



ANNUAL REPORT ON DIRECTOR REMUNERATION OF
FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A.
(2013 AND ALLOCATION CORRESPONDING TO 2012)



1. INTRODUCTION

Article 61 ter of Act 24/1998, of 28 July, on the Securities Market (the "SMA"), as amended by Act 2/2011, of 4 March, on the Sustainable Economy, regulates the structure and minimum content of the annual report on director remuneration, as follows:

Article 61. Ter. Annual report on director remuneration (Added by final provision 5.3 of Act 2/2011, of 4 March. RCL\2011\384.)

1. In addition to the annual corporate governance report, the board of a listed company must draw up a report on its directors' remuneration, which must include complete, clear and comprehensible information about the company's remuneration policy approved by the Board for the current year and for future years, as appropriate. It must also include an overall summary of how the policy was applied during the year, with disclosure of the individual remuneration accrued by each director.

2. The annual report on director remuneration, the company's remuneration policy approved by the Board for the current year, that planned for future years, an overview of how the remuneration policy was applied during the year, and the itemised individual remuneration earned by each director will be made public and submitted for a consultative vote as a separate item on the agenda of the Ordinary General Meeting of Shareholders.

...

5. The Minister of Economy and Finance and, by express authorisation, the National Securities Market Commission shall establish the minimum content and structure of the remuneration report, which may include the following, among other matters: the amount of the fixed component, their legal remuneration items and the performance benchmarks chosen for their design, and the role of the Remuneration Committee, if one exists.

In implementation of the aforementioned article 61.ter of the SMA, on 23 March 2013 the Official State Gazette published *Order ECC/461/2013, of 20 March, determining the content and structure of the annual corporate governance report, the annual report on remuneration and other disclosures by listed companies, savings banks and other institutions with securities listed in the official securities markets; it regulates, among other aspects, the structure and minimum content of the annual report on director remuneration.* Nevertheless, by virtue of Transitional Provision 3 of that Order, the obligations on publication and minimum content of the annual report on director remuneration are not applicable to the report that must be submitted for a consultative vote to the Ordinary General Meeting in 2013.

The obligations set out in the aforementioned article 61.ter of the SMA are already enshrined in article 37 of the Articles of Incorporation and article 32 of the Rules of the Board of



Directors of FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A. (hereafter, the Company, or FCC), which establish that, based on a proposal by the Appointments and Remuneration Committee, the Board of Directors must distribute among its members the remuneration decided upon at the General Meeting of Shareholders, consisting of a share in the Company's net profits, if any, and remuneration based on actual attendance at meetings of the Board of Directors and its Committees, and draft a report on the directors' remuneration policy for the current year and for future years, as the case may be, an overview of how it applied the remuneration policy in the preceding year, and an itemised breakdown of the remuneration earned by each director, to be made public, placed at the disposal of the shareholders from the date of notice of the General Meeting of Shareholders, and voted upon, on a consultative basis, as a separate item on the agenda of the General Meeting of Shareholders.

That report must address the various aspects referred to under article 32 of the Rules of the Board of Directors, except those potentially entailing the disclosure of commercially sensitive information, while also referring to the role of the Appointments and Remuneration Committee in designing the remuneration policy.

Based on the foregoing, on 11 April 2013, the Board of Directors approved the aforementioned report, in order to make it available to shareholders on the occasion of giving notice of the 2013 General Meeting of Shareholders and submit it to a vote, on a consultative basis, as a separate item on the agenda of that General Meeting of Shareholders.

Since the standard form of the report has not yet been approved by means of a Circular from the National Securities Market Commission, the Company drew up this director remuneration report on the basis of the provisions of article 61.ter of the SMA, having regard to the contents of Order ECC/461/2013, of 20 March, on remuneration.

