

REPORT BY THE BOARD OF DIRECTORS OF FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A. ON THE PROPOSED AMENDMENT TO THE RULES OF THE GENERAL MEETING OF SHAREHOLDERS

ARTICLES 4 (ANNOUNCEMENT OF THE GENERAL MEETING OF SHAREHOLDERS), 5 (MEETING ANNOUNCEMENT), 7 (RIGHT TO INFORMATION PRIOR TO THE GENERAL MEETING OF SHAREHOLDERS), 9 (ATTENDANCE RIGHTS AND RESPONSIBILITIES), 11 (CONSTITUTION OF THE GENERAL MEETING OF SHAREHOLDERS) AND 12 (REQUESTS TO PARTICIPATE)

**(ITEM 5 OF THE AGENDA).
2006 ORDINARY GENERAL MEETING OF SHAREHOLDERS**

The Board of Directors of FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A. issues this report justifying the amendments to the Rules of the General Meeting which are laid before the General Meeting of Shareholders under item 5 of the agenda.

In those cases where an amendment is proposed to an existing article, the left column contains the current wording of the article and the right column contains the proposed wording, with the proposed changes in bold.

CURRENT WORDING	PROPOSED WORDING
<p>Article 4. Announcement of the General Meeting of Shareholders</p> <p>1. Notwithstanding the provisions of the Spanish Corporations Act on the General Meeting and the announcement procedures, it is up to the Board of Directors to announce the General Meeting of Shareholders:</p> <p>a) Well enough in advance to permit it to be held during the first six months of the year, in the case of ordinary general meetings.</p> <p>b) Whenever the Board of Directors considers it to be in the company's best interest, in the case of extraordinary general meetings.</p> <p>c) When requested in a notarised instrument by shareholders possessing at least five percent of the share capital, expressing in the request the issues to be addressed at the meeting. In this case, the General Meeting shall be held within thirty days of the date of the notarised request sent to the Directors and the meeting agenda must necessarily contain the items indicated in the request.</p> <p>d) In all cases foreseen in the law and in the articles of association.</p> <p>2. If the Ordinary General Meeting of Shareholders is not convened by the legal deadline or if an Extraordinary General Meeting of Shareholders is not convened despite the request of shareholders possessing five percent (5%) of the share capital, then the ordinary General Meeting</p>	<p>Article 4. Announcement of the General Meeting of Shareholders</p> <p>1. Notwithstanding the provisions of the Spanish Corporations Act on the General Meeting and the announcement procedures, it is up to the Board of Directors to announce the General Meeting of Shareholders:</p> <p>a) Well enough in advance to permit it to be held during the first six months of the year, in the case of ordinary general meetings.</p> <p>b) Whenever the Board of Directors considers it to be in the company's best interest, in the case of extraordinary general meetings.</p> <p>c) When requested in a notarised instrument by shareholders possessing at least five percent of the share capital, expressing in the request the issues to be addressed at the meeting. In this case, the General Meeting shall be held within thirty days of the date of the notarised request sent to the Directors and the meeting agenda must necessarily contain the items indicated in the request.</p> <p>d) In all cases foreseen in the law and in the articles of association.</p> <p>2. If the Ordinary General Meeting of Shareholders is not convened by the legal deadline or if an Extraordinary General Meeting of Shareholders is not convened despite the request of shareholders possessing five percent (5%) of the share capital, then the ordinary General Meeting</p>

<p>of Shareholders may be convened at the request of any shareholder and the Extraordinary General Meeting of Shareholders may be convened by the judge presiding over the court of first instance.</p>	<p>of Shareholders may be convened at the request of any shareholder and the Extraordinary General Meeting of Shareholders may be convened by the judge presiding over the court of first instance.</p> <p>The Ordinary General Meeting of Shareholders shall be valid even if it is convened or held outside the required period.</p>
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Justification of the amendment to article 4:

Law 19/2005, dated 14 November, on European Corporations domiciled in Spain, amended the Public Corporation Act, so it is necessary to adapt the Rules of the General Meeting of Shareholders. In particular, it expressly recognises that an ordinary general meeting of shareholders is valid even if it is not convened or held within the legally-required period, which is in the first six months of each year. Accordingly, it is considered that this reference should be included in article 4 of the Rules of the General Meeting of Shareholders.

