



**REPORT PRODUCED BY THE BOARD OF DIRECTORS OF FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A. IN RELATION TO THE PROPOSAL REFERRED TO IN ITEM 5 OF THE AGENDA OF THE ORDINARY GENERAL MEETING OF SHAREHOLDERS CONVENED FOR 28 JUNE 2016, IN THE FIRST CALL, AND 29 JUNE IN THE SECOND CALL (PROPOSAL TO AMEND THE RULES OF THE GENERAL MEETING)**

**04 May 2016**



**REPORT DRAWN UP BY THE BOARD OF DIRECTORS OF FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A. TO JUSTIFY THE PROPOSED AMENDMENT TO THE RULES OF THE GENERAL MEETING OF SHAREHOLDERS**

**1. INTRODUCTION AND PURPOSE OF THE REPORT**

This Report is established by the Board of Directors of FCC to justify the proposed resolution submitted for the approval of the Ordinary General Meeting of Shareholders convened for 28 June 2016 at 4 p.m., in the first call, and 29 June at the same time in the second call, under item Five of the Agenda.

By virtue of the foregoing, this report is established by the Board of Directors with a view to explaining the amendment to the Rules of the General Meeting following the changes made to the Capital Company Law by Law 5/2015, of 27 April, on the Promotion of Business Financing and Law 15/2015, of 2 July, on Voluntary Jurisdiction.

**2. JUSTIFICATION AND PROPOSED AMENDMENT**

**2.1 AMENDMENTS ARISING FROM THE LAW ON THE PROMOTION OF BUSINESS FINANCING**

The amendment of Clauses 6 and 16 of the Rules of the General Meeting is proposed to the General Meeting: the purpose is to adapt their wording to the provisions of Article 406 of the Capital Company Law, according to the wording provided by the Law on the Promotion of Business Financing. In this regard the Board of Directors is empowered to issue any bonds and securities whose issuance is expressly attributed to the General Meeting, pursuant to the provisions of the Capital Company Law.

<b>Current wording</b>	<b>Proposed wording</b>
<p><b><u>Article 6. Powers of the General Meeting</u></b></p> <p>The General Meeting of Shareholders will rule on any matters within its remit</p> <p>according to Law, the Articles of Association or these Rules and especially:</p> <p>in relation to the following areas:</p> <p>a) The approval of the financial statements, the distribution of profit and the approval of the corporate management.</p> <p>b) The appointment, re-election, ratification and removal of directors and the appointment and removal of liquidators and, where applicable, account auditors and the exercise of social responsibility action against any of them.</p> <p>c) The amendment of the Articles of</p>	<p><b><u>Article 6. Powers of the General Meeting</u></b></p> <p>The General Meeting of Shareholders will rule on any matters within its remit</p> <p>according to Law, the Articles of Association or these Rules and especially:</p> <p>in relation to the following areas:</p> <p>a) The approval of the financial statements, the distribution of profit and the approval of the corporate management.</p> <p>b) The appointment, re-election, ratification and removal of directors and the appointment and removal of liquidators and, where applicable, account auditors and the exercise of social responsibility action against any of them.</p> <p>c) The amendment of the Articles of</p>