2. ROLE OF THE APPOINTMENTS AND REMUNERATION COMMITTEE IN DRAFTING THIS REPORT.

As provided in Article 42 of the Rules of the Board of Directors of FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A., the Appointments and Remuneration Committee has the following function, among others:

f) Overseeing compliance with the Company's remuneration policy and, in particular, proposing to the Board of Directors the remuneration policy for directors and senior executives, the remuneration of the executive directors and the other conditions of their contracts, and the basic conditions for the contracts for senior executives, advising and proposing on multi-year incentive plans for the Company's senior management, particularly those related to the value of the shares.

Proposing to the Board of Directors the distribution among its the Directors of the remuneration for Board membership decided by the General Meeting of Shareholders in accordance with the Articles of Incorporation and these Rules.



2.1. Composition:

FOMENTO DE CONSTRUCCIONES Y CONTRATAS SA			
APPOINTMENTS AND REMUNERATION COMMITTEE			
Director	Representative	Position	Appointment
Anés Alvarez-Castrillón, Gonzalo		Member	27/05/2010
CARTERA DEVA SA	Llantada Aguinaga, Jaime	Member	27/05/2010
Castells Masana, Juan		Member	07/04/2011
DOMINUM DESGA SA	Alcocer Koplowitz, Esther	Chairman	01/06/2011
DOMINUM DIRECCION Y GESTION SL	Alcocer Koplowitz, Carmen	Member	27/05/2010
EAC INVERSIONES CORPORATIVAS SL	Alcocer Koplowitz, Alicia	Member	11/06/2009
Falcó y Fernández de Cordova, Fernando		Member	27/05/2010
Montes Sánchez, Rafael		Member	11/06/2009
Pérez Colmenero, Antonio		Member	27/05/2010
Verdú Ramos, José María		Secretary (not a member):	01/12/2005

The status of the directors who participated in defining the remuneration policy is as follows:

Director	Representative	Status
Anés Alvarez-Castrillón, Gonzalo		Independent
CARTERA DEVA SA	Llantada Aguinaga, Jaime	Proprietary
Castells Masana, Juan		Proprietary
DOMINUM DESGA SA	Alcocer Koplowitz, Esther	Proprietary
DOMINUM DIRECCION Y GESTION SL	Alcocer Koplowitz, Carmen	Proprietary
EAC INVERSIONES CORPORATIVAS SL	Alcocer Koplowitz, Alicia	Proprietary
Falcó y Fernández de Cordova, Fernando		Proprietary
Montes Sánchez, Rafael		Proprietary
Pérez Colmenero, Antonio		Proprietary

2.2. Drafting the report.

All members of the Appointments and Remuneration Committee participated actively in drafting this report under the coordination of the Chair, and their comments and suggestions were taken into account.

The Board of Directors also received information and advice from the Company's own resources, no advice having been received from external consultants in this connection. (Art. 32.2 RCA)

The Board also considered data regarding remuneration paid in the market by companies of a similar size and activity, and the recommendations and indications regarding the remuneration structure for directors contained in the Unified Code of Good Corporate Governance published by the National Securities Market Commission.

3. OVERVIEW OF HOW THE REMUNERATION POLICY WAS APPLIED IN 2012 AND ITEMISED BREAKDOWN OF INDIVIDUAL REMUNERATION EARNED BY EACH DIRECTOR

3.1. Director remuneration for membership of the Board of Directors and its Committees in 2013

In 2012, as part of the report on Board remuneration policy, the Board submitted for the approval of the General Meeting, which approved it on 31 May, a remuneration structure consisting of the sum of the following two components:

1st Fixed remuneration that is referenced to the company's earnings (article 37, first paragraph, of the Articles of Incorporation), and

2nd Remuneration for actual attendance at meetings of the Board and its Committees (article 37, third paragraph, of the Articles of Incorporation)

Since the net profit referred to in the first paragraph of article 37 of the Articles of Incorporation was not attained in 2012, the Board proposes to the Ordinary General Meeting in 2013 that only the remuneration corresponding to the second item above be paid, in accordance with the proposal submitted to the General Meeting in 2012, i.e.:

REMUNERATION FOR ACTUAL ATTENDANCE	AMOUNT EURO PER MEETING
Board of Directors	2,500
Executive Committee	1,875
Audit and Control Committee	1,500
Appointments and Remuneration Committee	1,500



