

REPORT PRESENTED BY THE BOARD OF DIRECTORS OF FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A. WITH REGARD TO THE PROPOSED ISSUE OF WARRANTS AND THE CORRESPONDING CAPITAL INCREASE THROUGH THE OFFSETTING OF CREDITS IN ORDER TO COVER THE WARRANTS INCLUDED IN THE ORDER OF BUSINESS OF THE ANNUAL GENERAL SHAREHOLDERS' MEETING

I. OBJECT OF THE REPORT

The Board of Directors of Fomento de Construcciones y Contratas, S.A.¹ ("**FCC**" or the "**Company**") resolved at its meeting of 24 April 2014 to call the General Shareholders' Meeting to be held on 23 June 2014 at the first call, and on 24 June 2014 at the second call, and to present before said General Meeting, under Item 6 on the Order of Business, approval for a warrant issue, and the corresponding capital increase in order to cover said warrants.

Pursuant to the terms of Article 286 of the Capital Companies Act (the "**Act**"), with regard to Articles 297.1(a) and 301 of the Act, and the concordant articles of the Companies Register Regulation, and by analogy Article 414.2 of the Act, the members of the Board of Directors of FCC proceed to draw up this report, the object of which is to explain and justify the operation to issue the FCC warrants (the "**Issue**" and the "**FCC Warrants**", each of them individually being a "**FCC Warrant**"), which will vest in their holders the option of subscribing ordinary shares in the Company (the "**New Shares**"), the corresponding capital increase to be paid up solely by means of the offsetting of credits of the holders of the FCC Warrants to the required amount, to take place in the event that the rights vested in the FCC Warrants are ultimately exercised, together with delegation on the Board of Directors of the powers required for execution of the Issue and of the capital increase, in all particulars not ruled by the General Meeting.

Below the shareholders are first presented with an explanation of the operation proposed to the General Meeting, and the reasons justifying the Issue.

II. DESCRIPTION, CONTEXT OF THE ISSUE AND REASONS FOR THE OPERATION

On 24 March 2014² the Company signed a refinancing agreement with practically all its financial creditors, serving to restructure and refinance the financial debt of the FCC Group (the "**Facilities Agreement**" and the "**Refinancing**", respectively).

The Facilities Agreement has an initial amount of 4,512,414,340.20 Euros, and is divided into two tranches: A and B. Tranche A has an initial amount of 3,162,414,340.20 Euros, and an initial duration of 4 years. Its maturity may be extended up to a maximum period of 6 years, as described below ("**Tranche A**"). Tranche B has a maximum amount of 1,350,000,000 euros and an initial duration of 4 years ("**Tranche B**"), although the peculiarity of Tranche B is that under certain circumstances (essentially a failure to repay Tranche B upon maturity), it could be converted into shares in the Company or into a junior loan under certain circumstances provided in the Facilities Agreement, thereby serving to reduce the total debt of the Company through the conversion of Tranche B into FCC shares, with the maturity period of Tranche A being extended for a maximum term of a further two years. As a part of the Refinancing, FCC signed other accessory agreements

¹ All additional information regarding the Company not set out in this report (in particular significant events and annual financial statements) may be found both on the website of FCC (www.fcc.es) and on the website of the Spanish stock market authority, the CNMV (www.cnmv.es).

² Following signature by the Company on 24 March 2014, a subscription period commenced, ending on 30 March 2014.

including, without being confined to, a Master Financial Stabilization Agreement, in order to provide the group with financial stability (regarding bonding lines, reverse factoring, leasing and other credit facilities) during the validity thereof, an International Syndicated Bond Facility for an initial amount of 250,000,000 euros and a Deferral Agreement with regard to a certain contingent obligation to provide funds to its subsidiary, Cementos Portland Valderrivas, S.A., for an amount of up to 200,000,000 euros.

Up to the Date of Close of the restructuring of the Company's financial debt (as said term is defined in the Financing Agreement), adjustments may occur to the amount of Tranche A³ and the distribution of the stake of the Creditors in Tranche B, under the terms set out in the Financing Agreement. In particular, they may be adjustments as a result of the exchange rate applied at the close to the re-financed agreements which are denominated in currencies other than the euro, and as a result of an increase of the stake of any entity in Tranche A, which would lead to a redistribution of Tranche B among the Creditors.

The ordinary rate of interest on Tranche B will comprise the sum of the following components: (i) a variable component equivalent to the one-year EURIBOR payable in cash, and (ii) a fixed annual PIK margin, capitalised yearly on each Tranche B interest settlement date, up until repayment in full of Tranche B as a part of the principal of Tranche B, the maximum being 11% per annum during the first year, 13% per annum during the second year, 15% per annum during the third year 16% per annum during the fourth year, and being lower under certain circumstances, all the above pursuant to the terms set out in the Facilities Agreement.

The Refinancing Operation is based on execution of the business plan drawn up by the FCC Group, the general terms and conditions of which were described in significant event number 183,988 published by the Company on the website of the Spanish National Securities Market Commission (www.cnmv.es) on 20 March 2013.

Failure to issue the FCC Warrants will constitute a mandatory advance amortisation event for the entire Facilities Agreement, and the Issue is thus established as a key aspect of the Refinancing.

III. ISSUE AND CHARACTERISTICS OF THE FCC WARRANTS.

In execution of Resolution 6 of the Order of Business as referred to in this report, if approved by the General Shareholders' Meeting, the FCC Warrants will be issued, vesting in their holders the option to subscribe New Shares in accordance with the provisions of article 406 of the Act and with the terms and conditions set out immediately below.

In accordance with the status and characteristics of the Issue and the capital increase in order to allow for exercise of the FCC Warrants, as subsequently detailed, and in the light of the terms of Article 304 of the Act, which recognises the right of preferential subscription on the part of shareholders in cases of capital increase charged to monetary contributions, the issue of FCC Warrants will not give rise to the right of preferential subscription in favour of the Company's current shareholders.

(a) Details of the issuing entity

The issuing company is FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A., of registered office at Calle Balmes, 36, 08007 Barcelona, registered with the Companies Register of Barcelona

³ At the date of this Report, and as a result of the adjustments performed to date, the amount of the Financing Agreement totals 4,521,456,340.20 euros, the amount of Tranche A being a figure of 3,171,754,850.54 euros.

under number 663/04, Volume 36005, Page 22, Sheet B-26947, Entry 2765, holder of Tax Identification Code number A-28037224. FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A., is a public limited company the shares in which are listed for trading on the Stock Markets of Madrid, Barcelona, Bilbao and Valencia, and are included within the Spanish Stock Exchange Interconnection System (Continuous Market).

The capital stock amounts to a total of one hundred and twenty-seven million three hundred and three thousand two hundred and ninety-six (127,303,296) euros, fully subscribed and paid up. The capital stock is represented by one hundred and twenty-seven million three hundred and three thousand two hundred and ninety-six (127,303,296) shares, of a par value of one euro each.

The corporate purpose of FCC comprises:

- (a) The construction, execution and maintenance of public and private works, and the exploitation of all manner of infrastructure.
- (b) The provision of sanitation, cleaning, management, maintenance and repair services for buildings, works, infrastructure, ships, aircraft and, in general, all manner of public and private installations. The provision of all manner of services the ownership of which lies with Public Authorities, including the execution of any collaboration task involved in the tax collection proceedings of any Public Authority which does not involve authority over or safekeeping of public monies.
- (c) The design, research, development, exploitation, maintenance and sale of water treatment and purification plants and installations. The exploitation, transformation and sale of all manner of waters.
- (d) The management of waste and contaminated soil, and any other advice, research or consultancy activity associated therewith. The design, research, development, exploitation, maintenance and sale of plants and installations for the reuse, recycling, recovery, repurposing, elimination, storage or transfer stations of waste or contaminated soil, and the sale and purchase both of the by-products derived from such treatment and from any type of waste.
- (e) The establishment and exploitation of factories producing cement, lime, gypsum and prefabricated derivatives of said materials, and also the concrete industry and the creation and exploitation of any industrial operations connected with the aforementioned products. The prospecting and exploitation of mineral reserves and the acquisition, use and enjoyment of permits, concessions and other mining interests and rights; the industrialisation and commercialisation of mining products derived from said rights.
- (f) The development and sale of plots, land, residential complexes, urban developments, commercial premises, offices and, in general, all manner of real estate properties. The exploitation of such properties by lease, or in any other way not involving a conveyance of ownership thereof, and the provision of study, consultancy, administration and management services for the third-party owners thereof.