<p>Association.</p> <p>d) The increase and reduction of the share capital and the delegation to the Board of Directors of the power to increase the share capital, in which case it may also be authorised to exclude or limit the preferential subscription right under the terms established by Law.</p> <p>e) The issue or creation of new categories or series of shares.</p> <p>f) The issue of bonds and other securities and the delegation to the Board of Directors of the power to issue them.</p> <p>g) The elimination or limitation of the preferential subscription right.</p> <p>h) The acquisition, disposal or contribution to another company of essential assets; and the transfer to entities dependent on essential activities carried out up to that time by the Company, even if the latter retains full control over the same.</p> <p>The essential nature of the activities and the operating assets will be shown when the volume of the transaction exceeds twenty-five per cent (25%) of the total balance sheet assets.</p> <p>i) The transformation, merger, de-merger, overall transfer of assets and liabilities and the transfer of the registered address to a location abroad.</p> <p>j) The winding-up of the Company.</p> <p>k) The approval of the final liquidation balance sheet.</p> <p>l) Any transactions with an equivalent effect to that of the liquidation of the Company.</p> <p>m) The directors' remuneration policy under the terms established by the Capital Company Law.</p> <p>n) Any remuneration or incentive system for directors or senior executives consisting of the provision of shares, share options or any other kind of share-based remuneration.</p> <p>o) The authorisation for the acquisition of own</p>	<p>Association.</p> <p>d) The increase and reduction of the share capital and the delegation to the Board of Directors of the power to increase the share capital, in which case it may also be authorised to exclude or limit the preferential subscription right under the terms established by Law.</p> <p>e) The issue or creation of new categories or series of shares.</p> <p>f) The issue of bonds and other securities <b>which, according to any applicable regulations, fall within the remit of the General Meeting</b> and the delegation to the Board of Directors of the power to issue them.</p> <p>g) The elimination or limitation of the preferential subscription right.</p> <p>h) The acquisition, disposal or contribution to another company of essential assets; and the transfer to entities dependent on essential activities carried out up to that time by the Company, even if the latter retains full control over the same.</p> <p>The essential nature of the activities and the operating assets will be shown when the volume of the transaction exceeds twenty-five per cent (25%) of the total balance sheet assets.</p> <p>i) The transformation, merger, de-merger, overall transfer of assets and liabilities and the transfer of the registered address to a location abroad.</p> <p>j) The winding-up of the Company.</p> <p>k) The approval of the final liquidation balance sheet.</p> <p>l) Any transactions with an equivalent effect to that of the liquidation of the Company.</p> <p>m) The directors' remuneration policy under the terms established by the Capital Company Law.</p> <p>n) Any remuneration or incentive system for directors or senior executives consisting of the provision of shares, share options or any other kind of share-based remuneration.</p> <p>o) The authorisation for the acquisition of own shares within the legal limits.</p>
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<p>shares within the legal limits.</p> <p>p) The approval and amendment of these Rules.</p> <p>q) Any other items determined by Law or these Articles of Incorporation.</p>	<p>p) The approval and amendment of these Rules.</p> <p>q) Any other items determined by Law or these Articles of Incorporation.</p>
<p><b>Current wording</b></p>	<p><b>Proposed wording</b></p>
<p><b><u>Article 16. Constitution of the General Meeting of Shareholders</u></b></p> <p>1. In the place and on the date and at the time indicated in the announcement of the General Meeting and up to two (2) hours before the scheduled start time of the meeting, the shareholders or anyone that validly represents them may submit the documents certifying their right to attend and, if applicable, to represent the staff responsible for the attendance record. The right to attend will be certified by showing the certificate of legitimacy issued by the entities responsible for the share accounting record of the Company, which records the registration in the name of the shareholder of at least one share five (5) days in advance of the date on which the Meeting is held or by presenting the attendance card issued by the Company or by the participating entities in the Sociedad de Gestión de Sistemas de Registro, Compensación y Liquidación de Valores S.A. (Iberclear) which have been authorised by the Company for this purpose.</p> <p>Any shareholders that wish to vote electronically or other means of distance communication will confirm their identity and capacity as shareholders in accordance with the provisions of Clause 22 of these Rules.</p> <p>2. Any shareholders or, as applicable, their representatives that access the place where the General Meeting is being held, after the General Meeting has started to assess and deliberate the Agenda, will not be included in the list of participants.</p> <p>3. Before proceeding to the Agenda, the list of participants will be drawn up, stating the nature or representation of each and the number of own or third-party shares, as appropriate.</p>	<p><b><u>Article 16. Constitution of the General Meeting of Shareholders</u></b></p> <p>1. In the place and on the date and at the time indicated in the announcement of the General Meeting and up to two (2) hours before the scheduled start time of the meeting, the shareholders or anyone that validly represents them may submit the documents certifying their right to attend and, if applicable, to represent the staff responsible for the attendance record. The right to attend will be certified by showing the certificate of legitimacy issued by the entities responsible for the share accounting record of the Company, which records the registration in the name of the shareholder of at least one share five (5) days in advance of the date on which the Meeting is held or by presenting the attendance card issued by the Company or by the participating entities in the Sociedad de Gestión de Sistemas de Registro, Compensación y Liquidación de Valores S.A. (Iberclear) which have been authorised by the Company for this purpose.</p> <p>Any shareholders that wish to vote electronically or other means of distance communication will confirm their identity and capacity as shareholders in accordance with the provisions of Clause 22 of these Rules.</p> <p>2. Any shareholders or, as applicable, their representatives that access the place where the General Meeting is being held, after the General Meeting has started to assess and deliberate the Agenda, will not be included in the list of participants.</p> <p>3. Before proceeding to the Agenda, the list of participants will be drawn up, stating the nature or representation of each and the number of own or third-party shares, as appropriate.</p>



