



**REPORT FROM THE BOARD OF DIRECTORS OF FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A. REGARDING THE PROPOSAL UNDER ITEM SEVEN OF THE AGENDA OF THE ORDINARY GENERAL MEETING OF SHAREHOLDERS CONVENED ON 27 MAY 2010, AT FIRST CALL, AND 28 MAY AT SECOND CALL.**

**1. Purpose of the report**

This report is drafted by the Board of Directors of FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A. (hereafter, the "**Company**") to justify the motion submitted for approval by the Ordinary General Meeting of Shareholders convened for 27 May 2010 at 16.00 hours at first call, and on 28 May 2010, at the same time, at second call, under item Seven of the agenda, relating to the following issues:

- Delegate to the Board of Directors, with express powers to sub-delegate, the power to issue on one or more occasions any fixed-income securities or debt instruments of a similar nature which are convertible into, or give entitlement to subscribe for, Company shares, or which are exchangeable or give entitlement to acquire shares of the Company or of other companies, amounting to at most three hundred million euro (€300,000,000).
- Delegate, with express powers to sub-delegate, the power to set the criteria to determine the conditions and forms of conversion or the entitlement to subscribe for shares of the Company, the power to increase capital in the amount necessary, and the power to override shareholders' pre-emptive subscription rights in accordance with provisions in article 293.3 of Public Limited Companies Act and other applicable regulations.
- For the event that this power to issue securities is exercised, to approve a share buyback programme whose goal is to enable the Company to meet its obligations arising from having issued securities that give entitlement to acquire outstanding shares of the Company, or to amortise shares in the event that securities are issued, while overriding the pre-emptive subscription rights, which are convertible or give entitlement to subscribe for newly-issued shares, with a view to limiting dilution of existing shareholders in the event of conversion or subscription of shares.
- For the event that this power to issue securities is exercised, to approve the reduction of the Company's capital through the amortisation of own shares by an amount equivalent to at most the combined nominal value of the new shares of the Company that are issued to cater for requests for conversion or subscription by the holders of securities of these

characteristics that were issued overriding the pre-emptive subscription rights. To delegate powers to execute this resolution to the Board of Directors, including powers to sub-delegate.

In order for that proposal to be submitted for approval at the Ordinary General Meeting of Shareholders, the Company's Board of Directors is required to draft a written report in accordance with the provisions of article 144.1 a) of the Public Limited Companies Act (*Ley de Sociedades Anónimas*, hereinafter "LSA") to justify the proposal to empower the Board of Directors to issue securities that are convertible or give entitlement to subscribe for shares of the Company, and to override the pre-emptive subscription right, to reduce capital and to amend the Articles of Incorporation (the "**Report**").

## **2. Justification for the proposal**

The Board of Directors considers it highly advisable to have delegated powers envisaged under the regulation in force so as to be in a position at all times to raise funds in the primary securities markets as needed for proper management of the company's interests.

The purpose of the delegation of these powers is to provide the Company's Board of Directors with the necessary flexibility and the ability to respond as required by the competitive context in which it operates, where the success of a transaction or strategic initiative depends on the ability to act with speed and without the delays and costs that announcing and holding a Shareholders' Meeting inevitably entail.

Consequently, in addition to the proposal for empowerment referred to in item Six of the agenda, which refers to the issuance of secured or unsecured fixed-income securities, the proposal under item Seven of the agenda would empower the Company's Board of Directors to raise a sizeable volume of funds in a short period of time, if this becomes necessary. This flexibility and agility are particularly advisable in the current situation of tight credit, in which changing market circumstances make it advisable for the Company's Board of Directors to have the necessary means to draw on the various available sources of funding in order to obtain the most advantageous financial conditions.

To that end, in accordance with the general rules on bond issuance set out in articles 282 *et seq.* of the Public Limited Companies Act and in accordance with the provisions of article 319 of the Mercantile Register Regulation, the General Meeting is asked to approve the proposal under item Seven of the agenda with respect to granting the Board of Directors the power to issue on one or more occasions any fixed-income securities or debt instruments of a similar nature (including, without not limited to, covered bonds, commercial paper or preference shares) which are convertible into, or give entitlement to subscribe for, Company shares, or which are exchangeable or give entitlement to acquire outstanding shares of the Company or of other companies (including warrants), on one or more occasions, within a period of five years, for monetary consideration, or exceptionally for consideration in kind.