- (g) The study, planning, acquisition, assignment, disposal, promotion, consultancy, administration, management or exploitation by lease or in any other way of retail centres.
- (h) The design, manufacture, quality control, purchase, sale, supply, import, export, lease, maintenance, repair, distribution, representation and exploitation, including by advertising, of urban furniture and equipment, to be understood in the broadest sense, in addition to elements of signage, both within towns and on inter-urban transport routes, and also machinery and components thereof, tools, vehicles, installations, materials and equipment.
- (i) The creation, design, purchase, sale, exploitation and assignment by any means of patents, models, trademarks, licences and all other forms of industrial intellectual property.
- (j) The study, planning, acquisition, assignment, disposal, promotion, consultancy, administration, management or exploitation of geriatric residential homes, and all operations connected with social services and care for the elderly, physically and mentally disabled and those suffering psychiatric disorders; administration and servicing thereof by opening day centres, health or social health centres, homes, community housing or sheltered apartments and home care.
- (k) The study, planning, acquisition, assignment, disposal, promotion, consultancy, administration, management or exploitation of businesses connected with the food sector.
- (l) The provision of technical engineering services, including plans, studies and reports, and the execution of pre-investment studies, quality control, internal audits and electronic data mining.
- (m) The design, manufacture, installation, assembly, purchase, sale, supply, import, export, lease, maintenance, distribution, representation and exploitation of electrical, electronic, information technology and telecommunications services and systems, and the design, research, development and commercialisation of products connected with such services.
- (n) The electrical and energy business in general, in all aspects and variants, and the various industrial and commercial operations involved. The provision of services of an industrial nature, and those which are preparatory or complementary in nature to the activities included within the corporate purpose, in particular with regard to the security, operation, maintenance, repair and construction of installations. The execution of all manner of studies and research connected with the electrical and energy business in general, and most particularly so-called renewable energies. The provision of services and execution of projects intended to achieve energy savings and efficiency and sustainable development.
- (o) The study, planning, acquisition, assignment, disposal, promotion, consultancy, administration, management or exploitation of businesses connected with logistics services.

- (p) The study, planning, acquisition, assignment, disposal, promotion, consultancy, administration, management or exploitation of businesses connected with leisure and tourism.
- (q) The study, planning, acquisition, assignment, disposal, promotion, consultancy, administration, management or exploitation of cemeteries and funeral homes.
- (r) The study, planning, acquisition, assignment, disposal, promotion, consultancy, administration, management or exploitation of businesses connected with financial services.
- (s) Holdings in other companies and enterprises, whether domestic or foreign, through the subscription, acquisition, trading and holding of shares, stakes or any other titles, whether of fixed or variable income. Under no circumstances may the company engage in the inherent operations of collective investment institutions and companies governed by Collective Investment Institutions Act 35/2003, of 4 November 2003.

The Company may perform all the stated activities on its own account, whether in Spain or abroad, or through stakes in other domestic or foreign companies of an identical or analogous purpose. Such stakes may include the subscription, purchase or acquisition by any legally valid method of corporate stock or securities establishing a stake in the capital stock or the profits of such companies, in addition to any manner of partnership between companies.

Excluded from the above are all such activities in order to engage in which specific legal requirements are in place which are not met by this Company.

(b) FCC Warrant issue price

The FCC Warrants will be issued without any premium as a part of the restructuring of the financial debt of the Company.

(c) Recipients and holders of the FCC Warrants

The FCC Warrants will initially be subscribed by those entities with stakes in Tranche B of the Facilities Agreement (the "**Creditors**"), to which the governing body of the Company will present the corresponding titles, at a rate of one FCC Warrant per Creditor entity.

FCC Warrant number	FCC Warrant subscribers (the Creditors)	Initial amount of the principal of Tranche B
1	Banca March, S.A.	7,212,009.92 euros
2	Banco Bilbao Vizcaya Argentaria, S.A.	159,049,206.47 euros
3	Banco BPI, S.A., Sucursal en España	10,736,523.53 euros
4	Banco BPI, S.A.	119,404.14 euros
5	Banco Cooperativo Español, S.A.	2,089,572.41 euros

FCC Warrant number	FCC Warrant subscribers (the Creditors)	Initial amount of the principal of Tranche B
6	Banco de Caja España de Inversiones, Salamanca y Soria, S.A.	298,510.34 euros
7	Banco de Sabadell, S.A.	83,611,395.57 euros
8	Banco Grupo Cajatres, S.A.	3,044,805.51 euros
9	Banco Popular Español, S.A.	103,050,188.18 euros
10	Banco Santander, S.A.	258,458,566.03 euros
11	Bankia, S.A.	104,597,738.35 euros
12	Bankinter, S.A.	6,354,318.22 euros
13	Bank of America N.A.	2,158,400.06 euros
14	Banque Marocaine du Commerce Extérieur International, S.A.	1,492,551.72 euros
15	Barclays Bank, plc, Sucursal en España	29,851,034.45 euros
16	BNP Paribas Fortis SA/N.V.	7,850,001.48 euros
17	BNP Paribas Fortis SA/N.V., Sucursal en España	45,163,794.54 euros
18	Burlington Loan Management Limited	2,985,103.44 euros
19	Caixa Geral de Depositos, Sucursal en España	19,247,260.76 euros
20	Caixabank, S.A.	178,807,573.62 euros
21	Caja Rural de Burgos	447,765.52 euros
22	Catalunya Banc, S.A.	10,142,172.99 euros
23	Commerzbank Aktiengesellschaft, Sucursal en España	5,046,429.51 euros
24	Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A., Sucursal en España	2,032,589.67 euros
25	Dexia Crédit Local, S.A.	5,587,753.08 euros
26	Dexia Sabadell, S.A.	2,262,248.40 euros
27	HSBC Bank plc, Sucursal en España	7,850,001.48 euros
28	Ibercaja Banco, S.A.	1,356,924.81 euros

FCC Warrant number	FCC Warrant subscribers (the Creditors)	Initial amount of the principal of Tranche B
29	Instituto de Crédito Oficial	82,451,467.95 euros
30	KBC Bank N.V., Sucursal en Londres	2,032,589.67 euros
31	Kutxabank, S.A.	30,106,431.06 euros
32	Liberbank, S.A.	9,042,413.14 euros
33	Mizuho Corporate Bank Nederland N.V.	5,290,590.27 euros
34	Mondragón S. Coop.	298,510.34 euros
35	Natixis, S.A., Sucursal en España	7,850,001.48 euros
36	NCG Banco, S.A.	9,461,852.02 euros
37	Société Générale, Sucursal en España	54,300,636.37 euros
38	The Royal Bank of Scotland plc	20,975,827.13 euros
39	The Bank Of Tokyo-Mitsubishi Limited, Sucursal en España	12,509,188.14 euros
40	Unicaja Banco, S.A.	54,776,648.21 euros
	TOTAL	1,350,000,000.00 euros

At the date of this Report, Mondragón S. Coop. has not subscribed to the Financing Agreement, and as a result is not the holder of a stake in Tranche B. Likewise, and as a result of certain adjustments referred to in subsection **¡Error! No se encuentra el origen de la referencia.** above, the amount of the Tranche B principal is to date 1,349,701,489.66 euros, while Tranche A amounts to 3,171,754,850.54 euros. This notwithstanding, according to the Refinancing documents, Mondragón S. Coop. will be entitled to subscribe to the Financing Agreement with the majorities established in the Refinancing documents up until the point of execution of the Issue and handover of the FCC Warrants to the Creditors which at that time are holders of Tranche B. As a result, in the event that prior to this point Mondragón S. Coop. has subscribed to the Financing Agreement, the issue and handover of the corresponding FCC Warrant will proceed in accordance with the amount indicated in the table. As a result, express provision is made for the possibility of incomplete subscription of the FCC Warrants.

The FCC Warrants will be transferable in the manner set out in subsection 0 0 below, and as a result the entity ultimately exercising the option vested in the FCC Warrant may be other than any of the Creditors.

(d) **Preferential subscription rights**

Since, in accordance with the purpose and justification of the resolution referred to in this report, the only holders of the FCC Warrants may be the Creditor entities or their assignees, and the capital increase through exercise of the rights vested in the FCC Warrants will be performed by

means of the offsetting of credits, the issue will not include any preferential subscription rights in favour of the current shareholders of the Company this being acknowledged by Article 304 of the Act only in the case of increases charged to monetary contributions.

