

REPORT OF THE BOARD OF DIRECTORS OF FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A. (FCC) ON THE AMENDMENT OF ARTICLES 12 (GENERAL MEETING), 19 (REPRESENTATION), 23 (INFORMATION RIGHTS), 24 (DELIBERATION, RESOLUTIONS, MINUTES), 33 (ORGANISATION) AND 34 (POWERS OF THE BOARD).

Pursuant to Article 144 a) of the Public Corporations Act, the Board of Directors has prepared this report on the proposed amendments to the articles of association:

I.- Amendment of Article 12 of the Articles of Association: The General Meeting.

The first article of Law 26/2003, of 17 July, known as the “Transparency Act”, modified the Securities Market Act 24/1988 of 28 July, by adding a new title (Title X) relative to “Publicly Quoted Companies”. Article 113 of this new Titled (“The General Meeting of Shareholders”), states that “The General Meeting of Shareholders of a publicly quoted company whose shares are traded on an official stock market ... **shall approve a special regulation for the general meeting.** Said regulation may contain any and all matters concerning the General Meeting inasmuch as they are regulated by law and by the articles of association”.

In compliance with the legal mandate referred to above, the Board of Directors will propose the approval of such a regulation at the next Ordinary General Meeting of Shareholders, as well as the inclusion in Article 12 of the Articles of Association of a reference to this subject.

Consequently, we propose that the text shown below be added as a second paragraph to the aforesaid Article 12:

Article 12. The General Meeting

Current Wording	Proposed wording (inclusion of a second paragraph)
The shareholders, duly convened in a General Meeting of Shareholders, shall decide by majority vote the matters falling under their jurisdiction. All shareholders, including dissidents and those who do not participate in the meeting, shall be bound by the resolutions passed by the General Meeting, notwithstanding the rights of separation and contest provided for under the law	The shareholders, duly convened in a General Meeting of Shareholders, shall decide by majority vote the matters falling under their jurisdiction. All shareholders, including dissidents and those who do not participate in the meeting, shall be bound by the resolutions passed by the General Meeting, notwithstanding the rights of separation and contest provided for under the law. The General Meeting shall approve a regulation governing all of the matters falling under its jurisdiction according to the law and to these Articles of Association.

II.- Amendment of Articles 19 (Representation) and 24 (Deliberations. Resolutions. Minutes) of the Articles of Association:

Article two of the aforementioned Law 26/2003 of 17 July also modified the revised text of the Public Corporations Act and in particular the wording of 105 and 106, adding two new parts to the first and modifying the wording of part two of Article 106. All of these changes refer to the possibility of distance voting and proxy representation by post, electronically or using any other communication method, provided always that the identity of the person exercising the right to vote is duly verified. There must be such a provision in the articles of association.

We therefore propose to the General Meeting the inclusion of two new paragraphs in Article 19 of the Articles of Association (Representation) and the inclusion in Article 24

(Deliberations. Resolutions. Minutes) of the possibility of distance voting, as reflected below:

Article 19. Representation

Current Wording	Proposed wording (the new text is shown in boldface)
Any shareholder entitled to attend the General Meeting may be represented by another person, who need not be a shareholder. The representation shall be conferred according to the terms and within the scope established in the Limited Liability Companies Act, in writing, and separately for each General Meeting, except when the representative is a spouse, child or parent of the shareholders or when the representative possesses a power of attorney to administer all of the shareholder's assets in Spain.	Any shareholder entitled to attend the General Meeting may be represented by another person, who need not be a shareholder. The representation shall be conferred according to the terms and within the scope established in the Limited Liability Companies Act, in writing, and separately for each General Meeting, except when the representative is a spouse, child or parent of the shareholders or when the representative possesses a power of attorney to administer all of the shareholder's assets in Spain.
All representations are revocable. Personal attendance at the meeting by the shareholder will be considered a revocation.	Shareholders may also grant proxies using the communication methods determined by the Board of Directors in each case for each Meeting, always duly guaranteeing the identity of the shareholder and the proxy, as provided for in the General Meeting Rules. The Chairman or Secretary of the General Meeting or anyone else designated by them shall be authorised to determine the validity of the proxies granted and whether the attendance requirements for the General Meeting have been met. All representations are revocable. Personal attendance at the meeting by the shareholder will be considered a revocation.

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Article 24. Deliberations. Resolutions. Minutes

Current Wording	Proposed wording (the new text is shown in boldface)
The Chairman will direct the Meeting and the deliberations, giving all shareholders who have asked in writing to speak at the Meeting the chance to do so, and after that those who verbally request a chance to speak, until the Chairman considers that the matter has been sufficiently debated. Each agenda item will be voted on separately. Resolutions will be passed by majority vote of the shares present or represented at the meeting, except in those cases where the law requires a quorum. Each share shall be entitled to one vote.	The Chairman will direct the Meeting and the deliberations, giving all shareholders who have asked in writing to speak at the Meeting the chance to do so, and after that those who verbally request a chance to speak, until the Chairman considers that the matter has been sufficiently debated. Each agenda item will be voted on separately. Shareholders with voting rights may vote by post, electronically or using any other distance communication method determined by the Board of Directors in each case for each Meeting, always duly guaranteeing the identity of the shareholder who casts his vote in this way, as provided for in the General Meeting Rules. Resolutions will be passed by majority vote of the shares present or represented at the meeting, except in those cases where the law requires a quorum. Each share shall be entitled to one vote.

