

REPORT BY THE FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A. ADMINISTRATION BOARD. ON 12 MAY 2015, IN ACCORDANCE WITH WHAT HAS BEEN ESTABLISHED IN THE ARTICLES 286, 297.1.B AND 511 OF THE SPANISH CORPORATE LAW, IN RELATION WITH THE AGREEMENT TO ISSUE ANY FIXED-INCOME SECURITIES OR CONVERTIBLE DEBT TOOLS OF SAME NATURE PROPOSAL, THAT GIVE THE RIGHT TO SUBSCRIBE SHARES OF THE COMPANY OR OTHER COMPANIES THAT ARE REFERRED TO IN ITEM ELEVENTH OF THE AGENDA OF THE ORDINARY GENERAL MEETING OF SHAREHOLDERS CALLED FOR 25 JUNE 2015, UPON FIRST CALL, AND FOR 26 JUNE 2015 ON SECOND CALL.

1. Purpose of the report

Current report by the Administration Board of FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A. (hereafter, the "Company" or "FCC") in accordance with what has been established in the articles 286, 297.1.b and 511 of the Consolidated Text of the Spanish Corporate Law, approved by Legislative Royal Decree 1/2010, of 2 July (the "Spanish Corporate Law"), to justify the proposal in relation with the authorisation of the Administration Board, with express substitution faculties, to agree the issue, in one or many times, of any fixed-income securities or convertible debt tools of similar nature, or that give the right to subscribe Company shares, or that can be exchanged, or give the right to acquire Company or other companies shares, for a maximum amount of five-hundred million Euros (500,000,000 €); as well as to exclude the pre-emptive subscription right up to a limit of 20% of the share capital at the moment of the current delegation, that is submitted to the approval of the Company Ordinary General Meeting of shareholders call for its holding on 25 June 2015, upon first call and the next day, 26 June 2015, on second call, under the Item Eleventh of the Agenda.

2. Proposal justification

The dynamic of any trading company, specially, of the companies which shares are admitted to official negotiation, requires that its administration bodies dispose, at all moment, of the most suitable tools to respond appropriately to the requirements that in each case the Company demands or to the needs of the market. Among these needs can be the empowerment of the Company with new economic resources to face these demands, what can be obtained through the value issue referred to in the Item Eleventh of the Agenda.

Based on the foregoing, the Administration Board considers convenient to have the empowerments delegated admitted by the current regulation to be at all moment in conditions of capturing in the values prime markets the funds that they consider necessary for an adequate management of the social interests.

This way, the Company Administration Board will be empowered, if required, to capture an important volume of resources in a reduced period of time, putting at the disposition of the Company a quick and efficient financial mechanism with which to strengthen the balance of the Company, its financial structure and, even, undertake investment and growth initiatives that, considering the current special economic circumstances, can be of strategic interest for the social interest.

This is the reason why it is considered convenient to authorise the Administration Board to agree on the issue, in one or many times, of any fixed-income securities or convertible debt

tools of similar nature, or that give the right to subscribe Company shares, or that can be exchanged, or give the right to acquire Company or other companies shares, for a maximum amount of five-hundred million Euros (500,000,000 €).

The agreement proposal that is submitted for approval to the General Meeting of shareholders establishes also the criteria for the determination of the basis and modalities of the conversion and/or exchange, even though when agreeing on a bond or convertible and/or exchangeable bond under the protection of the authorisation contained in the referred article, the Administration Board will have to draft a report developing and specifying, based on the criteria described in the agreement proposal, the basis and modalities of the conversion specifically applicable to the indicated issue. This report will be accompanied with the corresponding report of the accounts auditor to which refers the article 414 of the Spanish Corporate Law.

Additionally, regarding warrants or other analogue securities, the proposal mentions that what has been established in the Spanish Corporate Law for the convertible bonds will be applied. To this regard, for the determination of the basis and modalities of its exercise, the Administration Board is empowered to determine, in broader terms, the applicable criteria to the exercise of the Company or other companies share subscription or acquisition rights, coming from securities of this type that are issued under the protection of the granted delegation, and applying to these issues the criteria established for the issue of fixed-income securities convertible in Company shares, with the necessary adaptations in order to make them compatible with the legal and financial system of this class of securities.

