

## FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A.

### REPORT FROM THE BOARD OF DIRECTORS IN RELATION TO THE PROPOSED AMENDMENT TO ARTICLE 37 OF THE ARTICLES OF INCORPORATION.

**(item 6 on the agenda of the Ordinary General Meeting of Shareholders on 18 June 2008)**

In accordance with article 144.1.a of the Consolidated Text of the Public Corporations Act, the Board of Directors met on 12 May 2008 and drafted this report to justify the proposal for the amendment of article 37 of the Articles of Incorporation of FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A. which will be submitted to the General Meeting of Shareholders to be held at first and second call, respectively, on 18 and 19 June, 2008.

The Board of Directors, following best practices in remuneration matters as applied to both Spanish and foreign listed companies, has included the variable remuneration linked to the value of the share as part of the directors' remuneration to be approved by the General Meeting of Shareholders. In this respect, the main reports and codes of good corporate governance indicate that director remuneration linked to the company's earnings which is also positively correlated with changes in shareholder wealth may be suitable for aligning directors' interests with those of shareholders with a view to maximising the value of the Company in a sustainable way.

Accordingly, and in compliance with 130.2 of the Consolidated Text of the Public Corporations Act, the Board of Directors proposes to include in article 37 of the Articles of Incorporation a provision which, if approved expressly by the General Meeting of Shareholders and without prejudice to the other remuneration items envisaged in the Articles, will allow director remuneration consisting of the delivery of shares or stock options or referenced to the value of the Company shares, thereby providing coverage in the Articles for the various remuneration items expressly regulated in regulations on public corporations.

For these purposes, it is proposed to add a third paragraph to article 37 of the Articles of Incorporation which states as follows:

*"In accordance with the resolution adopted by the General Meeting of Shareholders in this respect, and regardless of 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 text of Article 37 of the Articles of Incorporation resulting from the proposal for amendment by the Board of Directors for its approval by the General Meeting of Shareholders is the following:

***"Article 37. Remuneration.***

*The post of board member is remunerated. The remuneration shall consist of a share of the liquid profits which shall not be less than two percent (2%) of the financial year results attributed to Fomento de Construcciones y Contratas, S.A. on 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 paid 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 attendance fees, variable remuneration and benefit schemes.*

***In accordance with the resolution adopted by the General Meeting of Shareholders in this respect, and regardless of 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."