The resolutions passed by the General meeting, along with a summary of the items debated and the speakers who have requested a record of their statements, shall be set down in the meeting minutes which shall comply with the legal requirements and shall be signed by the Chairman and the Secretary or their replacements. The Minutes may be approved by General meeting at the end of the session or within fifteen (15) days by the Chairman and two (2) auditors, one on behalf of the majority and the other on behalf of the minority. The Minutes, approved in either of the ways mentioned above, shall have executive force as from the date of approval. Documents certifying the minutes and the resolutions of the General Meetings will be issued by the Secretary or the Assistant Secretary of the Board of Directors with the Chairman's approval or by the Vice-President of the Board.	The resolutions passed by the General meeting, along with a summary of the items debated and the speakers who have requested a record of their statements, shall be set down in the meeting minutes which shall comply with the legal requirements and shall be signed by the Chairman and the Secretary or their replacements. The Minutes may be approved by General meeting at the end of the session or within fifteen (15) days by the Chairman and two (2) auditors, one on behalf of the majority and the other on behalf of the minority. The Minutes, approved in either of the ways mentioned above, shall have executive force as from the date of approval. Documents certifying the minutes and the resolutions of the General Meetings will be issued by the Secretary or the Assistant Secretary of the Board of Directors with the Chairman's approval or by the Vice-President of the Board.
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III.- Amendment of Article 23 of the Articles of Association: Information Rights.

The aforementioned Law 26/2003 of 17 July also modified Article 112 ("Information Rights") of the Revised Text of the Public Corporations Act, regulating shareholders' rights to information more completely and in more detail.

We therefore propose adapting the wording of the corresponding article of the Articles of Association (Article 23) to the contents of the legal reform, as indicated below:

Article 23. Information Rights

Current Wording	Proposed wording (the new text is shown in boldface)
Shareholders may request, either prior to the meeting in writing or verbally during the meeting, copies of the reports or clarifications they deem necessary regarding to items contained on the meeting agenda. The Directors shall be obliged to provide such information, except in those instances where, in the Chairman's opinion, the publication of such information could be harmful to the Company's interests. This exception shall not apply when the request is supported by shareholders representing at least one-fourth of the share capital.	Shareholders may request, up to seven calendar days before the first scheduled meeting date, either in writing or electronically or telematically, any information or explanations they require or any questions they consider pertinent regarding the items contained on the agenda or the information accessible to the public reported by the Company to the National Securities Market Commission since the last General Meeting. The information or explanations thus requested shall be provided by the directors no later than the day of the General Meeting.. Shareholders may ask the Chairman during the General Meeting session, prior to examining and deliberating on the agenda items, for any information or explanations they consider pertinent relative to those agenda items. The information or explanations thus requested shall be provided verbally by any one of the directors in attendance, designated by the Chairman. If the information or explanations requested refer to matters falling under the jurisdiction of the Audit Committee, they may be provided by any member or adviser to this

	Committee in attendance at the Meeting. If, in the Chairman's opinion, it is not possible to provide the information during the session, the information will be provided in writing to the requesting shareholder within seven calendar days of the Meeting date. The Directors shall be obliged to provide the information referred to in the last two paragraphs, except in those instances where, in the Chairman's opinion, the publication of such information could be harmful to the Company's interests. This exception shall not apply when the request is supported by shareholders representing at least one-fourth of the share capital. The Company has a website containing the legally required information which responds to shareholders' information rights in compliance with the legislation in force at all times.
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IV.- **Amendment of Article 33 of the Articles of Association: Organisation.**

Article 141 of the Revised Text of the Public Corporations Act states that "Unless the articles of association of the company state otherwise, the Board of Directors may appoint a Chairman, **regulate its own functions....**". In keeping with this, the final paragraph of Article 33 of the Articles of Association (organisation of the Board of Directors) establishes that: "The Board may also accept the resignation of board members ... and **regulate its own operation ...**".

This generic regulatory framework on the subject of how Boards of Directors are organised was amended by Law 26/2003 inasmuch as publicly traded companies are concerned, establishing in the new Article 115 of the Securities Market Act (included in the new Title X created by Law 26/2003) the obligation of the Board of Directors to approve "...a set of internal operating rules... in accordance with the law and the articles of association, which shall contain specific measures designed to guarantee the best possible administration of the Company".

Article 116 of the Securities Market Act (also created by Law 26/2003) furthermore establishes the obligation of publicly traded companies to publish an annual corporate governance report, an obligation which falls under the jurisdiction of the Board of Directors.

