopher Maurer. *The Art of Worldly Wisdom: A Pocket Oracle*, New York, Currency and Doubleday, 1992.



OHL's central headquarters is a manifestation of the future projection of a construction and services group. It integrates the most advanced construction technologies, is home to a highly international community of tenants, including several foreign embassies, and is an icon of modernity in Spain's capital.

In the case of Spanish companies in general and the construction firms in particular, the need to export, as a lever of growth and even of survival, has benefited all, resulting in spectacular growth in the past century and in the first decade of this century. Singularly in the construction companies –in order to overcome the cyclical nature of their activity– the last decade of the 20th century bore witness to a change in the dimension of the major groups which, buoyed by merger processes and rendered more dynamic through diversification and internationalization strategies, have placed the Spanish construction market among the top three in Europe. Parallel to this trend and as a consequence of the foregoing process, Spain today has six business groups, with OHL among them, of world-class size and technology.

This business conglomerate comprised by Spain's construction industry still has a long road ahead for expansion in the course of this century. Operating outside of our borders contributes to sharpening our management wits and to driving our corporate and technological development, but it is not an easy task and cannot be improvised. It requires time, preparation and skill. However, the adaptation to these new situations, which are perceived to be increasingly more globalized, forces companies to move at a strong pace, because aggressive competition is the main consequence of the phenomenon of globalization. For this reason, and assuming that the future sustainable domestic construction market will be less than half the size of the current market, any solid strategic perspective to be adopted by a Spanish construction company must inevitably strengthen its foreign competitiveness.

In many cases, one factor or another has already led the major construction firms to the conquest of leading international positions in business lines that only a few years earlier would have appeared unimaginable. In this context, the case of OHL ranks not only among the most well-known, but is most likely the most outstanding example. As has been repeatedly mentioned throughout the last few chapters of this chronicle, the Group has been implementing this strategy since 2002.

Operating under the influence of globalization has forced the major construction companies to improve their structures. With wisdom and efficiency, they have had and still have to pull all of the internal strings of mobilization necessary for the ongoing improvement of staff training and for a determined practice of developing R&D&I policies and investment. Both levers are indispensable for confronting the 21st century with a competitive advantage over other countries.

In this context, globalization is probably the most important challenge to be addressed today and in the future, given the progressive interdependence and unification of the markets, driven by the telecommunications of this digital age. This globalizing phenomenon is often identified with the societies organized under a system of liberal democracy, as the principles giving momentum to a situation where the international trade in goods and services is growing above 5% yearly, faster than the world GDP, are market criteria, operating to the considerable benefit of the emerging economies. These economies,

precisely, were affected to a lesser degree by the long and severe financial and real estate crisis of the last few years of the first decade of the 21st century.

The World looks to the Far East

The economic playing field is no longer domestic but has become international; and not only for construction companies or for major enterprises. Prisoner of the autarky and interventionism during several decades, Spain was late in joining the process of the major trading transactions in which the world

economy had been immersed for half a century. This delay, however, has not prevented Spanish companies from quickly catching up with their homework, primarily due to their accurate interpretation of the scenarios that were being opened up with globalization and the clear determination to take advantage of those positive currents.

Concessions and international construction will be maintained as the two strategic cores of future growth. There is already a general consensus that points to the BRIC (Brazil, Russia, India and China) countries,



OHL has consolidated its strategy for the future in internationalization and diversification in infrastructure concessions, indispensable in a globalized world. Above, a number of its senior managers pose during a visit to the Fluminense toll road, one of the Group's federal toll roads in Brazil, a GRI country: From the left, Luiz Cezar Correa Velloso, New Business Development manager, Carlos Ferreira de Oliveira Filho, Chairman of OHL Brasil; Luis García-Linares, OHL Group Corporate General Manager; José Alberto B. Gallo, Fluminense toll road manager; Rogério Bastos, Planning and Contracts manager; Juan-Miguel Villar Mir, Chairman of the OHL Group; Sérgio Campos, Administrative and Financial manager of the Fluminense toll road; Francisco Leonardo Moura da Costa, Administrative and Financial manager of OHL Brasil; Felipe Ezquerro Plascencia, Deputy Chairman of OHL Brasil and Economic and Financial General Manager of OHL Concesiones; José Carlos Viana, Leasing manager; Paulo Pitta, Works and Maintenance manager of Paulista Infraestrutural/Latina Manutenção; Edmundo Régis Bittencourt Neto, Traffic manager of the Fluminense toll road, and Fernando Borges, former Engineering manager.

combined with other developing countries, as those destined to set the pace for the future course of world trade. The prestigious HSBC studies department has forecast that, by 2050, nineteen of the economies that are now termed as “developing” will rank among the 30 richest countries in the world; that together they will total more GDP than that of the developed countries and that world growth will be possible largely thanks to their contribution ⁽³⁾.

Among the important conclusions ensuing from the forecasts by the HSBC experts on table 1, the most obvious is that the center of gravity of future economic decisions will move from its present western position towards the Far East, with significant repercussions on where the opportunities for growth in the world market are going to be located and, as a logical derivation, for growth in the construction industry.

THE WORLD'S LARGEST ECONOMIES IN 2050		
IN 1970	IN 2010	IN 2050
1. United States	1. United States	1. China
2. Japan	2. Japan	2. United States
3. Germany	3. China	3. India
4. United Kingdom	4. Germany	4. Japan
5. France	5. United Kingdom	5. United Kingdom
6. Italy	6. France	6. Germany
7. Canada	7. Italy	7. Brazil
8. Spain	8. India	8. Mexico
9. Brazil	9. Brazil	9. France
10. Mexico	10. Canada	10. Canada
11. The Netherlands	11. South Korea	11. Turkey
12. Australia	12. Spain	12. Italy
13. Switzerland	13. Mexico	13. South Korea
14. Argentina	14. Australia	14. Spain
15. Sweden	15. The Netherlands	15. Russia
16. India	16. Argentina	16. Indonesia
17. Belgium	17. Russia	17. Argentina
18. China	18. Turkey	18. Australia
19. Austria	19. Sweden	19. Egypt
20. Denmark	20. Switzerland	20. Malaysia
21. Turkey	21. Indonesia	21. Saudi Arabia
22. South Africa	22. Belgium	22. Thailand
23. Venezuela	23. Saudi Arabia	23. The Netherlands
24. South Korea	24. Poland	24. Poland
25. Greece	25. Hong Kong	25. Colombia
26. Norway	26. Austria	26. Switzerland
27. Finland	27. Norway	27. Iran
28. Saudi Arabia	28. South Africa	28. Hong Kong
29. Iran	29. Thailand	29. Venezuela
30. Portugal	30. Denmark	30. South Africa

⁽³⁾ Source: World Bank and HSBC.

Aware that the world economy is looking towards the Far East, OHL has already entered the Indian market and is examining projects in China. In the photo, the Chinese Vice President, Li Keqiang, conversing with Juan-Miguel Villar Mir during his visit to Madrid in January 2011, in the presence of Miguel Sebastián, the Spanish Minister for Industry.



The OHL management is very alert to this trend. As an outcome of its commercial activity abroad, the Group is present –as of the closing of the publication of this book– in 29 countries on all five continents. This presence encompasses both developed economies, as in the case of Central Europe, the United States and Canada, as well as developing countries. Among the latter, Brazil and Mexico stand out. In Brazil, with significant activity in concessions, the Group has become the country's primary private toll road operator, while in Mexico, where it manages an important backlog of strategic toll roads, it ranks among the leading construction companies. Also aware of the migration of the economic axis towards the East and the Pacific rim countries, OHL is paying



OHL is proud to have Sato in the Group, as one of the most highly reputed brands in the processes and technology of marine works. The photo shows a claw developed by the company for placing blocks in the sea.

The forward-looking vision of the Chairman of the Group

On November 10, 1972, at the Escuela de Organización Industrial (EOI - Industrial Organization School) –an institution that later in 2008 was to grant Juan-Miguel Villar Mir its award to the best entrepreneurial career–, the then Chairman of Altos Hornos de Vizcaya, gave a talk on “Business Leaders in the New Industrial Society” during the commencement of the 72-73 academic year ceremony, presided over by His Royal Highness, the Crown Prince Juan Carlos de Borbón.

Villar Mir concluded his speech with what he termed “forward-looking accents” and noted that the following concepts were bound to become increasingly more important over time:

Sense of service, growing day after day, with respect to others as well as to society as a whole.

Strategic planning, in contrast to static attitudes, as the world does not stand still but rather is constantly changing.

Results-based judgment, with quantitative and qualitative objectives, where management by objectives was already at that time an evident need.

Influence of computers, which in 1972 was a relatively new phenomenon, but with potentialities and applications that scarcely had been initiated.

International cooperation, because on increasing the speed of the travel of people from one place to another and reducing the relative costs of transportation, it was undeniable that the foundations were being laid for a more global stage, with greater international cooperation, barely initiated at that time.

Research and technology (today, R&D&I), which are aspects destined to receive more and more attention in the future, as a consequence of the fact that the industrial reality was more and more a changing reality.

close attention to the markets of the Middle East, where it has been finding timely opportunities with contracts in Turkey, Qatar, Kuwait and India.

The wager on technology

Another important challenge in this century, of particular transcendence for the re-launching of the Spanish economy, is the strong wager on R&D&I activities. While internationalization offers an opportunity for growth, R&D&I catalyzes profitability and makes it possible to optimize productivity. To quote Michael Porter, “innovation is the central issue in economic prosperity”⁽⁴⁾.

It is an undeniable fact that progress in a country’s standard of living and wellbeing advances in line with productivity, which in turn is driven by the key factors of education and training. Knowledge will be, if not already, a fundamental factor of competitive differentiation. If the internal operation of a company is better proportionately in relation to the level of the skills of its personnel and the depth and perseverance of its technological developments, it will be even more competitive if its environment, the territory where it operates, is rationally organized and provides infrastructures that facilitate the movement of goods and services.

⁽⁴⁾ Porter; M. (1990): The Competitive Advantage of Nations, Free Press, New York.

Education, R&D&I and infrastructures are the three major levers that move productivity and enhance competitiveness, wellbeing and employment.

The OECD recognizes that Spain has reduced the gap separating it from the leading European countries in terms of percentage of investment in R&D with respect to GDP, however, it notes that this effort during 2008 (1.35%) was half the figure for Germany (2.63%) and far below France (2.02%) and the United Kingdom (1.88%). The target set by the Lisbon Agenda for our country to reach a rate of investment in technology and innovation equivalent to 2% of GDP by 2010 was impossible to attain.

The performance of Spain has been similar in terms of the participation of companies in technological investment. Although increasing three-fold over the last decade, the significant private effort in investments of this kind has also been unsuccessful in taking us closer to the European target of re-balancing the share between public and private investment. In 2008, only 54.8% of the expenditure on R&D&I was made by companies, in comparison to 64.7% in the EU-27. This significant ten-point gap should be closed over the next few years -a considerable effort that will have to be undertaken in the midst of major economic difficulties. The construction sector, with so significant a presence in the Spanish economy, presents the fourth lowest rate in the ranking of innovative companies, with 15.7% of all of the sectors analyzed ⁽⁵⁾.

Among the activities associated with the construction sector to be optimized through R&D&I in the second and third decades of the 21st century, as prioritized by the Spanish Construction Technological Platform, the areas that stand out in a vertical scenario include those relating to the following activities: duration, safety and intermodality of transportation networks; automation, modularity, multifunctionality and energy efficiency of building construction; the development of new underground spaces with a high quality of life and excavated through intelligent automation, and diagnostics, maintenance and operation through virtual reality techniques in the restoration of buildings and infrastructures.

On the other hand, the horizontal construction areas concentrate research on aspects shared by the majority of construction processes, primarily the following: sustainability and care for the environment; the safety and health of workers, with automated inspections



Transportation infrastructures will maintain their importance as a business with a future. OHL is developing an advanced intelligent roads project.

⁽⁵⁾ INE and EAE Business School (2010) “La Inversión en I+D+I en España”, Madrid.

The development of environmentally friendly construction equipment will enable construction companies to recycle wastes at worksites. In the photo, a pavement recycling machine.



of infrastructures; the development of new materials; the incorporation of the advantages of the ICT's into construction processes, and the development of safer and environmentally-friendly machines, capable of recycling wastes on site.

Major business opportunities

The growth of the population and the migration from rural areas to the cities will generate an important scope of action for construction firms. If the forecasts made by the UN are on-target, the urban population will double throughout the world, and 98% of this growth will occur in the developing and emerging economies. Transportation infrastructures, whether for conveying people and goods or for supplying water, are now and will be of vital importance in the future. The OECD⁽⁶⁾ has calculated that expenditure on infrastructures for telecommunications, roads, railways, electricity and water will account for 2.5% of the world GDP in

2030. This percentage would be even greater if electric power generation or seaports and airports had been included.

The component of expenditure on the maintenance and improvement of infrastructures in developed countries, characterized by their high level of existing facilities and networks, constitutes another large pocket of opportunity for construction companies. In many cases, the modernizing of old infrastructures could be even more expensive than rebuilding them; however, it would be impossible to do without them during the destruction and reconstruction period. The developing countries, on their part, are expected to earmark a large part of their new investments to building new infrastructures. In either case, the main challenge for undertaking new infrastructures lies with the systems of financing, where the best option for meeting this need continues to be the use of concession systems.