The proposal establishes a maximum total amount for the issue(s) of securities under the delegation at three hundred million euro (€300,000,000) or its equivalent in another currency, and revokes the delegation granted to the Board of Directors under decision ten of the Ordinary General Meeting on 18 June 2008 in the amount not yet used. Securities issued under the delegation contained in Decision Six above will not count for these purposes.

It is hereby placed on record that, pursuant to article 111 bis of the Securities Market Act (Act 24/1988, of 28 July), the limit on the issuance of bonds by unlisted corporations established in article 282.1 of the Public Limited Companies Act does not apply in this case.

The proposal also specifically empowers the Board of Directors to decide, when appropriate, to increase capital as necessary to cater for conversion or the exercise of subscription rights, provided that this increase by delegation, individually or combined with any others that have been decided upon under other authorisations granted to the Board of Directors by the General Meeting (including that proposed in item Five of the agenda, if approved by the Meeting), as provided in article 153.1.b) of the Public Limited Companies Act, does not exceed one-half of the subscribed and paid share capital on the date of this authorisation.

The motion also provides, in the event of the issuance of convertible securities, the criteria for determining the rules and forms of conversion, although, in the event that the Board of Directors decides to make use of the authorisation granted by the General Meeting, the Board of Directors is entrusted with specifying some of those rules and forms for each issue in accordance with the criteria established by the General Meeting. Accordingly, the Board of Directors will determine the specific conversion ratio and, to that end, at the time of approving the issuance of convertible bonds under the authorisation granted by the Meeting, it will issue a directors' report detailing the specific rules and forms of conversion applicable to that issue, accompanied by a report from an auditor other than the Company's auditor, as provided in article 292.2 of the Public Limited Companies Act.

Specifically, the motion submitted by the Board of Directors for approval by the General Meeting provides that the convertible fixed-income securities that are issued under it must be valued at their nominal amount and the shares at the fixed price determined in the Board of Directors decision that makes use of the delegation, or at the price to be determined on the date(s) indicated in the Board of Directors decision and, as the case may be, on the basis of the price of the Company's shares on the Spanish Stock Exchanges on the date(s) or in the period(s) taken as reference in that decision, at a discount or otherwise.

Accordingly, the Board of Directors considers that it is being granted sufficient scope for manoeuvre to establish the share price for the purposes of conversion as a function of market conditions and other applicable factors.

It is also possible to decide to issue convertible fixed-income securities with a variable conversion rate. In this case, the price of the shares for conversion purposes will be the arithmetic mean of the closing prices of the Company's shares on the Spanish Stock Exchanges in a period to be determined by the Board of Directors.

Again, the Board of Directors considers that this grants it sufficient scope for manoeuvre to establish the variable conversion ratio as a function of market conditions and other factors that the Board of Directors must consider.

In any event, as an absolute minimum limit in accordance with article 292.3 of the Public Limited Companies Act, it is established that the value of the share for the purposes of converting bonds into shares may never be less than the par value.

It is also placed on record that the authorisation to issue fixed-income securities convertible into new shares of the Company includes the power for the Board of Directors, under the provisions of article 293.3 of the Public Limited Companies Act, to partly or totally override the shareholders' pre-emptive subscription right when this is necessary to raise funds in the international capital

markets, or to use demand prospectation techniques or when it is otherwise in the Company's interests.

The Board of Directors considers that this additional possibility, which greatly expands the scope for manoeuvre and ability to respond under the simple delegation of powers to issue convertible bonds, is justified by the flexibility and agility that are needed to act in the current financial markets in order to seize opportunities when market conditions are most favourable. This justification also exists when the intention is to raise funds in the international markets, where it is possible to raise a large volume of funds in a rapid, agile manner in very favourable conditions provided that it is possible to launch an issue on those markets at the right time, which cannot be determined in advance. Also, it may be necessary to override the pre-emptive subscription right where the funds are to be raised by demand prospectation or bookbuilding techniques or otherwise where this is in the Company's interests. Finally, overriding the pre-emptive subscription right lowers the yield on the debt security and the associated issuing costs compared with an issue with a pre-emptive subscription right, while also having less of a distorting effect on the Company's shares during the issue placement period.

