

REPORT FROM THE BOARD OF DIRECTORS OF FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A. (FCC) REGARDING THE PROPOSED AMENDMENT TO THE ARTICLES OF INCORPORATION

ARTICLES 13 (TYPES OF GENERAL MEETINGS), 14 (MEETING ANNOUNCEMENTS), 18 (LEGITIMATION FOR ATTENDING GENERAL MEETINGS), 30 (ANNOUNCEMENT. MEETINGS), 32 (DELIBERATIONS. RESOLUTIONS. MINUTES), 37 (REMUNERATION) AND 38 (THE AUDIT AND CONTROL COMMITTEE).

(ITEM 4 OF THE AGENDA).

2006 ORDINARY GENERAL MEETING OF SHAREHOLDERS

For the purposes of complying with article 144.1.a) of the Public Corporation Act, the Board of Directors of FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A. issues this report justifying the amendments to the Articles of Incorporation which are laid before the Ordinary General Meeting of Shareholders under item 4 of the agenda.

In those cases where an amendment is proposed to an existing article, the left column contains the current wording of the article and the right column contains the proposed wording, with the proposed changes in bold.

Current wording	Proposed wording
<u>Article 13. Types of General Meetings.</u>	<u>Article 13. Types of General Meetings.</u>
The General Meetings may be ordinary or extraordinary and shall be convened by the Company's directors.	The General Meetings may be ordinary or extraordinary and shall be convened by the Company's directors.
An ordinary General Meeting shall necessarily be held within the first six (6) months of each financial year to examine the management of the company and to approve, where applicable, the accounts for the previous financial year and to decide on the application of profits/losses. At this meeting the shareholders may also pass any other resolution put up to vote which is included on the meeting agenda.	An ordinary General Meeting shall necessarily be held within the first six (6) months of each financial year to examine the management of the company and to approve, where applicable, the accounts for the previous financial year and to decide on the application of profits/losses. At this meeting the shareholders may also pass any other resolution put up to vote which is included on the meeting agenda.
Any meeting other than the one described in the preceding paragraph shall be considered an Extraordinary General Meeting.	The Ordinary General Meeting of Shareholders shall be valid even if it is convened or held outside the required period. Any meeting other than the one described in the preceding paragraph shall be considered an Extraordinary General Meeting.

Justification of the amendment to article 13:

Law 19/2005, dated 14 November, on European Corporations domiciled in Spain, amended the Public Corporation Act, so it is necessary to adapt the Articles of Incorporation. In particular, it is expressly proposed that an ordinary general meeting of shareholders is valid even if it is not convened or held within the legally-required period, which is in the first six months of each year. For that purpose, it is considered that this reference should be included in article 13.

Current wording	Proposed wording
<u>Article 14. Meeting Announcements.</u>	<u>Article 14. Meeting Announcements.</u>
General Meetings, whether ordinary or extraordinary, shall be convened by	General Meetings, whether ordinary or extraordinary, shall be convened by

placing an announcement in the Official Gazette of the Business Register and in one of the daily newspapers with the greatest circulation in the province at least fifteen (15) days in advance of the meeting date, except in the case of a merger or division, in which case the announcement shall be made at least one month in advance. The announcement may also indicate an alternate meeting date. There must be at least twenty-four (24) hours between the scheduled meeting date and the alternate meeting date. The announcement shall indicate the place, date and time of the General Meeting and the issues to be addressed. It shall also indicate the right of shareholders to examine the documentation to be submitted to shareholders for approval at the Company's registered offices and the right to obtain, immediately and free of charge, copies of such documents as well as the Auditors' report and the corresponding technical reports.	placing an announcement in the Official Gazette of the Business Register and in one of the daily newspapers with the greatest circulation in the province at least one month in advance of the meeting date. The announcement may also indicate an alternate meeting date. There must be at least twenty-four (24) hours between the scheduled meeting date and the alternate meeting date. The announcement shall indicate the place, date and time of the General Meeting and the issues to be addressed. It shall also indicate the right of shareholders to examine the documentation to be submitted to shareholders for approval at the Company's registered offices and the right to obtain, immediately and free of charge, copies of such documents as well as the Auditors' report and the corresponding technical reports. Shareholders who own at least 5% of capital may request that a supplement be added to the meeting announcement, adding one or more items to the agenda. The shareholders who wish to exercise that right must send that supplement via certifiable means to the company's registered offices within five days from publication of the meeting announcement. The supplement must be published at least fifteen days prior to the scheduled meeting date.
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Justification of the amendment to article 14:

Law 19/2005, dated 14 November, on European Corporations domiciled in Spain, amended the Public Corporation Act, so it is necessary to adapt the Articles of Incorporation. In particular, the deadline for publication of the announcement of the ordinary general meeting of shareholders has been brought forward from fifteen days to one month before the scheduled meeting date. Shareholders who own at least 5% of capital may request that a supplement be published to the announcement of the general meeting of shareholders.