(e) **Rights vested in the FCC Warrants**

The FCC Warrants shall confer on their holders the option to subscribe newly issued shares in the Company by means of the offsetting of credit rights derived from Tranche B of the Facilities Agreement pending amortisation at the time of the offsetting (including the principal and capitalised interest pending payment at the point of offsetting, in accordance with the terms laid down in the Facilities Agreement) (the "**Credits**") within the context of the capital increase subsequently detailed. As a result, the number of New Shares corresponding to each holder of the FCC Warrants will be equivalent to division of the amount of the credits to be offset by each holder by the subscription price of the New Shares (the "**Subscription Price**"), rounding to the closest whole number of FCC shares. In the event that, as a result of the calculation performed, there are fractions of shares, that part of the Credits not offset will be settled in cash.

(f) **Exercise of the FCC Warrants**

The FCC Warrants will be exercisable by their holders if (a) an FCC Warrant Exercise Event as indicated below occurs, in accordance with the terms of the Facilities Agreement, and (b) this is so agreed by Creditors with an overall stake in Tranche B equal to or greater than 75% of the outstanding total balance pending payment of Tranche B at the time when the decision is taken (the "**Reinforced Majority of Tranche B Creditors**").

FCC Warrant Exercise Events

In accordance with the terms and conditions of the Facilities Agreement, the FCC Warrants may be exercised in the event of the following circumstances:

- (a) If, three months prior to the Initial Maturity Date full repayment of Tranche B has not occurred (the "**Ordinary Conversion Event**"), although (i) the conversion may not be performed prior to the Initial Maturity Date (notwithstanding that prior to said date the necessary actions for the effective conversion to take place with all possible haste upon the Initial Maturity Date may be taken), and (ii) the conversion may be deemed null and void by FCC if it repays in cash the entire Tranche B debt prior to the date when the FCC Board of Directors meets to pass the resolutions for execution of the capital increase of the amount required in order to cover the exercise of the rights vested in the FCC Warrants (the "**Conversion Date**"), under the terms established in the Facilities Agreements; or
- (b) on any other prior date when:

the following have occurred: (1) non-payment of any amount owed by virtue of the Facilities Agreement in any regard (either upon ordinary maturity or because of the occurrence of a total or partial mandatory advance amortisation event other than failure by the courts to approve the Restructuring under the terms established in the Facilities Agreement); or (2) the commencement of creditor insolvency proceedings at FCC; or

if the Facilities Agreement has been deemed subject to advance maturity as a result of the occurrence of an advance maturity event other than those set out in subsection (b)(i) above, in accordance with the terms of the Facilities Agreements;

(any of the above events will be referred to as an "**Advance Conversion Event**", and together with the Ordinary Conversion Event, an "**FCC Warrant Exercise Event**").

The "**Initial Maturity Date**" will be understood as the fourth anniversary of the date when the Facilities Agreement became fully valid and enforceable, upon fulfilment of all conditions precedent for the effectiveness thereof.

Reinforced Majority of Tranche B Creditors

The decision by the Reinforced Majority of Tranche B Creditors to exercise the FCC Warrants in the event of an FCC Warrant Exercise Event will, subject to the exceptions set out below, be binding on all holders of the FCC Warrants, including those Creditors voting against said decision, and those not participating. Nonetheless, those Creditors which, for any reason, do not wish to convert their stake in Tranche B into New Shares may waive said right, in which case their rights to collect the principal of Tranche B corresponding to them will automatically be novated as a junior loan, of the characteristics set out in the Facilities Agreement, thereby cancelling their FCC Warrants.

Conversion Deactivation Events

In accordance with the terms and conditions of the Facilities Agreement, the Credits will no longer be open to offsetting if, prior to the Conversion Date, the following requirements are cumulatively fulfilled (the "**Conversion Deactivation Events**"):

- (i) FCC has demonstrated that the Financial Debt/EBITDA Ratio in any half-year is equal to or lower than 4x;
- (ii) FCC has repaid at least 1,500,000,000 euros of the Refinancing (of any tranche); and
- (iii) the recurrent EBITDA of the FCC Group for the financial year immediately prior to that when the Financial Ratio referred to in subsection (i) was calculated was equal to or greater than 750,000,000 euros

Actions following exercise of the FCC Warrants

Following exercise of the FCC Warrants by the Tranche B Creditors, the Company will perform and execute all actions and instruments required or desirable for issuance of the New Shares and the subsequent listing thereof for trading on those secondary markets on which FCC shares are currently listed, so that the holders of FCC Warrants may subscribe the FCC shares.

(g) Subscription Price of the ordinary shares of the Company through exercise of the FCC Warrants. Adjustments

The subscription price of the New Shares in the Company following exercise of the option vested in the FCC Warrants will be whichever is the greater of: (i) the par value of the FCC shares; and (ii) *the volume-weighted average price (vwap)* of the FCC shares over a period of eight (8) weeks (the "**Share Subscription Price**") on the corresponding dates in accordance with the terms of the Facilities Agreement. To the extent that the Share Subscription Price is benchmarked to the quoted price of the FCC shares on dates close to the issue thereof, there is no requirement to establish pre-dilution adjustment formulae for the Share Subscription Price for an event in which there are alterations to the capital stock of FCC, as the quoted price on the basis of which the Share Subscription Price is established will already take into consideration this effect.

As a result, the number of New Shares corresponding to each holder of FCC Warrants will be equivalent to dividing the amount of the credits to be offset by each holder by the Share Subscription Price.

(h) **Expiry of the Warrants**

The FCC Warrants will expire (i) at the point at which the Company has handed the New Shares over to the holders of the FCC Warrants once they have been exercised; (ii) in the event that Conversion Deactivation Events occur; (iii) in the event that they cannot be exercised in accordance with the terms and conditions of the Facilities Agreements; (iv) if a period of 6 months has elapsed from the Initial Maturity Date (the "**FCC Warrant Expiry Date**") and the FCC Warrants have not been exercised; or (v) in the event of total or partial amortisation or repurchase of Tranche B (in the event of partial amortisation or repurchase, only the corresponding proportion will expire).

(i) **Form of representation of the FCC Warrants**

The FCC Warrants will be represented by means of named titles, the Company being required to maintain a register of the holders thereof.

(j) **Transferability of the FCC Warrants**

The FCC Warrants will be freely transferable, although they may not be disposed of or transferred in any way which would be independent of the Tranche B Credits from which they are derived, nor may the Tranche B Credits be disposed of or transferred in any way which would be independent of the FCC Warrants. In turn, in accordance with the terms of the Facilities Agreement, Tranche B may only be transferred jointly with Tranche A.

In the event of the partial assignment of the Tranche B Credits or the intention by a holder of an FCC Warrant to transfer a part of the rights vested in said FCC Warrant in proportion to the Credits forming the object of the assignment, the Company will perform a split of the FCC Warrant of the assigning holder such that said holder would receive from the Company as many FCC Warrants as required in order to transfer to the assignee or assignees the Tranche B conversion option corresponding to the Credit being assigned.

The Company must be informed of transfer of the FCC Warrant, and will enter the new holder in the register, and cancel, replace and issue the corresponding named titles in favour of the new holder.

(k) **Non-listing of FCC Warrants**

The FCC Warrants will not be listed for trading on any secondary market.

(l) **Issue Guarantees**

The FCC Warrants are not especially guaranteed.

(m) **Modification of the terms and conditions of the FCC Warrants**

Any modification to the terms and conditions of the FCC Warrants will require the agreement of the Company and also of the majority of Creditors required for this purpose in the Facilities Agreement.

Agreement of the corresponding majority of the Creditors under the Facilities Agreement will be understood legally to constitute an agreement of the majority of the holders of the FCC Warrants for the purposes of implementation of a modification to the terms and conditions of the Issue.

This notwithstanding, any modification or variation to the terms and conditions of the FCC Warrants which is formal, minor or technical in nature, or is to correct a manifesto error (and which has no negative impact on the rights of the FCC Warrant holders) may be performed directly by the Company, provided that the Facilities Agreement agent has granted its prior, written consent for this purpose.

The named titles representing the FCC Warrants must be duly substituted by the Company in order to reflect any modifications to the terms and conditions of the FCC Warrants undertaken in accordance with the terms of this section 0 0.

(n) **Regulations applicable to the Warrants and Legal Forum**

The FCC Warrants will be governed by standard Spanish legislation. By subscribing the FCC Warrants, the holders accept that any dispute between the FCC Warrant holder and the Company will be settled under the jurisdiction of the courts and tribunals of the City of Madrid.

It is lastly indicated that, in accordance with the terms of Article 414.2 of the Act, the Companies Register of Barcelona was called upon to appoint an auditor other than the FCC auditor for the purpose of issuance of a report by an accounts auditor other than the Company's auditor, issuing a judgment, on the basis of this report, with regard to the circumstances specified in said legal principle, which will be made available to the shareholders upon publication of the announcement of the General Shareholders' Meeting.