Some estimates forecast that up to 2030, it will be necessary to invest 40 billion⁽⁷⁾ dollars in urban infrastructures throughout the world. Cities will need to be designed and adapted for minimizing the generation of emissions, effluents and wastes, for helping to protect biodiversity and ecosystems and for providing their inhabitants with the basic elements of wellbeing based on the efficient use of resources and energy. It will be of capital importance to re-address the design and

⁽⁶⁾ OECD (2010): "Infrastructure to 2030, opportunities and challenges". Paris.

⁽⁷⁾ One billion, according to the system for measuring economic magnitudes in Europe, is equivalent to one million millions. In the U.S.A., that amount is 1,000 times less, that is, it would mean 1,000 million dollars. To give readers an idea of what those 40 billion represent, it suffices to say that they could be equivalent to 40 times Spain's GDP, on the basis of an exchange rate of 1\$ for 1€.

management of buildings, spaces and urban and interurban infrastructures.

Likewise, urban mobility will require intermodal transportation infrastructures capable of creating a diversified combination of options and efficient traffic circulation, as well as intelligent transportation systems that will enable people to combine different modes, minimizing waiting times.

The options include commercial vehicles, aircraft, boats, train, light buses, in addition to motorcycles, bicycles and other two- or three-wheel vehicles, as well as walking to destinations, with the support of the information and communication technologies that will facilitate connections under intelligent transportation systems (ITS). Moreover, consumers will need accurate information for determining their movements. The urban carriage of goods will continue to be subject to particular requirements of flexibility and load capacity.

The OHL Group can point to two examples showing the business to be compatible with R&D&I in the field of sustainable infrastructures. The first case is the Metro Ligero Oeste light rail which, in a brief period of operation, has already avoided the emission of 14,600 tons of CO₂, a savings equivalent to avoiding the combustion of more than five million liters of gasoline. The second example is the project, “OASIS, the Freeway of the Future”, designed to become a model of intelligent freeway that will minimize traffic congestion.



The production of alternative energies and electric power transmission networks rank among the opportunities ahead.

In the context of the need for maintaining or building new energy infrastructures, the renewable energies could be multiplied by more than twice their current volume, moving from 115,000 million in 2008 to slightly more than 325,000 million one decade later, and up to 2030, it will be necessary to invest 13 billion dollars for upgrading the energy transmission and distribution networks throughout the world ⁽⁸⁾.

Water will also continue to be a business worth thousands of millions of dollars on a national level, and a multimillion business on a municipal level. The world will continue to need new solutions for the treatment, conservation and improvement of access to the liquid element, and it is estimated that an investment on the order of 2 billion dollars between 2010 and 2030 will be necessary for this purpose, according to the OECD.

⁽⁸⁾ Estimate made by the company, Clean Edge Research, a world leader in research and consultancy on clean technologies.

Conclusion: the future is being written now

The definition of the term “sustainable development”, which was used for the first time in the Brundtland⁽⁹⁾ Report, is “development which meets the needs of the present without compromising the ability of future generations to meet their own needs”. When made public, the Report marked a very important change with respect to the idea of sustainability, primarily ecological, because it included a framework that also

placed emphasis on the economic and social context of development. After 22 years, significant progress has been made in this aspect: this concept has permeated today’s society with particular intensity and interest among the younger generations, but is also now common practice in an increasingly larger number of companies.

OHL counts itself among these companies and is one of the first Spanish concerns to obtain ISO 14001 certification, and it did so as early as 1998.



Metro Ligero Oeste is an OHL Concesiones subsidiary that combines business with a new experience in non-polluting intermodal transportation.

⁽⁹⁾ The title of the report is “Our Common Future”, and it was prepared in 1987 for the UN by a committee headed by Dr. Gro Harlem Brundtland.

From that very moment, the application of best environmental practice has been routine in the areas of construction, concessions and services within the OHL Group. A significant fact is that, ten years later, in 2008, 100% of the subsidiaries belonging to the Domestic Construction division had obtained certification to that standard.

The commitment of the OHL Group to sustainable development is one of the principles integrated into its operating management and is reflected in the Annual Sustainable Development Report. The seventh edition of this Report was published in 2009 and was drawn up in accordance with the A+ maximum level of application of the Global Reporting Initiative (GRI) recommendations,

in the G3 version of October 2006, and with the added value of having submitted its performance to an external audit by Deloitte.

And that commitment materialized on a high level as, in March 2008, OHL joined the FTSE4Good YVES index, the first with sustainability criteria to exist on the Spanish market. The Group's presence in this selective index is a confirmation of its commitment to sustainability as a strong wager on the future.

In the context of that forward-looking vision, OHL's Corporate Social Responsibility Master Plan, approved by the Sustainability Committee and submitted to the Board of Directors, added



Optimizing the safety of employees in construction processes is one of the priorities of the R&D&I of the sector. In the photo, OHL construction work on the Miami Metronail line to the city's airport.

The environment stands out among the sustainability policies of OHL. Below, special seeding for recovering the slopes on a freeway.



a number of new targets, framework goals and lines of action in early 2010, designed to guide its performance in this area for years to come, together with a sustainable management model tailored to OHL, which gains in scope and in differentiation, that will serve as a distinguishing factor setting the company apart from its competitors and will represent a value generating reputation and brand awareness.

Integrating sustainability into the construction business is particularly important, because the core of this business is precisely that of modifying

the environment and laying the groundwork –by means of infrastructures for transportation, energy or water resources– of our economic systems, and precisely what the paradigm of sustainability drives us to do is to review our models of action and of future growth.

A future that OHL views from a perspective of serenity and continuity. Since 2002 when it published its new strategy, the Group has consistently anticipated the uncertainties existing, and this has enabled it to be in an ideal position for facing the future with assurance and optimism.



FROM OBRASCÓN TO OHL
CHRONICLE OF A CENTURY
1911-2011

Chapter

14

ONE HUNDRED YEARS, 14 CHAIRMEN

The names behind Obrascón and OHL

Limiting this one-hundred-year story of OHL to a descriptive account of its corporate history and of its works would leave this undertaking unfinished. Even more so, because this history has in fact been shaped over the years by the teams of people who, by making these works possible, have been the true artifices of the building of OHL. At the head of those teams, a brilliant array of men, outstanding in the history of Spain in the area of infrastructures as well as in the financial and industrial fields, has guided the senior management of the company, from the time when the Sociedad General de Obras y Construcciones was incorporated at the start of the second decade of the twentieth century. Many family names prominent in the Spanish entrepreneurial world ranked among the top echelon of the construction company, both as Chairmen as well as in executive management positions.

Fifteen Chairmen –including in this figure an occasional position with similar responsibilities,

such as the Sole Directors when the construction company lacked a Board of Directors—have left their imprint upon OHL since its incorporation in 1911 as Sociedad General de Obras y Construcciones, better known as Obrascón. A number combined this function during the first half of the past century with positions on the founding boards of historically significant companies, particularly in the context of the Basque Country, and highly relevant in their specific sectors, such as Saltos del Duero, Ferrocarriles Españoles, Minero Siderúrgica de Ponferrada, Papelera Española, Banco de Bilbao or Banco de Vizcaya, among others. Only one out of all of the Chairmen was an owner of the company: its current Chairman, Juan-Miguel Villar Mir.

The first Board meeting brought together five exceptional men of the era, representatives of several financial institutions, whose brands have come down to our times: Banco de Bilbao and Banco de Vizcaya, integrated into the present-day Banco Bilbao Vizcaya Argentaria (BBVA), and Banca Aldama. It can be said without exaggerating that the initial capital of 500,000 pesetas used for incorporating the construction company in 1911 was backed by some of the most outstanding financial institutions of Spain's economic panorama of the first decade of the twentieth century. José de Uribasterra y Bernaola and Pío Ezcurra Aspe, two of the most relevant public works contractors of the era, the promoters of the project, were fully conscious of this when, on that 15th of May one hundred years ago, they appeared at that office of the Notary Public in Bilbao to have company officially registered. Their objective

was none other than to obtain the most fluid and reliable financing for their works.

Members representing the Banco de Bilbao on the founding Board of Directors included José Joaquín de Ampuero y del Río, Julio de Arceche y Villabaso and José Luis de Villabaso y Gorrita, uncle of the second director mentioned and the first Chairman of the company, in addition to holding the position of general manager of the bank. The Banco de Vizcaya also gave its full measure, placing its top executive, Enrique Ocharán, on the Board, although this financial entity quickly lost interest in the undertaking and transferred 500 of the 900 shares it owned in the company to a number of private investors, in 1913.

Ocharán had already been replaced on the Board in 1914 by Horacio Echevarrieta y Maruri, a prominent entrepreneur of Basque origin but with business interests throughout the Peninsula. He owned the “El Liberal” newspaper and was one of the founders of the concession company incorporated for the construction of Madrid's Gran Vía in the twenties. Politically influential, he was a member of the negotiating team for the ransoming of the Spanish prisoners in Alhucemas, an operation for which he received the personal congratulations of King Alfonso XIII.

The Board composition was completed by the Marquis of Aldama, Francisco de Ussía y Cubas, a lawyer and owner of the bank of the same name which, together with other financial institutions

such as the Banco Hispano Americano, was later to give rise to the Banco Central Hispano, subsequently taken over by Banco Santander. In fact, his brother, José Luis, Count of Los Gaitanes, was the first Chairman of Banco Central. That 15th of May 1911 was, without a doubt, a great day for José de Uribasterra y Bernaola and Pío Ezcurra Aspe, because, along with a superlative corporate body, a much-longed-for project had jelled. In order to get started as soon as possible, José de Uribasterra contributed his own construction company, which bore his name and was successfully engaged in the performance of several engineering works at the Port of Bilbao.

Although he never chaired the company, José de Uribasterra y Bernaola can be considered the soul

of the organization. Obrascón was incorporated on the basis of a company that bore his name and that Uribasterra himself had created a few years earlier, in order to take part in the tendering on the Reina Victoria Eugenia wharf at the Port of Bilbao. In fact, the first central office of the construction company, located at number 38 on Bilbao's Gran Vía, had two name plates on its door: "José de Uribasterra y Cía" and "Sociedad General de Obras y Construcciones". In 1912, the new company obtained and commenced its first project, at the Port of Lisbon. In addition to being connected with the maritime environment, Obrascón was international at birth.

The Gran Vía in Bilbao in the beginning of the 20th century. Obrascón's first central headquarters was located on this main avenue. It shared an office at number 38 with the company José de Uribasterra y Cía.



First Chairman. 1911-1919. José Luis de Villabaso y Gorrita

The honor of accepting the appointment as the first Chairman of the recently founded Sociedad General de Obras y Construcciones fell upon José Luis de Villabaso y Gorrita, who held that office until his death in 1919. The practice of holding positions for life was commonplace in the era, and the first three Chairmen of Obrascón between 1911 and 1960 also followed suit.



Christened with five first names, José Luis Samuel Francisco Antonio de Villabaso y Gorrita was born in Bilbao in 1852, to one of the most influential Basque families of the nineteenth century. Many political offices and senior administrative positions were held by members of this family. He was the maternal uncle of another of the founding directors of Obrascón, Julio de Arceche y Villabaso, a very outstanding figure in the economic history of the Basque Country. Through one of his daughters, María Pilar Villabaso Zabaleta, the company's first Chairman became related to the Ybarra family, which had been highly successful in the shipping business and was one of the wealthiest families in Vizcaya at the start of the past century. His brother Julián was a Deputy for Vizcaya in the Spanish Parliament, and his son, Fernando Villabaso y Zabaleta, became the mayor of Bilbao in 1915. José Luis de Villabaso himself was elected as a provincial deputy in Vizcaya in 1885.

Apart from being born to a family with a prominent role in the Basque economy, the trait that characterized José Luis de Villabaso most definitively was his spirit of enterprise, a quality that he shared with his colleagues on Obrascón's founding Board of Directors. He combined senior responsibilities in leading companies

of the era: general manager of Banco de Bilbao and Banco del Comercio, positions he maintained until the merger of the two entities, and founder of La Polar, a very important insurance company at that time, having been incorporated with an initial capital of 100 million pesetas. In 1918, he founded, together with the Ussía y Cubas brothers –the Marquis of

Aldama and the Count of Los Gaitanes, respectively–Minero Siderúrgica de Ponferrada that was to become the largest private coal company in Spain between the fifties and the seventies of the 20th century.

José Luis de Villabaso did not exhaust his entrepreneurial capacity in projects within the financial and industrial sphere. A memorable milestone in his extensive curriculum vitae was the founding of a soccer club, the Bilbao Football Club, as the promoter of the project and as President of the club in 1900. A few years later, this club, in conjunction with its rival, the Athletic Club, gave rise to the present-day Athletic de Bilbao. He was not the only Obrascón Chairman to be a soccer fan. The enthusiasm for this sport of the current OHL Chairman, Juan-Miguel Villar Mir, very closely associated with the Real Madrid, is well known.

Second Chairman.

1919 to 1932.

José Joaquín de Ampuero y del Río

Following the demise of José Luis de Villabaso in 1919, the chairmanship was taken over by José Joaquín de Ampuero y del Río, a lawyer born in Durango, Vizcaya, in 1862, who, the same as his colleagues on the Board of Directors, combined many and varied professional, business and even political occupations. He was 57 years old when he became Chairman of Obrascón.