<p>At the bottom of the list, the number of shareholders present (including that have attended remotely) or represented will be stated as well as the amount of the registered capital they hold, specifying the number that corresponds to members with voting rights.</p> <p>The list of participants will feature at the beginning of the minutes or will be attached to it by means of an appendix signed by the Secretary, with the approval of the Chairperson.</p> <p>4. Any shareholders that cast remote votes, according to the provisions of Clause 22 of these Rules, must be deemed to be present for the purpose of constituting the General Meeting.</p> <p>5. Once a sufficient quorum is recorded, the Meeting of the Board will be constituted and it will begin in the place, on the day and at the time scheduled, whether in the first or second session.</p> <p>6. The Chairperson or, upon his/her delegation, the Secretary will read the announcement, which may be deemed to be presented if no shareholder objects, and will report the general details from the list of participants, by outlining the number of shareholders with a voting right present and represented at the meeting, the number of shares relating to them all and the percentage of share capital that they represent. The statement of the Chairperson or Secretary about the list of participants may be given on a provisional basis, by informing the Meeting of the general details of the final list of participants when the period before matters are turned over to the floor ends and before the proposed resolutions relating to the various items of the Agenda of the General Meeting are put to a vote.</p> <p>7. After these details have been publicly disclosed by the Chairperson or the Secretary, the Chairmanship will subsequently declare whether the requirements stipulated for the quorum of the Meeting are met or not. If the Notary Public is present, he/she will ask</p>	<p>At the bottom of the list, the number of shareholders present (including that have attended remotely) or represented will be stated as well as the amount of the registered capital they hold, specifying the number that corresponds to members with voting rights.</p> <p>The list of participants will feature at the beginning of the minutes or will be attached to it by means of an appendix signed by the Secretary, with the approval of the Chairperson.</p> <p>4. Any shareholders that cast remote votes, according to the provisions of Clause 22 of these Rules, must be deemed to be present for the purpose of constituting the General Meeting.</p> <p>5. Once a sufficient quorum is recorded, the Meeting of the Board will be constituted and it will begin in the place, on the day and at the time scheduled, whether in the first or second session.</p> <p>6. The Chairperson or, upon his/her delegation, the Secretary will read the announcement, which may be deemed to be presented if no shareholder objects, and will report the general details from the list of participants, by outlining the number of shareholders with a voting right present and represented at the meeting, the number of shares relating to them all and the percentage of share capital that they represent. The statement of the Chairperson or Secretary about the list of participants may be given on a provisional basis, by informing the Meeting of the general details of the final list of participants when the period before matters are turned over to the floor ends and before the proposed resolutions relating to the various items of the Agenda of the General Meeting are put to a vote.</p> <p>7. After these details have been publicly disclosed by the Chairperson or the Secretary, the Chairmanship will subsequently declare whether the requirements stipulated for the quorum of the Meeting are met or not. If the Notary Public is present, he/she will ask</p>