IV. CAPITAL INCREASE THROUGH OFFSETTING OF CREDITS FOR AN AMOUNT NECESSARY IN ORDER TO COVER THE FCC WARRANTS

The Board of Directors will, on the one hand, propose to increase the capital stock of the Company on one or more occasions by the amount required in order to cover the exercise of the rights vested in the FCC Warrants, the consideration for said increase being the Credits to be presented for offsetting in accordance with the terms of Article 301 of the Act, with provision for incomplete subscription, and, on the other hand, to vest in the Board of Directors, according to that provided in article 297.1.a) of the Act, the powers to execute on each occasion, in whole or in part, the increase required in order to cover exercise of the option vested in the FCC Warrants, through the issuance of New Shares in the Company, in accordance the characteristics detailed below.

A. Information on the credit to be offset

(a) Nature and characteristics of the Credits to be offset.

The Credits to be offset will be those amounts of Tranche B of the refinanced FCC debt (including the principal and capitalised interest pending payment at the time of the offsetting, in accordance with the terms of the Facilities Agreement) which the Company has not repaid on the date when the Tranche B debt to be converted is established, in accordance with the terms of the Facilities Agreement, following occurrence of any of the FCC Warrant Exercise Events.

(b) Certification by the Company's Auditor for the purposes of Article 301 of the Act

Pursuant to the terms of Article 301 of the Act, together with the announcement of the General Meeting the shareholders will be provided with a certificate from the Company's accounts auditors accrediting that, according to the results of the Company's accounting records, the Credits will, at the point of offsetting, be liquid, due and enforceable in their entirety, and that the details set out in this report regarding the Credits to be offset are precise.

Likewise, the Company's auditor will likewise issue on or prior to the date of execution of the corresponding capital increase in order to cover the rights vested in the FCC Warrants a supplementary certificate accrediting that, according to the Company's accounting records, all the Credits offset in said amount are liquid, due and enforceable on that date.

(c) Identity of the contributors

Below are set out the details of the creditors under the Credits which are the object of the offsetting (subject to be terms of subsection 0 0 above):

- **BANCA MARCH, S.A.**, of registered office at Avenida Alejandro Roselló 8, Palma de Mallorca, and holder of Tax Identification Number A-07004021.
- **BANCO BILBAO VIZCAYA ARGENTARIA, S.A.**, of registered office at Plaza de San Nicolás 4, 48005 Bilbao, and holder of Tax Identification Number A-48265169.
- **BANCO BPI, S.A., SPAIN BRANCH**, of registered office at Paseo de la Castellana 40 bis, 28046 Madrid, and holder of Tax Identification Number W0401036I.
- **BANCO BPI, S.A.**, of registered office at Rua Tenente Valadim 284, 4100-476 Porto (Portugal), registered with the Conservatória do Registo Comercial de Lisboa under 'Matrícula e de Pessoa Colectiva' number 501 214 534.
- **BANCO COOPERATIVO ESPAÑOL, S.A.**, of registered office at Calle Virgen de los Peligros 4, 28013 Madrid, and holder of Tax Identification Number A-79496055.
- **BANCO DE CAJA ESPAÑA DE INVERSIONES, SALAMANCA Y SORIA, S.A.**, of registered office at Calle Marqués de Villamagna 6-8, 28001 Madrid, and holder of Tax Identification Number A-86289642.
- **BANCO DE SABADELL, S.A.**, of registered office at Plaza de Sant Roc 20, 08201 Sabadell (Barcelona), and holder of Tax Identification Number A-08000143.
- **BANCO GRUPO CAJATRES, S.A.**, of registered office at Paseo Isabel La Católica, 6, Zaragoza, and holder of Tax Identification Number A-99298689.

- **BANCO POPULAR ESPAÑOL, S.A.**, of registered office at Calle Velázquez 34, 28001 Madrid, and holder of Tax Identification Number A-28000727.
- **BANCO SANTANDER, S.A.**, of registered office at Paseo de Pereda 9-12, 39004 Santander, and holder of Tax Identification Number A-39000013.
- **BANKIA, S.A.**, of registered office at Calle Pintor Sorolla 8, 46002 Valencia, and holder of Tax Identification Number A-14010342.
- **BANKINTER, S.A.**, of registered office at Paseo de la Castellana, 29 28046 Madrid, and holder of Tax Identification Number A-28157360.
- **BANK OF AMERICA N.A.**, of registered office at 101 S Tryon St, Charlotte NC 28255-0001 USA.
- **BANQUE MAROCAINE DU COMMERCE EXTÉRIEUR INTERNATIONAL, S.A.**, of registered office at Calle Serrano 59, 28006 Madrid, and holder of Tax Identification Number A-80754781.
- **BARCLAYS BANK, PLC., SPAIN BRANCH**, of registered office at Plaza de Colón 1, 28046 Madrid, and holder of Tax Identification Number W0061418J.
- **BNP PARIBAS FORTIS SA/N.V.**, of registered office at Montagne du Parc/Warandeborg 3, B-1000 Bruselas (Belgium), registered with the Commercial Register and the Companies Register under number 0403199702.
- **BNP PARIBAS FORTIS SA/N.V., SPAIN BRANCH**, of registered office at Calle Serrano 73, 28006 Madrid, and holder of Tax Identification Number W0021127F.
- **BURLINGTON LOAN MANAGEMENT LIMITED**, of registered office at 5 Harbourmaster Place, International Financial Services Centre, Dublin 1, and registered with the Companies Register of Ireland under number 470093.
- **CAIXA GERAL DE DEPOSITOS, SPAIN BRANCH**, of registered office at Calle Juan Ignacio Luca de Tena 1, 28027 Madrid, and holder of Tax Identification Number W0103739I.
- **CAIXABANK, S.A.**, of registered office at Avenida Diagonal 621, 08028 Barcelona, and holder of Tax Identification Number A-08663619.
- **CAJA RURAL DE BURGOS, FUENTEPELAYO, SEGOVIA Y CASTELLANS, SOCIEDAD COOPERATIVA DE CREDITO**, of registered office at Calle Los Coches, 2-4 40002 Segovia, and holder of Tax Identification Number F-40248791.
- **CATALUNYA BANC, S.A.**, of registered office at Plaza Antoni Maura 6, 08003 Barcelona, and holder of Tax Identification Number A-65587198.
- **COMMERZBANK AKTIENGESELLSCHAFT, SPAIN BRANCH**, of registered office at Paseo de la Castellana 110, 28046 Madrid, and holder of Tax Identification Number W0041282E.

- **COÖPERATIEVE CENTRALE RAIFFEISEN- BOERENLEENBANK B.A., SPAIN BRANCH**, of registered office at Calle Rafael Calvo 39, 28046 Madrid, and holder of Tax Identification Number W0031750C.
- **DEXIA CRÉDIT LOCAL, S.A.**, of registered office at 1 Passerelle des Reflets, TSA 92202, 92919 La Défense Cedex, Paris (France), registered with the Registre du Commerce et des Sociétés de Nanterre under registration number B 351 804 042.
- **DEXIA SABADELL, S.A.**, of registered office at Calle Mahonia 2, 28043 Madrid, and holder of Tax Identification Number A-82892993.
- **HSBC BANK PLC., SPAIN BRANCH**, of registered office at Plaza Pablo Ruiz Picasso 1, 28020 Madrid, and holder of Tax Identification Number W0061401F.
- **IBERCAJA BANCO, S.A.**, of registered office at Plaza de Basilio Paraíso 2, Zaragoza, and holder of Tax Identification Number A-99319030.
- **INSTITUTO DE CRÉDITO OFICIAL**, of registered office at Paseo del Prado 4, Madrid, and holder of Tax Identification Number Q-2876002-C.
- **KBC BANK N.V., LONDON BRANCH**, of registered office at Old Broad Street 111, EC2N 1BR London (UK), holder of Spanish Tax Identification Number N-0172341-J (as the universal successor of the business of KBC Bank N.V., Spain Branch).
- **KUTXABANK, S.A.**, of registered office at Calle Gran Vía 30-32, 48009 Bilbao (Biscay) and holder of Tax Identification Number A-95653077.
- **LIBERBANK, S.A.**, of registered office at Carrera de San Jerónimo 19, 28014 Madrid, and holder of Tax Identification Number A-86201993.
- **MIZUHO CORPORATE BANK NEDERLAND N.V.**, of registered office at Apollolaan, 171, 1077 AS Amsterdam, Netherlands, registered in the Companies Register (Kamer van Koophandel) under number 33138252.
- **MONDRAGON S. COOP.**, of registered office at Paseo José María Arizmendiarieta, registered in the Register of Cooperatives of the Basque Country under number 2/91, Page GUI-324 Entry 324 and holder of Tax Identification Number F-20350823.
- **NATIXIS, S.A., SPAIN BRANCH**, of registered office at Paseo de Recoletos 7-9, 28004 Madrid, and holder of Tax Identification Number W00130551.
- **NCG BANCO, S.A.**, of registered office at Rúa Nueva, 30-32, A Coruña, and holder of Tax Identification Number A-70302039.
- **SOCIÉTÉ GÉNÉRALE, SPAIN BRANCH**, of registered office at Plaza Pablo Ruiz Picasso 1, 28020 Madrid, and holder of Tax Identification Number W0011682B.
- **THE ROYAL BANK OF SCOTLAND PLC**, of registered office at St. Andrew Square, 36, Edinburgh EH2 2YB, Scotland, registered with the Companies Register of Scotland under number 90312.

