

REPORT OF THE AUDIT AND CONTROL COMMISSION ON THE INDEPENDENCE OF EXTERNAL AUDITORS

INTRODUCTION

The Revised Text of the Capital Companies Act ("CCL") provided under section 529.4(f), in respect of the Audit and Control Committee, that its functions shall include that of issuing annually, prior to the issue of the audit report, a report expressing an opinion as to whether the independence of auditors or audit firms is compromised.

Pursuant to the provisions under LSC and section 40.4 (f) of the Articles of Association and section 37.5 (c) of the Regulations of the Board of Directors, the Audit and Control Committee of FOMENTO DE CONTRUCCIONES Y CONTRATAS ("FCC") issues this report at its meeting held on 10 March 2017. This report will be published on the FCC website, on the occasion of the call of the General Shareholders' Meeting, in order to comply with recommendation 6(a) of the Code of Good Governance of Listed Companies.

I. ENTITY IN RESPECT OF WHICH THIS REPORT IS ISSUED

The Auditor of Accounts, both of FCC and its consolidated group on which the present report is issued, is DELOITTE S.L, whose registered office at Plaza Pablo Ruiz Picasso Square 1, Torre Picasso, with VAT (CIF) No. B79104469; registered at the Madrid Commercial Registry in volume 13650, folio 188, sheet M54414.

II. CIRCUMSTANCES OF INCOMPATIBILITY THAT DETERMINE A LACK OF INDEPENDENCE

Section 16 of the Auditing Act 2015 (22/2015, of July 20; "LAC") provides circumstances which, if applying to the auditor, would mean that the auditor would not enjoy sufficient independence in the exercise of his duties. These circumstances are as follows:

a) Circumstances arising from personal situations:

1) To have the status of being a member of the Board of Directors, director or legal representative, upon whom a general power of attorney has been conferred by the audited entity or to be employed at the audited entity. This circumstance will also apply in respect of the person responsible for the finance area and the person who performs supervisory or internal control functions at the audited entity, whatever their connection with that entity may be.

2) To have a significant direct interest in the audited entity arising from any contract or the ownership of any goods or the holding of any rights. In any case, such an interest shall be deemed to exist in the event of holding financial instruments of the audited entity or of an entity related thereto if, in the latter case, they are significant for either any of the parties.

3) Perform any type of transaction related to financial instruments issued, guaranteed or otherwise supported by the audited entity

4) Request or accept gifts or favours from the audited entity, unless its value is insignificant or insignificant.

b) Circumstances arising from services rendered:

1) Providing to the audited entity accounting services or the preparation of accounting records or financial statements.

2) Providing to the audited entity valuation services, unless the following requirements are met:

- i. The services have no direct effect or have an insignificant effect, separately or taken together, on the financial statements audited;
- ii. The assessment of the effect on the financial statements audited is fully documented in the paperwork related to the auditing tasks.

3) Providing internal auditing services to the entity audited, unless the latter's management body will be responsible for the overall internal control system, determining the scope, for the risk and frequency of internal auditing procedures, for the consideration and execution of the results and for recommendations made by internal audits.

4) Providing legal services simultaneously for the entity audited, unless such services are provided by different bodies corporate with different boards of directors, and without being able to resolve disputes on matters that may have a significant impact, measured in terms of material importance, in the financial statements for the period audited.

5) Providing to the entity audited services for the design and implementation of internal control or risk management procedures related to the production or control of financial reporting or the design or application of computerised financial-reporting systems used to generate the data making up the financial statements of the entity audited, unless the latter assumes responsibility for the overall internal control system or the service is provided in accordance with the specifications established by that entity, which shall also assume responsibility for the design, execution, assessment and functioning of the system.

III. ANALYSIS OF THE AUDITOR'S INDEPENDENCE

Without prejudice whether any circumstances of incompatibility provided under LAC apply, the Audit and Control Committee has also analysed other matters to determine the independence of the company's Auditor.

First, the appointment of the Auditor has been made in accordance with the requirements stipulated under ss. 264 & 22 LSC and Article 22 LAC, having been appointed for an initial period of three years and renewed for successive annual periods.

Second, the Audit and Control Committee meets regularly with the auditors to assure the effectiveness of their review and to analyse any situations that might jeopardise to their independence. In this regard, the External Auditor has implemented procedures in order to identify and evaluate any threats that might result in incompatibility, as well as the necessary safeguards.

Third, the Audit and Control Committee has received from the auditor its declaration of independence, as well as detailed and individualized information on additional services provided by the auditor, as required under the applicable regulations.

At the consolidated level of the FCC Group, the fees for services for the auditing of Group entities accrued by DELOITTE amounted to EUR 3,188,000, plus EUR 791,000 in fees billed for other professional services.

The sum billed by the external auditor for other professional services represents 20.24% of the total amounts invoiced to the FCC Group.

IV. CONCLUSIONS

According to the foregoing, it is deduced that there are no objective reasons to call into question the independence of the external auditor. And in particular:

- None of the circumstances of incompatibility under LAC are applicable.
- The external auditor's declaration in respect of its independence from FCC was duly received prior to the issue of the audit report.
- The aforementioned do not represent a significant proportion of the auditor's total annual income.

March, 2017