In any case, if the Board decides to override the pre-emptive subscription right in relation to a specific issue of convertible securities that it decides to make under this authorisation, it must, at the time of approving the issue and in accordance with the provisions Article 293.3 of the Public Limited Companies Act, issue a report detailing the specific reasons in connection with the Company's interests that justify the measure, which must be accompanied by a report by an auditor other than that of the Company, as referred to in that Article. Those reports will be made available to shareholders and disclosed to the first Shareholders' Meeting held after the issue decision is adopted.

The proposal provides that the rules for the issuance of convertible fixed-income securities will apply, *mutatis mutandis*, to the issuance of warrants or similar securities which give direct or indirect entitlement to subscribe for newly-issued shares of the Company, and this delegation carries the broadest powers, with the same scope as in the preceding paragraphs, to decide what is considered most appropriate in relation to that class of securities.

It is also provided, in order to limit the dilutive effect of securities of this type when the pre-emptive subscription right is overridden, that where the Board of Directors makes use of this power in connection with securities that are convertible or give entitlement to subscribe for newly-issued shares of the Company, overriding the pre-emptive right, it must execute the share buyback and capital reduction programme set out below in this resolution, in the terms and conditions stipulated there.

The Board of Directors has considered the advantages for the Company of issuing securities of this type and of delegating approval to the Board of Directors. It has also assessed the risk that this delegation might not be approved by the General Meeting of Shareholders as a result of shareholders' refusal to expose themselves to possible dilution of their shareholdings in the Company if, when the time comes, the holders of the securities so issued exercise their right to convert or subscribe for newly-issued shares.

In order to make the proposal more attractive to shareholders of the Company, the Board of Directors has decided to also submit for consideration by the Ordinary General Meeting a plan to reduce share capital by amortising the corresponding number of own shares acquired under the share buyback programme referred to in section (c) below, or already held by the Company as treasury stock (provided that they are not part of pre-existing share buyback programmes that have not been fully executed), by a nominal amount equivalent to the nominal value of those

treasury shares, up to a maximum of the combined nominal value of the new shares of the Company issued to attend to requests for exchange or conversion from holders of the aforementioned securities.

In order to provide more detailed evidence of the suitability of the proposed capital reduction, the Board of Directors expressly notes the following:

- (a) Reduction of the dilutive effect on shareholders of the convertibility of the securities or the ability to subscribe for newly-issued shares. Although the maximum dilution that may arise is bounded by the amount of the securities that the Board of Directors may issue under the delegation referred to in the decision to which this report refers, the proposed capital reduction will also limit shareholder dilution resulting from the issuance of new shares to cater for requests for conversion or for subscription of new shares from holders of the aforementioned securities.
- (b) Automatic system. The proposed capital reduction decision in the foregoing terms includes the delegation of powers of execution to the Board of Directors, with express powers to sub-delegate to the Executive Committee, similar to the delegation of powers agreed with regard to the capital increase in the event that the Company issues securities that are convertible into, or give entitlement to subscribe for, newly-issued shares of the Company by the holders of such securities. Furthermore, the capital reduction will be charged against income or unrestricted reserves. In accordance with article 167.3 of the Consolidated text of the Public Limited Companies Act, a reserve will be appropriated for the nominal amount of the amortised own shares and it may only be used subject to the same requirements as the capital reduction. Consequently, the Company's creditors will not be entitled to object to the capital reduction so decided.

Therefore, the existence of the delegation of powers and the absence of the need to wait for the period established by law for creditors to object in the event of a capital reduction will render the system used to execute the agreements to increase and reduce capital completely automatic, enabling the same person or corporate body executing the capital increase resolution, at one or more times, to also execute the capital reduction simultaneously or immediately afterwards.