A Banco de Bilbao man, having served on the Board of that bank after a move from the Banco de Comercio, José Joaquín de Ampuero concentrated his business interests for many years on developing the railway system in Spain. He took part in the incorporation of the Compañía General de Ferrocarriles Españoles and was a director of the company, a responsibility he also held in Ferrocarriles del Norte de España, eventually becoming Deputy Chairman of the company Ferrocarril Central de Aragón. A person with such close ties to an emerging infrastructure, indispensable in the early decades of the 20th century, Ampuero was an excellent choice as Chairman and a director of a construction company in the making, in view of the prospects for contracting which were then, as now, inherent to railway construction. This circumstance surely did not go by unnoticed by his colleagues on the Board when they elected him as Chairman.

These two facets did not take up all of the intense and heterogeneous business activity of José Joaquín de Ampuero. He also participated in the creation of Saltos del Duero in 1928 and joined two other founders of Obrascón, Julio de Arceche and Pío Ezcurra, on that company's first Board of Directors. This coincidence on

both Boards inevitably led to joint operations by the two companies. In 1929 Obrascón undertook the construction of the new Esla River dam that gave rise to the incorporation of the electricity company, Consorcio de Saltos del Duero, later integrated into Iberduero and now in Iberdrola. Precisely in order to supply copper cable to Saltos del Duero,

Ampuero contributed to founding a new company, an industrial concern in this case: the Sociedad Española de Construcciones Electromecánicas, SECEM, a company that in the fifties and sixties was to become one of Obrascón's main industrial customers in Cordoba, where it owned a major factory.

So many and so varied entrepreneurial activities did not prevent José Joaquín de Ampuero from intensifying his economic and social influence through politics. He was elected Senator as a traditionalist party candidate in 1919, 1921 and 1923 and member of the Congress of Deputies on the Carlist ballot in 1916, 1917 and 1918. Previously he had been one of the Basque representatives for the signature of the special economic agreement of 1906. He headed the company for a period of thirteen years.

Third Chairman.
1932 to 1960.
Julio de Arteche y Villabaso



On the early Boards of Directors there were already a few episodes of family continuity in holding office. José Joaquín de Ampuero y del Río, whose son filled his vacancy on the Board between 1932 and the decade of the seventies, exercised his term of office between two chairmanships held by members of the Villabaso family, with close ties to the Banco de Bilbao. In 1919 he succeeded the general manager of that financial institution, José Luis de Villabaso y Gorrita, and, following Ampuero's death, it was Julio de Arteche y Villabaso, nephew of the earlier Chairman, who took over and chaired the Board for 28 years. In time, he became the first non-rotating Chairman of the Bilbao-based bank.

Julio Francisco Domingo de Arteche y Villabaso was the last Obrascón Chairman to hold that office for life. His exercise of the duties of the office was also the longest in the history of Obrascón. He headed the company for a total of 28 years, until his death in 1960, at 81 years of age, although this was a brief period when compared to the 56 years he served on governance bodies at the Banco de Bilbao, of which he was the first non-rotating Chairman.

Born in the capital of Vizcaya in 1878, to a family that came from Las Encartaciones on the paternal side and from Gorritz on his mother's side, the curriculum vitae of Julio de Arteche reveals a unique paradox: that of being the youngest member of the Banco de Bilbao Governing Board, which he joined in 1903 at only 24 years of age, and of being the oldest Spanish industrial engineer to obtain his degree, at age 78. He had abandoned his studies with only three subjects left for obtaining his degree in order to take up a position on the Board of Directors of Banco de Bilbao, and he did not resume his university studies until the end of his lifetime. He founded and headed many companies and institutions, to the extent of having been one of the Obrascón Chairmen who managed to combine the largest number of Board chairman and directorships.

In the institutional sphere, he was extremely active in business associations. He was President of the Association of Corporations of the North of Spain, in which capacity he actively defended the business interests of Vizcaya in the face of the problems arising in the wake of the First World War. At that

time he led the opposition to the attempt to tax the non-recurrent business profits obtained during the conflict, seconded by the most prominent Basque financiers and entrepreneurs, including a number of his fellow Board members at Obrascón, such as José Luis de Villabaso, Enrique Ocharán or his replacement, Horacio Echevarrieta.

He combined the presidency of the Companies of the North with that of the Association of Banks and Bankers of the North of Spain, created in 1916, and participated in the process for the nationalization of the securities of the major Spanish railway companies that was strongly supported by local business groups in the Basque Country, given the logical interest of these groups in improving the connections between the Port of Bilbao and the interior of the Peninsula. This activity won for Julio de Arteche a position on the Board of the Santander-Bilbao railway company, which he held for many years.

His tireless business leadership was only the second activity in his prolific profile. The companies that thrived thanks to the know-how and drive of Julio de Arteche were many and very important. Together with Obrascón, Saltos del Duero was another of the major initiatives set in motion by him. The same as Pío Ezcurra, José Joaquín de Ampuero and José Luis de Villabaso, Arteche played a very active role both in the founding of the aforementioned electricity company as well as in his contribution to the birth of the Sociedad Hispano-Portuguesa de Transportes Eléctricos, which he later headed in the twenties of the last century.

So much and such relevant representative activity pales in comparison to his track record with Banco de Bilbao. Julio de Arteche took over the chairmanship of the bank in 1942, becoming the bank's first stable Chairman, an office he was to hold, the same as at Obrascón, until his death in 1960. It was he who modernized the bank; he created a central administration and promoted the bank's internationalization. The chairmanship of the bank and that of the construction company were his most cherished appointments, and he remained in office until the end of his life. Nevertheless, he managed to combine these responsibilities with others in companies as relevant as Iberduero, Nitratos de Castilla, Papelera Española, Cellophane Española, Constructora Nacional de Maquinaria Eléctrica and the Sociedad Española de Construcciones Electromecánicas. In addition to these, he also served as Deputy Chairman of the Compañía Telefónica Nacional de España (CTNE) and of the Sociedad Española de Automóviles de Turismo (SEAT).

One of the most transcendental decisions in the one-hundred-year history of Obrascón was owed to Julio de Arteche: the acquisition of all of its capital by the Banco de Bilbao in 1934, on the verge of the Civil War, a difficult era for contractors due to the scant public tendering and the deep-seated labor unrest, as reflected in the minutes of the Board meetings of the construction company, held with difficulty in those turbulent years. Obrascón stayed in the industrial portfolio of the bank for 40 years, up to 1973.

All of the activity described up to this point was incapable of exhausting the multifaceted trajectory

of Arteché's life and career. He also found time for politics. The same as José Luis de Villabaso and José Joaquín de Ampuero, he combined his financial and entrepreneurial endeavors with the duties of public office, although during a briefer period than his predecessors. Elected Deputy on the Monarchical League ballot for Vizcaya (Markina) on April 30, 1923, his political career was cut short on September 12 of that same year by the coup d'état led by Primo de Rivera. Years later, his brilliant entrepreneurial and financial trajectory earned him a title -that of Count of Arteché- granted to him by Franco in 1950.

The death of Julio de Arteché marked a new stage in the chairmanships of Obrascón, which, from that point onward were much shorter and, until the entry of AHV in the seventies, were held by top executives of the Banco de Bilbao, appointed by the bank itself. Following Arteché's demise, the first meeting of the Board of Directors of Obrascón was called on July 22, 1960. José de Aresti, Deputy Chairman up to that time, addressed the meeting in warm remembrance of his predecessor, the man who had served the most years as Chairman of Obrascón. He recalled then not only the late Chairman's powerful entrepreneurial capacity but also "the goodness of his character and his gentlemanly qualities that won him the affection and admiration of all who had the honor of establishing contact with him. The loss for us is considerable and I propose that this sentiment be recorded in the minutes, conveying to his family the condolences of the company for so painful a loss".

Fourth Chairman. 1960 to 1964. José de Aresti y Ortiz



The succession of lengthy chairmanships in Obrascón was not to end with Julio de Arteché, although another fifty years would have to pass before a comparable example arose. In 2011, the current OHL Chairman, Juan-Miguel Villar Mir, marked 24 years as the head of the company.

José de Aresti y Ortiz, from Neguri in Bilbao, maintained the Vizcaya tradition in the chairmanship of Obrascón. He replaced Julio de Arteché not only as the head of the construction company but also of Papelera Española, a firm closely associated with his predecessor in its foundation and a member, as was Obrascón, of the industrial group of the Banco de Bilbao. Having

completed a four-year period in office, characteristic of the terms served by the Obrascón Chairmen in that new stage, José de Aresti left the Board in 1964, in order to focus his career on the financial institution where, among other offices, he held the first chairmanship of the bank's holding company in 1970, with Pedro de Artiach y Pérez as second-in-command, who also had very close ties with Banco de Bilbao and who also headed Obrascón at the end of the sixties, a period in which he was granted the Grand Cross of Isabel la Católica.

Fifth Chairman.

1964 to 1968.

Gervasio Collar y Luis



A native of Madrid who left his mark on the Basque Country in the decades of the sixties and seventies of the past century, at 52 years of age Gervasio Collar

y Luis became the first non-Basque Chairman of the Banco de Bilbao and, four years later, took over the chairmanship of Obrascón, replacing José de Aresti in 1964. The same as occurred at the bank, his appointment signified a breaking-away from the monolithic cast of founding families of Bilbao capitalism. Despite his Madrid background, his marriage in 1940 to Natividad Zabaleta Zaldivar-Guerricagoitia, of Lequeitio, and the seven children the couple brought into the world, facilitated his integration into the upper-class society of Bilbao.

Gervasio Collar was born in Madrid in 1908, obtained his law degree with honors and was admitted to the Corps of Government Attorneys in 1929, ranking number 1 in his class, at only 21 years of age, a record as the youngest lawyer in the history of the Corps that still stands. Paradoxically, he commenced service on a temporary basis because, although he had obtained a brilliant result in the competitive examination, the Corps of Government Attorneys did not admit members under 23 years of age. Those who knew him remember his intelligence and talent for business, but above all, his admirable human qualities, reflected in an anecdote told by close associates. In 1936, when he was working as a government attorney in Barcelona together with another two officers, Republican militiamen came to take his two colleagues away to a clandestine political detention facility. Collar, who was single at the time, decided to take the place of one of his colleagues, the father of two children, and went to prison in his stead.

The biography of Gervasio Collar is inseparable from the strength of the Banco de Bilbao, which he headed for 14

years, from the death in 1960 of Julio de Arteche, the other outstanding Chairman of the bank, until he himself had to step down in 1974 for reasons of health, remaining as Honorary Chairman until his demise ten years later. The vigor of the Bilbao-based bank cannot be understood without the drive of Julio de Arteche and Gervasio Collar.

The latter was responsible for the modernization of the institution, giving impetus to the incipient computerization of its operations, promoting aggressive commercial actions and the active search for customers in the marketplace, among other achievements. He founded the Banco Industrial de Bilbao in order to agglutinate all of the bank's industrial stakes and, in addition to its presence in Obrascón, the bank maintained other interests in a range of entities, such as Naviera Vizcaína, Fertiberia or Petronor. He was Deputy Chairman of companies as important as Iberduero, Telefónica and CAMPSA.

Sixth Chairman. 1968 to 1969. Pedro Artiach Pérez

Like his predecessor, Gervasio Collar scrupulously observed the four-year rotating term as Chairman of Obrascón. He arrived in 1964 and left in 1968. One of his last decisions as Chairman of the Banco de Bilbao, with José Ángel Sánchez Asiaín as general manager, was to sell Obrascón to Altos Hornos de Vizcaya, when Juan-Miguel Villar Mir headed the giant Basque steel producer.

Six years earlier, Collar had left the chairmanship of Obrascón in the hands of Pedro Artiach Pérez, a



member of a well-known Basque industrial family, although his professional career was always more closely tied to the Banco de Bilbao than to the family business. He was a director and Deputy Chairman of the Banco de Bilbao's holding company, although the highest office he held in his professional trajectory was the chairmanship of Obrascón, for one year, up to 1969. Later, in 1977, when the new democratic system was established in Spain, he was awarded the Gold Medal of Merit in Work, an honor he shared with a famous artist of his time at the awards ceremony: Joan Miró.

After Pedro de Artiach, the dependence of Obrascón on the shares owned by the Banco de Bilbao ended with two Chairmen, who were also senior executives of that financial institution. In four years, Obrascón was chaired by José María de Ibarrondo and Diego Martín Peramo.

The builder José de Uribasterra y Bernaola

He never presided over the company, but the Sociedad General de Obras y Construcciones would not have been possible without his drive. José Ramón de Uribasterra was 54 years old when, in 1911, he went to the office of a Notary Public to incorporate the new company. He worked as general manager of the company until 1921, the year in which he became a member of the Board of Directors. When he died in January 1941, he had been with Obrascón for thirty years, first as general manager and later, as a director.

Born in Artea-Elejabeitia, he married Nicolasa Ibarondo Urién and died at 83 years of age at his home in Durango. His obituary notice in the newspaper did not go by unnoticed, because he was referred to as the father-in-law of the Minister for Justice, Esteban Bilbao, then a member of the Government of General Franco.

This contractor, who, in a notarial power of attorney dated in 1899, stated his occupation as that of a carpenter, was characterized as an outstanding entrepreneur, an ability he evidenced not only as the driving force behind the incorporation of Obrascón. Uribasterra devoted his initial efforts to the emerging railway sector, which in the beginning of the 20th century was struggling to extend its branches over the entire Peninsula with the intention of interconnecting raw materials and the major factories, and he moved up in the sector to the point of becoming Deputy Chairman of the company Ferrocarriles Vascongados. In 1890, he contracted the construction of the Casilla-Monte de Maravilla line and later participated in the Atxuri-Miraflores Tunnel section of the Durango railway.