Accordingly, the remuneration accrued in 2012 amounts to a total of 699,000 euro, which will be distributed among the members of the Board of Directors as a function of their membership and actual attendance at the meetings held in that year by the Board of Directors and its Committees, as follows:

- Board of Directors: 11 meetings
- Executive Committee: 9 meetings
- Audit and Control Committee: 8 meetings
- Appointments and Remuneration Committee: 9 meetings

3.2 Breakdown of individual remuneration earned by each director in 2012

On the basis of the foregoing criteria, the Board of Directors has decided on the following individual remuneration for the year 2012:

		reuniones Consejo	reuniones C.E.	Com. Auditoria	Com. Nombram.	(devengada)
Baldomero Falcones Jaquotot	EJECUTIVO	27.500,00	16.875,00			44.375,00
Rafael Montes Sánchez	DOMINICAL	27.500,00			12.000,00	39.500,00
B-1998, S.L.representada por Esther Koplowitz Romero de Juseu	DOMINICAL	25.000,00				25.000,00
Dominum Desga, S.A. representada por Esther Alcocer Koplowitz	DOMINICAL	27.500,00	13.125,00	10.500,00	13.500,00	64.625,00
Dominum Dirección y Gestión, S.L. representada por Carmen Alcocer Koplowitz	DOMINICAL	10.000,00				10.000,00
EAC Inversiones Corporativas, S.L.representada por Alicia Alcocer Koplowitz	DOMINICAL	27.500,00	9.375,00	9.000,00	12.000,00	57.875,00
Fernando Falcó Fernández de Córdova	DOMINICAL	27.500,00	16.875,00	12.000,00	12.000,00	68.375,00
Gonzalo Anes y Alvarez de Castrillón	INDEPENDIENTE	27.500,00		12.000,00	13.500,00	53.000,00
Marcelino Oreja Aguirre	DOMINICAL	27.500,00				27.500,00
Juan Castells Masana	DOMINICAL	27.500,00	16.875,00	12.000,00	13.500,00	69.875,00
Felipe Bernabé García Pérez	EJECUTIVO	27.500,00				27.500,00
CARTERA DEVA, S.A. representada por Jaime Llantada Aguinaga	DOMINICAL	27.500,00	16.875,00		13.500,00	57.875,00
Larranza XXI, S.L.representada por Lourdes Martínez Zabala (3)	DOMINICAL	22.500,00				22.500,00
Antonio Pérez Colmenero	DOMINICAL	27.500,00			13.500,00	41.000,00
Javier Ribas	INDEPENDIENTE	27.500,00				27.500,00
CESAR ORTEGA GOMEZ	INDEPENDIENTE	27.500,00				27.500,00
HENRI PROGLIO	INDEPENDIENTE	7.500,00				7.500,00
Nicolás Redondo Terreros	INDEPENDIENTE	27.500,00				27.500,00
TOTAL		450.000,00	90.000,00	55.500,00	103.500,00	699.000,00



3.2. Remuneration of directors for discharging managerial or executive duties.

3.2.1. Remuneration system linked to the company's share price:

The members of the Board who perform executive functions have a remuneration system linked to the company's share price.

Under that heading, the beneficiaries of this remuneration system as of 31 December 2012: (i) Mr. Baldomero Falcones Jaquotot, Chairman and Managing Director, and (ii) Mr. Felipe Bernabé García Pérez, executive director and General Secretary, did not earn any amount in 2012

3.2.2. Fixed and variable remuneration for executive and/or senior management functions

The 2012 Annual Corporate Governance Report (section B.1.11) and the 2012 Notes to Financial Statements (Notes 22 and 32 in the separate and consolidated financial statements, respectively) supplement and detail this information on Director remuneration.