- (c) The Company's share buyback programme. In order to facilitate not only the availability to the Company of the number of own shares necessary to comply with the obligation to deliver existing shares to cater for requests from the holders of the securities in question (if the Company opts for this alternative), but also of the number of own shares necessary to perform the capital reduction through amortisation of treasury shares to limit, in the aforementioned terms, the dilution of shareholders in the event of issuance of securities that are convertible into, or give entitlement to subscribe for, newly-issued shares, the Board of Directors deemed it advisable to propose a share buyback programme pursuant to the provisions of article 3 *et seq.* of European Commission Regulation 2273/2003, of 22 December (the "**Programme**").

The Programme will enable the Company to reduce capital through amortisation of own shares, avoiding the need to make a tender offer in accordance with the exemption provided in article 12.2 of Royal Decree 1066/2007, dated 27 July, concerning the rules for tender offers for securities, in relation to share buyback programmes provided in European Commission Regulation 2273/2003.

- (d) Persistence of, and compatibility with, pre-existing decisions. This proposal does not eliminate or alter the terms and conditions of previous share buyback or capital reduction

programmes approved by the Company or the corresponding authorisations for the acquisition of own shares in the market, which will remain in force. This share buyback programme is held to be compatible with the preceding programmes. Nevertheless, this programme may only be implemented insofar as it does not hinder the full execution of preceding share buyback programmes or, consequently, the achievement of the goals for which such programmes were approved.

Additionally, it is envisaged that the securities issued by virtue of this delegation may be listed on any secondary market, whether organised or otherwise, official or otherwise, in Spain or in other countries.

The proposal also includes the express possibility that the powers of all types attributed to the Board of Directors may be delegated by this organ to the Executive Committee.

### **3. Full text of the proposal to which this report refers**

In accordance with the statements set out in this report, the following proposal is made to the General Meeting:

*"In accordance with the directors' report, which has been at the shareholders' disposal since notice was given of the Meeting of Shareholders:*

A. To grant powers to issue fixed-income securities or analogous debt instruments that are exchangeable, convertible or similar.

*Delegate to the Company's Board of Directors the power to issue on one or more occasions any fixed-income securities or debt instruments of a similar nature which are convertible or give entitlement to subscribe Company shares or which are exchangeable or give entitlement to acquire shares of the Company or of other companies, in the following conditions:*

*1. Securities to be issued. The securities to which this delegation refers may be debentures, bonds and other fixed-income securities or debt instruments of a similar nature, in any form permitted by law, including but not limited to, covered bonds, commercial paper, preference shares, warrants or similar securities that directly or indirectly give entitlement to acquire outstanding shares of the Company or of other companies inside or outside the Company's group, which can be settled by physical delivery or by differences. This delegation also applies to fixed-income securities and warrants that are convertible into, or give entitlement to subscribe for, newly-issued shares of the Company. Nevertheless, where the Board of Directors makes use of this power in connection with securities that are convertible or give entitlement to subscribe for newly-issued shares of the Company, overriding the pre-emptive right, it must execute the share buyback and capital reduction programme set out below in section B of this resolution, in the terms and conditions stipulated there.*

*2. Period. The securities may be issued at one or more times and at any time within a maximum period of five (5) years from the date of adoption of this resolution.*

*3. Maximum amount of the delegation. The maximum amount of securities to be issued under this delegation will be three hundred million euro (€300,000,000) or its equivalent in another currency.*

*For the purposes of calculating the foregoing limit, in the case of warrants, the sum of the premiums and strike price of each issue of warrants approved under this delegation will be taken into account. The outstanding balance of fixed-income securities issued under this delegation will*

*be considered for the purposes of that limit. Securities issued under the delegation contained in Decision Six above will not count for these purposes.*

*It is hereby placed on record that, pursuant to article 111 bis of the Securities Market Act (Act 24/1988, of 28 July), the limit on the issuance of bonds and other debt securities established in article 282.1 of the Public Limited Companies Act does not apply in this case.*

