

REPORT OF THE BOARD OF DIRECTORS OF FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A. (FCC) ON THE AMENDMENT OF THE ARTICLES OF ASSOCIATION: ARTICLE 2 (BUSINESS OBJECTIVE), 18 (RIGHT TO ATTEND GENERAL MEETINGS), 29 (REQUIREMENTS AND TERM OF OFFICE), 32 (DELIBERATIONS. RESOLUTIONS. MEETING MINUTES), 35 (EXECUTIVE COMMITTEE AND MANAGING DIRECTOR), 36 (OPERATION OF THE EXECUTIVE COMMITTEE, NEWLY CREATED), 37 AND 38 (AUDIT COMMITTEE) AND 39 (ADVISING DIRECTOR)

In compliance with the provisions of article 144.1.a) of the Public Corporations Act, the Board of Directors of FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A. has issued this report justifying the amendments to the Articles of Association proposed to the ordinary General Meeting of Shareholders in relation to Agenda item 3.

In those cases where an amendment is proposed to a currently existing article, the column on the left contains the text of the article as it currently reads and the column on the right contains the proposed wording, with the proposed changes in boldface.

Amendment of Article 2 of the Articles of Association: Business Objective.

Justification of the proposal:

The purpose is to include in the business objective all of the activities which the FCC Group has been carrying out for years and which at this time are only mentioned generically in article 2 of the Articles of Association. In other cases, the intention of the proposed modification is only to specify some of the activities which are already described in the article, modernising the language used or decomposing the activity into diverse phases which can be carried out independently.

In keeping with the above, a new wording of Article 2 of the Articles of Association is proposed to the General Meeting of Shareholders, which merely serves to further clarify the business objective, as shown below:

Current wording	Proposed wording
<p>Article 2.- Business Objective The Company's business objectives include:</p> <p>1) Constructing, executing and maintaining public and private structures and operating of all types of infrastructures.</p> <p>2) Providing sanitation, cleaning, maintenance and repair services for public and private buildings, structures, infrastructures and installations. Providing all kinds of services on behalf of public administrations.</p>	<p>Article 2.- Business Objective The Company's business objectives include:</p> <p>1) Constructing, executing and maintaining public and private structures and operating all types of infrastructures.</p> <p>2) Providing sanitation, cleaning, management, maintenance and repair services for public and private buildings, structures, ships, aircraft and in general all kinds of public or private installations. Providing all kinds of services on behalf of public administrations, which may include collaborating on the tasks inherent to the collection management of</p>