- **THE BANK OF TOKYO-MITSUBISHI LIMITED, SPAIN BRANCH**, of registered office at Calle José Ortega y Gasset 29, 28006 Madrid, and holder of Tax Identification Number W7321065J.
- **UNICAJA BANCO, S.A.**, of registered office at Avenida de Andalucía 10-12, 29007 Malaga, and holder of Tax Identification Number A-93139053.

B. Characteristics of the Capital Increase

(a) Subscription price of the Shares upon exercise of the FCC Warrants

The Subscription Price of the New Shares in the Company following exercise of the option vested in the FCC Warrants will be whichever is the greater of: (i) the par value of the FCC shares; and (ii) *the volume-weighted average price (vwap)* of the FCC shares over a period of eight (8) weeks.

As a result, the number of New Shares corresponding to each holder of the FCC Warrants will be equivalent to division of the amount of the credits to be offset by each holder by the Subscription Price of the Shares, rounding to the closest whole number of FCC shares. In the event that, as a result of the calculation performed, there are fractions of shares, that part of the Credits not offset will be settled in cash.

(b) Amount of the capital increase

Pursuant to the terms of Article 414 of the Act, the proposal is to increase the capital stock of the Company by the amount required in order to cover the exercise of the rights vested in the FCC Warrants, the consideration given for the increase being the offsetting of the Credits in accordance with the terms of Article 301 of the Act, and with provision for incomplete subscription.

The amount of the capital increase will be dictated by the aggregate par value of the New Shares to be handed over as a result of exercise of the option granted by virtue of the FCC Warrants. The number of New Shares to be issued will be the result of dividing (i) the amount of the Credits to be offset, comprising the principle of Tranche B and capitalised interest pending payment at the time of offsetting, as described in the subsection 0 0 **¡Error! No se encuentra el origen de la referencia.** above, by (ii) the Share Subscription Price, which will be established in the manner described in subsection 0 0 above.

(c) Consideration and disbursement of the capital increase

The capital increase will be disbursed in full through the offsetting of the Credits in accordance with the terms set out above.

(d) Rights of the New Shares

The New Shares will vest in their holders the same voting and economic rights as the ordinary shares of the Company currently in circulation, from the Conversion Date forwards.

(e) Right of Preferential Subscription

There will be no preferential subscription rights over the New Shares, in accordance with the terms of Article 304 of the Act, according to which only in capital increases with the issuance of new shares charged to monetary contributions will each shareholder enjoy the right to subscribe a number of shares proportional to the par value of those held by it. As a result, since this capital increase is performed by means of the offsetting of credits as provided in Article 301 of the Act,

and there is consequently no form of monetary contribution, the preferential right of subscription will not apply.

(f) **New Share issue**

Once the FCC Warrants have been exercised by the Tranche B Creditors, the Company will perform and implement all actions and execute all instruments required or desirable for the issuance of the New Shares and the subsequent listing thereof for trading on the secondary markets on which the FCC shares are traded.

(g) **Listing of the new shares**

Admittance for trading of the New Shares issued will be requested on those secondary markets on which the ordinary shares of the Company are currently listed (at present the Stock Exchanges of Madrid, Barcelona, Bilbao and Valencia, and through the Continuous Market), subject to any regulations which may exist or may be issued in this regard, in particular regarding contracting, permanence and exclusion from official listing.

(h) **Incomplete subscription**

By virtue of that provided in Article 311.1 of the Act, express provision is made for the possibility of incomplete subscription of the increase. As a result, if the New Shares in the Company are not subscribed in full, the capital increase may be declared closed for the amount corresponding to the Credits actually offset through exercise of the FCC Warrants.

(i) **Effectiveness of the capital increase**

The Board of Directors or the Executive Committee of the Company may deem the capital increase referred to in this report null and void after the Date of Expiry of the FCC Warrants only if upon said date the FCC Warrants have not been exercised by their holders, being required in this case to report to the next General Shareholders' Meeting of the Company which is held.

(j) **Delegation of powers and execution of the capital increase**

The Board of Directors will propose to the General Meeting, in accordance with the terms of Article 297.1(a) of the Act, delegation on the Board of Directors itself, with express powers of further delegation on the Executive Committee and on any of the corresponding members, of the powers required in order to (i) implement the capital increase resolution as required in order to cover the rights vested in the FCC Warrants at any time when they are exercised, and consequently to modify the terms of Article 5 the corporate bylaws in order to adapt this, on one or more occasions, to the new capital stock figure resulting from execution of the capital increase in order to cover the exercise of the rights vested in the FCC Warrants; (ii) the listing for trading of the New Shares thus issued on those stock markets on which the ordinary shares of the Company are currently listed (at present the Stock Exchanges of Madrid, Barcelona, Bilbao and Valencia, through the Stock Exchange Interconnection System (Continuous Market)); and (iii) perform all actions detailed in the proposed resolution forming the object of this report.

V. TEXT OF THE PROPOSED RESOLUTION

Issuance of warrants in favour of certain creditor entities of the Company incorporating the option to subscribe newly issued ordinary shares in Fomento de Construcciones y Contratas, S.A. to be paid up solely through the offsetting of credits, and as a result without any preferential right of subscription, vesting in the Board of Directors, with powers of subsequent delegation, the execution and definition of all particulars of the issue not established by the General Shareholders' Meeting. Approval of the increase to the capital stock of the Company to the amount required in order to cover the exercise of the rights vested in the warrants, disbursement through the offsetting of credits, and empowerment of the Board Directors, with powers of delegation, to execute the capital increase agreed on one or more occasions as the rights vested in the warrants are exercised.

I. ISSUANCE AND CHARACTERISTICS OF THE FCC WARRANTS

(a) Issuance

It is resolved to issue a number of warrants of Fomento de Construcciones y Contratas, S.A. (the "**Company**" or "**FCC**") which will vest in the holders thereof the option to subscribe newly issued ordinary FCC shares (the "**New Shares**"), to be paid up wholly through the offsetting of credits, in accordance with the terms and conditions set out below (hereinafter, the "**FCC Warrants**", and each of them an "**FCC Warrant**") vesting in the Board Directors all powers required for the execution thereof (it being understood on each occasion on which powers are vested by virtue of this resolution that they entail express empowerment for delegation thereof on the Executive Committee and on any members of the Board of Directors).

In accordance with the status and characteristics of the issue and the capital increase in order to allow for exercise of the FCC Warrants, as subsequently detailed, and in the light of the terms of Article 304 of the Capital Companies Act ("the **Act**"), which recognises the right of preferential subscription on the part of shareholders in cases of capital increase charged to monetary contributions, the issue of FCC Warrants will not give rise to the right of preferential subscription in favour of the Company's current shareholders.

(b) Context of and reasons for the issuance of the FCC Warrants

On 24 March 2014⁴ the Company signed a refinancing agreement with practically all its financial creditors, serving to restructure and refinance the financial debt of the FCC Group (the "**Facilities Agreement**" and the "**Refinancing**", respectively).