The proposal object of this current report refers to, additionally, the delegation in favour of the Administration Board to agree the increase of the share capital needed to attend the conversion, as long as this increase does not exceed half the amount of the share capital, in accordance with what has been established in the article 297.1.b of the Spanish Corporate Law. This delegation has its justification in providing with the agility before mentioned the agreements that have as an object the emission and, if relevant, their ulterior conversion in Company shares.

Finally, the proposal envisions the delegation of the empowerment of excluding the pre-emptive subscription right, even if up to a total maximum nominal amount of 20% of the share capital on the date of adoption of this agreement, as established in the Recommendation 5 of the Good Governance Code for Quoted Companies published on 24 February 2015. In this sense, and as exposed previously, the object of this current proposal is the capture in the values primary markets the funds needed for an adequate management of the social interests. This does not imply, necessarily, that each issue that is done under the protection of this delegation has to be done with the exclusion of pre-emptive subscription right. The Administration Board will have to draft the corresponding report for each issues in which it justifies, if relevant, the exclusion of the pre-emptive subscription right, that will be accompanied as well and as specified previously by and auditor one different from the Company accounts auditor.

The total text of the agreement proposal submitted to approval of the General Meeting under Item Eleventh of the Agenda is mentioned below:

"Authorisation to the Administration Board, with the express power of delegation, to agree on the issue, in one or many times, of any fixed-income securities or convertible debt tools of similar nature, or that give the right to subscribe Company shares, or that

can be exchanged, or give the right to acquire Company or other companies shares, for a maximum amount of five-hundred million Euros (500,000,000 €); as well as to increase the share capital in the needed amount, and to exclude, if required, the pre-emptive subscription right up to a limit of 20% of the share capital at the moment of the current delegation.

It is proposed: "Authorise the Administration Board, in accordance with the general system about bond issue and with what has been established in the articles 286, 297 and 511 of the Spanish Corporate Law and 319 of the Mercantile Registry Regulation, to issue negotiable securities in accordance with the following conditions:

1. Securities object of the issue. The securities to which refer this delegation can be bonds, exchangeable bonds for Company or any other companies (belonging or not to the Group), and/or Company convertible shares and other fixed-income securities or debt tools of similar nature in any of the admitted format by Law, including, without limitation, cards, promissory notes, preference participations or warrants or other similar securities, that may give the right, directly or indirectly to the subscription or acquisition of Company or any other company (belonging to the Group or not) shares.

2. Period. The securities issue can be done in one or many times, at any time, in the next five (5) years from the date of adoption of the agreement.

3. Delegation maximum amount. The total maximum amount of the securities issue or issues will be of five-hundred million Euros (500,000,000 €) or its equivalent in another currency.

To the effect of the former limit calculation, the issues carried out under the protection of the delegation contained in the Item Tenth of the Agenda will not be accounted. In the case of warrants, the total of primes and prizes of the issue warrants exercise that will be agreed under the protection of this delegation, will be considered.

4. Reaching of the delegation. The delegation to which refers this agreement will be extended, as largely as required by Law, to the fixation of different aspects and conditions of each issue. Particularly, including but not limited, it will be the Company Administration Board who will have to determine, for each issue, its amount, always in the global quantitative limits established; the place of issue (national or abroad) and the currency and, if foreign, its equivalent in Euros; the denomination, bonds or any other type admitted by Law; the date or dates of issue; the convertible or exchangeable type of the securities, with the possibility of being totally or partially convertible or exchangeable, and if exchangeable, with any kind of pre-existing shares Company, other Group companies, other companies outside the Group, and the circumstance of being convertible or exchangeable necessarily or voluntarily and, in this last case, under the option of the value owner or the Company, or incorporating a purchasing or subscription option right over the shares; the type of interest, dates and coupon payment procedures; the perpetual or redeemable character and in this last case the repayment delays and the expiry date; the type of reimbursement, premiums and lots, guarantees, even mortgages; the representation type, through titles or account notes; the subordinated or not type of the issued securities; the number of securities and its nominal value; the applied legislation, national or foreign; request, if needed, the admission to negotiation in secondary official markets or non-official, organised or not, national or foreign, of the value issued with the requirements that in each case the current legislation requires; and, generally, any other issue condition, as well as designating the commissary of the corresponding holders of securities union that can be issued and approve the basic regulations that will have to rule the legal relationships between the Company and the union that will exist if required.