<p>3) Studying, developing, advising, administering, managing, buying, sell and operating land, residential complexes, housing developments, real estate projects and, in general, all kinds of real estate.</p> <p>4) Designing, building, buying, selling, supplying, importing, exporting, leasing, maintaining, distributing, representing and operating, including advertising, machinery; tools; vehicles; installations; materials and equipment; furniture and urban equipment in the broadest sense of the term, as well as signalling elements in cities and towns and on intercity roadways.</p> <p>5) Buying, selling, operating and assigning patents, models, trademarks, licenses and other types of industrial or intellectual property.</p> <p>6) Designing, researching, developing, building, operating, maintaining and commercialising wastewater treatment and purification plants, waste elimination and recovery plants and purchasing and selling the by-products obtained from such treatments. Supplying, transforming and commercialising all kinds of water.</p> <p>7) Studying, designing, acquiring, assigning, disposing of, building, promoting, advising, administering, managing, and operating shopping centres under leasing agreements or other arrangements.</p>	<p>government agencies, provided that it does not involve exercising authority or guarding public funds.</p> <p>3) Designing, researching, developing, building, operating, maintaining and commercialising wastewater treatment and purification plants. Supplying, transforming and commercialising all kinds of water.</p> <p>4) Waste management and pollution control and any advisory, research or consulting activity related thereto. Designing, researching, developing, operating, maintaining and commercialising recycling plants and installations and waste recovery, elimination and storage facilities or transfer stations for waste and contaminated soil, and purchasing and selling the by-products obtained from such treatments and all types of waste.</p> <p>5) Establishing and operating cement, line, plaster and prefab factories and concrete factories and creating and operating other industries related to these products. Investigating and mining mineral deposits; acquiring, using, enjoying permits, concessions and other mining rights and interests; industrialising and commercialising the mining products derived from such rights.</p> <p>6) Promoting and selling plots, land, residential complexes, housing developments, commercial and office space and in general any kind of real estate. Operating such properties under leases or any other arrangement not involving the transmission of ownership and providing consulting, administration and management services for third party property owners.</p> <p>7) Studying, designing, acquiring, assigning, disposing of, building, promoting, advising, administering, managing, and operating shopping centres under leasing agreements or other arrangements.</p>
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<p>8) Buying, assigning, disposing of, building, developing, advising, administering, managing, operating and operating geriatric residences under leasing agreements or other arrangements.</p> <p>9) Investigating and mining mineral deposits; acquiring, using, enjoying permits, concessions and other mining rights and interests; industrialising and commercialising the mining products derived from such rights.</p> <p>10) Creating, developing and operating food industries.</p> <p>11) Providing technical engineering services, including projects, studies and reports, as well as pre-investment studies, quality control, internal audits and electronic data operation.</p> <p>12) Installing and assembling electrical, electronic and telecommunication systems; designing, investigating, developing and commercialising the products related to such services.</p> <p>13) Participating in other companies or concerns, domestic or foreign, by subscribing, acquiring, negotiating and possessing shares, participations and other titles, whether fixed or variable income. Under no circumstances shall the company participate in the activities reserved from collective investment institutions and companies regulated by Law 46/84 of 26 December on collective investment institutions.</p> <p>The Company may participate in the activities mentioned above, both in</p>	<p>8) Designing, building, quality assurance, buying, selling, supplying, importing, exporting, leasing, maintaining, repairing distributing, representing and operating, including advertising, machinery and components; tools; vehicles; installations; materials and equipment; furniture and urban equipment in the broadest sense of the term, as well as signalling elements in cities and towns and on intercity roadways.</p> <p>9) Creating, designing, buying, selling, operating and assigning patents, models, trademarks, licenses and other types of industrial or intellectual property.</p> <p>10) Studying, planning, buying, assigning, disposing of, developing, advising, administering, managing and operating geriatric residences.</p> <p>11) Studying, planning, buying, assigning, disposing of, developing, administering, managing and operating business related to the food sector.</p> <p>12) Providing technical engineering services, including projects, studies and reports, as well as pre-investment studies, quality control, internal audits and electronic data operation.</p> <p>13) Designing, manufacturing, installing, assembling, buying, selling, supplying, importing, exporting, leasing, maintaining, distributing, representing and operating electrical, computer, electronic, and telecommunications services and designing, researching, development and commercialising products related to such services.</p> <p>14) Studying, planning, buying, assigning, disposing of, developing, administering, managing and operating business related to the energy sector.</p>
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Spain and abroad, either directly or indirectly through interests in other domestic or foreign companies with analogous or identical business objectives. Such interests may include subscribing, purchasing or acquiring, by any legally acceptable means, mercantile bonds or securities entitling the owner to participate in the share capital or the profits of such companies, as well as other business association arrangements.

Those activities for which the law establishes special requirements with which the Company does not comply are excluded.

15) Studying, planning, buying, assigning, disposing of, developing, advising, administering, managing and operating passenger and merchandise transport services, including medical transport services in specially-equipped vehicles, all kinds of bus and train stations, airports and ports and providing all kinds of services to transportation companies. Managing, operating and maintaining all kinds of parking areas and providing vehicle removal and towing services.

16) Studying, planning, buying, assigning, disposing of, developing, administering, managing and operating businesses related to logistics sector.

17) Studying, planning, buying, assigning, disposing of, developing, administering, managing and operating business related to the tourism and entertainment industry.

18) Studying, planning, buying, assigning, disposing of, developing, advising, administering, managing and operating cemeteries and morgues.

19) Studying, planning, buying, assigning, disposing of, developing, administering, managing and operating businesses related to the financial services sector.

20) Participating in other companies or concerns, domestic or foreign, by subscribing, acquiring, negotiating and possessing shares, participations and other titles, whether fixed or variable income. **Under no circumstances shall the company participate in the activities reserved from collective investment institutions and companies regulated by Law 35/2003 of 4 November on collective investment institutions.**

The Company may participate in the activities mentioned above, both in Spain and abroad, either directly or indirectly

	<p>through interests in other domestic or foreign companies with analogous or identical business objectives. Such interests may include subscribing, purchasing or acquiring, by any legally acceptable means, mercantile bonds or securities entitling the owner to participate in the share capital or the profits of such companies, as well as other business association arrangements.</p> <p>Those activities for which the law establishes special requirements with which the Company does not comply are excluded.</p>
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Amendment of Article 18 of the Articles of Association: Legitimation for attending General Meetings.