The Board of Directors agreed to maintain in 2012 the structure of the remuneration that those Directors had been receiving for the performance of executive functions, which is structured as follows:

- Mr Baldomero Falcones Jaquotot□:
 - Fixed remuneration: 3.000.000€
 - Variable remuneration: 450.000€¹

- Mr Felipe Bernabé García Pérez□
 - Fixed remuneration: 444.700,04€
 - Variable remuneration based on "management by results": 0 euro

¹ This remuneration was earned in 2011 and paid in March 2012. As noted in the "Annual report on director remuneration" for 2012, approved by the Ordinary General Meeting on 31 May of that year, the variable remuneration for the managing director is established each year by the Board of Directors as a function of the degree of fulfilment of the objectives in the preceding year.

4. OBJECTIVE AND STRUCTURE OF THE REMUNERATION POLICY FOR THE CURRENT YEAR (2013)

4.1. Target

Under article 37 of the Articles of Incorporation, the remuneration policy for FCC directors considers the functions and responsibilities of each of them as a member of the Board and its Committees, and is commensurate with the dedication of each one to the Company, with a view to motivating and retaining the most qualified professionals.

Accordingly, the remuneration policy for Directors seeks to ensure that they receive a competitive market remuneration that is in line with the remuneration paid in the market by companies of similar size and activity and it is reviewed periodically by the Appointments and Remuneration Committee so that the latter may propose any appropriate amendments to the Board of Directors.

The remuneration policy must respect the criteria stipulated in article 32.2 of the Rules of the Board of Directors.

- (i) external directors' remuneration should sufficiently compensate them for the dedication, abilities and responsibilities that the post entails, but should not be so high as to compromise their independence;
- (ii) remuneration comprising the delivery of shares in the Company or other companies in the Group, share options or other share-based instruments, variable remuneration linked to the Company's performance or membership of pension schemes should be confined to executive directors except where directors are obliged to retain the shares until the end of their tenure;
- (iii) in the case of remuneration linked to Company earnings, they should take account of any qualifications in the external auditor's report that lead to a reduction in such earnings; and
- (iv) in the case of variable awards, remuneration policies should include technical safeguards to ensure they reflect the professional performance of the beneficiaries and not simply the general progress of the markets or the Company's sector, atypical or exceptional transactions or circumstances of this kind.

4.2. Structure

Article 37 of the Articles of Incorporation ("Remuneration") establishes that: *The office of director is remunerated. The remuneration shall consist of a share of the net profits which shall not be more than two percent (2%) of the financial year results attributed to*

Fomento de Construcciones y Contratas, S.A. in the Group's consolidated annual accounts. This amount will be paid to the Board of Directors once all legal reserves

have been covered and a minimum dividend of four percent (4%) has been allocated to shareholders. The remuneration for each financial year will be decided by the General Meeting of Shareholders.

The Board will distribute among its members the remuneration resolved at the General Meeting of Shareholders, taking into account the functions and responsibilities of each one in the Board or its Delegate Committees and other criteria envisaged in the Rules of the Board of Directors, including, within the amount referred to in the previous paragraph of this article, fixed remuneration as well as variable remuneration and benefit schemes.

Nevertheless, the directors shall be remunerated for attending meetings of the Board and its Committees. To this end, the General Meeting of Shareholders will determine the amount under this heading each year, to be distributed by the Board among its members based on their actual attendance at meetings of the Board and of its Committees of which they are members.

The Company may purchase civil liability insurance for its Directors.

In accordance with the resolution adopted by the General Meeting, and regardless of the provisions of the foregoing paragraphs, director remuneration may also consist of the delivery of shares or stock options, or may be referenced to the value of the Company shares.

The remuneration mentioned in the preceding paragraphs for board members will be compatible with the other waged, service or professional remuneration paid to the board members for the performance of their duties, whether managerial, executive, advisory or of any other nature, other than the directors' functions of supervision and collective decision-making, which they perform for the Company, under the form of hired employment, lease of services or any other form legally applicable to them based on their nature.

The Board of Directors shall draw up an annual report on director remuneration, containing the company's remuneration policy approved by the Board for the current year, that projected for future years, an overview of how the remuneration policy was applied during the year and the detailed individual remuneration accrued by each director, which will be published and voted on, on a consultative basis, as a separate item on the agenda for the General Meeting."