CURRENT WORDING	PROPOSED WORDING
<p>Article 5. Meeting Announcement</p> <p>1. General meeting shall be convened by placing an announcement in the Official Gazette of the Business Register and in one of the daily newspapers with the greatest circulation in the province and on the Company's website at least fifteen (15) days in advance of the meeting date, except those cases where the law calls for additional notice.</p> <p>The Board of Directors will evaluate the need to place the meeting announcement in other media sources.</p> <p>The announcement will be sent to the National Securities Market Commission the day it is published.</p> <p>2. The meeting announcement will contain:</p> <p style="padding-left: 40px;">a) The name of the Company, the place, date and time of the meeting on first call and on second call. There must be at least twenty-four hours between the date of the meeting on first and second call.</p>	<p>Article 5. Meeting Announcement</p> <p>1. General meeting shall be convened by placing an announcement in the Official Gazette of the Business Register and in one of the daily newspapers with the greatest circulation in the province and on the Company's website at least one month in advance of the meeting date.</p> <p>The Board of Directors will evaluate the need to place the meeting announcement in other media sources.</p> <p>The announcement will be sent to the National Securities Market Commission the day it is published.</p> <p>2. The meeting announcement will contain:</p> <p style="padding-left: 40px;">a) The name of the Company, the place, date and time of the meeting on first call and on second call. There must be at least twenty-four hours between the date of the meeting on first and second call.</p> <p style="padding-left: 40px;">b) The meeting agenda which will contain a clear and precise list of</p>

<p>b) The meeting agenda which will contain a clear and precise list of the issues to be addressed at the meeting.</p> <p>c) The requirements for attending the general meeting and for accrediting one's attendance rights.</p> <p>d) The right of shareholders to be represented at the meeting by a proxy, who may or may not be a shareholder, and the requirements and procedures for exercising this right.</p> <p>e) The right of shareholders possessing fewer than four thousand shares to group together for the purpose of attending the General Meeting of Shareholders.</p> <p>f) Shareholders' information rights and the exercise of such rights.</p> <p>3. When each General Meeting of Shareholders is announced, the Board of Directors will evaluate whether there are distance communication methods available that permit the shareholders to vote and/or delegate their votes remotely, duly guaranteeing the identity of the shareholder exercising the right to vote or, in the case of a proxy, the identity of the principal and agent and whether the use of such methods is feasible. If the Board of Directors determines that such methods are available and can be used, it shall mention this in the announcement, specifying the communication methods that shareholders may use to exercise or delegate their vote and the steps they must necessary follow to do so.</p>	<p>the issues to be addressed at the meeting.</p> <p>c) The requirements for attending the general meeting and for accrediting one's attendance rights.</p> <p>d) The right of shareholders to be represented at the meeting by a proxy, who may or may not be a shareholder, and the requirements and procedures for exercising this right.</p> <p>e) Shareholders' information rights and the exercise of such rights.</p> <p>3. When each General Meeting of Shareholders is announced, the Board of Directors will evaluate whether there are distance communication methods available that permit the shareholders to vote and/or delegate their votes remotely, duly guaranteeing the identity of the shareholder exercising the right to vote or, in the case of a proxy, the identity of the principal and agent and whether the use of such methods is feasible. If the Board of Directors determines that such methods are available and can be used, it shall mention this in the announcement, specifying the communication methods that shareholders may use to exercise their proxy rights, cast or delegate their vote or attend the meeting, as the case may be. It shall also set out the deadlines, forms and ways in which shareholders can attend the Meeting by electronic or telematic means, if this possibility is envisaged.</p> <p>4. The agenda contained in the announcement shall be determined by the Board of Directors, without prejudice to the rights of shareholders who own at least 5% of capital to request that a supplement be added to</p>
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	<p>the meeting announcement, adding one or more items to the agenda. The shareholders who wish to exercise that right must send that supplement via certifiable means to the company's registered offices within five days from publication of the meeting announcement. The supplement must be published at least fifteen days prior to the scheduled meeting date.</p>
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Justification of the amendment to article 5:

Law 19/2005, dated 14 November, on European Corporations domiciled in Spain, amended the Public Corporation Act, so it is necessary to adapt the Rules of the General Meeting of Shareholders. In particular, the deadline for publication of the announcement of the ordinary general meeting of shareholders has been brought forward from from fifteen days to one month before the scheduled meeting date. Shareholders who own at least 5% of capital may request that a supplement be published to the announcement of the general meeting of shareholders. The wording of section 3 of this article is changed in order to envisage the possibility of attendance via telematic means.

The Rules of the General Meeting of Shareholders are also adapted to the amendments of the Articles of Incorporation, thus eliminating the need to own a specific number of shares in order to be entitled to attend General Meetings of Shareholders, and article 18 of the Articles of Incorporation has been reworded. Therefore, this amendment must be reflected in the Rules of the General Meeting of Shareholders.

CURRENT WORDING	PROPOSED WORDING
<p>Article 7.Right to Information prior to the General Meeting of Shareholders</p> <p>1. Shareholders may request, up to seven calendar days before the first scheduled meeting date, 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.</p> <p>2. Information requests may be made by e-mail to the address provided for this purpose on the Company's website for each General Meeting of Shareholders or in writing to the Stock Market and Shareholder Relations Department at the Company's registered offices, hand delivered or by post or courier. The</p>	<p>Article 7.Right to Information prior to the General Meeting of Shareholders</p> <p>1. Shareholders may request, up to seven calendar days before the first scheduled meeting date, 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.</p> <p>2. Information requests may be made by e-mail to the address provided for this purpose on the Company's website for each General Meeting of Shareholders or in writing to the Stock Market and Investor Relations Department at the Company's registered offices, hand delivered or by post or courier. The</p>

<p>provisions of this article are understood without prejudice to the shareholders' right to obtain a printed copy of the documents and to request that the documents be sent to them, free of charge, when so stipulated by law.</p> <p>3. The information requests regulated in this article will be answered, once the identity and status of the requesting shareholder is verified, up to the date of the General Meeting of Shareholders but prior to the start of the meeting, using the same channel of communication.</p> <p>4. The Chairman may deny the requested information when, in his or her opinion, the publication of the requested information could be detrimental to the Company's interests, except when the request is backed by shareholders representing at least one-fourth of the share capital.</p> <p>5. The Board of Directors may authorise any one of its members as well as its Secretary and Assistant Secretary, through the company's "Stock Market and Shareholder Relations Department", to respond to the information requests submitted by shareholders.</p>	<p>provisions of this article are understood without prejudice to the shareholders' right to obtain a printed copy of the documents and to request that the documents be sent to them, free of charge, when so stipulated by law.</p> <p>3. The information requests regulated in this article will be answered, once the identity and status of the requesting shareholder is verified, up to the date of the General Meeting of Shareholders but prior to the start of the meeting.</p> <p>4. The Chairman may deny the requested information when, in his or her opinion, the publication of the requested information could be detrimental to the Company's interests, except when the request is backed by shareholders representing at least one-fourth of the share capital.</p> <p>5. The Board of Directors may empower any of its members, its Secretary and Assistant Secretary to answer shareholders' requests for information through the "Stock Market and Investor Relations Department".</p>
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Justification of the amendment to article 7:

It is proposed that Article 7.3 be amended to enable the Company to decide how to respond to requests for information from shareholders.