*4. Scope of the delegation. The delegation under this decision will extend, as broadly as may be required by law, to the establishment of the specific features and characteristics of each issue. In particular, the powers of the Company's Board of Directors with respect to each issue include, but are not limited to, determining: the amount, within the aforementioned overall quantitative limits; the place of issuance (in Spain or elsewhere), the currency and, if in another country, the equivalent in euro; the name, i.e. bonds, debentures or any other name allowed by law; the date or dates of issue; the yield, and coupon dates and payment procedures; whether the securities are perpetual or amortisable and, in the latter case, the amortisation period and maturity date; the redemption rate, premiums and batches, and collateral, including mortgage collateral; the form of representation, whether by certificates or book entries; whether or not the issued securities are subordinated; the number of securities and their nominal value; the applicable legislation, whether of Spain or another country; whether to apply for listing in official or unofficial secondary markets, whether organised or otherwise, Spanish or otherwise, of the securities that are issued, subject to the requirements imposed by the applicable legislation in each case; and generally any other condition of the issue, as well as the appointment, if appropriate, of the head of the bondholders' syndicate, and approval of the basic rules governing legal relations between the Company and such syndicate, if created.*

*The delegation also empowers the Board of Directors to decide on the conditions of amortisation of the securities issued under this authorisation, and any of the methods provided for this purpose in the Public Limited Companies Act may be used. The Board of Directors is also empowered so that it may amend the terms and conditions of such securities when it sees fit, and subject to obtaining any necessary authorisations and, where appropriate, the consent of the general meetings of the bondholders' syndicates for the securities issued under this authorisation.*

*5. Conversion terms and conditions. In the case of the issuance of fixed-income securities that are convertible into shares of the Company, in accordance with the preceding sections, to establish the following rules for setting the terms and conditions of conversion:*

*(i) The securities issued in accordance with this decision may be convertible, wholly or partly, into newly-issued shares of the Company, ordinary or of any other type, in accordance with a conversion rate that is fixed (determined or to be determined) or variable, the Board of Directors being empowered to determine whether conversion is mandatory or voluntary and, if voluntary, whether at the option of the holders or of the Company, with the frequency and during the time period that is established in the issuance decision, which may not be more than twenty (20) years from date of issuance.*

*(ii) For conversion purposes, fixed-income securities will be valued at their nominal amount, and may or may not include interest accrued and outstanding at the conversion date.*

*(iii) In the case of issues with fixed conversion rates, shares will be valued for conversion purposes at the fixed rate determined in the Board of Directors decision made by use of this delegation or at the rate to be determined on the date(s) indicated in the Board of Directors decision and, as appropriate, on the basis of the trading price in the Spanish Stock Exchanges in the period to be determined by the Board of Directors, at a discount or otherwise.*

*(iv) It is also possible to decide to issue convertible fixed-income securities with a variable conversion rate. In this case, the price of the shares for conversion purposes will be the arithmetic mean of the closing prices of the Company's shares on the Spanish Stock Exchanges in a period to be determined by the Board of Directors.*

*(v) The Board may establish that the Company reserves the right to choose, at any time, between conversion into newly-issued shares or exchange for existing shares of the Company, determining the nature of the shares to be delivered at the time of conversion or exchange, and that it may also choose to deliver a combination of newly-issued and existing shares, while always granting equal treatment to all holders of securities that convert on the same date. The Company may also choose to pay an amount in cash partly or wholly instead of its obligation to deliver shares.*

*(vi) On conversion, any fractions of shares to be delivered to the holder of the securities will be rounded down in the form to be determined by the Board of Directors and each holder may receive, if the Board of Directors so decides, any surplus resulting from rounding down in cash.*

*(vii) In no event may the value of the share, for the purposes of the conversion of securities into shares, be less than its par value. Additionally, in accordance with the provisions of article 292.3 of the Public Limited Companies Act, convertible fixed-income securities may not be issued for less than their nominal value nor converted into shares when the nominal value of the fixed-income securities is less than that of the shares.*

*(viii) When approving an issue of convertible securities within the scope of the authorisation from the Shareholders' Meeting, the Board of Directors must issue a report to elaborate upon and determine, in light of the criteria described above, the specific conditions and modes of conversion applicable to each issue, which must be accompanied by a report from an auditor other than the Company's auditor, as provided in article 292.2 of the Public Limited Companies Act.*

*6. Overriding the pre-emptive subscription right, and capital increase. The delegation to the Board of Directors that is envisaged here with respect to the issuance of fixed-income securities that are convertible into shares includes, but is not limited to, the following powers:*