Justification of the proposal:

Following the recommendations of the Olivencia Code and the Aldama Report, and in order to facilitate the participation of a greater number of shareholders at General Meetings, it is proposed that the number of shares required to attend the General Meeting be cut in half as indicated below:

Current wording	Proposed wording
<p>Article 18. Legitimation for attending General Meetings.</p> <p>Shareholders possessing four 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.</p> <p>Shareholders possessing fewer than four thousand shares may group together for the purpose of meeting attendance, choosing one shareholder to represent the group.</p> <p>Directors, managers, technical personnel and others responsible for the management of the Company may</p>	<p>Article 18. Legitimation for attending General Meetings.</p> <p>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.</p> <p>Shareholders possessing fewer than two thousand shares may group together for the purpose of meeting attendance, choosing one shareholder to represent the group.</p> <p>Directors, managers, technical personnel and others responsible for the management of the Company may also attend General</p>

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.	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.
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Amendment of Article 29 of the Articles of Association: Requirements and Term.

Justification of the proposal:

The abolishment provision of Law 12/95 of 11 May on the incompatibility affecting members of the national government and executive officers of general state administration abolished Law 25/1983 of 26 December (RCL 1983, 2806) on the Incompatibilities of Executive Officers, modified by Law 9/1991 of 22 March (RCL 1991, 799) and all of provisions of an equal or lower rank which contradict the provisions of this law.

Furthermore, one of the fundamental principles of the Law 53/84 of 26 December on the incompatibilities affecting government employees holds that personnel in the service of the public administration should have only one job, the only exceptions being those demanded by the public service itself, respecting those activities which do not impede or impair the civil servant’s strict fulfilment of his/her duties or compromise his/her impartiality or independence.

It is proposed that the references to the abolished legal texts be replaced with references to the current ones in order to bring the Articles of Association in line with the current laws on the subject of incompatibilities.

Current wording	Proposed wording
<p>Article 29. Requirements and Term.</p> <p>In order to be a board member it shall not be necessary to be a shareholder. Both individuals and legal entities may be shareholders, but in the case of the latter the legal entity shall designate an individual to represent it on the board.</p> <p>Those affected by any of the circumstances of incapacity or incompatibility are prohibited from being board members, particularly those set forth in the Law of 26 December 1983, modified by the law of 22 March 1991 and any others which may be enacted in the future.</p> <p>Board members will hold their seats for five (5) years, but may be re-elected indefinitely, one or more times, for terms of equal length.</p>	<p>Article 29. Requirements and Term.</p> <p>In order to be a board member it shall not be necessary to be a shareholder. Both individuals and legal entities may be shareholders, but in the case of the latter the legal entity shall designate an individual to represent it on the board.</p> <p>Those affected by any of the circumstances of incapacity or incompatibility are prohibited from being board members, particularly those set forth in Law 12/1995 of 11 May and 53/1984 of 26 December and any others which may be enacted in the future.</p> <p>Board members will hold their seats for five (5) years, but may be re-elected indefinitely, one or more times, for terms of equal length.</p>

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Amendment of Article 32 of the Articles of Association: Deliberations. Resolutions. Minutes. (paragraph 4)

Justification of the proposal:

Paragraph 4 of article 32 of the Articles of Association establishes the Board's obligation to convene a General Meeting of Shareholders each time a vote ends in a tie. Despite the fact that this situation has never occurred, the Board of Directors believes that it is not befitting its duties as Directors to have to automatically forward to the General Meeting, as is currently the case, the consequences of its lack of consensus on certain matters, obliging that supreme body to recompose the Board of Directors every time its members are unable to reach agreement on the issues falling under its jurisdiction according to the law, the Articles of Association or its own regulations.

It is therefore proposed that the aforementioned paragraph be eliminated as shown below:

Current wording	Proposed wording
Article 32. Deliberations. Resolutions. Minutes. (paragraph 4) In the event of a tie, the Board, at the board meeting in which the tie takes place, will convene the General Meeting of Shareholders to modify the number of members on the Board of Directors..	Article 32. Deliberations. Resolutions. Minutes. (paragraph 4) This paragraph is eliminated.

Amendment of Article 35 of the Articles of Association: Executive Committee and Managing Director (paragraph 3)

Justification of the proposal:

It is proposed that certain prohibitions against delegating powers contained in the third paragraph of article 35 of the Articles of Association be eliminated. The obscure wording of this paragraph often hinders the company's daily business from running smoothly and offers no advantages to a heavily decentralised company such as FCC, whose main activities are carried out through specialised subgroups whose articles do not contain prohibitions such as those proposed here for elimination.

