ANNEX I

ANNUAL CORPORATE GOVERNANCE REPORT

LISTED COMPANIES

ISSUER IDENTIFICATION DATA | YEAR 2006

Tax ID number A28037224

Name:

FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A.

Business address:

BALMES, 36
BARCELONA
BARCELONA
08007
SPAIN

ANNUAL CORPORATE GOVERNANCE REPORT FORM FOR LISTED COMPANIES

For a better understanding of the form and its subsequent completion, it is necessary to read the instructions at the end of this report.

A OWNERSHIP STRUCTURE

A.1. Complete the following table about the company's ownership structure

Date of last change	Share capital (€)	Number of shares
28-06-2002	130,567,483,00	130,567,483

If there are different types of shares, please indicate this on the following table:

Class	Number of shares	Unit par value

A.2. Detail the direct and indirect owners of significant stakes, and their stake at year-end, excluding directors:

Name of shareholder	Number of direct shares	Number of indirect shares (*)	% of share capital
GRUPO INMOCARAL, S.A.	19,671,780	0	15,066

(*) Through:

Name of direct owner of stake	Number of direct shares	% of share capital
Total:		

Indicate significant changes in the ownership structure in the year:

Name of shareholder	Transaction date	Description of transaction

A.3. Complete the following table regarding the members of the company's board of directors who own shares in the company:

Name of director	Date of first appointment	Date of latest appointment	Number of direct shares	Number of indirect shares (*)	% of share capital
MR. GONZALO ANES Y ÁLVAREZ DE CASTRILLÓN	30-06-1991	21-06-2005	7,200	0	0.006
B 1998, S.L.	17-12-1996	28-06-2002	59,871,785	8,653,815	52.483
MR. MIGUEL BLESA DE LA PARRA	29-06-2006	29-06-2006	2,400	0	0.002
CARTERA DEVA, S.A.	15-09-2004	21-06-2005	100	0	0.000

MR. JUAN CASTELLS MASANA	21-06-2000	21-06-2005	7,629	0	0.006
DOMINUM DESGA, S.A.	27-09-2000	29-06-2006	4,132	0	0.003
DOMINUM DIRECCIÓN Y GESTIÓN, S.A.	26-10-2004	21-06-2005	10	0	0.000
EAC INVERSIONES CORPORATIVAS, S.L.	30-03-1999	23-06-2004	32	0	0.000
MR. FERNANDO FALCÓ FERNÁNDEZ DE CÓRDOVA	18-12-2003	21-06-2005	4,390	0	0.003
MR. FELIPE BERNABÉ GARCÍA PÉREZ	30-03-1999	21-06-2005	5,243	0	0.004
IBERSUIZAS ALFA, S.L.	15-09-2004	21-06-2005	1	0	0.000
IBERSUIZAS HOLDINGS, S.L.	15-09-2004	21-06-2005	1	0	0.000
LARRANZA XXI, S.L.	13-01-2005	21-06-2005	10	0	0.000
MR. FRANCISCO MAS-SARDÁ CASANELLES	30-06-1991	28-06-2002	32,000	0	0.025
MR. RAFAEL MONTES SÁNCHEZ	06-03-1992	23-06-2004	37,230	17,371	0.042
MR. MARCELINO OREJA AGUIRRE	21-12-1999	21-06-2005	10,162	0	0.008
MR. ANTONIO PÉREZ COLMENERO	30-03-2005	21-06-2005	9,327	0	0.007
MR. ROBERT PEUGEOT	15-09-2004	21-06-2005	10	0	0.000

(*) Through:

Name of direct shareholder	Number of direct shares
AZATE, S.A	8,653,815
MS. JOSEFA FERNÁNDEZ MAYO (SPOUSE OF RAFAEL MONTES)	17,371
Total:	**8,671,186**

Total % of share capital owned by the board of directors:	52.589

Complete the next tables regarding the members of the company's board of directors who own stock options in the company:

Name of director	Number of direct stock options	Number of indirect stock options	Number of equivalent shares	% of share capital

A.4. Indicate any family, commercial, contractual or business relationships among owners of significant stakes, insofar as they are known by the company, unless they are insignificant or are derived from ordinary commercial transactions:

Names of related parties	Type of relationship	Brief description

A.5. Indicate any commercial, contractual or corporate relationships between owners of significant stakes and the company, unless they are insignificant or are derived from ordinary commercial transactions:

Names of related parties	Type of relationship	Brief description

A.6. Indicate shareholders' agreements that have been notified to the company:

Persons involved in shareholders' agreements	% of share capital affected	Brief description of agreement
MS. ESTHER KOPLOWITZ ROMERO DE JUSEU	52.483	REGULATORY DISCLOSURE ON 30/07/2004 WWW.CNMV.ES SEE SECTION G-A.6.
MS. ESTHER KOPLOWITZ ROMERO DE JUSEU	52.483	REGULATORY DISCLOSURE ON 13/01/2005 WWW.CNMV.ES SEE SECTION G-A.6.

Indicate any concerted actions among the company's shareholders of which the company is aware:

Persons involved in concerted actions	% of share capital affected	Brief description of concerted action

If the shareholders' agreements or concerted actions have been amended or terminated in the year, indicate this expressly.