*(i) The power as provided by article 159.2 of the Spanish Corporations Law for the Board of Directors to override, either fully or partially, the shareholders' pre-emptive subscription right when necessary to raise funds in the international markets, to use demand prospection techniques or when it is in the Company's interests in any other way. In any case, if the Board decides to override the pre-emptive subscription right in relation to a specific issue of convertible securities that it decides to make under this authorisation, it must, at the time of approving the issue and in accordance with the provisions Article 293.3 of the Public Limited Companies Act, issue a report detailing the specific reasons in connection with the Company's interests that justify the measure, which must be accompanied by a report by an auditor other than that of the Company, as referred to in that Article. Those reports will be made available to shareholders and disclosed to the first Shareholders' Meeting held after the issue decision is adopted.*

*(ii) In accordance with article 153.1.b) of the Public Limited Companies Act, the power to increase capital at one or more times in the amount needed to meet requests for conversion of convertible securities issued in accordance with this delegation. This power may only be exercised where those capital increases, plus any other capital increases that may be performed by the Board of Directors under other delegations to increase capital, do not exceed one-half of capital stock, as envisaged in article 153.1.b) of the Public Limited Companies Act, at the time of this authorisation. This authorisation to increase capital includes the power to issue and circulate, at one or more times, the shares necessary to cater for the conversion, as well as the power, in accordance with article 153.2 of the Public Limited Companies Act, to redraft the article in the Articles of*

*Incorporation relating to the share capital figure and, if necessary, the power to cancel any part of that capital increase that is not necessary for the conversion into shares. In accordance with the provisions of article 159.4 of the Public Limited Companies Act, the Company's shareholders will not have pre-emptive subscription rights in the capital increases performed by the Board of Directors to cater for requests for conversion.*

*The Board of Directors is also hereby empowered to apply for listing of any new shares that may be issued on any Stock Exchange or regulated market, whether domestic or foreign, in the terms of the applicable legislation.*

*(iii) The power to elaborate upon and specify the rules and forms of conversion, taking into account the criteria set out in section 5 above and, in general and in the broadest terms, to determine such terms and conditions as may be necessary or advisable for the issue. At subsequent General Meetings of Shareholders, the Board of Directors must inform shareholders of any use which has been made up to that point of the powers to issue fixed-income securities convertible into shares of the Company.*

*7. Warrants: The rules set out in sections 5 and 6 above will apply, mutatis mutandis, to the issuance of warrants or similar securities which give direct or indirect entitlement to subscribe for newly-issued shares of the Company, and this delegation carries the broadest powers, with the same scope of the preceding paragraphs, to decide what is considered most appropriate in relation to that class of securities.*

*8. Listing of securities. Where appropriate, the Company will apply for listing on official and unofficial secondary markets, whether organized or not, domestic or foreign, of the securities issued by virtue of this delegation, and the Board of Directors is empowered to carry out such procedures and actions as may be necessary for listing before the competent authorities of the domestic or foreign securities markets.*

*9. Powers to sub-delegate and empower. The Board of Directors is empowered to delegate the powers conferred to it by virtue of this resolution to the Executive Commission, and to grant the pertinent powers for performance of the delegated functions.*

*Resolution ten of the Ordinary General Meeting on 18 June 2008 is hereby revoked in the amount not used by the Board prior to the date of adoption of this resolution.*

**B. Share buyback programme and capital reduction**

*Under the provisions of Article 3 et seq. of Commission Regulation (EC) No 2273/2003 of 22 December, to approve a programme to repurchase shares of the Company whose sole purpose is (i) to meet obligations to deliver shares that arise from the issuance of securities giving entitlement to acquire outstanding shares, or to amortise them in order to limit the dilution of the pre-existing shareholders in case of issuance, while overriding the pre-emptive subscription right, of securities that are convertible into, or give entitlement to subscribe for, newly-issued shares, that may be adopted by the Board of Directors of the Company under the provisions of paragraph A above of this Decision for a maximum of three hundred million euro (€ 300,000,000) (the "Securities"), and (ii) to reduce the Company's capital by amortising the shares acquired by virtue of the programme or those already held as treasury stock (provided they are not already assigned to preceding share buyback programmes that have not been completed), which will be deemed to be subject to the terms and conditions of the programme approved by the General Meeting of Shareholders.*