Current wording	Proposed wording
Article 35.- Executive Committee and Managing Director (third paragraph)	Article 35.- Executive Committee and Managing Director (third paragraph)

<p>The following powers may only be delegated to the Executive Committee: convening the General Meeting and setting the meeting agenda; approving interim dividends; supervising delegated bodies; buying and sells shares in companies, except in the case of treasury stock, in which case the Managing Director(s) may be empowered to do so; the decision to add or remove part of all of the Company's business objectives through other companies; the disposal of land or real estate projects, either completed or under construction; the disposal or encumbrance of any of the Company's business activities and other actions falling outside the scope of the Company's business objectives.</p>	<p>The following powers may only be delegated to the Executive Committee: convening the General Meeting and setting the meeting agenda; approving interim dividends; supervising delegated bodies.</p> <p>(The rest of the article, starting with the 6th paragraph, is eliminated and replaced by the new article 36)</p>
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Creation of Article 36: Operation of the Executive Committee

Justification of the proposal:

Reorganisation and systematisation of Article 36: Operation of the Executive Committee, making it easier to locate and to understand by creating a separate article devoted to it exclusively.

It is proposed that a new Article 36 be created, devoted to the operation of the Executive Committee and the modification of the last section which states that when the Executive Committee is tied, and when the matter can be forwarded to the Board of Directors and a meeting of the Board is already scheduled within the next thirty calendar days, the Committee can ask the Chairman of the Board to include the issue on which the Committee is tied to be included on the meeting agenda.

Proposed wording
<p>Article 36.-Operation of the Executive Committee</p> <p>The Board of Directors, when setting up the Executive Committee, will determine its power and appoint the Directors who will sit on the Committee.</p> <p>The Executive Committee will be convened by the Chairman himself or upon the request of two Committee members. The notice will be sent by letter, telegram or fax to each Committee members at least 48 hours in advance of the meeting date.</p> <p>The meetings shall be held at the Company's registered offices or other located designated by the Chairman and indicated in the announcement.</p> <p>In order for the Executive Committee to be validly convened, there must be a majority of members present or represented.</p>

Absent members may be represented by another member of the Executive Committee by notifying the Chairman in writing.

The deliberations will be directed by the Chairman. If the Chairman is absent, the meeting will be chaired by a committee member chosen by majority vote of those in attendance.

The Chairman will give the floor to those attendees who wish to speak.

Resolutions will be passed by absolute majority of the Committee members.

In the event of a tie, the matter will be forwarded to the Board of Directors. In this case, the members of the Executive Committee will request that a meeting be convened as provided for in article 30 of the Articles of Association, **unless a Board meeting is already scheduled to be held within the next thirty calendar days, in which case the Committee will ask the Chairman of the Board to include the matters on which the Committee is tied on the meeting agenda.**

Modification of the numbering of article 36: Retribution

Justification of the proposal:

It is proposed that Article 36 be changed to Article 37, in view of the inclusion of the new Article 36.

Current number	Proposed number
Article 36. Retribution	Article 37. Retribution (numbering changed due to the inclusion of the new article 36)

Modification of the title of Section 3: The Audit Committee of Article 37 and Article 38: Competence.

Justification of the proposal:

The name of the Audit Committee was changed to the Audit and Control Committee at the Board of Directors meeting held on 22 December 2004, modifying the articles of the Regulations of the Board accordingly to maintain the same title throughout the test.

In addition to this and in view of the powers vesting in this Committee by the law, the Articles of Association and the Regulations of the Board, it is proposed that the number of members be increased by one to enable a greater number of Directors to participate in the debates and tasks of this delegated body.

Current wording	Proposed wording
Section 3. The Audit Committee	Section 3. The Audit and Control Committee
Article 37. The Audit Committee The Company will have an Audit 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,	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