Nevertheless, the same as the majority of the entrepreneurs of that era, he also branched out into other business areas. An example of this was the incorporation in 1905 of "José de Uribasterra y Compañía, Tejera Mecánica de los Mimbres", in conjunction with Pío Ezcurra Aspe, another Obrascón founding shareholder, and five other partners.

His business activities still left Uribasterra time for political action, after being elected to the Durango Town Council, the locality where he established his permanent residence. He was also elected by an absolute majority to the electoral college for the Senate. Charities were also another of Uribasterra's priorities, and he stood out for his donations to the parish and the Santo Asilo-Hospital in Ceánuri, a village in the Durango area. He also made an important contribution to the construction of a chapel in the municipal cemetery.

In recognition of his disinterested work, the Mayor of the Town Council of the Village of Ceánuri applied to the Ministry of Security "requesting authorization for holding a testimonial ceremony consisting of the placing of a plaque, giving the name of José de Uribasterra Bernaola to one of the avenues of this village as yet unnamed".

Seventh Chairman.
1969 to 1972.
José María de Ibarrodo y López



The first of the two, José María de Ibarrodo y López, holder of a doctorate in industrial engineering from the School of Industrial Engineers of Bilbao, commenced his professional career at Iberduero, as an assistant to the general manager, where he participated in the negotiation of the energy exchange agreements with France. His ties to a number of family businesses also led to the Board positions of Chairman of Ferrocarriles de La Robla and as a Director of Harino Panadero.

From Iberduero he went on to the Banco de Bilbao, where he became a close friend of José Ángel Sánchez Asiaín, with whom he worked in the documentation department. From there he went on to a number of

companies connected with the bank, including, in the mid sixties, Industrias del Motor S.A. (IMOSA) as general manager, and Fertiberia as Chairman. An interesting note is that he was one of the three Obrascón Chairmen to hold this latter position, as Gervasio Collar did so before him and, later, the current owner of Fertiberia, Juan-Miguel Villar Mir.

At the end of the sixties, Ibarrodo returned to the Banco de Bilbao itself, as manager of its real estate assets. Over time he had become a trusted advisor of José Ángel Sánchez Asiaín, the then general manager of the financial institution, who kept him at the head of Obrascón between 1969 and 1972, the year when he stepped down in order to take over the chairmanship of Inmobiliaria Bilbao, another company in the bank's industrial group, closely associated with the construction company. During his term as Chairman, Obrascón's main office was moved to Madrid in 1970, although many of the meetings of the Board of Directors continued to take place in Bilbao, for as long as the company remained within the orbit of the bank.

By the seventies, following his retirement, Ibarrodo's personal magnetism, still remembered today by his closest associates in the construction company, and his reputation as a great golf enthusiast, led him to hold other positions connected with the world of tourism. He served as president of the Aloha Golf Club for five years and remained very close to the Club until his death in 1988. He was one of the five Obrascón Chairmen who held office for a term of less than four years.

Eighth Chairman. 1972 to 1973. Diego Martín Peramo

A mining engineer, born in 1923 and number one in his graduating class of 1955, he brought the series of Banco de Bilbao Chairman of the construction company to an end. Diego Martín Peramo, an executive of the bank, to which he was associated for his entire career, occupied the position for less than one year as, in 1973, the sale of Obrascón to AHV marked the start of a new stage, more strongly influenced by civil engineering in successive chairmanships.

The leadership of the company during the stage in Altos Hornos de Vizcaya

In the early seventies, an ambitious industrial project was beginning to take shape in the Altos Hornos de Vizcaya (AHV) group that, together with the Banco de Bilbao's industrial consortium, to which Obrascón had belonged since 1934, led the Basque business panorama. This new project was to bring about a change in Obrascón's course and enable the construction company to successfully ride out the first "oil shock" that had so negative an impact on the western economies and particularly on Spain. The strategists of the new project decided to take Obrascón into the AHV group. A retrospective look at the history of the Basque steel producer is needed in order to fully understand the implications of the integration of the construction company into

Altos Hornos de Vizcaya, starting from the time of the arrival in 1970 of a new, young and enterprising management team led by Juan-Miguel Villar Mir, who ended up being appointed Chairman of the company. Those were times of economic optimism, encouraged by a strong foreign demand for steel, and AHV was about to embark on a brave project of enormous magnitude: the start-up of the 4th Integrated Steel Plant, a project that was to give rise to the incorporation of the company, Altos Hornos del Mediterráneo, in Sagunto.

Foreseeing the significant construction work that would be involved in the Sagunto steel plant, the new team, starting with its Chairman, proposed the acquisition of a construction company, and the choice was Obrascón. The entry of Obrascón into AHV was a very positive move for the company during the first year, to the extent of doubling its turnover, which experienced even greater growth in 1975, exceeding 7,000 million pesetas. Unfortunately, the crisis unleashed by the first "oil shock" affected the steel sector, bringing the Altos Hornos del Mediterráneo project to a standstill and placing a much-too-heavy burden on the feasibility of Obrascón.

With the change in its shareholder composition, professionals with backgrounds more closely tied to the world of infrastructures, essentially civil engineers, were appointed to head Obrascón. Their terms as Chairman were longer and enabled them to put into practice business plans designed for the medium term, although the economic circumstances of the era unfortunately did not help when it came time to consolidate such plans.

Ninth Chairman.
1973 to 1974.
Sabas Antonio Marín García



In 1973, Sabas Antonio Marín García, with a doctorate in civil engineering, was appointed Chairman of Obrascón. However, he stepped down from that office one year later, in 1974, in order to accept the position of Director General of State Ports, an appointment signifying one of the most important recognitions by the Public Administration of the career of any member of that branch of engineering. Born in Jaén in 1925, Marín García had managed many civil engineering projects, including marine works at the Ports of Seville, Huelva, Almería, Algeciras and La Línea de la Concepción. Unfortunately, his brilliant career was cut short in 1976 by a traffic accident that took his life and that of his wife. He was only 51 years old and at the height of his career.

Tenth Chairman.
1974 to 1978.
Francisco Esteban
Rodríguez-Sedano

Sabas Antonio Marín was succeeded by Francisco Esteban Rodríguez-Sedano, another civil engineer, born in Madrid in 1926 and general manager of the construction company since the previous year. The Chairman knew Juan-Miguel Villar Mir, the then strongman of Altos Hornos de Vizcaya, very well. From his first job with OMES in 1959, he joined Dragados y Construcciones as the company's delegate in Seville. While with that construction firm, he created a Special Projects Operating Unit, which trained a generation of engineers, exerting significant influence on Spanish civil engineering in the second decade of the past century.



After joining Obrascón in 1973 as Managing Director and taking up the executive chairmanship one year later, he stepped down in 1978. The chairmanship of Rodríguez Sedano was supported on the company's general manager, Carlos Anabitarte Prieto, appointed in 1972 during Diego Martín Peramo's term as Chairman, and was consolidated in that position by Juan-Miguel Villar Mir, as Chairman of AHV, promoting him to the Board of Directors. During this period, a long-term syndicated loan was signed for 20 million dollars which, in addition to providing instant relief for Obrascón, established a precedent of international financing for Spanish companies.

At the end of his time with Obrascón, Francisco Esteban Rodríguez-Sedano returned to the Public Administration, where he held senior position in the National Housing Institute and in the Directorate General of Ports and Coasts. As an independent professional, he worked as a consultant until his death in Madrid in 2006, after 56 years of uninterrupted active practice of his profession.

Eleventh Chairman.

1978 to 1980.

Guillermo Visedo Navarro

In 1978, Spain's economic situation and the standstill reached in the AHM project led the Board to appoint AHV itself—a legal person—as the company's Chairman. Nevertheless, it was a natural person, Guillermo Visedo Navarro, Deputy Chairman of AHV and trusted advisor of Juan-Miguel Mir, who took up the office as the representative of the Basque



steel producer. Born in Jaén in 1927, Visedo graduated from the Madrid School of Civil Engineering with a doctorate in 1955. Like so many other fellow graduates, after working for Dragados, he went on to the Ministry of Public Works, where he held important positions and was appointed Deputy Director General of Ports in December 1964. As Deputy Chairman, Guillermo Visedo provided his services to Altos Hornos de Vizcaya under the chairmanship of Juan-Miguel Villar Mir, who took him to Bilbao, and later, under Javier Benjumea, after Villar Mir had left the Basque steel company to take up the position of Deputy Prime Minister for economic affairs in the first Government of the Monarchy, in 1975.

After leaving AHV in 1987, Visedo joined the FCC group where he stayed for 13 years, first as Deputy Chairman and Managing Director of Focsa and,

finally, as Chairman. He contributed to the merger of Focsa and Cydsa –the latter a construction firm controlled by Alicia and Esther Koplowitz– and guided FCC to a strategy of diversification in urban services. Following his retirement in 2000, he has maintained the position of Honorary Chairman of FCC and personal advisor to Esther Koplowitz.

His professional activities did not take up all of Guillermo Visedo’s time. He also pursued his second vocation, just behind civil engineering: painting. Oil paintings of Altos Hornos de Vizcaya by Visedo dating from that era have been preserved. However, he was not the only creative artist to hold the reins of Obrascón. Juan José Alzugaray Aguirre, his replacement in charge of the company, was an industrial engineer with a love for writing. He combined the authorship of many books with a prolific collaboration as a regular columnist with nationwide newspapers: “ABC” and “Cinco Días”, among others.

Twelfth Chairman. 1980 to 1986.

Juan José Alzugaray y Aguirre

Juan José Alzugaray y Aguirre also stood out as a multifaceted professional. He was born in Irún in 1924 and died in Madrid in 2006. With a doctorate in industrial engineering, he spent a large part of his professional life with the Altos Hornos de Vizcaya Group, where he headed the factory in Baracaldo-Sestao, was manager of the departments of engineering and general planning and coordinated the preliminary design of the 4th Integrated Steel Plant in Sagunto.



He was brought to Obrascón by Guillermo Visedo, who appointed him Managing Director in 1978, at the same time as Visedo took over the chairmanship. Two years later, Visedo left the office in the hands of Alzugaray, who went on to become the Sole Director of the company, attempting, during the following eight years, to refloat the company, which was struggling against the current of the prevailing economic and social context of that era. His management of the company was strongly conditioned by the severe Spanish industrial crisis of the early eighties and the political instability at the height of the transition to democracy.

From a very young age, he was an active member of associations connected with industrial engineering, becoming President of the National Federation and of the Engineering Institute of Spain from 1988 to 1992. Above and beyond the field of engineering, Juan José Alzugaray

was an outstanding humanist who, encouraged by his friends, the poet José Javier Aleixandre and the engineer and poet Gabriel Celaya, left a legacy of close to twenty written works. He took advantage of his talent for writing in order to describe the stage when his professional trajectory advanced hand-in-hand with Obrascón, one of the most difficult stages experienced by the construction company, trapped in a seemingly bottomless pit of losses that finally forced its “rescue” by Juan-Miguel Villar Mir in 1987.

His period with Obrascón was reflected in verse, *Alelukas de Obrascón*, published in his book “*Vivencias*”, in which he expressed his experience in the company with a critical sentiment. The two stanzas included below are taken from this poem and reveal his state of mind when he entered and left Obrascón:

*Visedo, he of the Holy Kingdom
with more cunning than a falcon
Sheik, capo and overseer
of Altos Hornos and Obrascón
one ill-fated day in summer
opened the main gate
and launched me to the adventure
of setting Obrascón aright
alone and malnourished in sapience
of the construction sector
[...].
I leave with a thorn in my side
as I came, saw and did not conquer
I long to know at least
that I convinced my people.
Farewell, my friends,
your help has seen me through.*

Thirteenth Chairman. 1986 to 1987. Ignacio Hidalgo de Cisneros y Alonso



As he himself said in his poem, Juan José Alzugaray y Aguirre left Obrascón in the hands of Ignacio Hidalgo de Cisneros in 1986, departing with a thorn in his side on having been unable to refloat the company. Born in 1924 in Vitoria to a family of outstanding military men, Hidalgo de Cisneros studied industrial engineering in Bilbao.

With a passionate interest in steel making, on the completion of his studies in 1949, he began his professional career with the Compañía Basconia, later joining Echevarría (whose capital was divided equally between Basconia and AHV) as manager of the steel strip cold rolling process.

Following the entry of the factory into the Altos Hornos Group in 1969, Ignacio Hidalgo de Cisneros joined the young AHV management team, led at the time by Juan-Miguel Villar Mir, who appointed him to the position of general manager in 1971. Later, under the chairmanship of Javier Benjumea, he was appointed in 1976 Managing Director of Altos Hornos del Mediterráneo, where he was elected Chairman of the Board.

In 1986, when he was general manager of Real Estate and Construction Activities at AHV, Hidalgo de Cisneros became the Sole Director of Obrascón, a position he held up to the sale of the construction company to the Villar Mir Group in 1987. He retired that year and returned to his birthplace in Vitoria. Juan José Alzugaray, his predecessor at Obrascón, described him as an ideal symbiosis between a Basque engineer and a Spanish gentleman.