The Facilities Agreement has an initial amount of 4,512,414,340.20 Euros, and is divided into two tranches: A and B. Tranche A has an initial amount of 3,162,414,340.20 Euros, and an initial duration of 4 years. Its maturity may be extended up to a maximum period of 6 years, as described below ("**Tranche A**"). Tranche B has a maximum amount of 1,350,000,000 euros and an initial duration of 4 years ("**Tranche B**"), although the peculiarity of Tranche B is that under certain circumstances (essentially a failure to repay Tranche B upon maturity), it could be converted into shares in the Company by executing FCC Warrants or a junior loan under certain circumstances provided in the Facilities Agreement, thereby serving to reduce the total debt of the Company

⁴ Following signature by the Company on 24 March 2014, a subscription period commenced, ending on 30 March 2014.

through the conversion of Tranche B into FCC shares, with the maturity period of Tranche A being extended for a maximum term of a further two years. As a part of the Refinancing, FCC signed other accessory agreements including, without being confined to, a Master Financial Stabilization Agreement, in order to provide the group with financial stability (regarding bonding lines, reverse factoring, leasing and other credit facilities) during the validity thereof, an International Syndicated Bond Facility for an initial amount of 250,000,000 euros and a Deferral Agreement with regard to a certain contingent obligation to provide funds to its subsidiary, Cementos Portland Valderrivas, S.A., for an amount of up to 200,000,000 euros.

Up to the Date of Close of the restructuring of the Company's financial debt (as said term is defined in the Financing Agreement), adjustments may occur to the amount of Tranche A⁵ and the distribution of the stake of the Creditors in Tranche B, under the terms set out in the Financing Agreement. In particular, they may be adjustments as a result of the exchange rate applied at the close to the re-financed agreements which are denominated in currencies other than the euro, and as a result of an increase of the stake of any entity in Tranche A, which would lead to a redistribution of Tranche B among the Creditors.

The ordinary rate of interest on Tranche B will comprise the sum of the following components: (i) a variable component equivalent to the one-year EURIBOR payable in cash, and (ii) a fixed annual PIK margin, capitalised yearly on each Tranche B interest settlement date, up until repayment in full of Tranche B as a part of the principal of Tranche B, the maximum being 11% per annum during the first year, 13% per annum during the second year, 15% per annum during the third year 16% per annum during the fourth year, and being lower under certain circumstances, all the above pursuant to the terms set out in the Facilities Agreement.

The Refinancing Operation is based on execution of the business plan drawn up by the FCC Group, the general terms and conditions of which were described in significant event number 183,988 published by the Company on the website of the Spanish National Securities Market Commission (www.cnmv.es) on 20 March 2013.

Failure to issue the FCC Warrants will constitute a mandatory advance amortisation event for the entire Facilities Agreement, and the Issue is thus established as a key aspect of the Refinancing.

(c) **FCC Warrant issue price**

The FCC Warrants will be issued without any premium as a part of the restructuring of the financial debt of the Company.

(d) **Recipients and holders of the FCC Warrants**

The FCC Warrants will initially be subscribed by those entities with stakes in Tranche B of the Facilities Agreement (the "**Creditors**"), to which the governing body of the Company will present the corresponding titles, at a rate of one FCC Warrant per Creditor entity.

FCC Warrant number	FCC Warrant subscribers (the Creditors)	Initial amount of the principal of Tranche B
1	Banca March, S.A.	7,212,009.92 euros

⁵ At the date of this Proposed Resolution, and as a result of the adjustments performed to date, the amount of the Financing Agreement totals 4,521,456,340.20 euros, the amount of Tranche A being a figure of 3,171,754,850.54 euros.

FCC Warrant number	FCC Warrant subscribers (the Creditors)	Initial amount of the principal of Tranche B
2	Banco Bilbao Vizcaya Argentaria, S.A.	159,049,206.47 euros
3	Banco BPI, S.A., Sucursal en España	10,736,523.53 euros
4	Banco BPI, S.A.	119,404.14 euros
5	Banco Cooperativo Español, S.A.	2,089,572.41 euros
6	Banco de Caja España de Inversiones, Salamanca y Soria, S.A.	298,510.34 euros
7	Banco de Sabadell, S.A.	83,611,395.57 euros
8	Banco Grupo Cajatres, S.A.	3,044,805.51 euros
9	Banco Popular Español, S.A.	103,050,188.18 euros
10	Banco Santander, S.A.	258,458,566.03 euros
11	Bankia, S.A.	104,597,738.35 euros
12	Bankinter, S.A.	6,354,318.22 euros
13	Bank of America N.A.	2,158,400.06 euros
14	Banque Marocaine du Commerce Extérieur International, S.A.	1,492,551.72 euros
15	Barclays Bank, plc, Sucursal en España	29,851,034.45 euros
16	BNP Paribas Fortis SA/N.V.	7,850,001.48 euros
17	BNP Paribas Fortis SA/N.V., Sucursal en España	45,163,794.54 euros
18	Burlington Loan Management Limited	2,985,103.44 euros
19	Caixa Geral de Depositos, Sucursal en España	19,247,260.76 euros
20	Caixabank, S.A.	178,807,573.62 euros
21	Caja Rural de Burgos	447,765.52 euros
22	Catalunya Banc, S.A.	10,142,172.99 euros
23	Commerzbank Aktiengesellschaft, Sucursal en España	5,046,429.51 euros
24	Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A., Sucursal en España	2,032,589.67 euros
25	Dexia Crédit Local, S.A.	5,587,753.08 euros
26	Dexia Sabadell, S.A.	2,262,248.40 euros

FCC Warrant number	FCC Warrant subscribers (the Creditors)	Initial amount of the principal of Tranche B
27	HSBC Bank plc, Sucursal en España	7,850,001.48 euros
28	Ibercaja Banco, S.A.	1,356,924.81 euros
29	Instituto de Crédito Oficial	82,451,467.95 euros
30	KBC Bank N.V., Sucursal en Londres	2,032,589.67 euros
31	Kutxabank, S.A.	30,106,431.06 euros
32	Liberbank, S.A.	9,042,413.14 euros
33	Mizuho Corporate Bank Nederland N.V.	5,290,590.27 euros
34	Mondragón S. Coop.	298,510.34 euros
35	Natixis, S.A., Sucursal en España	7,850,001.48 euros
36	NCG Banco, S.A.	9,461,852.02 euros
37	Société Générale, Sucursal en España	54,300,636.37 euros
38	The Royal Bank of Scotland plc	20,975,827.13 euros
39	The Bank Of Tokyo-Mitsubishi Limited, Sucursal en España	12,509,188.14 euros
40	Unicaja Banco, S.A.	54,776,648.21 euros
	TOTAL	1,350,000,000.00 euros

At the date of this Proposed Resolution, Mondragón S. Coop. has not subscribed to the Financing Agreement, and as a result is not the holder of a stake in Tranche B. Likewise, and as a result of certain adjustments referred to in subsection 0jError! No se encuentra el origen de la referencia. above, the amount of the Tranche B principal is to date 1,349,701,489.66 euros, while Tranche A amounts to 3,171,754,850.54 euros. This notwithstanding, according to the Refinancing documents, Mondragón S. Coop. will be entitled to subscribe to the Financing Agreement with the majorities established in the Refinancing documents up until the point of execution of the Issue and handover of the FCC Warrants to the Creditors which at that time are holders of Tranche B. As a result, in the event that prior to this point Mondragón S. Coop. has subscribed to the Financing Agreement, the issue and handover of the corresponding FCC Warrant will proceed in accordance with the amount indicated in the table. As a result, express provision is made for the possibility of incomplete subscription of the FCC Warrants.

The FCC Warrants will be transferable in the manner set out in subsection 0 0 below, and as a result the entity ultimately exercising the option vested in the FCC Warrant may be other than any of the Creditors.

(e) **Preferential subscription rights**

Since, in accordance with the purpose and justification of the resolution referred to in this report, the only holders of the FCC Warrants may be the Creditor entities or their assignees, and the capital increase through exercise of the rights vested in the FCC Warrants will be performed by means of the offsetting of credits, the FCC Warrant issue will not include any preferential subscription rights in favour of the current shareholders of the Company this being acknowledged by Article 304 of the Act only in the case of increases charged to monetary contributions.

(f) **Rights vested in the FCC Warrants**

The FCC Warrants shall confer on their holders the option to subscribe newly issued shares in the Company by means of the offsetting of credit rights derived from Tranche B of the Facilities Agreement pending amortisation at the time of the offsetting (including the principal and capitalised interest pending payment at the point of offsetting, in accordance with the terms laid down in the Facilities Agreement) (the "**Credits**") within the context of the capital increase subsequently detailed. As a result, the number of New Shares corresponding to each holder of the FCC Warrants will be equivalent to division of the amount of the credits to be offset by each holder by the subscription price of the New Shares (the "**Subscription Price**"), rounding to the closest whole number of FCC shares. In the event that, as a result of the calculation performed, there are fractions of shares, that part of the Credits not offset will be settled in cash.