The delegation includes therefore the attribution to the Administration Board of the faculty to decide regarding the repayment conditions of this authorisation securities issued, and being able to use to these effects any of the ones established in the Spanish Corporate Law. Additionally, the Administration Board is empowered to, when considered convenient, and conditioned by the authorisation procurement that might be needed and, if required, by the conformity of the assemblies of the corresponding pertinent unions of security holders that can be issued by this authorisation, modify the terms and conditions of these securities.

5. Conversion basis and modalities. In the case of convertible fixed-income securities issues in Company shares carried out in accordance with the previous sections and to the effects of the determination of the basis and modalities of the conversion, it is agreed to establish the following criteria:

(i) The securities that will be issued under the protection of this agreement can be convertible, totally or partially, in newly issued shares of the Company, ordinary or of any kind, in accordance with a fixed or variable conversion relation (specific or specifiable), the Administration Board being empowered to decide if they are convertible necessarily or voluntarily, with the option of its owners or the Company's, with the periodicity and during the term established in the issue agreement and that cannot exceed twenty (20) years since the corresponding issue date.

(ii) The Administration Board can establish that the Company reserves the right to select, at any time, between the conversion in new Company shares or the delivery of existing Company shares, specifying the nature of the shares to deliver when realising the conversion, being able to select also the delivery of a combination of newly issued Company shares with pre-existing shares, always respecting the equality of treatment between all the securities' owners that convert on the same date. The Company can also decide to pay an amount by substitution of its obligation to deliver shares, totally or partially.

(iii) To the effects of the conversion and/or exchange, the securities will be valued by their nominal amount and the shares to the fix rate established in the Administration Board agreement that is used by this delegation, or the variable rate to determine on the date or dates that are indicated in the Administration Board agreement, in function of the Company shares stock market value on the date/s or term/s taken as a reference in the agreement. In any case, the fix rate that is determined cannot be lower to the medium exchange of the shares in the Continuous Market of the Spanish stocks in which the Company shares are admitted to negotiation, in relation with the closing price, during a period to be determined by the Administration Board, not higher to three (3) months nor lower than five (5) natural days before the agreement adoption date of the fixed-income securities issue by the Administration Board or the payment date of the securities by the subscribers, with a prime or a discount over the share price, even if it cannot be higher than 25% of the share value that is taken as a reference in accordance with what has been established previously.

(iv) It can also be agreed to issue fixed-income securities convertible and/or exchangeable with a conversion relation and/or variable exchange. In this case, the price of the shares to the conversion and/or exchange effect will be the arithmetic average of the closing prices of the Company shares in the Continuous Market during a period to determine by the Administration Board, not higher than three (3) months nor lower than five (5) natural days before the conversion and/or exchange date, with a prime or discount on the share price. The prime or discount can be different for each conversion and/or exchange date of any issue (or, issue section), even if a discount is fixed over the share price, it cannot be higher than 25% of the share value that is taken as a reference in accordance with what has been previously established.

(v) When the conversion happens, the share fractions that have to be delivered to the owner of the securities will be rounded up as specified by the Administration Board and each owner may receive, if the Administration Board defines it this way, the difference that may happen in cash.

(vi) Under no circumstances the share value can be lower than its nominal value in relation with the conversion of its bonds by shares. Additionally, in accordance with what has been established in the article 415 of the Spanish Corporate Law, bonds cannot be converted in shared when their nominal value is lower.

(vii) When agreeing the issue of bonds, convertible and/or exchangeable bonds under the protection of the authorisation contained in this agreement, the Administration Board will have to draft a report developing and specifying, from the criteria previously described, the basis and modalities of the specific conversion that can be applied to this issue. This report will be accompanied with the corresponding report of the accounts auditor to which refers the article 414 of the Spanish Corporate Law.