Current wording	Proposed wording
<u>Article 18. Legitimation for attending General Meetings.</u> Shareholders possessing two thousand or more shares, including those without voting rights, shall be entitled to attend the General Meeting, provided that the ownership of the shares is registered in the ledger of account entries at least five days in advance of the Meeting date and the shareholder accredits such ownership at the Company's registered offices or any other location indicated by the Company, by exhibiting the pertinent certificate. Shareholders possessing fewer than two thousand shares may group together for the purpose of meeting attendance, choosing one shareholder to represent the group. Directors, managers, technical personnel and others responsible for the management of the Company may also attend General Meetings upon request. Company directors shall be obliged to attend. For any matter not specifically addressed in this Article with regard to the right to attend General meetings, the provisions of the Public Corporation Act shall apply.	<u>Article 18. Legitimation for attending General Meetings.</u> Shareholders possessing one or more shares, including those without voting rights, shall be entitled to attend the General Meeting, provided that the ownership of the shares is registered in the ledger of account entries at least five days in advance of the Meeting date and the shareholder accredits such ownership at the Company's registered offices or any other location indicated by the Company, by exhibiting the pertinent certificate. Directors, managers, technical personnel and others responsible for the management of the Company may also attend General Meetings upon request. Company directors shall be obliged to attend. For any matter not specifically addressed in this Article with regard to the right to attend General meetings, the provisions of the Public Corporation Act shall apply. Shareholders may attend the General Meeting of Shareholders by means of distance communication, in accordance with the Rules of the General Meeting of Shareholders, provided that the governing body so decides. When each General Meeting of Shareholders is announced, the Board of Directors will evaluate whether there are distance communication methods available that permit the shareholders

	to vote and/or delegate their votes remotely, duly guaranteeing the identity of the shareholder exercising the right to vote or, in the case of a proxy, the identity of the principal and agent and whether the use of such methods is feasible. If the Board of Directors determines that such methods are available and can be used, it shall mention this in the announcement, specifying the communication methods that shareholders may use to exercise their representation rights, exercise or delegate their vote and attendance. It shall also contain the deadlines, forms and ways in which shareholders can attend the Meeting by electronic or telematic means
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Justification of the amendment to article 18:

To enable maximum attendance and participation by shareholders at the General Meetings of Shareholders, it is proposed that the limit to the attendance right be eliminated so that owners of one or more shares can attend. Therefore, shareholders who own one or more shares can attend the General Meeting of Shareholders and the reference to grouping of shares is no longer required.

It is proposed that this article be amended to enable shareholders to attend the General Meeting of Shareholders via telematic and remote means if the Board of Directors considers this appropriate on occasion of each meeting announcement, by virtue of the new regulation introduced by Law 19/2005, dated 14 November, on European Corporations domiciled in Spain.

Current wording	Proposed wording
<u>Article 30. Announcement. Meetings.</u> The Board shall convene whenever four of its members or the Executive Committee request a meeting (in which case the meeting must be held within 15 days of the receipt of the request) or by agreement of the Chairman or his replacement, in whose name the Secretary shall announce the meetings by letter, telegram or fax sent to each board member at least four (4) days in advance of the meeting date. In an emergency situation, the minimum advances notice will be 48 hours. The meetings will be held at the Company's offices or in any location previously notified by the Chairman and indicated in the announcement.	<u>Article 30. Announcement. Meetings.</u> The Board shall convene whenever four of its members or the Executive Committee request a meeting (in which case the meeting must be held within 15 days of the receipt of the request) or by agreement of the Chairman or his replacement, in whose name the Secretary shall announce the meetings by letter, telegram or fax sent to each board member at least four (4) days in advance of the meeting date. In an emergency situation, the minimum advance notice will be 48 hours. The meetings will be held at the Company's offices or in any location previously notified by the Chairman and indicated in the announcement.