Fourteenth Chairman. 1987 to 2011. Juan-Miguel Villar Mir

The construction company that had been born with the backing of the major Basque banks for building the Port of Bilbao, and that later had as its majority shareholders the Banco de Bilbao and Altos Hornos de Vizcaya, was languishing, on the road to oblivion, when it was purchased in 1987 by Juan-Miguel Villar Mir. Although in 76 years the company had experienced 13 chairmanships, held by individuals with different and distinctive styles, it was about to initiate a unique stage in its history with a

Chairman who, at the same time, was its majority shareholder. Company and Chairman have stayed united and, one quarter of a century later, Obrascón is now OHL, one of Spain's six major construction companies and the seventh largest transportation infrastructure concession group worldwide.

Juan-Miguel Villar Mir had already been decisive for Obrascón in the early seventies, when he proposed its purchase by AHV during his chairmanship of the giant Basque steel producer. Fifteen years later, both destinies came together once again, never to part. Villar Mir undertook the "rescue" through the purchase of Obrascón at the symbolic price of one peseta and the assumption of all of its debt. That ruinous construction company went on to consolidate a successful style of business management that in less than twenty-five years has contributed to building one of the leading Spanish entrepreneurial consortiums, the Villar Mir Group.

Not even going back to the early days of the company, when various prominent figures in industry and finance headed Obrascón, is it possible to find a name, whether a Chairman or not, with a biography capable of leaving such a mark on its time and of reflecting such prolific and multifaceted activity as that of Juan-Miguel Villar Mir. He has encompassed areas as different and even as distant as politics, a university chair, academics, professional business management and enterprising initiative as an entrepreneur. Prior to Villar Mir, one could count with the fingers of one hand the cases of individuals in Spain who have combined academic brilliance with business success, without overlooking



a parenthesis of an outstanding and intense role in developing top-level economic policies when, immersed in a political and social convulsion, our country took its first steps in democracy, hard hit by the economic crisis generated by the first “oil shock”.

The current Chairman and owner of OHL was born in Madrid in 1931 into an affluent family. Son of Juan Villar Lopesino, a career military officer belonging to the Special Military Staff Officers Corps, and of María del Carmen Mir, a very sensitive woman, a music lover who graduated with honors from the Conservatory. Although he did not inherit either wealth or a business background, Villar Mir has always proclaimed that he

learned the keys to the success of his career from his parents: work, effort and perseverance.

These three capacities endowed the natural intelligence of Villar Mir with great effectiveness from a very early age. He was an honor student in all of the years of his secondary schooling and passed the competitive examination with honors for entry into the Advanced School of Civil Engineers at only 18 years of age. He obtained a doctorate in civil engineering and was number one in his graduating class, rounding off his education with a degree in Law and master’s degrees from the EOI and the Economic Development Institute of the World Bank.

The Profile of an Obrascón/OHL Chairman

The "Identikit" picture of an Obrascón Chairman reflects a man of Basque origin, educated as an engineer, an average age of 54 on taking up the office, extensive experience in the business and financial world who, in two specific cases, was granted a title of nobility in recognition of his work, a brilliant academic and professional career behind him, sensitivity towards the cultural and artistic world and, in two very singular cases, soccer enthusiasts.

The company has had 14 Chairmen, eight of whom were born in the Basque Country and the rest, divided between Andalusia and Madrid. This preponderant geographical extraction is explained by the historical ties between the construction company and its two major Basque shareholders, the Banco de Bilbao and Altos Hornos de Vizcaya. The longevity of several of the Chairmen made lengthy terms of office possible, and in a number of cases, the chairmanship was for life. Three of them taken together added up to more than 65 years in office.

Most likely this circumstance also explains the fact of the majority presence of industrial engineers, an academic background shared by at least six of the Chairmen, given the long-standing tradition among the wealthier Basque families of sending their sons to the School of Industrial Engineers of Bilbao which, together with the School of Civil Engineers of Madrid, stands as a reference of academic prestige in Spanish engineering.

Another four Chairmen were civil engineers, an academic background much closer to the world of construction. Precisely, almost all of these civil engineers had their first practical experience through employment with Dragados. Three lawyers and various entrepreneurs and financiers also headed Obrascón, a logical circumstance when considering that the Banco de Bilbao was the construction company's majority shareholder for 62 years.

However, the true common denominator of all of them has been their strong enterprising character. Outstanding men of their time who combined multiple industrial activities, embarking upon different and varied business ventures, and whose names are associated with institutions and boards of directors of highly relevant companies in each era, encompassing a wide range of very dissimilar sectors such as railways, ports, papermaking, glassmaking, food industry, among others. In fact, two of them, whose chairmanships are separated by almost half a century, were granted titles of nobility –Count of Arteche and Marquis of Villar Mir– in recognition of their long and outstanding entrepreneurial careers in the service of Spain.

Their other great passion would, without a doubt, be culture, the arts and sports. Among the Chairmen of Obrascón and throughout their history we have encountered an amateur painter, a writer with close to twenty published works to his credit, two men very closely tied to the world of soccer, through the Bilbao and Real Madrid clubs, and many patrons of the arts who promoted cultural development in their areas of influence, to the extent of their possibilities.

All of them concentrated their efforts on growing Obrascón and making it the major construction company it is today, although only one, its present Chairman, has taken that commitment so far as to become its owner in addition to being its manager: Juan-Miguel Villar Mir.

Villar Mir's brilliant academic performance as a student led him to seek a university teaching career, which he achieved with equally brilliant success. He won two chairs at the Polytechnic University of Madrid through a competitive examination. The first was the Chair of Accounting and Legislation, at the Technical School of Public Works Engineers, while twelve years later, he returned to the Advanced School of Civil Engineers to hold the Chair of Business Organization. Exactly the same academic lectern from which his mentor José María Aguirre Gonzalo, another singular case of a brilliant academic and tireless entrepreneur, once gave his classes.

For 33 years, Juan-Miguel Villar Mir combined his academic activities with his political and business endeavors, until retirement forced him to leave his Chair but not to abandon teaching. He maintains an intense activity as a speaker at forums and business schools, enabling him to keep his teaching vocation very much alive—one of the main preferences of his life—. In recognition of his teaching career, the IESE, the first business school in Spain and one of the most outstanding in the world, has given Villar Mir's name to one of his main lecture halls. A few months prior to the publication of this book, in April 2011, the Villar Mir Foundation endowed a Business Administration Chair under this name at the Polytechnic University of Madrid, with the priority objective of contributing to the further education of post-graduates of the Advanced School of Civil Engineers of Madrid.

It is a difficult task to sum up Villar Mir's business activity, even if the summary is limited to his role in

the no less than thirteen important companies he has headed, including some of outstanding relevance and size and in very diverse sectors. In addition to the earlier mentioned Altos Hornos de Vizcaya, these include Hidro-Nitro Española, Empresa Nacional de Celulosas, Empresa Nacional Carbonífera del Sur, Cementos del Cinca, Cementos Portland Aragón, Electra de Viesgo, Puerto Sotogrande, Inmobiliaria Espacio, Ferroatlántica and Fertiberia. Besides OHL, at the present time he heads the Villar Mir Group and Villar Mir Energía.

In recognition of "his outstanding and lengthy career at the service of Spain and of the Crown", the King of Spain granted OHL's Chairman the title of Marquis of Villar Mir. The Royal Decree was published on February 4, 2011, one hundred days after OHL had celebrated its one hundredth birthday. It is a title of nobility that crowns the achievements and tireless dedication to work of Juan-Miguel Villar Mir. This distinction is added to other recognitions that the new Marquis has received over the years, including the Grand Crosses of Civil Merit and of Military Merit and the Royal and Very Distinguished Order of Carlos III. Beyond our borders, he has also been singled out for prestigious awards, and perhaps the most outstanding of these was his appointment as a Chevalier of the French Legion of Honor, with which our neighboring country has wished to reward his work in favor of the strengthening of the ties between Spain and France, as well as for refloating Pechiney Metalurgie, a landmark French industry caught up in the maelstrom of the crisis when it was purchased by the Villar Mir Group.

His institutional track record, although more limited in time, is no less meritorious than

his achievements in the business and academic fields. At a very young age he headed the Directorate General of Employment and, several decades later, now in this century, he was elected president of the professional Society of Civil Engineers. The most important milestone of his public career occurred in 1975, when he was appointed Deputy Prime Minister for Economic Affairs and Ministry for Finance in the first Government of the Monarchy. His heightened sense of public service, when a convulsed Spain was initiating its transition to democracy, led him at that time to accept an appointment that he had declined twice when it was proposed to him by Franco. The foundations of Spain's modern fiscal policy date from his presence in the Finance Ministry located on Madrid's Calle de Alcalá.

After leaving the Government in 1976, Villar Mir returned with even greater determination to the business world. The goal of creating his own business was beginning to take shape in his mind. He explored a number of alternatives during that time. He headed Hidro-Nitro, which years later he was to acquire through a takeover bid. He led the Sotogrande marina project and, in La Nava, he started up operations on a rural property that he had purchased years earlier and that became one of the few milk production facilities in Spain to qualify for the maximum European triple A certification.

When in the mid eighties he learned that AHV had decided to sell Obrascón, he did not hesitate to make an offer, after ascertaining that his previous association with the Basque steel maker, terminated twelve years earlier, did not involve

IDENTITY AND TERM OF OFFICE OF THE CHAIRMEN OF OBRASCÓN

Years served	Term	Name
8	1911-1919	José Luis de Villabaso y Gorrita
13	1919-1932	José Joaquín de Ampuero y del Río
28	1932-1960	Julio Francisco de Arteche y Villabaso
4	1960-1964	José de Arestí y Ortiz
4	1964-1968	Gervasio Collar y Luis
1	1968-1969	Pedro Artiach Pérez
3	1969-1972	José María de Ibarrondo y López
1	1972-1973	Diego Martín Peramo
1	1973-1974	Sabas Antonio Marín García
4	1974-1978	Francisco Esteban Rodríguez-Sedano
2	1978-1980	Guillermo Visedo Navarro
6	1980-1986	Juan José Alzugaray y Aguirre
1	1986-1987	Ignacio Hidalgo de Cisneros
24	1987-2011	Juan-Miguel Villar Mir

any legal impediment whatsoever in this regard. Together with his friend and assistant in the Business Organization department he chaired at the University, José Luis García-Villaba, and with the collaboration of the prominent lawyer Daniel García Pita y Pemán, he set to work immediately in order to define the proposal. The purchase offer was for the amount of one peseta, with the commitment of assuming the company's losses and of excluding any claim whatsoever, "as if it were a case of shares purchased on the Stock Exchange". This was the starting point of the present-day OHL, the result of an unprecedented process of business concentration in the construction sector, through which eleven brands were gradually integrated into Obrascón, the most significant of which were the mergers with Huarte in 1998, giving rise to Obrascón Huarte (OH), and with Laín in

1999, completing the present OHL acronym and crowning the climb of Juan-Miguel Villar Mir to greater heights of operating capacity and to achieve a construction company of sufficient size to enable it to undertake construction projects on all levels. Other purchases on a smaller scale also formed a part of this process and consisted mainly of Elsan, Fernández Constructor and Sato.

Following the merger of OH with Lain, the Chairman of the latter, Enrique de Aldama, was appointed President of the Company, an office created expressly on the occasion of the merger and which co-existed with the offices of Chairman of the Board of Directors—whose 14 representatives stand out in this chapter—and Chairman of the Steering Committee, held by Villar Mir. The office of President disappeared when Aldama left the company in 2000.

Academic Background	Shareholder	Lifetime	Origin
Law	B.B., B.V. and B.A.	1852-1919	Basque Country
Law	B.B., B.V. and B.A.	1862-1932	Basque Country
Industrial Engineering	B.B.	1880-1960	Basque Country
Industrial Engineering	B.B.	1895-1983	Basque Country
Law	B.B.	1908-1984	Madrid
Industrial Engineering	B.B.	-	Basque Country
Industrial Engineering	B.B.	1916-1988	Basque Country
Mining Engineering	A.H.V.	1923	Andalusía
Civil Engineering	A.H.V.	1925-1976	Andalusía
Civil Engineering	A.H.V.	1926-2006	Andalusía
Civil Engineering	A.H.V.	1927	Andalusía
Industrial Engineering	A.H.V.	1924-2006	Basque Country
Industrial Engineering	A.H.V.	1924	Basque Country
Civil Engineering	G.V.M.	1931	Madrid

B.B.: Banco de Bilbao. B.V.: Banco de Vizcaya. B.A.: Banca Aldama. A.H.V.: Altos Hornos de Vizcaya. G.V.M.: Grupo Villar Mir

Fifteen executives on the Board of Directors

If the number of Chairmen of Obrascón in the course of one hundred years did not exceed fourteen, the number of executives on the Board of Directors was not very high either; practically the same figure. The reference to these executives is centered both on the category of Managing Director as well as that of director-general manager. The ten Chairmen of the construction company during the first 67 years of its history only had seven executives on the Board of Directors: José de Uribasterra, founder of the company; three civil engineers, Carlos Anabitarte Romero, Francisco Esteban Rodríguez Sedano and Ricardo Moreno Torres, and three industrial engineers, Enrique Idoyaga, Carlos Anabitarte Prieto, son of the former, and Juan José Alzugaray.

Carlos Anabitarte Romero was a native of Guipúzcoa and very closely associated with the Banco de Bilbao, from whose employ he went on to join Obrascón on completing his studies in 1926. He participated very actively in port construction projects, such as the wharves in Vigo and Corunna, dreadnought battleships, at Ferrol; Maliaño wharf, Santander and the dry dock at Cadiz. A brilliant technician, his rules for the calculation of walls for wharves, created in 1935, are still used in the profession today.