In line with the decision adopted in 2012 in this respect, the Board of Directors has decided that the remuneration to be paid for performance in 2013 of the functions inherent to the position of director will comprise a fixed component deriving from a share in the Company's net income, if any, and a variable component as a function of membership and actual attendance at meetings of the Board of Directors and its



Committees, in the same terms and amounts as set out in the remuneration policy last year.

Consequently, the General Meeting of Shareholders scheduled for 23 May 2013 at first adjournment and 24 May 2013 at second adjournment, will be asked to vote, on a consultative basis, on the proposal that the director remuneration policy for 2013 be as follows:

A) Fixed remuneration referenced to the company's net income, if any:

The annual remuneration to be received by the directors for membership of the Board of Directors and its Committees is structured as follows:

Fixed remuneration (referenced to income)	Amount (euro)
For membership of the Board	41,720
For membership of the Executive Committee	27,744
For membership of the Audit and Control Committee	20,850
For membership of the Appointments and Remuneration Committee	20,850

B) Remuneration for actual attendance at meetings of the Board and its Committees

For the current year, directors will earn remuneration for actual attendance, either personally² or by means of distance communication (e.g. videoconference or teleconference), at meetings of the Board or its Committees.

The amount of that remuneration per meeting will be as follows in the current year:

REMUNERATION FOR ACTUAL ATTENDANCE	AMOUNT EURO PER MEETING
Board of Directors	2,500
Executive Committee	1,875

² Personally: i.e. in person and not by proxy.

Audit and Control Committee	1,500
Appointments and Remuneration Committee	1,500

4.2.2. Remuneration of directors for discharging managerial or executive duties.

1. Remuneration structure.

The structure of the remuneration for directors who perform executive functions in 2013 is as follows:

- **Mr. Juan Béjar Ochoa:**

The remuneration for the Second Vice-Chairman and Managing Director is covered in the contract approved by the Board of Directors at the time of his appointment (meeting on 31 January 2013).

That remuneration comprises:

- Fixed remuneration: 2,500,000 euro
 - Variable remuneration:
 - Annual: 500,000 euro (for 100% fulfilment of objectives)
 - Every three years: 2,000,000 euro/year (for 100% fulfilment of objectives), earned annually and paid at the end of each three-year period.
 - For the annual and three-yearly remuneration, fulfilment of objectives will be measured in terms of the percentage annual change in the following indicators for the FCC consolidated group in comparison with the listed companies in the same sectors:
 - Cash flow (net after-tax income attributable to the parent company plus depreciation, amortisation and provisions)
 - Average share price in December.
 - Net interest-bearing debt/EBITDA
 - The gross amounts collected for membership of the Boards of FCC and Group companies will be deducted from the variable remuneration.
- **Mr Felipe Bernabé García Pérez** □
 - Fixed remuneration: 444.700,04€

- Variable remuneration, based on "management by results", of up to 48% of his salary depending on attainment of the company's objectives and his own personal objectives.

By a decision of the Board of Directors on 29 July 2008, the FCC Group established a remuneration plan for executive directors and executives linked to the value of the shares of the Parent Company which is settled by differences, i.e. participants in the

plan will receive a cash amount equal to the difference between the share value on the exercise date and the plan's reference value.

The only director covered by this plan is Mr. Felipe Bernabé García Pérez

The main characteristics of the plan, which is established in two tranches, are as follows:

First tranche

- Starting date: 1 October 2008.
- Period of exercise: from 1 October 2011 to 1 October 2013.
- Number of shares: 1,800,000 shares, of which 700,000 are allocated to executive directors and senior executives (12 persons) and the other 1,1,00,000 to other executives (43 persons).
- The option strike price is 34.22 euro per share.

Second tranche:

- Starting date: 6 February 2009.
- Period of exercise: from 6 February 2012 to 5 February 2014.
- Number of shares: 1,500,000 shares, of which 147,500 are allocated to executive directors and senior executives (12 persons) and the other 1,352,500 to other executives (approximately 225 persons).
- The option strike price is 24.71 euro per share.