(g) **Exercise of the FCC Warrants**

The FCC Warrants will be exercisable by their holders if (a) an FCC Warrant Exercise Event as indicated below occurs, in accordance with the terms of the Facilities Agreement, and (b) this is so agreed by Creditors with an overall stake in Tranche B equal to or greater than 75% of the outstanding total balance pending payment of Tranche B at the time when the decision is taken (the "**Reinforced Majority of Tranche B Creditors**").

FCC Warrant Exercise Events

In accordance with the terms and conditions of the Facilities Agreement, the FCC Warrants may be exercised in the event of the following circumstances:

- (a) If, three months prior to the Initial Maturity Date full repayment of Tranche B has not occurred (the "**Ordinary Conversion Event**"), although (i) the conversion may not be performed prior to the Initial Maturity Date (notwithstanding that prior to said date the necessary actions for the effective conversion to take place with all possible haste upon the Initial Maturity Date may be taken), and (ii) the conversion may be deemed null and void by FCC if it repays in cash the entire Tranche B debt prior to the date when the FCC Board of Directors meets to pass the resolutions for execution of the capital increase of the amount required in order to cover the exercise of the rights vested in the FCC Warrants (the "**Conversion Date**"), under the terms established in the Facilities Agreements; or
- (b) on any other prior date when:
 - i. the following have occurred: (1) non-payment of any amount owed by virtue of the Facilities Agreement in any regard (either upon ordinary maturity or because of the occurrence of a total or partial mandatory advance amortisation event other than failure by the courts to approve the Restructuring under the

terms established in the Facilities Agreement); or (2) the commencement of creditor insolvency proceedings at FCC; or

if the Facilities Agreement has been deemed subject to advance maturity as a result of the occurrence of an advance maturity event other than those set out in subsection (b)(i) above, in accordance with the terms of the Facilities Agreements;

(any of the above events will be referred to as an **"Advance Conversion Event"**, and together with the Ordinary Conversion Event, an **"FCC Warrant Exercise Event"**).

The **"Initial Maturity Date"** will be understood as the fourth anniversary of the date when the Facilities Agreement became fully valid and enforceable, upon fulfilment of all conditions precedent for the effectiveness thereof.

Reinforced Majority of Tranche B Creditors

The decision by the Reinforced Majority of Tranche B Creditors to exercise the FCC Warrants in the event of an FCC Warrant Exercise Event will, subject to the exceptions set out below, be binding on all holders of the FCC Warrants, including those Creditors voting against said decision, and those not participating. Nonetheless, those Creditors which, for any reason, do not wish to convert their stake in Tranche B into New Shares may waive said right, in which case their rights to collect the principal of Tranche B corresponding to them will automatically be novated as a junior loan, of the characteristics set out in the Facilities Agreement, thereby cancelling their FCC Warrants.

Conversion Deactivation Events

In accordance with the terms and conditions of the Facilities Agreement, the Credits will no longer be open to offsetting if, prior to the Conversion Date, the following requirements are cumulatively fulfilled (the **"Conversion Deactivation Events"**):

- (i) FCC has demonstrated that the Financial Debt/EBITDA Ratio in any half-year is equal to or lower than 4x;
- (ii) FCC has repaid at least 1,500,000,000 euros of the Refinancing (of any tranche); and
- (iii) the recurrent EBITDA of the FCC Group for the financial year immediately prior to that when the Financial Ratio referred to in subsection (i) was calculated was equal to or greater than 750,000,000 euros

Actions following exercise of the FCC Warrants

Following exercise of the FCC Warrants by the Tranche B Creditors, the Company will perform and execute all actions and instruments required or desirable for issuance of the New Shares and the subsequent listing thereof for trading on those secondary markets on which FCC shares are currently listed.

(h) **Subscription Price of the ordinary shares of the Company through exercise of the FCC Warrants. Adjustments**

The subscription price of the New Shares in the Company following exercise of the option vested in the FCC Warrants will be whichever is the greater of: (i) the par value of the FCC shares; and (ii) **the volume-weighted average price (vwap) of the FCC shares over a period of eight (8) weeks (the "Share Subscription Price")** on the corresponding dates in accordance with the terms

of the Facilities Agreement. To the extent that the Share Subscription Price is benchmarked to the quoted price of the FCC shares on dates close to the issue thereof, there is no requirement to establish pre-dilution adjustment formulae for the Share Subscription Price for an event in which there are alterations to the capital stock of FCC, as the quoted price on the basis of which the Share Subscription Price is established will already take into consideration this effect.

As a result, the number of New Shares corresponding to each holder of FCC Warrants will be equivalent to dividing the amount of the credits to be offset by each holder by the Share Subscription Price.

(i) Expiry of the Warrants

The FCC Warrants will expire (i) at the point at which the Company has handed the New Shares over to the holders of the FCC Warrants once they have been exercised; (ii) in the event that Conversion Deactivation Events occur; (iii) in the event that they cannot be exercised in accordance with the terms and conditions of the Facilities Agreements; (iv) if a period of 6 months has elapsed from the Initial Maturity Date (the "**FCC Warrant Expiry Date**") and the FCC Warrants have not been exercised; or (v) in the event of total or partial amortisation or repurchase of Tranche B (in the event of partial amortisation or repurchase, only the corresponding proportion will expire).

(j) Form of representation of the FCC Warrants

The FCC Warrants will be represented by means of named titles, the Company being required to maintain a register of the holders thereof.

(k) Transferability of the FCC Warrants

The FCC Warrants will be freely transferable, although they may not be disposed of or transferred in any way which would be independent of the Tranche B Credits from which they are derived, nor may the Tranche B Credits be disposed of or transferred in any way which would be independent of the FCC Warrants. In turn, in accordance with the terms of the Facilities Agreement, Tranche B may only be transferred jointly with Tranche A.

In the event of the partial assignment of the Tranche B Credits or the intention by a holder of an FCC Warrant to transfer a part of the rights vested in said FCC Warrant in proportion to the Credits forming the object of the assignment, the Company will perform a split of the FCC Warrant of the assigning holder such that said holder would receive from the Company as many FCC Warrants as required in order to transfer to the assignee or assignees the Tranche B conversion option corresponding to the Credit being assigned.

The Company must be informed of transfer of the FCC Warrant, and will enter the new holder in the register, and cancel, replace and issue the corresponding named titles in favour of the new holder.

(l) Non-listing of FCC Warrants

The FCC Warrants will not be listed for trading on any secondary market.

(m) Issue Guarantees

The FCC Warrants are not especially guaranteed.

(n) Modification of the terms and conditions of the FCC Warrants

Any modification to the terms and conditions of the FCC Warrants will require the agreement of the Company and also of the majority of Creditors required for this purpose in the Facilities Agreement.

Agreement of the corresponding majority of the Creditors under the Facilities Agreement will be understood legally to constitute an agreement of the majority of the holders of the FCC Warrants for the purposes of implementation of a modification to the terms and conditions of the FCC Warrant issue.

This notwithstanding, any modification or variation to the terms and conditions of the FCC Warrants which is formal, minor or technical in nature, or is to correct a manifesto error (and which has no negative impact on the rights of the FCC Warrant holders) may be performed directly by the Company, provided that the Facilities Agreement agent has granted its prior, written consent for this purpose.

The named titles representing the FCC Warrants must be duly substituted by the Company in order to reflect any modifications to the terms and conditions of the FCC Warrants undertaken in accordance with the terms of this section 0 0.

(o) Regulations applicable to the Warrants and Legal Forum

The FCC Warrants will be governed by standard Spanish legislation. By subscribing the FCC Warrants, the holders accept that any dispute between the FCC Warrant holder and the Company will be settled under the jurisdiction of the courts and tribunals of the City of Madrid.

It is lastly indicated that, in accordance with the terms of Article 414.2 of the Act, the Companies Register of Barcelona was called upon to appoint an auditor other than the FCC auditor for the purpose of issuance of a report by an accounts auditor other than the Company's auditor, issuing a judgment, on the basis of Confirmation of the Directors, with regard to the circumstances specified in said legal principle, which will be made available to the shareholders upon publication of the announcement of the General Shareholders' Meeting.

II. INCREASE THROUGH OFFSETTING OF CREDITS FOR AN AMOUNT NECESSARY IN ORDER TO COVER THE FCC WARRANTS

(a) Capital increase through offsetting of credits

It is agreed to increase the capital stock of the Company on one or more occasions by the amount required in order to cover the exercise of the rights vested in the FCC Warrants, the consideration for the increase being the Credits to be presented for offsetting in accordance with the terms of Article 301 of the Act, with provision for incomplete subscription.