He gave momentum to the Obrascón delegation in Madrid starting in the fifties, in order to facilitate diversification in a wide range of projects, which he achieved particularly in building construction. He built residential properties in the Prosperidad neighborhood of the city of Madrid, as well as in Seville and on the Costa del Sol for Inmobiliaria Bilbao, a company he also headed. One of his most outstanding projects was the expansion of the neighborhood of Triana, in Las Palmas de Gran Canaria, gaining from the sea 135,000 square meters of land, later zoned for housing. Obrascón participated in the development of the new area.

This Managing Director established a family tradition in the construction company through his son, **Carlos Anabitarte Prieto**, who did not follow in his father's footsteps academically and preferred industrial engineering. He was appointed general manager in 1972 under the chairmanship of Diego Martín Peramo and, when the company was taken over by AHV in 1973, he was appointed a director of the company and held that office until 1977. He focused his activity on the area of building construction.

Ricardo Moreno Torres was the last of the senior managers of Obrascón who belonged to the Board during the company's final stage in AHV. A graduate of the civil engineering class of 1961, like many of his colleagues in the profession, he had worked previously for Dragados y Construcciones. He also held senior positions with Europistas and Eurovias, among others. He was Managing Director of Obrascón from January to July 1987.

In the last quarter century of Obrascón, then within the Villar Mir Group, only eight senior managers have combined their executive duties with a position on the Board of Directors. In this case, all are or have been civil engineers, except for one, who is an economist and lawyer.

José Luis García-Villalba González, a Madrid civil engineer (1930-2010), joined Obrascón with Juan-Miguel Villar Mir in the summer of 1987. Both led the group of investors who purchased the construction company from Altos Hornos de Vizcaya, although both had already been working together in close cooperation in the academic sphere as well as in business undertakings. In the academic environment, García-Villalba was

a professor in the Business Organization department of the Advanced Civil Engineering School of Madrid, where Villar Mir held the Chair for 25 years.

At Obrascón, García-Villalba was always the alter ego of Villar Mir, first as Managing Director and later as Deputy Chairman of the Board of Directors, both of Obrascón as well as of OH and OHL, until his death in 2010.

Hailing from Aragon and with a Doctorate in civil engineering earned at the age of twenty-two, **Mariano Aísa Gómez** (1941) has extensive experience in the sector. He was Construction manager and a Director of Laing; general manager of Hispano Alemana de Construcciones; Executive Chairman of Auxini and Chairman of Elsan. When Elsan was purchased by Obrascón, Aísa formed a part of the new group, of which he was a Director for a decade and in which he held, successively, the office of Deputy Chairman of OH, Corporate General Manager and Corporate Deputy Chairman of OHL. He left the Group following his retirement and is currently the principal shareholder of Tesela, a holding company that invests in information and communications technology.

Mariano Aísa was also very active in professional associations and institutions. He held the office of Executive President of SEOPAN, the national level association of construction companies; President of ANCOP, the National Association of Public Works Contractors; Vice-President of the National Construction Confederation, and was a member of the CEOE Executive Board and Chairman of that organization's Infrastructures Committee.

José Antonio Fernández Eléjaga was general manager of administration and finance of Obrascón for 38 years. With a graduate degree in Economics from the Commercial University of Deusto, in the city of his birth, and in Law from the University of Valladolid, he joined Obrascón in 1974, after having worked for ten years at General Electric España.

While employed as an assistant to the Administrative and Financial corporate manager of the Spanish subsidiary of the U.S. giant, he was recruited to take charge of the Economic and Financial management of Obrascón and headed this area during the Altos Hornos era, first, and in the ensuing Villar Mir Group stage afterwards. He was a member of the Board of Directors of Obrascón and Obrascón Huarte during the 1996, 1997 and 1998 financial years.

Francisco Marín Andrés, a La Mancha native of Albacete, civil engineer and with a diploma in Business Administration from the IESE, joined Obrascón in 1986. He had previously worked for Ferrovial during a period of fifteen years, where he held the positions of Head of the Civil Works department, of the International Area with a posting in Mexico and, finally, as regional manager for the Basque Country. In this last stage, he participated in major projects, such as the super-port of Bilbao, the Príncipe de Asturias Wharf and the North Vitoria Bypass.

At Obrascón, where he has completed almost a quarter of a century, he served as general manager of Construction and of Civil Works in Obrascón Huarte and in OHL. Since March 2002, he has been International Construction general manager of OHL, eight years in which he has given impetus to and driven the presence of the one-hundred-year-old construction company in more than 27 countries, making an outstanding contribution to the growth of the Group. In 2011, he was appointed Chairman of OHL Construcción Internacional. He served on the Board of Directors of Obrascón and Obrascón Huarte in the 1996, 1997 and 1998 financial years.

Pedro María Rodríguez Inciarte (San Sebastián-Guipúzcoa, 1950) graduated as a civil engineer in 1973. The current Chairman and Managing Director of SATO joined Obrascón, holding these same positions, in 1996, after the acquisition of the OHL subsidiary specialized in port construction, in which he had served as Managing Director and general manager. His professional career has always been associated with SATO, where he commenced employment in 1974, in the Studies and Design department. Between 1974 and 1986, he headed a number of projects undertaken by the company and prepared several bids, in addition to continuing to work with the Studies and Design department. In January 1986, he was appointed assistant general manager of the company, a position he held until 1989, the year he became Managing Director and general manager. Rodríguez Inciarte was a member of the Board of Directors of Obrascón in 1996 and 1997 and of Obrascón Huarte in 1998, on this latter occasion as the representative of the company Viango, S.L.

Julián Núñez Olías obtained his doctorate in civil engineering in 1964. He has held the positions of general manager of Agromán (1986), of Comylsa (1990), Executive Chairman of Tecsa (1993) and Managing Director of Construcciones Lain. Following the merger of Lain with Obrascón Huarte, he joined OHL, where he was Deputy Chairman and Managing Director of OHL Construcción, performing the same duties in identical positions in OHL Concesiones. He led the entry of OHL into the infrastructure concession business, a highly successful move that has taken the OHL Group to top positions in the ranking of construction companies specialized in infrastructures under concession.

Juan-Miguel Foulquié Usan (Madrid, 1948) also graduated as a civil engineer in 1972. He was a sole-company professional, first with Huarte for 25 years, where he rose to the position of delegate in Las Palmas and Building Construction delegate in Madrid, as well as Building Construction manager for the central zone. He also managed the real estate activities and was a Director and the Real Estate and Subsidiaries general manager.

With the Obrascón Huarte merger, Foulquié maintained his place on the OH Board and managed the international activities as well as the area of real estate and subsidiaries in the new company. He maintained the same responsibilities in OHL until he was appointed Construction general manager in 2000 and, one year later, Managing Director, a position he was forced to abandon three years later, due to an illness.

Rafael Martín de Nicolás Cañas (Madrid, 1958) is a Madrid civil engineer whose family was originally from La Mancha. He is also a civil engineer, having graduated in 1982 from the Polytechnic University of Madrid's Engineering School, and obtained a PADE (Senior Management Program diploma) from the IESE. He worked for a number of construction companies, including Cubiertas MZOV (now integrated in Acciona) and the engineering firm Eptisa, until joining Obrascón in 1987. Since that time he has held the positions of general manager of Sato, Civil Works general manager and, as from 2004, is a director and the OHL Construcción general manager.

Beyond the inevitable task of management inherent to his category of executive director, Martín de Nicolás has participated professionally in many civil works projects, particularly in marine works, such as the ports of Alicante, Barcelona, Algeciras, Bilbao, Gijón and Corunna, while the Pamplona-San Sebastián freeway and the Vélez Malaga-Marbella corridor stand out among his contributions to roads projects.

FIFTEEN EXECUTIVES ON THE BOARD OF DIRECTORS			
Name	Profession	Positions held in the company	Years on the Board
José de Uribasterra y Bernaola	Builder	Founder and General Manager	1921-1941
Enrique Idoyaga Galdir	Industrial Engineer	Managing Director	1934-1960
Carlos Anabitarte Romero	Civil Engineer	General Manager and Managing Director	1964-1969
Carlos Anabitarte Prieto	Industrial Engineer	General Manager	1973-1977
Ricardo Moreno Torres	Civil Engineer	Managing Director	1987
José Luis García Villalba González	Civil Engineer	Managing Director and Deputy Chairman	1987-2010
Mariano Aísa	Civil Engineer	Deputy Chairman, Corporate General Manager and Corporate Deputy Chairman	1996 - 2006
José Antonio Fernández Eléjaga	Economist	Economic and Financial Manager	1996-1998
Francisco Marín Andrés	Civil Engineer	General Manager of Construction, Civil Works and International Construction	1996-1998
Pedro María Rodríguez Inciarte	Civil Engineer	Chairman and Managing Director of SATO	1996-1998
Julián Núñez Olías	Civil Engineer	Deputy Chairman and Managing Director of OHL Construcción. Same positions in OHL Concesiones	1999
Juan-Miguel Foulquié Usan	Civil Engineer	International Affairs, Real Estate and Subsidiaries Manager, Construction General Manager and Managing Director	1998. 2001-2003
Rafael Martín de Nicolás Cañas	Civil Engineer	General Manager of SATO, Civil Works General Manager and Construction General Manager	2004-2011

Enrique de Aldama y Miñón was born in Madrid in 1933, and his friends coincide in defining him as “a quiet man”. With a doctorate in civil engineering, he accumulated more than twenty senior institutional and political positions, including President of SEOPAN, Vice-President of the CEOE, the Directorates General of Roads (1974-1977) and of RENFE (1978-1980), and the position of permanent secretary of the Ministry of Industry and Energy (1980-1982). Following his departure from OHL, he coordinated the so-called “Aldama Report”, the origin of the law that standardized good governance practices in listed companies and that took him to the chairmanship of the Special Commission for promoting transparency in the financial markets and listed companies. In the sphere of private enterprise, Aldama was Managing Director of Agromán (1986-1989). He died in 2008.

The process of refloating of Obrascón until arriving at OHL still left Juan-Miguel Villar Mir time for introducing himself into many other businesses, which today comprise his present business consortium. Companies co-exist with OHL in the Villar Mir Group that are as significant as Ferroatlántica, the first world manufacturer of silicon metal; Fertiberia, the primary European producer of fertilizers; Villar Mir Energía, electricity producer and marketer; Pacadar, specialized in large-scale prefabricated elements for infrastructures, and Inmobiliaria Espacio, the Group’s real estate branch.

In 2008, the central office of the Villar Mir Group moved to Torre Espacio, one of the four skyscrapers

that dot the Paseo de la Castellana, to the north of Spain’s capital. Juan-Miguel Villar Mir, its founder and owner, thus fulfilled his dream of bringing together all of his teams at one location. The spectacular skyscraper accommodates –among other relevant institutions and companies– the Villar Mir Group, whose turnover totaled approximately 8,000 million euros in 2010.

Characterized by very balanced development, the Group leads several productions in the domestic market and stands out for its internationalization. It is established in 32 countries, has a commercial presence in another 17, employs two-thirds of its 30,000 workers abroad and makes more than half of its total sales outside of Spain, together with close to three-fourths of its Ebitda. OHL is the crown jewel of the Group, to which it contributes more than 60% of its turnover and one-third of the net profit attributable to the Villar Mir Group.