	Board meetings may be held via telephone multiconference, videoconference or any other analogous system so that one or more directors can attend the meeting via that system. For that purpose, in addition to stating the location where the meeting is physically held, and where the Board Secretary must be located, the announcement must state that directors can attend via telephone multiconference, videoconference or an equivalent system, indicating and making available the technical means for this purpose, which in all cases must enable direct, simultaneous communication among attendees.
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Justification of the amendment to article 30:

To provide the possibility that Board of Directors meetings may be held using new technologies provided that this is justified by reasons that make it impossible for directors to attend, so that they may attend by means of distance communication.

Current wording	Proposed wording
<u>Article 32. Deliberations. Resolutions. Minutes.</u> The deliberations will be directed by the Chairman or, in his absence, by the Vice-President. In the latter's absence they will be directed by the oldest board member. The Chairman will be assisted at the meeting by the Secretary or by the Assistant Secretary. If the latter is absent, he will be replaced by a board member chosen by the board. The Chairman will give the floor to those board members who wish to speak until he considers that the matter has been sufficiently debated, after which it will be put up to vote. Resolutions will be passed by absolute majority of the board members, with the exception of the permanent delegation of all or some of the powers which may legally be delegated by the Board of Directors to the Executive Committee, the Chairman or the Managing Directors, and the designation of the board members to occupy those posts, which shall require	<u>Article 32. Deliberations. Resolutions. Minutes.</u> The deliberations will be directed by the Chairman or, in his absence, by the Vice-President. In the latter's absence they will be directed by the oldest board member. The Chairman will be assisted at the meeting by the Secretary or by the Assistant Secretary. If the latter is absent, he will be replaced by a board member chosen by the board. The Chairman will give the floor to those board members who wish to speak until he considers that the matter has been sufficiently debated, after which it will be put up to vote. Resolutions will be passed by absolute majority of the board members, with the exception of the permanent delegation of all or some of the powers which may legally be delegated by the Board of Directors to the Executive Committee, the Chairman or the Managing Directors, and the designation of the board members to occupy those posts, which shall require

the favourable vote of two-thirds of the board members in order to be validly passed. At the Chairman's initiative, the Board of Directors may pass resolutions in writing without a meeting, provided that no board member opposes this procedure. When this voting method is used, the Secretary of the Board of Directors will make a note of the resolutions passed in the minutes, expressing the names of the board members and the voting system used, indicating how each board member voted. In this case, the resolutions will be considered to have been passed at the company's headquarters on the date when the last vote is received. A note shall also be made indicating that no Board member has opposed the procedure. Written votes must be handed in within ten days of receiving the request to cast a written vote. Otherwise, they will be invalid. After the deadline for casting written votes, the Secretary will notify the board members of the outcome of the vote or of the impossibility of using this voting procedure because of a board member's opposition to it. The discussions and resolutions of the Board will be set down in the minutes, which shall be signed by the Chairman and the Secretary or by their replacements. The minutes shall be approved by the Board at the end of the meeting or at the next session. Certifications of the minutes containing the resolutions of the Board shall be issued by the Secretary or by the Assistant Secretary, even if they are not board members, and approved by the Chairman or by the Vice-President.	the favourable vote of two-thirds of the board members in order to be validly passed. At the Chairman's initiative, the Board of Directors may pass resolutions in writing without a meeting, provided that no board member opposes this procedure. When this voting method is used, the Secretary of the Board of Directors will make a note of the resolutions passed in the minutes, expressing the names of the board members and the voting system used, indicating how each board member voted. In this case, the resolutions will be considered to have been passed at the company's headquarters on the date when the last vote is received. A note shall also be made indicating that no Board member has opposed the procedure. Written votes must be handed in within ten days of receiving the request to cast a written vote. Otherwise, they will be invalid. After the deadline for casting written votes, the Secretary will notify the board members of the outcome of the vote or of the impossibility of using this voting procedure because of a board member's opposition to it. The discussions and resolutions of the Board will be set down in the minutes, which shall be signed by the Chairman and the Secretary or by their replacements. The minutes shall be approved by the Board at the end of the meeting or at the next session. Where Board meetings are held via telephone multiconference, videoconference or any other analogous system, the Board Secretary must record this in the minutes of the meetings held this way, indicating also the names of the directors who attend in person or granted proxy to another director, and those who attended via
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	telephone multiconference, videoconference or any other analogous system. Certifications of the minutes containing the resolutions of the Board shall be issued by the Secretary or by the Assistant Secretary, even if they are not board members, and approved by the Chairman or by the Vice-President.
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Justification of the amendment to article 32:

To provide the possibility that Board of Directors meetings may be held using new technologies provided that this is justified by reasons that make it impossible for directors to attend, so that they may attend by means of distance communication.