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<p>the Meeting if there are any reservations or protests about the statements of the Chairperson regarding the number of shareholders and share capital present. Any queries or complaints expressed to the Notary Public and, in his/her absence, to the Secretary, that arise in relation to these items will be indicated in the Minutes and will be resolved by the Chairmanship.</p> <p>Subsequently, as applicable, the Chairmanship will declare that the Meeting is quorate.</p> <p>8. Both Ordinary and Extraordinary General Meetings will be quorate:</p> <ul style="list-style-type: none"><li>- Generally, in the first call to meeting when the shareholders, either present or represented, hold at least fifty per cent (50%) of the subscribed share capital with voting rights. In the second call to meeting, the Meeting will be quorate when the shareholders, either present or represented, hold at least forty-five per cent (45%) of the subscribed share capital with voting rights. The foregoing excludes any events where, according to the items included on the Agenda, it is not possible to meet the requirement for validly convening the General Meeting of a percentage of capital greater than that established by applicable regulations.</li><li>- Furthermore, the percentages referred to in the previous paragraph will also apply so that the Meeting is able to validly consent to the issue of bonds, the increase or reduction of the capital, the transformation, merger or de-merger of the Company, the overall transfer of assets and liabilities, the elimination or limitation of the pre-emptive right of new shares, the transfer of the registered address to a location abroad and, in general, any amendment to the Articles of Association.</li></ul> <p>9. If for any reason the meeting must be held in separate rooms, the audiovisual means will be made available whereby interactivity and intercommunication are made possible in real time and, therefore, in one single process.</p>	<p>the Meeting if there are any reservations or protests about the statements of the Chairperson regarding the number of shareholders and share capital present. Any queries or complaints expressed to the Notary Public and, in his/her absence, to the Secretary, that arise in relation to these items will be indicated in the Minutes and will be resolved by the Chairmanship.</p> <p>Subsequently, as applicable, the Chairmanship will declare that the Meeting is quorate.</p> <p>8. Both Ordinary and Extraordinary General Meetings will be quorate:</p> <ul style="list-style-type: none"><li>- Generally, in the first call to meeting when the shareholders, either present or represented, hold at least fifty per cent (50%) of the subscribed share capital with voting rights. In the second call to meeting, the Meeting will be quorate when the shareholders, either present or represented, hold at least forty-five per cent (45%) of the subscribed share capital with voting rights. The foregoing excludes any events where, according to the items included on the Agenda, it is not possible to meet the requirement for validly convening the General Meeting of a percentage of capital greater than that established by applicable regulations.</li><li>- The percentages referred to in the previous paragraph will also apply for the Meeting to be able to validly consent to the issue of bonds <b>which, according to any applicable regulations, fall within the remit of the General Meeting</b>, the increase or reduction of the capital, the transformation, merger or de-merger of the Company, the overall transfer of assets and liabilities, the elimination or limitation of the pre-emptive right of new shares, the transfer of the registered address and, in general any amendment to the Articles of Association.</li></ul> <p>9. If for any reason the meeting must be held in separate rooms, the audiovisual means will be made available whereby interactivity and intercommunication are made possible in real time and, therefore, in one single process.</p>
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**2.2. AMENDMENTS ARISING FROM THE LAW ON VOLUNTARY JURISDICTION**

