

REPORT OF THE BOARD OF DIRECTORS OF FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A. (FCC) ON THE AUTHORISATION TO INCREASE THE SHARE CAPITAL CONTAINED IN ITEM 7 OF THE AGENDA FOR THE ORDINARY GENERAL MEETING OF SHAREHOLDERS TO BE HELD ON 21 AND 22 JUNE 2005, ON FIRST AND SECOND CALL, RESPECTIVELY.

1. Article 152 of the Public Corporations Act establishes that share capital increases must be agreed by the General Meeting of Shareholders and that the Articles of Association must be modified accordingly. Article 144 of the same law requires, among other things, that prior to passing the resolution to amend the Articles of Association, the Directors must submit a written report justifying their proposals, along with the full text of the amendments.

The said report, along with the full text of the proposed amendment, must be made available to shareholders as provided for in the article.

This report has been prepared by the Board of Directors of Fomento de Construcciones y Contratas, S.A. (FCC) in compliance with the aforementioned legal requirements.

2. The Ordinary General Meeting of Shareholders of this company held on 28 June 2002 passed a resolution to “delegate the Board of Directors with the authority to agree, one or more times within a period of three years from the date of this resolution, to increase the company’s share capital, on the dates and in the amounts decided by the Board, without previously consulting the General Meeting”. The authorisation was granted for a term of three years and consequently expires on 28 June of this year.

The reasons which justified the authorisation granted to the Board in 2002 continue to be valid today. In other words, it is still in the company’s best interest to give the Board a flexible tool for obtaining the desired financing as needed without having to convene a General Meeting of Shareholders.

3. The Directors therefore propose that the General Meeting of Shareholders authorise the

Board of Directors to increase the share capital, in one or more operations, to a total of SIXTY-FIVE MILLION TWO HUNDRED EIGHTY-THREE THOUSAND SEVEN HUNDRED FORTY-ONE EUROS (€65,283,741 €), i.e., half of the current share capital. Such capital increases, if agreed, must be carried out by means of cash investments and by the issue of ordinary or non-voting shares, with or without a premium.

As established in article 153.1.b), these capital increases must be carried out by means of cash investments within five years, after which the delegation of powers will be null and void.

The amount for which authorisation is requested is the legally-permitted maximum as it represents 50% of the share capital at the time of the delegation, which is €130,567,483.

Madrid, 30 May 2005.