Current wording	Proposed wording
<u>Article 37. Remuneration.</u> The post of board member is remunerated. The remuneration shall consist of a share of the liquid profits which shall not be less than two percent (2%) of the financial year results attributed to Fomento de Construcciones y Contratas, S.A. on the Group's consolidated annual accounts. This amount will be paid to the Board of Directors once all legal reserves have been covered and a minimum dividend of four percent (4%) has been paid to shareholders. The remuneration for each financial year will be decided by the General Meeting of Shareholders. The remuneration will be paid to the board members in such a way that each member who sits on the Executive Committee will receive 75% more than members who do not sit on the Committee.	<u>Article 37. Remuneration.</u> The post of board member is remunerated. The remuneration shall consist of a share of the liquid profits which shall not be less than two percent (2%) of the financial year results attributed to Fomento de Construcciones y Contratas, S.A. on the Group's consolidated annual accounts. This amount will be paid to the Board of Directors once all legal reserves have been covered and a minimum dividend of four percent (4%) has been paid to shareholders. The remuneration for each financial year will be decided by the General Meeting of Shareholders. The Board shall distribute among its members the remuneration resolved at the General Meeting of Shareholders, considering the functions and responsibilities of each one in the Board or its Delegate Committees.

Justification of the amendment to article 37:

The purpose of this amendment is to enable the Board of Directors, when it distributes the remuneration resolved at the General Meeting of Shareholders after a proposal by the Appointment and Remuneration Committee, to consider the actual dedication by each Board member and their various responsibilities.

When FCC's General Meeting of Shareholders approved the current wording of article 37 of the Articles of Incorporation (24 May 1991), the Executive Committee was the only Committee within FCC's Board. Moreover, that Board used to meet four (4) times

per year while the Executive Committee would meet eleven (11) times, not only in the months when there was no Board meeting but also prior to Board meetings. Consequently, the directors who were members of the Executive Committee had a considerably larger workload than the other directors, which clearly justified the distribution system established in the Articles of Incorporation at the time.

That situation has now changed and, in the future, it is envisaged that the Executive Committee will not meet ordinarily in the months when there is a Board meeting; in those months, the Board will take on the Executive Committee's powers, so the number of meetings of the latter will most likely decrease. In 2005, the Board held twelve (12) meetings, the Executive Committee eleven (11), the Audit and Control Committee nine (9) and the Appointment and Remuneration Committee three (3); therefore, the new proposed wording is advisable.

Current wording	Proposed wording
Article 38. The Audit and Control Committee. The Company will have an Audit and Control Committee composed of five board members, appointed by the Board of Directors for a period not to exceed that of their terms on the board, notwithstanding the possibility of being re-elected indefinitely, inasmuch as they are also re-elected to the board. A majority of the Committee members shall be non-executive directors. The Committee will choose a Chairman and may also elect a Vice President from among its non-executive members. Their terms of office may not exceed four years or their terms of office as Committee members, although they may be re-elected once year after stepping down. The Secretary and Assistant Secretary, if any, shall be chosen by the Committee and need not be board members. The Committee members may be assisted at their meetings by persons of their choice acting as their advisers, up to two advisers per member. These advisers will attend the meetings with voice but without vote.	Article 38. The Audit and Control Committee. The Company will have an Audit and Control Committee composed of four board members, appointed by the Board of Directors for a period not to exceed that of their terms on the board, notwithstanding the possibility of being re-elected indefinitely, inasmuch as they are also re-elected to the board. A majority of the Committee members shall be non-executive directors. The Committee will choose a Chairman and may also elect a Vice President from among its non-executive members. Their terms of office may not exceed four years or their terms of office as Committee members, although they may be re-elected once year after stepping down. The Secretary and Assistant Secretary, if any, shall be chosen by the Committee and need not be board members. The Committee members may be assisted at their meetings by persons of their choice acting as their advisers, up to two advisers per member. These advisers will attend the meetings with voice but without vote.

Justification of the amendment to article 38:

It is proposed that the number of members of the Audit and Control Committee be reduced to four since the experience accumulated since its creation shows that a Committee with fewer members is more efficient, enabling it to meet in full with the frequency and dedication that its functions require.

Consequently, the Committee returns to the initial number of four members, as stated in the initial wording of article 38 of the Articles of Incorporation before their reform by the General Meeting of Shareholders on 21 June 2005.