We therefore propose the inclusion in Article 33 of the Articles of Association three new paragraphs that refer specifically to the internal rules of conduct and the corporate governance report, as indicated below:

Article 33. Organisation

Current Wording	Proposed wording (inclusion of three new paragraphs at the end of the Article)
The Board will choose from among its members a Chairman or two Co-Chairmen and may also elect one or more Vice-Presidents. Their terms of office may not exceed those of their mandates as board members, notwithstanding the fact that they may be removed by the Board before their terms expire or re-elected	The Board will choose from among its members a Chairman or two Co-Chairmen and may also elect one or more Vice-Presidents. Their terms of office may not exceed those of their mandates as board members, notwithstanding the fact that they may be removed by the Board before their terms expire or re-elected
The Board may appoint adjunct or technical	The Board may appoint adjunct or technical

board members to the board, who shall have a voice but not a vote, under the conditions it deems appropriate The Board will appoint a Secretary and may appoint an Assistant Secretary, who may or may not be board members. If non-members, they shall attend the meetings with voice but without vote. The Secretary and Assistant Secretary shall be appointed for an indefinite period of time if they are not board members; if they are board members their terms of office may not exceed that of their mandates as board members, notwithstanding the fact that they may be removed by the Board before their terms expire or re-elected. In his absence, the Chairman will be replaced by the Vice President and if there are more than one in order of seniority. In the absence of a Vice President, the oldest board member will stand in. The Secretary will be replaced in his absences by the Assistant Secretary and, if the Assistant is also absent, by the board member designated by the board in each case. The Board may also accept the resignation of board members, choose shareholders to fill any vacancies which may arise until the first General Meeting of Shareholders, and regulate its own operation to the extent that it is not expressly regulated by law or by	board members to the board, who shall have a voice but not a vote, under the conditions it deems appropriate. The Board will appoint a Secretary and may appoint an Assistant Secretary, who may or may not be board members. If non-members, they shall attend the meetings with voice but without vote. The Secretary and Assistant Secretary shall be appointed for an indefinite period of time if they are not board members; if they are board members their terms of office may not exceed that of their mandates as board members, notwithstanding the fact that they may be removed by the Board before their terms expire or re-elected. In his absence, the Chairman will be replaced by the Vice President and if there are more than one in order of seniority. In the absence of a Vice President, the oldest board member will stand in. The Secretary will be replaced in his absences by the Assistant Secretary and, if the Assistant is also absent, by the board member designated by the board in each case. The Board may also accept the resignation of board members, choose shareholders to fill any vacancies which may arise until the first General Meeting of Shareholders, and regulate its own operation to the extent that it is not expressly regulated by law or by
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these Articles of Incorporation.	these Articles of Incorporation. To this end, the Board of Directors will approve a set of Rules governing its operations and internal code of conduct and those of the Audit Committee and the rest of the commissions and committees created by the Board. The Board of Directors shall inform shareholders of the contents of the rules and amendments made to them at the next General Meeting of Shareholders held after the meeting in which the Board of Directors agrees to adopt them. Each year, the Board of Directors will approve a Corporate Governance Report referring to the previous financial year, the contents of which shall comply with all legal and regulatory provisions.
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V.- **Amendment of Article 34. Powers (of the Board)**

We propose replacing the traditional system of enumerating a series of powers with the more modern approach of noting that the Board of Directors, according to the Public Corporations Act, is the supreme governing, administrative and representative body of the company. In this regard, the first paragraph of this article is maintained while the enumeration of powers is eliminated so that the Article now reads as follows:

Article 34. Powers

Current Wording	Proposed wording (elimination of the list of
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	powers)
The Board of Directors will exercise all of the functions and powers necessary to operate the business activities comprising the Company's business objectives and all of those listed below, even when unrelated to the business objective. The Board is vested with the broadest powers to direct, administer, dispose of assets and represent the Company in and out of court and to sign contracts and other documents involving the acquisition, disposal or encumbrance of properties, the consolidation of external business or transactions, without limitation. The Board of Directors is vested with all of the powers which correspond to the Company as a legal entity, except for those which by law or pursuant to these Articles of Incorporation are reserved exclusively for the General Meeting of Shareholders. By way of example, the Board of Directors is vested with the following powers and everything related to them, to the extent allow by law and without limitation: <i>(the list of powers follows)</i>	The Board of Directors will exercise all of the functions and powers necessary to operate the business activities comprising the Company's business objectives. The Board of Directors is vested with the broadest powers to direct, administer, dispose of assets and represent the Company in and out of court and to sign contracts and other documents related to the business objective, even when the involve the acquisition, disposal or encumbrance of properties, the consolidation of external business or transactions, without limitation. The Board of Directors is vested with all of the powers which correspond to the Company as a legal entity, except for those which by law or pursuant to these Articles of Incorporation are reserved exclusively for the General Meeting of Shareholders. (The rest of this article is eliminated)

Madrid, 10 May 2004.