*The Company is authorised so that, directly or via any of its subsidiaries, within a period of at most five years from the date of this Meeting of Shareholders, it may acquire, at any time and on as many occasions as it sees fit while executing the approved share buyback programme, shares*

*of the Company by any means allowed by law, all in conformity with Article 75 and matching articles of the Consolidated Text of the Public Limited Companies Act.*

*It is also decided to approve the limits or requirements of such acquisitions, as follows:*

*-The par value of the shares acquired, added to those already held by the Company and its subsidiaries, may not at any time exceed the legal limits.*

*-The shares acquired must have been fully paid.*

*-The acquisition price may not be less than the par value nor more than 20 per cent higher than the market price.*

*The shares acquired under the buyback programme will be used by the Company to fulfil its obligations to deliver existing shares that arise from the issuance of the Securities or, as the case may be, to reduce the Company's capital so as to limit the dilution of pre-existing shareholders in the event of exercise of the power attached to the Securities to convert into or subscribe for newly-issued shares of the Company.*

*This decision does not eliminate or alter the terms and conditions of previous share buyback programmes approved by the Company or the corresponding authorisations for the acquisition of treasury shares in the market, which will remain in force. This share buyback programme is held to be compatible with the preceding programmes. Nevertheless, this programme may only be implemented insofar as it does not hinder the full execution of preceding share buyback programmes or, consequently, the achievement of the goals for which such programmes were approved.*

*It was also resolved to reduce capital through the amortisation of the corresponding number of own shares of the Company which have been acquired by virtue of the programme or those already held as treasury stock (provided they are not already assigned to preceding share buyback programmes as provided in the preceding sections) by a nominal amount equal to the par value of those shares in treasury stock, up to a maximum equivalent to the combined par value of the new shares of the Company to be issued in implementation of Section A above to cater for requests from the holders of the Securities to convert into, or subscribe for, new shares.*

*The capital reduction here approved will be effected by amortising the corresponding number of own shares of the Company and will be charged against voluntary reserves; a reserve for amortised capital will be appropriated for the par value of the amortised shares, which may only be used subject to the same requirements as for a capital reduction, by application of article 167.3 of the Consolidated Public Limited Companies Act. Consequently, in accordance with the provisions of that article, the Company's creditors will not have the right of opposition provided by article 166 of the Consolidated Public Limited Companies Act as a result of the capital reduction that is approved.*

*The reduction will not entail the refund of contributions to shareholders as the amortised shares are owned by the company itself. Therefore, the purpose of the reduction will be to amortise own shares.*

*The capital reduction here decided will be performed at one or several times during the term of the Company's share buyback programme, immediately after each execution of the decision adopted by the Company to increase capital so as to fulfil the obligations arising from requests to convert into, or subscribe for, shares of the Company through the delivery of newly-issued shares.*

*This decision does not override or alter the terms or conditions of preceding capital reduction decisions adopted by the Company that are still in force.*

*It also resolved to delegate to the Board of Directors, with express powers to sub-delegate in the Executive Committee, to implement this resolution as regards both the share buyback programme and the capital reduction. The latter must be executed at one or several times during the term of the Company's share buyback programme, immediately after each execution of the decision adopted by the Company to increase capital so as to fulfil the obligations arising from exchange or subscription requests from holders of the Securities for the delivery of newly-issued shares, performing such proceedings, processes and authorisations as may be necessary or required by the Consolidated Public Limited Companies Act and other applicable legislation and, in particular, it is empowered so that, within the period and limits set out for such execution, it may establish the date(s) of the specific capital reduction(s) on the occasion of exercise of the power attaching to the Securities to convert into or subscribe for newly-issued shares, to state the amount of the reduction, in accordance with the terms approved above, and to amend Article 5 of the Articles of Incorporation to the new amount of capital; to request delisting of the amortised shares and, generally, to adopt such decisions as may be necessary for the purposes of such amortisation and the consequent capital reduction, designating the persons to participate in formalising them."*

Madrid, 21 April 2010.