FROM OBRASCÓN TO OHL
CHRONICLE OF A CENTURY
1911-2011



Appendices

APPENDIX 1

THE BOARDS OF DIRECTORS BETWEEN 1911 AND 1987. IDENTITY OF THEIR MEMBERS							End of
Surnames and Name	Director	Appointment				Secretary	Term Date
		Sole Dir.	Chairman	Dep. Chairman	Managing Dir.		
FROM MAY 1911 TO APRIL 1920							
VILLABASO Y GORRITA, JOSE LUIS	5/15/1911		5/15/1911				7/26/1919
OCHARAN Y RODRIGUEZ, ENRIQUE	5/5/1911			5/15/1911			4/30/1914
AMPUERO Y DEL RIO, JOSE JOAQUIN	5/15/1911					5/15/1911	
ARTECHE VILLABASO, JULIO	5/15/1911						
USSIA Y CUBAS, FRANCISCO	5/15/1911						
ECHAVARRIETA, HORACIO	4/30/1914			4/30/1914			4/29/1920
FROM APRIL 1920 TO FEB 1932							
AMPUERO Y DEL RIO, JOSE JOAQUIN	5/15/1911		4/29/1920				1/7/1932
ARTECHE VILLABASO, JULIO	5/15/1911			4/6/1921			
USSIA Y CUBAS, FRANCISCO	5/5/1911						7/8/1931
ORTIZ DE SOLORZANO, TOMAS	4/29/1920						
URIBASTERRA BERNAOLA, JOSE	4/16/1921						
CORTINA Y ARTETA, EVENCIO	8/10/1931						
GONDRA Y LAZURTEGUI, RICARDO	8/10/1931						
FROM FEB 1932 TO JULY 1960							
ARTECHE VILLABASO, JULIO	5/15/1911		2/6/1932				7/12/1960
ORTIZ DE SOLORZANO, TOMAS	4/29/1920						1/4/1934
URIBASTERRA BERNAOLA, JOSE	4/16/1921						1/17/1941
CORTINA Y ARTETA, EVENCIO	8/10/1931			2/6/1932			8/1/1935
GONDRA Y LAZURTEGUI, RICARDO	8/10/1931			4/25/1936			4/7/1951
AMPUERO GANDARIAS, JOSE MARIA	2/6/1932						
IDOYAGA GALDIR, ENRIQUE	7/16/1934				7/16/1934	2/12/1953	5/20/1960
ARETI Y ORTIZ, JOSE	9/2/1935						
ORTIZ DE SOLORZANO, TOMAS	8/4/1937						12/15/1946
ANABITARTE ROMERO, CARLOS	2/12/1953					6/22/1960	
FROM JULY 1960 TO JUNE 1964							
ARETI Y ORTIZ, JOSE	9/2/1935		7/22/1960				
AMPUERO GANDARIAS, JOSE MARIA	2/6/1932						6/3/1963
ANABITARTE ROMERO, CARLOS	2/12/1953					6/22/1960	
FROM JUNE 1964 TO MARCH 1968							
COLLAR Y LUIS, GERVASIO	6/27/1964		6/27/1964				3/8/1969
ARETI Y ORTIZ, JOSE	9/2/1935						3/8/1969
ANABITARTE ROMERO, CARLOS	2/12/1953				6/27/1964	6/22/1960	
AGUIRRE Y ACHUTEGUI, JUAN MARIA	6/27/1964						
AMPUERO Y GANDARIAS, PEDRO	6/27/1964						
CHURRUCA Y CALBETON, ALFONSO	6/27/1964						3/8/1969
GARCIA-MONCO Y FERNANDEZ, FAUSTINO	6/27/1964						3/8/1969
LAISECA Y ALLENDE, GABRIEL	6/27/1964						
FROM MARCH 1968 TO MARCH 1969							
ARTIACH Y PEREZ, PEDRO	3/8/1968		3/8/1968				3/15/1969
ANABITARTE ROMERO, CARLOS	2/12/1953				6/27/1964	6/22/1960	3/15/1969
AMPUERO Y GANDARIAS, PEDRO	6/27/1964						3/15/1969
LAISECA Y ALLENDE, GABRIEL	6/27/1964						3/15/1969
LOPEZ DE LETONA Y RUEDA, ANSELMO	3/8/1968						3/15/1969
AGUIRRE Y ACHUTEGUI, JUAN MARIA	3/8/1968						3/15/1969
GANDARIAS Y CORRAL, ALEJANDRO	3/8/1968						3/15/1969
ZUBIRIA Y URIZAR, JOSE MARIA	3/8/1968						3/15/1969
GUZMAN Y MARTINEZ, ENRIQUE	3/8/1968						3/15/1969
AGUIRRE Y OLABARRI, JAIME	3/8/1968						3/15/1969
URIEN Y GOIRICELAYA, CEFERINO	3/8/1968						3/15/1969
GONZALEZ DE ECHAVARRI Y ORTIZ DE							
URBINA, JOSE IGNACIO	3/8/1968						3/15/1969
SANCHEZ ASIAIN, JOSE ANGEL	3/8/1968						3/15/1969
EIZAGA Y GONDRA, MARTIN	3/8/1968					3/15/1969	3/15/1969
ARAMBURU Y SALAZAR, JOSE ANTONIO	3/8/1968						3/15/1969

APPENDIX 1 CONTINUED

THE BOARDS OF DIRECTORS BETWEEN 1911 AND 1987. IDENTITY OF THEIR MEMBERS							End of
Surnames and Name	Appointment						Term Date
	Director	Sole Dir.	Chairman	Dep. Chairman	Managing Dir.	Secretary	
SOLE DIR. MARCH 1969 TO MARCH 1972							
IBARRONDO LOPEZ, JOSE MARIA		3/15/1969					3/13/1972
FROM MARCH 1972 TO JUNE 1973							
MARTIN PERAMO, DIEGO	3/13/1972		3/13/1972				6/4/1973
CAMINO CHAVES, ESTEBAN	3/13/1972						6/4/1973
CADENAS CORONADO, JESUS	3/13/1972						6/4/1973
GURPIDE HUARTE, JOSE JAVIER	3/13/1972						6/4/1973
MOLINUEVO IZAGUIRRE, FAUSTINO	3/13/1972						6/4/1973
HERNANI CASTILLO, LUIS	3/13/1972						6/4/1973
ANABITARTE PRIETO, CARLOS JOSE							
FROM JUNE 1973 TO JAN 1974							
MARIN GARCIA, SABAS ANTONIO	6/4/1973		6/4/1973				1/9/1974
GUILLERMO VISEDO NAVARRO (AHV)	6/4/1973						
JUAN LUIS BURGOS MARIN (AHV)	6/4/1973						
MARTIN PERAMO, DIEGO (B.B.)	3/13/1972						
NEBREDAS MIGUEL, JOAQUIN (B.V.)	6/4/1973						
CABELLO DE ALBA Y GRACIA, RAFAEL (B.U.)	6/4/1973						
ANABITARTE PRIETO, CARLOS JOSE	6/4/1973						
MARON ALLENDE, BENJAMIN	6/26/1973 W.D.						
FROM JAN 1974 TO NOV 1974							
GUILLERMO VISEDO NAVARRO (AHV)	6/4/1973			1/9/1974			
ESTEBAN RODRIGUEZ-SEDANO, FRANCISCO	1/9/1974				1/9/1974		
JUAN LUIS BURGOS MARIN (AHV)	6/4/1973						
MARTIN PERAMO, DIEGO (B.B.)	3/13/1972						
NEBREDAS MIGUEL, JOAQUIN (B.V.)	6/4/1973						
CABELLO DE ALBA Y GRACIA, RAFAEL (B.U.)	6/4/1973						
ANABITARTE PRIETO, CARLOS JOSE	6/4/1973						
DEVONSHIRE, ROBERT W. (U.S. STEEL.)	2/15/1974						
MARON ALLENDE, BENJAMIN	6/26/1973 W.D.						
FROM NOV 1974 TO MARCH 1978							
ESTEBAN RODRIGUEZ-SEDANO, FRANCISCO	1/9/1974		11/6/1974				3/20/1978
GUILLERMO VISEDO NAVARRO	6/4/1973			1/9/1974			
Id. Id.	6/4/1973						
MARTIN PERAMO, DIEGO (B.B.)	3/13/1972						9/15/1977
JUAN LUIS BURGOS MARIN	6/4/1973						4/30/1977
ANABITARTE PRIETO, CARLOS JOSE	6/4/1973						6/24/1975
NEBREDAS MIGUEL, JOAQUIN	6/4/1973						12/18/1974
CABELLO DE ALBA Y GRACIA, RAFAEL (B.U.)	6/4/1973						12/20/1977
Id. Id.	3/9/1976						12/20/1977
DEVONSHIRE, ROBERT W. (U.S. STEEL)	2/15/1974						12/20/1977
REYNA LANDECHE, LUIS	2/25/1975						3/9/1976
BANCO DE VIZCAYA S.A., represented by D. Joaquín Nebreda Miguel	6/24/1975						12/20/1977
ALTOS HORNOS DE VIZCAYA S.A., represented by D. E. Aldama y Miñón	9/15/1977			10/6/1977			
RUDOLPHY, EDWARD P. (U.S. STEEL)	12/20/1977						
RODRIGUEZ BALLESTER, SANTIAGO (B.V.)	12/20/1977						
MARON ALLENDE, BENJAMIN	6/26/1973 W.D.						
FROM MARCH 1978 TO JULY 1978							
ALTOS HORNOS DE VIZCAYA S.A., represented by E. Aldama y Miñón and/or others	9/15/1977			10/6/1977			7/28/1978
GUILLERMO VISEDO NAVARRO (AHV)	6/5/1973						
JUAN LUIS BURGOS MARIN (AHV)	4/12/1978						
RUDOLPHY, EDWARD P. (U.S. STEEL)	12/20/1977						
MARTIN PERAMO, DIEGO (B.B.)	3/13/1972						
RODRIGUEZ BALLESTER, SANTIAGO (B.V.)	12/20/1977						
CLAUDIO HERNANDEZ-ROS CODORNIU (B.U.)	4/12/1978						

APPENDIX 1 CONTINUED

THE BOARDS OF DIRECTORS BETWEEN 1911 AND 1987. IDENTITY OF THEIR MEMBERS							End of
Surnames and Name	Appointment						Term Date
	Director	Sole Dir.	Chairman	Dep. Chairman	Managing Dir.	Secretary	
FROM JULY 1978 TO MARCH 1980							
ALTOS HORNOS DE VIZCAYA S.A., represented by D. G. Visedo Navarro	9/15/1977		7/28/1978				3/28/1980
JUAN LUIS BURGOS MARIN (AHV)	4/12/1978			7/28/1978			9/28/1979
RUDOLPHY, EDWARD P. (U.S. STEEL)	12/20/1977						3/28/1980
MARTIN PERAMO, DIEGO (B.B.)	3/13/1972						12/31/1979
RODRIGUEZ BALLESTER, SANTIAGO (B.V.)	12/20/1977						3/28/1979
CLAUDIO HERNANDEZ-ROS CODORNIU (B.U.)	4/12/1978						4/18/1979
JUAN JOSE ALZUGARAY AGUIRRE	7/28/1978				7/28/1978		
FERNANDO LABAD SASAIN	9/28/1979						3/28/1980
SOLE DIR. MARCH 1980 TO DECEMBER 1985							
JUAN JOSE ALZUGARAY AGUIRRE	7/28/1978	3/28/1980					12/31/1985
SOLE DIR. JANUARY 1986 TO JANUARY 1987							
IGNACIO HIDALGO DE CISNEROS ALONSO	1/1/1986	1/1/1986					
FROM JAN 1987 TO JULY 1987							
IGNACIO HIDALGO DE CISNEROS ALONSO	1/1/1986		1/9/1987				7/3/1987
JAVIER PEREZ-AGOTE POVEDA	1/9/1987						7/3/1987
JOSE MARIA CORTINA RUIZ	1/9/1987						7/3/1987
RICARDO MORENO TORRES	1/9/1987			1/9/1987			7/13/1987

Footnote: AHV (Altos Hornos de Vizcaya), B.B. (Banco de Bilbao), B.V. (Banco de Vizcaya), B.U. (Banco Urquijo), W.D. (Worker Director).

APPENDIX 2

THE BOARDS OF DIRECTORS BETWEEN 1987 AND 2011. IDENTITY OF THEIR MEMBERS					
Surnames and Name	Appointment		Chairman	Deputy Chairman	Managing Dir.
	Director	Sole Dir.			
JUAN-MIGUEL VILLAR MIR	8/1/1987		8/1/1987		
JOSE LUIS GARCIA-VILLALBA GONZALEZ	8/1/1987			8/1/1987	8/1/1987
LUIS BLASCO BOSQUED	8/1/1987				
BOARD 1988 to 1991					
JUAN-MIGUEL VILLAR MIR	8/1/1987		8/1/1987		
JOSE LUIS GARCIA-VILLALBA GONZALEZ	8/1/1987			8/1/1987	8/1/1987
LUIS BLASCO BOSQUED	8/1/1987				
JAIME VEGA DE SEOANE Y AZPILICUETA	1988				
BOARD 1992					
JUAN-MIGUEL VILLAR MIR	8/1/1987		8/1/1987		
JOSE LUIS GARCIA-VILLALBA GONZALEZ	8/1/1987			8/1/1987	8/1/1987
LUIS BLASCO BOSQUED	8/1/1987				
JAIME VEGA DE SEOANE Y AZPILICUETA	6/30/1988				
JAVIER LOPEZ MADRID	1992				
BOARD 1993					
JUAN-MIGUEL VILLAR MIR	8/1/1987		8/1/1987		
JOSE LUIS GARCIA-VILLALBA GONZALEZ	8/1/1987			8/1/1987	8/1/1987
LUIS BLASCO BOSQUED	8/1/1987				
JAVIER LOPEZ MADRID	1992				
FERNANDO CASTROMIL SANCHEZ	1993				
BOARD 1994 to 1995					
JUAN-MIGUEL VILLAR MIR	8/1/1987		8/1/1987		
JOSE LUIS GARCIA-VILLALBA GONZALEZ	8/1/1987			8/1/1987	8/1/1987
LUIS BLASCO BOSQUED	8/1/1987				
JAVIER LOPEZ MADRID	1992				
FERNANDO CASTROMIL SANCHEZ	1993				
JAIME VEGA DE SEOANE Y AZPILICUETA	1994				
BOARD 1996					
JUAN-MIGUEL VILLAR MIR	8/1/1987		8/1/1987		
JOSE LUIS GARCIA-VILLALBA GONZALEZ	8/1/1987			8/1/1987 1 st Dep. Chm.	8/1/1987
MARIANO AISA GOMEZ	1996			1996 2 nd Dep. Chm.	
LUIS BLASCO BOSQUED	8/1/1987				
JAVIER LOPEZ MADRID	1992				
FERNANDO CASTROMIL SANCHEZ	1993				
JAIME VEGA DE SEOANE Y AZPILICUETA	1994				
JOSE ANTONIO FERNANDEZ ELEJAGA	1996				
TOMAS GARCIA MADRID	1996				
JOAQUIN GARCIA-QUIROS RODRIGUEZ (Saarema Inversiones)	1996				
FRANCISCO MARIN ANDRES	1996				
PEDRO RODRIGUEZ INCIARTE	1996				
JUAN VILLAR-MIR DE FUENTES	1996				
BOARD 1997					
JUAN-MIGUEL VILLAR MIR	8/1/1987		8/1/1987		
JOSE LUIS GARCIA-VILLALBA GONZALEZ	8/1/1987			8/1/1987 1 st Dep. Chm.	8/1/1987
MARIANO AISA GOMEZ	1996			1996 2 nd Dep. Chm.	
LUIS BLASCO BOSQUED	8/1/1987				
JAVIER LOPEZ MADRID	1992				
JAIME VEGA DE SEOANE Y AZPILICUETA	1994				
JOSE ANTONIO FERNANDEZ ELEJAGA	1996				
TOMAS GARCIA MADRID	1996				
JOAQUIN GARCIA-QUIROS RODRIGUEZ (Saarema Inversiones)	1996				
FRANCISCO MARIN ANDRES	1996				
PEDRO RODRIGUEZ INCIARTE	1996				
JUAN VILLAR-MIR DE FUENTES	1996				