<p>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.</p> <p>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.</p> <p>The Secretary and Assistant Secretary, if any, shall be chosen by the Committee and need not be board members.</p> <p>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.</p>	<p>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.</p> <p>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.</p> <p>The Secretary and Assistant Secretary, if any, shall be chosen by the Committee and need not be board members.</p> <p>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.</p>
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Current wording	Proposed wording
<p>Article 38. Competence</p> <p>The basic function of the Audit and Control Committee is to support the Board of Directors in its supervisory duties by periodically reviewing the processes used to prepare the economic-financial information, internal controls and the independence of the external auditors.</p> <p>In particular, and by way of example only, the Audit Committee's responsibilities shall include:</p> <ul style="list-style-type: none"> - Informing the General Meeting of Shareholders on the questions raised by shareholders which fall within its scope of authority. - Making proposals to the Board of Directors, for submission to the General Meeting of Shareholders, on the appointment of external auditors referred to in Article 204 of the revised text of the Limited Liability Companies Act approved by Royal Legislative Decree 1564/1989 of 22 December. - Supervising the Company's internal auditing services. - Overseeing the Company's financial information processes and internal control systems. - Requesting and receiving information from the external auditors on matters which could jeopardize the independence of the external auditors and on any other questions related to the auditing process and in relation to any and all communications foreseen in the auditing legislation and in auditing standards. 	<p>Article 39. Competence</p> <p>The basic function of the Audit and Control Committee is to support the Board of Directors in its supervisory duties by periodically reviewing the processes used to prepare the economic-financial information, internal controls and the independence of the external auditors.</p> <p>In particular, the Audit and Control Committee's powers include but are not limited to:</p> <ul style="list-style-type: none"> - Informing the General Meeting of Shareholders on the questions raised by shareholders which fall within its scope of authority. - Making proposals to the Board of Directors, for submission to the General Meeting of Shareholders, on the appointment of external auditors referred to in Article 204 of the revised text of the Limited Liability Companies Act approved by Royal Legislative Decree 1564/1989 of 22 December. - Supervising the Company's internal auditing services. - Overseeing the Company's financial information processes and internal control systems. - Requesting and receiving information from the external auditors on matters which could jeopardize the independence of the external auditors and on any other questions related to the auditing process and in relation to any and all communications foreseen in the auditing legislation and in auditing standards.

Amendment of Article 39 of the Articles of Association: The Advisory Board

Justification of the proposal:

It is proposed that the Board of Directors be vested with the power, currently vested in the General Meeting, to determine whether it is necessary to set up the Advisory Board foreseen in this article and to designate the persons it deems most suitable to sit on such a board.

Since the Board of Directors is vested with the broadest powers to direct, administer and represent the Company (article 26 of the Articles of Association) effectively (article 7 of the Board of Directors Regulations) and since the Board meets at least six times per year in ordinary sessions (article 38 of the Board of Directors Regulations), it seems more appropriate that the Board of Directors should be the one to designate the persons who can most effectively perform the consulting functions of the Advisory Board, based on the changing circumstances affecting the economy in general and businesses in particular, up to the maximum number of members comprising the Advisory Board at any given time as established in the Articles of Association.

Having added a new Article 36 to the Articles of Association, the new regulation of the Advisory Board would be number 40 of the Articles of Association.

Current wording	Proposed wording
<p>Article 39. The Advisory Board</p> <p>The General Meeting may set up an Advisory Board which shall be composed of the number of members the General Meeting decides.</p> <p>The Advisory Board is a consultative body of the Company whose mission shall be to advise the General Meeting of Shareholders, the Board of Directors, the Executive Committee, the Managing Directors and Company management.</p> <p>The Advisory Board will elect from among its members a Chairman to preside over the meetings. The meetings will be convened by the Chairman or at the request of other members. The Chairman will certify the Board's reports.</p>	<p>Article 40. The Advisory Board</p> <p>The Board of Directors may set up an Advisory Board which shall be composed of a minimum of three and a maximum of nine members.</p> <p>The Board of Directors is also responsible for appointing and removing the members of the Advisory Board.</p> <p>The Advisory Board is a consultative body of the Company whose mission shall be to advise the General Meeting of Shareholders, the Board of Directors, Delegated Committees, the Executive Committee, the Managing Directors and Company management.</p> <p>The members of the Advisory Board shall be subject to the same duties of diligence, confidentiality, non-competition, conflict of interest and business opportunities as the company's directors.</p> <p>The Advisory Board will elect from among its members a Chairman to preside over the meetings. The meetings will be convened by the Chairman or at the request of other members. The Chairman will certify the Board's reports.</p>

<p>The mission of the Advisory Board shall include:</p> <ul style="list-style-type: none"> a) Making proposals to the governing bodies it advises within the scope of their respective authorities. b) Informing the Company on the image it projects in the sector, in the business community and in society. c) c) Studying and reporting back on the issues submitted to it by the governing bodies it advises. d) Reporting on the possibility of new businesses or activities, both in Spain and abroad, and the modifications it believes would lead to improving the Company's stability, growth and profitability. 	<p>The mission of the Advisory Board shall include:</p> <ul style="list-style-type: none"> a) Making proposals to the governing bodies it advises within the scope of their respective authorities. b) Informing the Company on the image it projects in the sector, in the business community and in society. c) c) Studying and reporting back on the issues submitted to it by the governing bodies it advises. d) d) Reporting on the possibility of new businesses or activities, both in Spain and abroad, and the modifications it believes would lead to improving the Company's stability, growth and profitability.
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Renumbering of Articles 40 to 47

Justification of the proposal:

It is proposed that articles 40 through 47 be renumbered and replaced by articles 40 through 48, in view of the modification and insertion of article 36.

Madrid, 30.05.05.