It is proposed that references to the Stock Market and Investor Relations Department be adapted as a result of changing its name in order to unify the terminology in the Rules of the General Meeting of Shareholders.

CURRENT WORDING	PROPOSED WORDING
<p>Article 9. Attendance Rights and Responsibilities</p> <p>1. Shareholders possessing four thousand or more shares shall be entitled to attend the General Meetings, provided that the ownership of the shares is registered in the ledger of account entries at least five days in advance of the Meeting date.</p> <p>Shareholders possessing fewer than four thousand shares may group together for the purposing of meeting attendance, choosing one shareholder to represent the group. The group may be accredited in a written document signed by all of the shareholders involved, one for each General Meeting. Otherwise, any one of them may grant a proxy to represent them at the Meeting to another shareholder entitled to attend, combining their shares as provided for under the law.</p> <p>2. The members of the Board of Directors are obliged to attend the General Meeting of Shareholders. Directors, managers, technical personnel and others responsible for the management of the Company may also attend General Meetings upon request. The Chairman of the General Meeting may authorise other people to attend as deemed appropriate, notwithstanding the General Meeting's right to revoke such authorisation.</p>	<p>Article 9. Attendance Rights and Responsibilities</p> <p>1. Shareholders possessing one or more shares shall be entitled to attend the General Meetings, provided that the ownership of the shares is registered in the ledger of account entries at least five days in advance of the Meeting date.</p> <p>2. The members of the Board of Directors are obliged to attend the General Meeting of Shareholders. Directors, managers, technical personnel and others responsible for the management of the Company may also attend General Meetings upon request. The Chairman of the General Meeting may authorise other people to attend as deemed appropriate, notwithstanding the General Meeting's right to revoke such authorisation.</p>

Justification of the amendment to article 9:

It is proposed that the Rules of the General Meeting of Shareholders be adapted to the resolution to amend the Articles of Incorporation, whereby shareholders now need to own at least one share, rather than at least 2,000 shares, in order to attend the General Meeting of Shareholders; consequently, references to grouping of shares have been eliminated.

CURRENT WORDING	PROPOSED WORDING
<p>Article 11. Constitution of the General Meeting of Shareholders</p> <p>1. Up to two hours before the starting time</p>	<p>Article 11. Constitution of the General Meeting of Shareholders</p> <p>1. Up to two hours before the starting time</p>

of the meeting, on the date and at the time and place indicated in the announcement of the General Meeting of Shareholders, Shareholders or their duly assigned proxies may present to the personnel in charge of registering attendees the documents accrediting their right to attend the meeting and to represent their principals. Meeting attendance rights will be accredited by showing the certificate issued by the entities in charge of registering the Company's shares containing the entry which shows the name of the shareholder possessing **at least four thousand shares** at least five days in advance of the meeting date, **all without prejudice to the grouping rights referred to in article 9 of these Rules.**

The shareholders who wish to cast their votes electronically, in those cases where this possibility is foreseen in the meeting announcement, will accredit their identity and shareholder status in the manner determined by the Board of Directors in the announcement.

2. The shareholders or their proxies who arrive at the meeting once the session has been called to order and deliberations are underway will not be included on the list of attendees.

3. The list of attendees will be included at the beginning of minutes or appended thereto in a document signed by the Secretary with the Chairman's approval.

Shareholders who vote electronically, as provided for in the meeting announcement, shall be considered present for the purposes of constituting the General Meeting of Shareholders.

4. Once there is a quorum, the Meeting will be called to order at the pre-established place, date and time, either on first or second call.