1st tranche			
DIRECTOR	No. of options granted	Strike price	Period of exercise
Felipe B. García Pérez	60,000	34.22 euro	1-10-2011 to 1-10-2013

2nd TRANCHE			
DIRECTOR	No. of options granted	Strike price	Period of exercise
Felipe B. García Pérez	12,500	24.71 euro	6-02-2012 -02-2014

2. Basic conditions of the Executive Directors' contracts: Mr. Juan Béjar Ochoa and Mr. Felipe Bernabé García Pérez

Without prejudice to their status as Directors, the two Executive Directors (the Second Vice- Chairman/Managing Director and the General Secretary) have a contractual relationship with the company which regulates the performance of their executive or management duties.

Both contracts are for an indefinite term and are generally subject to the regulations governing:(i) contracts for the provision of services, in the case of the Second Vice-Chairman/Managing Director; and (ii) senior management employment contracts, in the case of the General Secretary.

These contracts may be terminated by either party, and these directors are entitled to receive compensation in the following terms provided that the termination of the contractual relationship was not due to breach of duties on the part of the Director or to voluntary resignation:

- **Second Vice-Chairman and Managing Director:**
 - If the contract is terminated before 31-1-2015: Two years' remuneration (fixed remuneration + average annual variable remuneration + average three-yearly variable remuneration) and the three-yearly variable remuneration earned but not yet paid. All items collected under any heading since 1 February 2013 will be deducted from that amount. The amount of the indemnity may not be less than one year's remuneration.
 - Between 31-1-2015 and 30-6-2019: One year's remuneration (2.5 million euro), plus:
 - Average annual variable remuneration for the preceding two years
 - Average three-yearly variable remuneration for the preceding two years
 - Three-yearly remuneration for the current three-year period that has been earned but not paid.
 - After 30-6-2019: an amount equivalent to the minimum amount established by law for senior executives.
- **General Secretary:**

3.5 times the annual salary. He will be entitled to that amount if the employment relationship is severed due to death or permanent disability or to other forms of incapacity, a substantial change in professional conditions, including dissolution of the company for any reason, or resignation by unilateral decision of the executive upon reaching the age of 65.

For the duration of the contract and for a period thereafter that is established in the contract itself, directors are bound by a duty not to compete in the activities carried on by the Company and companies in its Group, and they are forbidden to hold, directly or

through interposed parties, other contracts of a labour, civil or mercantile nature with other companies that perform activities similar to those performed by the FCC Group.

The contracts also establish a duty of confidentiality which applies for the duration of the contract and for a period thereafter that is established in the contract itself; upon termination of the relationship, Executive Directors must return all documents in their possession to FCC, regardless of the medium (paper, software, etc.).

Travel insurance:

In trips they must make as a result of their professional responsibilities in the company, whether by air, train or ship, both executives benefit from the same travel insurance policy that the company has arranged for all its employees. Amount of cover: 601,012.10 euro per person, capped at 4,207,091.00 euro per claim. The entire amount of the premium is paid by the company.

Insurance covering accidental death or total permanent disability:

Both directors benefit from the insurance policy covering accidental death and total permanent disability which the company has arranged for all its employees to cover the events of fatal accident or total permanent disability arising inside or outside working hours, according to the terms and conditions of the policy itself: the cover for both contingencies is the amount of one years' fixed remuneration. The entire amount of the premium is paid by the company.

Medical insurance:

Both directors are covered by the medical insurance policy that the company makes available to its employees. In this case, the company pays 50% of the premium.

Amount of annual premium subsidised by the company for:

- Mr. Juan Béjar Ochoa: 2.795,82 euro
- Mr Felipe B. García Pérez: 1.960,30 euro

5. APPLICATION OF THE DIRECTOR REMUNERATION POLICY FOR FUTURE YEARS

The remuneration system detailed in this report is expected to continue to apply in future years unless the company's governing bodies decide to amend it where circumstances warrant a change.

10 April 2013