6. Basis and modalities of the warrants and other similar securities exercise. In case of warrants issues, the following criteria will be established:

(i) In case of warrants issues, to which will apply what has been established in the Spanish Corporate Law for convertible bonds, for the determination of the basis and modalities of its exercise, the Administration Board is empowered to determine, in broader terms, the applicable criteria to the exercise of the Company or other companies share, or a combination of any of them, subscription or acquisition rights, coming from securities of this type that are issued under the protection of the granted delegation, and applying to these issues the criteria established in the former section 5, with the necessary adaptations in order to make them compatible with the legal and financial system of this class of values

(ii) The previous criteria will be applied, *mutatis mutandi* and in the measure that they can be applied, in relation with the issue of the fixed-income securities (or warrants) exchangeable with other companies shares.

7. Exclusion of the pre-emptive subscription right and capital increase. The delegation in favour of the Administration Board regarding the convertible into shares fixed-income securities implies, this way, including but not limited, the following faculties:

(i) The faculty for the Administration Board to exclude, totally or partially, the pre-emptive subscription right of the shareholders, under the protection of what has been stipulated in the article 511 of the Spanish Corporate Law. In any case, if the Administration Board decides to remove the pre-emptive subscription right of the shareholders in relation with a specific issue of bonds and convertible bonds, warrants and other securities similar to those, that it would do under the protection of this authorisation, it will issue when agreeing on the issue and in accordance with the applicable regulation, a detailed report of the specific reasons of social interest that justify this measure, that will be object of the consequent accounts auditor report appointed by the Mercantile Registry different from the Company auditor, to which the articles 414 and 511 of the Spanish corporate Law refer. These reports will be available for the shareholders and communicated in the first General Meeting of shareholders that will be hold after the issue agreement.

This faculty will be limited to those capital increases that are performed under the protection of this authorisation and that are object of the Item Nine of the Agenda until the maximum corresponding amount, generally, 20% of the share capital when adopting this agreement.

(ii) The faculty to increase the capital in the needed amount to attend the conversion requests and/or exercise of the share subscription right. This faculty can only be exercised in the measure that the Administration Board, adding up the capital that increases to attend the convertible bond issues, warrants and other similar securities and the other capital increases that it has agreed under the protection of the authorisation conferred by this General Meeting of shareholders, does not exceed the limit of half the amount of share capital established in the article 297.1.b of the Spanish Corporate Law. This authorisation to increase the capital includes the issue and bringing into circulation, in one or many times the representative shares that will be needed to undertake the conversion and/or exercise of the share subscription right, as well as drafting the By-Laws article in relation with the share capital amount and to cancel, if necessary, part of the capital increase that would have not been needed to convert and/or exercise the right of share subscription.

(iii) The faculty to develop and specify basis and modalities of the conversion, exchange and/or exercise of the subscription rights and/or share acquisition, coming from the securities that have to be issued, considering the criteria established in the former sections 5 and 6.

8. Negotiation admission. The Company will request, when appropriate, the admission to negotiation in secondary official and non-official markets, organised or not, national or foreign, of the securities issued by this delegation, empowering the Administration Board to treat and act as needed for the admission to trading face to the competent organisation of the different national or foreign valued markets.

It is expressly specified that, in case of a posterior exclusion request of the negotiation, this will be adopted with the same formalities than the admission request, as long as they can be applied, and therefore, the interest of the shareholders or the bondholders that would oppose to it or would not vote the agreement under the terms established in the legislation in force, would be guaranteed. Additionally, it is expressly declared that the Company submits to the regulation that exist or can be dictated in the future in relation with Stocks and, especially about contracting, permanence and exclusion of the negotiation.

9. Issue guarantee of convertible and/or exchangeable fixed-income securities, or warrants by Group companies. The Administration Board is also authorised to guarantee in the name of the Company, in the limits established previously, the new issues of convertible and/or exchangeable fixed-income securities, or warrants that, during the current term, the depending companies undertake.

10. Delegation and substitution and empowerment faculties. The Administration Board is empowered to delegate the faculties conferred in virtue of this agreement to the Executive Commission so that they confer the pertinent powers to the development of the delegated faculties, in accordance with what has been established in the article 249.bis.I of the Spanish Corporate Law.

11. Administrators reports. In accordance with the articles 286, 297.1.b and 511 of the Spanish Corporate Law, the Administration Board has put at the disposal of the shareholders a justification report of the current agreement proposal.