The amendment of Clause 7 of the Rules of the General Meeting is proposed to the General Meeting: the purpose is to adapt its wording to the provisions of Article 169 and 171 of the Capital Company Law, according to the wording provided by the Law on Voluntary Jurisdiction. The reference to the competence of the court of the registered address to convene the General Meeting in the events described in sections 4 and 5 is thereby replaced by a reference to the legal secretary or registrar of the business and trade register of the registered address, as established by the Capital Company Law.

The following is proposed: “According to the report of the Board of Directors that has been made available to shareholders since the publication of the announcement of the General Meeting, to approve the amendment of Clauses 7 of the Rules of the General Meeting, under the following terms:

Current wording	Proposed wording
<p><b>Article 7. Convening the General Meeting</b></p> <p>1. Without prejudice to the provisions in the Capital Company Law on the Universal Meeting and the legal announcement, the Board of Directors and, if applicable, the Company liquidators are responsible for convening the General Meeting of Shareholders, an act which must be performed:</p> <p>a) On a date which means that it is held within the first six (6) months of the financial year, if it concerns the Ordinary General Meeting.</p> <p>b) Provided that the Board of Directors deems it suitable for the corporate interests, in the event of Extraordinary General Meetings.</p> <p>c) At any rate, when requested to do so, by means of a notarised request, by shareholders that hold at least three per cent (3%) of the share capital, with request indicating the items to be addressed at the Meeting subject of the petition. In this event, the Meeting must be convened to be held within two (2) months of the date on which the Board receives the notarial request to convene it; the items concerned by the request must be included in the Agenda.</p> <p>d) In the other cases established in Laws and the Articles of Association.</p>	<p><b>Clause 7 Convening the General Meeting</b></p> <p>1. Without prejudice to the provisions in the Capital Company Law on the Universal Meeting and the announcement <b>by the legal secretary or the registrar of the Business and Trade Register where the Company's registered address is located</b>, the Board of Directors and, if applicable, the Company liquidators are responsible for convening the General Meeting of Shareholders, an act which must be performed:</p> <p>a) On a date which means that it is held within the first six (6) months of the financial year, if it concerns the Ordinary General Meeting.</p> <p>b) Provided that the Board of Directors deems it suitable for the corporate interests, in the event of Extraordinary General Meetings.</p> <p>c) At any rate, when requested to do so, by means of a notarised request, by shareholders that hold at least three per cent (3%) of the share capital, with request indicating the items to be addressed at the Meeting subject of the petition. In this event, the Meeting must be convened to be held within two (2) months of the date on which the Board receives the notarial request to convene it; the items concerned by the request must be included in the Agenda.</p> <p>d) In the other cases established in Laws and the Articles of Association.</p>





Current wording	Proposed wording
<p>2. If the General Meeting is not convened within the period established by law or the articles of incorporation, it may be convened, at the request of any shareholder, by the commercial court of the registered address, after the Directors have been informed.</p> <p>If the Board of Directors does not provide a suitable response to the request to convene the General Meeting submitted by the minority described in section 1.c above and within the established periods, the meeting may be convened by the commercial court of the registered address, after the Directors have been informed.</p> <p>3. The Ordinary General Meeting will be valid even if it has been convened or held outside of the established period. If the duly convened General Meeting, irrespective of its category, is not able to be held in the first session and there is no date given in the announcement for the second meeting, this second meeting must be announced with the same Agenda and the same publication requirements as the former, within fifteen (15) days of the date of the meeting not held and at least ten (10) days prior to the date of the new meeting.</p> <p>4. In the event of the death or removal of the majority of the members of the Board of Directors, any shareholder may ask the commercial court of the registered address to convene the General Meeting to appoint the directors. Furthermore, any of the directors that continue to hold their post may convene the General Meeting for that sole purpose.</p>	<p>2. If the General Meeting is not convened within the period established by law or the articles of incorporation, it may be convened, at the request of any shareholder, <b>by the legal secretary or the registrar of the business and trade register of the registered address</b>, after the Directors have been informed.</p> <p>If the Board of Directors does not provide a suitable response to the request to convene the General Meeting submitted by the minority described in section 1.c above and within the established periods, the meeting may be convened <b>by the legal secretary or the registrar of the business and trade register of the registered address</b>, after the Directors have been informed.</p> <p>3. The Ordinary General Meeting will be valid even if it has been convened or held outside of the established period. If the duly convened General Meeting, irrespective of its category, is not able to be held in the first session and there is no date given in the announcement for the second meeting, this second meeting must be announced with the same Agenda and the same publication requirements as the former, within fifteen (15) days of the date of the meeting not held and at least ten (10) days prior to the date of the new meeting.</p> <p>4. In the event of the death or removal of the majority of the members of the Board of Directors, any shareholder may ask the <b>legal secretary and the Registrar of the Business and Trade Register</b> where the Company's registered address is located to convene the General Meeting to appoint the directors. Furthermore, any of the directors that continue to hold their post may convene the General Meeting for that sole purpose.</p>