

**REPORT OF THE BOARD OF DIRECTORS OF FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A. (FCC) ON THE AUTHORISATION TO ISSUE DEBENTURE STOCK AND OTHER FIXED INCOME SECURITIES (Item number 8 on the Agenda for the Ordinary General Meeting of Shareholders to be held on 21 and 22 June 2005, on first or second call, respectively).**

The Ordinary General Meeting of Shareholders held on 21 June 2000 delegated the Board of Directors with the authority to create or issue in one or more times and at the time deemed most suitable to the company's interests, but within a period of five years from the date of that General Meeting, debenture stock, bonds or other fixed income securities of any kind except convertible securities, which recognise or create a debt, up to the legally-allowed maximum under the provisions of article 282 of the Public Corporations Act.

In the report prepared by the Directors on this matter, they indicated that such a resolution is "justified by the fact that it is in the company's best interest to have flexible channels for obtaining the financing it needs".

Since these reasons continue to be valid today, it is recommended, given the fact that the five-year term established in the previously granted authorisation expires on the date of the next General Meeting, that the authorisation be renewed for an additional five-year term.

Although the recently added article 111 bis of the Securities Market Act eliminated the limit placed on debenture issues by article 282 of the Public Corporations Act for listed companies, for reasons of prudence it is advisable that the limit of the proposed authorisation not exceed the total amount of the company's capital and reserves.

Madrid, 30 May 2005