APPENDIX 2 CONTINUED

THE BOARDS OF DIRECTORS BETWEEN 1987 AND 2011. IDENTITY OF THEIR MEMBERS					
Surnames and Name	Appointment				
	Director	Sole Dir.	Chairman	Deputy Chairman	Managing Dir.
BOARD 1998 (OBRASCÓN HUARTE)					
JUAN-MIGUEL VILLAR MIR	8/1/1987		8/1/1987		
JOSE LUIS GARCIA-VILLALBA GONZALEZ	8/1/1987			8/1/1987 1 st Dep. Chm.	8/1/1987
MARIANO AISA GOMEZ	1996			1998 3 st Dep. Chm.	
LUIS BLASCO BOSQUED	8/1/1987				
JAVIER LOPEZ MADRID	1992				
JAIME VEGA DE SEOANE Y AZPILICUETA	1994				
JOSE ANTONIO FERNANDEZ ELEJAGA	1996				
TOMAS GARCIA MADRID	1996				
JOAQUIN GARCIA -QUIROS RODRIGUEZ (Saarema Inversiones)	1996				
FRANCISCO MARIN ANDRES	1996				
PEDRO RODRIGUEZ INCIARTE (Viango S.L.)	1996				
JUAN VILLAR-MIR DE FUENTES	1996				
VIDAL AMATRIAIN SOLA	1998				
JUAN MIGUEL FOULQUIE USAN	1998				
RAFAEL GOMEZ PEREZAGUA	1998				
VICTOR MORTE CASABO	1998				
BOARD 1999 (OHL)					
JUAN-MIGUEL VILLAR MIR	8/1/1987		8/1/1987		
ENRIQUE DE ALDAMA Y MIÑON	1999		6/21/2005		
JOSE LUIS GARCIA-VILLALBA GONZALEZ	8/1/1987			8/1/1987 1 st Dep. Chm.	8/1/1987
JULIAN NUÑEZ OLIAS	1999			1999 2 nd Dep. Chm.	
MARIANO AISA GOMEZ	1996				
LUIS BLASCO BOSQUED	8/1/1987				
JAVIER LOPEZ MADRID	1992				
JAIME VEGA DE SEOANE Y AZPILICUETA	1994				
TOMAS GARCIA MADRID	1996				
JOAQUIN GARCIA-QUIROS RODRIGUEZ (Saarema Inversiones)	1996				
JUAN VILLAR-MIR DE FUENTES	1996				
VICTOR MORTE CASABO	1998				
LADISLAO DE ARRIBA AZCONA	1999				
FERNANDO FERNANDEZ-TAPIAS ROMAN	1999				
LUIGI MICHETTI	1999				
JUAN MATO RODRIGUEZ	1999				
RAFAEL NARANJO ANEGON	1999				
KARL RÖNNBERG	1999				
LUIS SOLERA GUTIERREZ	1999				
BOARD 2000 (OHL)					
JUAN-MIGUEL VILLAR MIR	8/1/1987		8/1/1987		
JOSE LUIS GARCIA-VILLALBA GONZALEZ	8/1/1987			8/1/1987	8/1/1987
MARIANO AISA GOMEZ	1996				
LUIS BLASCO BOSQUED	8/1/1987				
JAVIER LOPEZ MADRID	1992				
JAIME VEGA DE SEOANE Y AZPILICUETA	1994				
TOMAS GARCIA MADRID	1996				
JOAQUIN GARCIA-QUIROS RODRIGUEZ (Saarema Inversiones)	1996				
JUAN VILLAR-MIR DE FUENTES	1996				
LADISLAO DE ARRIBA AZCONA	1999				
JUAN MATO RODRIGUEZ	1999				
KARL RÖNNBERG	1999				
LUIS SOLERA GUTIERREZ	1999				
BOARD 2001 (OHL)					
JUAN-MIGUEL VILLAR MIR	8/1/1987		8/1/1987		
JOSE LUIS GARCIA-VILLALBA GONZALEZ	8/1/1987			8/1/1987 1 st Dep. Chm.	
MARIANO AISA GOMEZ	1996			2001 2 nd Dep. Chm.	
JUAN-MIGUEL FOULQUIE USAN	2001				2001
LUIS BLASCO BOSQUED	8/1/1987				

APPENDIX 2 CONTINUED

THE BOARDS OF DIRECTORS BETWEEN 1987 AND 2011. IDENTITY OF THEIR MEMBERS					
Surnames and Name	Appointment				
	Director	Sole Dir.	Chairman	Deputy Chairman	Managing Dir.
JAVIER LOPEZ MADRID	1992				
JAIME VEGA DE SEOANE Y AZPILICUETA	1994				
TOMAS GARCIA MADRID	1996				
JOAQUIN GARCIA-QUIROS RODRIGUEZ (Saarema Inversiones)	1996				
JUAN VILLAR-MIR DE FUENTES	1996				
LADISLAO DE ARRIBA AZCONA	1999				
JUAN MATO RODRIGUEZ	1999				
KARL RÖNNBERG PASAPT	1999				
LUIS SOLERA GUTIERREZ	1999				
BOARD 2002 (OHL)					
JUAN-MIGUEL VILLAR MIR	8/1/1987		8/1/1987		
JOSE LUIS GARCIA-VILLALBA GONZALEZ	8/1/1987			8/1/1987 1 st Dep. Chm.	
MARIANO AISA GOMEZ	1996			2001 2 st Dep. Chm.	
JUAN-MIGUEL FOULQUIE USAN	2001				2001
LUIS BLASCO BOSQUED	8/1/1987				
JAVIER LOPEZ MADRID	1992				
JAIME VEGA DE SEOANE Y AZPILICUETA	1994				
TOMAS GARCIA MADRID	1996				
JOAQUIN GARCIA-QUIROS RODRIGUEZ (Saarema Inversiones)	1996				
JUAN VILLAR-MIR DE FUENTES	1996				
JUAN MATO RODRIGUEZ	1999				
KARL RÖNNBERG PASAPT	1999				
LUIS SOLERA GUTIÉRREZ	1999				
BOARD 2003 (OHL)					
JUAN-MIGUEL VILLAR MIR	8/1/1987		8/1/1987		
JOSE LUIS GARCIA-VILLALBA GONZALEZ	8/1/1987			8/1/1987 1 st Dep. Chm.	
MARIANO AISA GOMEZ	1996			2001 2 st Dep. Chm.	
JUAN-MIGUEL FOULQUIE USAN	2001				2001
LUIS BLASCO BOSQUED	8/1/1987				
JAVIER LOPEZ MADRID	1992				
JAIME VEGA DE SEOANE Y AZPILICUETA	1994				
TOMAS GARCIA MADRID	1996				
JOAQUIN GARCIA-QUIROS RODRIGUEZ (Saarema Inversiones)	1996				
JUAN VILLAR-MIR DE FUENTES	1996				
JUAN MATO RODRIGUEZ	1999				
LUIS SOLERA GUTIERREZ	1999				
BOARD 2004 (OHL)					
JUAN-MIGUEL VILLAR MIR	8/1/1987		8/1/1987		
JOSE LUIS GARCIA-VILLALBA GONZALEZ	8/1/1987			8/1/1987 1 st Dep. Chm.	
MARIANO AISA GOMEZ	1996			2001 2 st Dep. Chm.	
RAFAEL MARTIN DE NICOLAS CAÑAS	2004				
LUIS BLASCO BOSQUED	8/1/1987				
JAVIER LOPEZ MADRID	1992				
JAIME VEGA DE SEOANE Y AZPILICUETA	1994				
TOMAS GARCIA MADRID	1996				
JOAQUIN GARCIA-QUIROS RODRIGUEZ (Saarema Inversiones)	1996				
JUAN VILLAR-MIR DE FUENTES	1996				
JUAN MATO RODRIGUEZ	1999				
LUIS SOLERA GUTIERREZ	1999				
BOARD 2005 (OHL)					
JUAN-MIGUEL VILLAR MIR	8/1/1987		8/1/1987		
JOSE LUIS GARCIA-VILLALBA GONZALEZ	8/1/1987			8/1/1987 1 st Dep. Chm.	
MARIANO AISA GOMEZ	1996			2001 2 st Dep. Chm.	
RAFAEL MARTIN DE NICOLAS CAÑAS	2004				
JAVIER LOPEZ MADRID	1992				
JAIME VEGA DE SEOANE Y AZPILICUETA	1994				

APPENDIX 2 CONTINUED

THE BOARDS OF DIRECTORS BETWEEN 1987 AND 2011. IDENTITY OF THEIR MEMBERS					
Surnames and Name	Appointment				
	Director	Sole Dir.	Chairman	Deputy Chairman	Managing Dir.
TOMAS GARCIA MADRID	1996				
JOAQUIN GARCIA-QUIROS RODRIGUEZ (Saarema Inversiones)	1996				
JUAN VILLAR-MIR DE FUENTES	1996				
JUAN MATO RODRIGUEZ	1999				
LUIS SOLERA GUTIERREZ	1999				
BALTASAR AYMERICH COROMINAS	2005				
BOARD 2006 (OHL)					
JUAN-MIGUEL VILLAR MIR	8/1/1987		8/1/1987		
JOSE LUIS GARCIA-VILLALBA GONZALEZ	8/1/1987			8/1/1987 1 st Dep. Chm.	
JUAN VILLAR-MIR DE FUENTES	1996			2005 2 st Dep. Chm.	
MARIANO AISA GOMEZ	1996				
RAFAEL MARTIN DE NICOLAS CAÑAS	2004				
JAVIER LOPEZ MADRID	1992				
JAIME VEGA DE SEOANE Y AZPILICUETA	1994				
TOMAS GARCIA MADRID	1996				
JOAQUIN GARCIA-QUIROS RODRIGUEZ (Saarema Inversiones)	1996				
JUAN MATO RODRIGUEZ	1999				
LUIS SOLERA GUTIERREZ	1999				
BALTASAR AYMERICH COROMINAS	2005				
BOARD 2007 (OHL)					
JUAN-MIGUEL VILLAR MIR	8/1/1987		8/1/1987		
JOSE LUIS GARCIA-VILLALBA GONZALEZ	8/1/1987			8/1/1987 1 st Dep. Chm.	
JUAN VILLAR-MIR DE FUENTES	1996			2005 2 st Dep. Chm.	
RAFAEL MARTIN DE NICOLAS CAÑAS	2004				
JAVIER LOPEZ MADRID	1992				
JAIME VEGA DE SEOANE Y AZPILICUETA	1994				
TOMAS GARCIA MADRID	1996				
JOAQUIN GARCIA-QUIROS RODRIGUEZ (Saarema Inversiones)	1996				
JUAN MATO RODRIGUEZ	1999				
LUIS SOLERA GUTIERREZ	1999				
BALTASAR AYMERICH COROMINAS	2005				
BOARD 2008-2009 (OHL)					
JUAN-MIGUEL VILLAR MIR	8/1/1987		8/1/1987		
JOSE LUIS GARCIA-VILLALBA GONZALEZ	8/1/1987			8/1/1987 1 st Dep. Chm.	
JUAN VILLAR-MIR DE FUENTES	1996			2005 2 st Dep. Chm.	
RAFAEL MARTIN DE NICOLAS CAÑAS	2004				
JAVIER LOPEZ MADRID	1992				
JAIME VEGA DE SEOANE Y AZPILICUETA	1994				
TOMAS GARCIA MADRID	1996				
JOAQUIN GARCIA-QUIROS RODRIGUEZ (Saarema Inversiones)	1996				
JUAN MATO RODRIGUEZ	1999				
LUIS SOLERA GUTIERREZ	1999				
BALTASAR AYMERICH COROMINAS	2005				
SILVIA VILLAR-MIR DE FUENTES	2008				
BOARD 2010 (OHL)					
JUAN-MIGUEL VILLAR MIR	8/1/1987		8/1/1987		
JUAN VILLAR-MIR DE FUENTES	1996			2005	
RAFAEL MARTIN DE NICOLAS CAÑAS	2004				
JAVIER LOPEZ MADRID	1992				
TOMAS GARCIA MADRID	1996				
JOAQUIN GARCIA-QUIROS RODRIGUEZ (Saarema Inversiones)	1996				
JUAN MATO RODRIGUEZ	1999				
LUIS SOLERA GUTIERREZ	1999				
BALTASAR AYMERICH COROMINAS	2005				
SILVIA VILLAR-MIR DE FUENTES	2008				
ALVARO VILLAR-MIR DE FUENTES	2010				
ALBERTO MIGUEL TEROL ESTEBAN	2010				



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