The amount of the capital increase will be dictated by the aggregate par value of the New Shares to be handed over as a result of exercise of the option granted by virtue of the FCC Warrants. The number of New Shares to be issued will be the result of dividing (i) the amount of the Credits to be offset, comprising the principle of Tranche B and capitalised interest pending payment at the time of offsetting, as described in the subsection 0 0 below, by (ii) the Share Subscription Price, which will be established in the manner described in subsection 0 0 above.

Pursuant to Article 297.1(a) of the Act, it is resolved to vest in the Board of Directors (it being understood that on each occasion that powers are delegated by virtue of this resolution, they expressly entail empowerment to perform subsequent delegation, in accordance with the regulations in force, on the Executive Committee or any of its corresponding members), powers to

execute on each occasion, in whole or in part, the increase required in order to cover exercise of the option vested in the FCC Warrants, through the issuance of New Shares in the Company, in accordance the characteristics detailed below.

(b) Nature and characteristics of the Credits to be offset.

The Credits to be offset will be those amounts of Tranche B of the refinanced FCC debt (including the principal and capitalised interest pending payment at the time of the offsetting, in accordance with the terms of the Facilities Agreement) which the Company has not repaid on the date when the Tranche B debt to be converted is established, in accordance with the terms of the Facilities Agreement, following occurrence of any of the FCC Warrant Exercise Events.

Pursuant to the terms of Article 301 of the Act, together with the announcement of the General Meeting the shareholders will be provided with a certificate from the Company's accounts auditors accrediting that, according to the results of the Company's accounting records, the Credits will, at the point of offsetting, be liquid, due and enforceable in their entirety, and that the details set out in the report drawn up by the Directors regarding the Credits to be offset are precise. The Company's auditor will likewise issue on or prior to the date of execution of the corresponding capital increase in order to cover the rights vested in the FCC Warrants a supplementary certificate accrediting that, according to the Company's accounting records, all the Credits offset in said amount are liquid, due and enforceable on that date.

(c) Subscription price of the Shares upon exercise of the FCC Warrants

The Subscription Price of the New Shares in the Company following exercise of the option vested in the FCC Warrants will be whichever is the greater of: (i) the par value of the FCC shares; and (ii) the volume-weighted average price (vwap) of the FCC shares over a period of eight (8) weeks.

As a result, the number of New Shares corresponding to each holder of the FCC Warrants will be equivalent to division of the amount of the credits to be offset by each holder by the Subscription Price of the Shares, rounding to the closest whole number of FCC shares. In the event that, as a result of the calculation performed, there are fractions of shares, that part of the Credits not offset will be settled in cash.

(d) Rights of the New Shares

The New Shares will vest in their holders the same voting and economic rights as the ordinary shares of the Company currently in circulation, from the Conversion Date forwards.

(e) Right of Preferential Subscription

There will be no rights of preferential subscription over the New Shares, pursuant to the terms of Article 304 of the Act.

(f) New Share issue

Once the FCC Warrants have been exercised by the Tranche B Creditors, the Company will perform and implement all actions and execute all instruments required or desirable for the issuance of the New Shares and the subsequent listing thereof for trading on the secondary markets on which the FCC shares are traded.

(g) Listing of the shares

Admittance for trading of the New Shares issued will furthermore be requested on those secondary markets on which the ordinary shares of the Company are currently listed (at present the Stock Exchanges of Madrid, Barcelona, Bilbao and Valencia, and through the Continuous Market), subject to any regulations which may exist or may be issued in this regard, in particular regarding contracting, permanence and exclusion from official listing.

(h) Incomplete subscription

For the purposes provided in Article 311.1 of the Act, express provision is made for the possibility of incomplete subscription of the capital increase. As a result, if the ordinary new shares in the Company are not subscribed in full, the capital increase may be declared closed for the amount corresponding to the Credits actually offset through exercise of the FCC Warrants.

(i) Modification to Article 5 of the Company Bylaws

As a result of the capital increase, it is resolved to modify Article 5 of the Corporate Bylaws, on each occasion on which the capital stock of the Company is increased by exercising this resolution, delegating in turn the definitive redrafting thereof on the Board of Directors in accordance with the terms of subsection 0 below.

(j) Effectiveness of the capital increase

The Board of Directors or the Executive Committee of the Company may deem the capital increase referred to in this report null and void after the Date of Expiry of the FCC Warrants only if upon said date the FCC Warrants have not been exercised by their holders, being required in this case to report to the next General Shareholders' Meeting of the Company which is held.

III. DELEGATION OF POWERS

Notwithstanding the specific delegations of powers contained in the above subsections, the Board of Directors is empowered, to the full extent required in Law and with express powers of subsequent delegation on the Executive Committee and on any members of the Board of Directors, in order that any of them might, jointly and severally, execute this resolution, enjoying in particular powers which would by way of example include, without being confined to, the following:

- (i) To expand and develop this resolution in the terms necessary for full execution hereof, fully complying with the terms of this resolution, in particular to establish the date or dates for the issuance of the FCC Warrants and of the New Shares, the subscription procedure, the period for establishment of the Subscription Price of the Company Shares, the terms and conditions of the issue in all particulars not provided in this resolution, and to perform all actions required for the proper execution and operation of the issue and the presentation and functioning of the FCC Warrants, including, where applicable, the issuance of new titles in the event that a split thereof is performed, and the placement of any public announcements which may be required.
- (ii) To rule as to any modification to the terms and conditions of the FCC Warrants provided that such modifications (i) are agreed within the context of the Facilities Agreement and under the terms provided in subsection 0 0 of this resolution, and (ii) do not involve for the Company shareholders any dilutions greater than that already provided in the terms and conditions of the FCC Warrants included in this resolution.

- (iii) To appear before a notary and execute the corresponding public deed of issuance of the FCC Warrants forming the object of this resolution, and to request registration with the Companies Register of the aforementioned public deed, and perform any announcements of the issue which may be required, and to execute any public or private instruments necessary in order to declare the closure of the FCC Warrant subscription.
- (iv) To verify whether the conditions required have been fulfilled in order, pursuant to the terms and conditions of the Facilities Agreement, for the rights vested in the FCC Warrants to be exercisable, allowing execution of the capital increase or increases through the offsetting of credits to proceed.
- (v) To execute the resolution for the increase of capital in the Company, issuing and releasing, on one or more occasions, ordinary shares representing this as required in order to allow the option of the FCC Warrant holders to be exercised, and to redraft the article of the Corporate Bylaws regarding the capital stock, deeming null and void that part of the capital increase not required through the exercise of the rights of the FCC Warrant holders, and to request the listing for trading on Spanish Stock Markets and inclusion within the Spanish 'SIBE' Stock Exchange Interconnection System of the ordinary shares issued.
- (vi) To draw up, subscribe and, where applicable, present to the Spanish National Securities Market Commission (the "**CNMV**"), or any other applicable supervisory authorities, with regard to the issuance and admission for trading of the New Shares issued as a result of exercise of the FCC Warrants, the information prospectus and any supplements thereto required, assuming the corresponding liability, in addition to all other documents and information required pursuant to the terms of Securities Market Act 24/1988, of 28 July 1988, and of Royal Decree 1310/2005, of 4 November 2005 (modified by Royal Decree 1698/2012, of 21 December 2012), with regard to the listing for trading on official secondary securities markets, public offers for sale or subscription and the prospectus required for these purposes, to the extent applicable; and likewise to perform on behalf of the Company any action, declaration or administrative procedure required before the CNMV, the clearing company 'Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.' ("**Iberclear**"), the Stock Exchange Governance Companies, and any other body or entity, or public or private, Spanish or foreign register, and to perform all procedures required for the new ordinary shares resulting from the capital increase to be registered in accounting registers as applicable and listed for trading on the secondary markets on which the Company shares currently in circulation are listed (at present, the Stock Markets of Madrid, Barcelona, Bilbao and Valencia).
- (vii) To negotiate and sign, and also to confirm or corroborate, where applicable, under the terms deemed most appropriate, any agreements required with the financial entities which may where applicable be involved in the issuance and placement of the FCC Warrants.
- (viii) To rectify, clarify, interpret, specify or supplement the resolutions passed by the General Shareholders' Meeting, or any which may arise in any deeds or instruments executed in performance thereof, and in particular any defects, omissions or errors of form or substance preventing the resolutions and the consequences thereof from

being registered by the Companies Register, the Official Registers of the CNMV, or any others.

- (ix) To execute on behalf of the Company any public or private instruments required or desirable for the issuance of the FCC Warrants forming the object of this resolution and, in general to perform all procedural steps required for implementation of this resolution and the effective release of the FCC Warrants, including signature of the named titles representing the FCC Warrants.

This report was drawn up and approved unanimously by those attending the vote, in Madrid, on 24 April 2014.