5. The Chairman or Secretary will read the announcement or consider it reproduced if none of the shareholders opposes and report the global results of the attendance list, indicating the number of shareholders in attendance and represented at the

of the meeting, on the date and at the time and place indicated in the announcement of the General Meeting of Shareholders, Shareholders or their duly assigned proxies may present to the personnel in charge of registering attendees the documents accrediting their right to attend the meeting and to represent their principals. Meeting attendance rights will be accredited by showing the certificate issued by the entities in charge of registering the Company's shares containing the entry which shows the name of the shareholder possessing **at least one share** at least five days in advance of the meeting date.

The shareholders who wish to cast their votes electronically, in those cases where this possibility is foreseen in the meeting announcement, will accredit their identity and shareholder status in the manner determined by the Board of Directors in the announcement.

2. The shareholders or their proxies who arrive at the meeting once the session has been called to order and deliberations are underway will not be included on the list of attendees.

3. The list of attendees will be included at the beginning of minutes or appended thereto in a document signed by the Secretary with the Chairman's approval.

Shareholders who vote electronically, as provided for in the meeting announcement, shall be considered present for the purposes of constituting the General Meeting of Shareholders.

4. Once there is a quorum, the Meeting will be called to order at the pre-established place, date and time, either on first or second call.

5. The Chairman or Secretary will read the announcement or consider it reproduced if none of the shareholders opposes and report the global results of the attendance list, indicating the number of shareholders

<p>meeting with voting rights, the number of shares possessed by each one and the percentage of share capital they represent.</p> <p>6. Once this information is publicly announced by the Chairman or the Secretary, the Chairman will then state whether or not the requirements for holding the General Meeting of Shareholders have been met. The notary public, if there is one, will ask the assembly if there are any objections to the Chairman's statements regarding the numbers of shareholders in attendance and the share capital they represent. Any questions or claims submitted to the notary or to the Secretary if there is no notary will be reflected in the minutes and resolved by the Chairman.</p> <p>7. Following this, the Chairman will call the meeting to order if all of the conditions are met.</p> <p>8. Both ordinary and extraordinary General Meeting of Shareholders will be validly constituted:</p> <ul style="list-style-type: none"> - Generally speaking, on first call when the shareholders present or represented possess at least fifty percent of the subscribed capital with voting rights. On second call, it will be validly constituted when the shareholders present or represented possess at least forty-five percent of the subscribed share capital with voting rights. - In order for the General Meeting of Shareholders to validly pass resolutions on debenture issues, capital increases or decreases or the transformation, merger or division of the Company and, in general, any modification of the Articles of Incorporation, it shall be necessary for shareholders accounting for at least fifty percent (50%) of the subscribed capital with voting rights to be present or represented on the original meeting date, while on the alternate date it shall suffice to have shareholders accounting for at least forty-five 	<p>in attendance and represented at the meeting with voting rights, the number of shares possessed by each one and the percentage of share capital they represent.</p> <p>6. Once this information is publicly announced by the Chairman or the Secretary, the Chairman will then state whether or not the requirements for holding the General Meeting of Shareholders have been met. The notary public, if there is one, will ask the assembly if there are any objections to the Chairman's statements regarding the numbers of shareholders in attendance and the share capital they represent. Any questions or claims submitted to the notary or to the Secretary if there is no notary will be reflected in the minutes and resolved by the Chairman.</p> <p>7. Following this, the Chairman will call the meeting to order if all of the conditions are met.</p> <p>8. Both ordinary and extraordinary General Meeting of Shareholders will be validly constituted:</p> <ul style="list-style-type: none"> - Generally speaking, on first call when the shareholders present or represented possess at least fifty percent of the subscribed capital with voting rights. On second call, it will be validly constituted when the shareholders present or represented possess at least forty-five percent of the subscribed share capital with voting rights. - In order for the General Meeting of Shareholders to validly pass resolutions on debenture issues, capital increases or decreases or the transformation, merger or division of the Company and, in general, any modification of the Articles of Incorporation, it shall be necessary for shareholders accounting for at least fifty percent (50%) of the subscribed capital with voting rights to be present or represented on the original meeting date, while on the alternate date it shall suffice to have shareholders
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<p>percent (45%) of the subscribed capital with voting rights to be present or represented</p> <p>- When the shareholders in attendance or represented account for less than fifty percent (50%) of the subscribed capital with voting rights, the resolutions referred to in the previous paragraph may only be validly passed with the favourable vote of two-thirds of the share capital present or represented at the Meeting.</p> <p>9. If for any reason it were necessary to hold the meeting in separate rooms, audio-visual equipment will be set up to permit the interactivity and intercommunication of the rooms in real time and therefore the unity of the meeting.</p>	<p>accounting for at least forty-five percent (45%) of the subscribed capital with voting rights to be present or represented</p> <p>- When the shareholders in attendance or represented account for less than fifty percent (50%) of the subscribed capital with voting rights, the resolutions referred to in the previous paragraph may only be validly passed with the favourable vote of two-thirds of the share capital present or represented at the Meeting.</p> <p>9. If for any reason it were necessary to hold the meeting in separate rooms, audio-visual equipment will be set up to permit the interactivity and intercommunication of the rooms in real time and therefore the unity of the meeting.</p>
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Justification of the amendment to article 11:

It is proposed that the Rules of the General Meeting of Shareholders be adapted to the resolution to amend the Articles of Incorporation, whereby shareholders now need to own at least one share, rather than at least 2,000 shares, in order to attend the General Meeting of Shareholders; consequently, references to grouping of shares have been eliminated.

CURRENT WORDING	PROPOSED WORDING
<p>Article 12. Requests to participate</p> <p>1. Once the General Meeting of Shareholders has been called to order, the shareholders possessing at least four thousand shares who wish to exercise their right to participate in the meeting deliberations shall identify themselves to the Secretary or the notary public, if there is one (or their assistants), exhibiting their national ID cards or equivalent identifying documents in the case of non-Spaniards, and their attendance cards showing the number of shares they possess and the percent of share capital they represent. Both documents will be returned to them after their participation. If they wish to have the transcript of their comments included in the meeting minutes, they must provide the notary or the Secretary with a written copy of the text in order to compare the written text with the shareholder's words.</p> <p>2. Once the Committee has the list of shareholders who wish to participate and before voting on the items included on the agenda, the shareholders will be allowed to speak.</p>	<p>Article 12. Requests to participate</p> <p>1. Once the General Meeting of Shareholders has been called to order, the shareholders who wish to exercise their right to participate in the meeting deliberations shall identify themselves to the Secretary or the notary public, if there is one (or their assistants), exhibiting their national ID cards or equivalent identifying documents in the case of non-Spaniards, and their attendance cards showing the number of shares they possess and the percent of share capital they represent. Both documents will be returned to them after their participation. If they wish to have the transcript of their comments included in the meeting minutes, they must provide the notary or the Secretary with a written copy of the text in order to compare the written text with the shareholder's words.</p> <p>2. The directors may establish in the announcement that the legitimate speeches and proposals to be made by parties planning to attend by telematic means, if this possibility is envisaged in the meeting announcement, may be sent to the company before the meeting is convened. That announcement must contain the deadlines, forms and ways envisaged by the directors for the shareholders to exercise their rights in order to ensure orderly transaction of business.</p> <p>3. Once the Committee has the list of shareholders who wish to participate and before voting on the items included on the agenda, the shareholders will be allowed to speak.</p>

Justification of the amendment to article 12:

It is proposed that the Rules of the General Meeting of Shareholders be adapted to the resolution to amend the Articles of Incorporation, whereby shareholders now need to own at least one share, rather than at least 2,000 shares, in order to attend the General Meeting of Shareholders; consequently, references to grouping of shares have been eliminated.

Moreover, Law 19/2005, dated 14 November, on European Corporations domiciled in Spain, amended the Public Corporation Act, so it is necessary to adapt the Rules of the General Meeting of Shareholders by introducing a new section 2 in this article.