A.7. Indicate if there is an individual or legal entity that exercises or can exercise control over the company in accordance with article 4 of the Stock Market Act:

Name or company name
MS. ESTHER KOPLOWITZ ROMERO DE JUSEU

Comments
52.483% OF FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A. (FCC) IS CONTROLLED BY B 1998, S.L. WHICH IS IN TURN CONTROLLED BY ESTHER KOPLOWITZ ROMERO DE JUSEU (EK), WHO OWNS 73.37% OF THE LATTER: - 54.6107% DIRECTLY AND - 18.7601% INDIRECTLY THROUGH DOMINUM DESGA, S.A. (0.0001%), AND THROUGH DOMINUM DIRECCIÓN Y GESTIÓN, S.A. (18.76%), BOTH WHOLLY-OWNED BY EK. FURTHERMORE, EK OWNS 123,313 DIRECT SHARES IN FCC AND 39,172 INDIRECT SHARES IN FCC THROUGH THE COMPANIES DOMINUM DESGA, S.A. (4,132) AND EJECUCIÓN Y ORGANIZACIÓN DE RECURSOS, S.L. (35,040), WHOLLY-OWNED BY EK.

A.8. Complete the next tables about the company's own shares:

At year-end:

Number of direct shares	Number of indirect shares (*)	% of share capital
375,986	316,098	0.530

(*) Through:

Name of direct shareholder	Number of direct shares
COMPAÑIA AUXILIAR DE AGENCIA Y MEDIACION, S.A.	316,098

UNIPERSONAL	
Total:	**316,098**

Detail the significant changes in the year, in accordance with Royal Decree 377/1991:

Date	Number of direct shares	Number of indirect shares	% of share capital

Results of transactions with own shares in the year (thousand euros)	15.704

A.9. Detail the conditions and terms of the authorisation that the general meeting has given to the board of directors to buy or sell the own shares described in section A.8.

Resolution of the General Meeting of Shareholders on 29.06.06:
FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A. and the companies of the Group meeting any of the circumstances contained in article 42, parts 1 and 2, of the Commerce Code are authorised to acquire treasury stock by purchasing such stock on any stock exchange where the stock is traded, at the market price on the date of purchase, which must be between the minimum and maximum values indicated below:

- Maximum value: the highest quoted price in the three months immediately prior to the acquisition date, plus ten percent.
- Minimum value: the lowest quoted price in the last three months immediately prior to the acquisition date, less ten percent.

By virtue of this authorisation, the Board, the Executive Committee or the Managing Director may acquire the treasury stock provided that at the time of purchase the total treasury stock, including that purchased, does not exceed 5% of the capital stock pursuant to the terms of article 75.2 of the Revised Text of the Public Corporations Act.
The term of the authorisation shall be 18 months from today's date.
The acquisition of treasury stock, which must be fully paid up, must allow the Company to record the provision stipulated in part 3 of article 79 of the Public Corporations Act without decreasing the capital or the legal or unavailable reserves.
The authorisation to buy treasury stock granted to the Board by resolution of the General Meeting of Shareholders held on 21 June 2005 is hereby revoked.

A.10. Indicate any restrictions in the law or in the articles on the exercise of voting rights or any legal restrictions on the acquisition or transmission of share capital:

There are no restrictions in the Articles of Incorporation with regard to voting rights.

B STRUCTURE OF THE COMPANY

B.1. Board of Directors

B.1.1. Detail the minimum and maximum number of directors envisaged in the Bylaws:

Maximum number of directors	20
Minimum number of directors	3

B.1.2. Complete the next table with the members of the board:

Name of director	Representative	Board position	Date of first appointment	Date of latest appointment	Type of appointment
MR. GONZALO ANES Y ÁLVAREZ DE CASTRILLÓN		DIRECTOR	30-06-1991	21-06-2005	GENERAL MEETING
B 1998, S.L.	MS. ESTHER KOPLOWITZ ROMERO DE JUSEU	DIRECTOR	17-12-1996	28-06-2002	GENERAL MEETING
MR. MIGUEL BLESA DE LA PARRA		DIRECTOR	29-06-2006	29-06-2006	GENERAL MEETING
CARTERA DEVA, S.A.	DON JOSÉ AGUINAGA CÁRDENAS	DIRECTOR	15-09-2004	21-06-2005	GENERAL MEETING
MR. JUAN CASTELLS MASANA		DIRECTOR	21-06-2000	21-06-2005	GENERAL MEETING
DOMINUM DESGA, S.A.	MS. ESTHER ALCOCER KOPLOWITZ	DIRECTOR	27-09-2000	29-06-2006	GENERAL MEETING
DOMINUM DIRECCIÓN Y GESTIÓN, S.A.	MS. ALICIA ALCOCER KOPLOWITZ	DIRECTOR	26-10-2004	21-06-2005	GENERAL MEETING
EAC INVERSIONES CORPORATIVAS, S.L.	MS. CARMEN ALCOCER KOPLOWITZ	DIRECTOR	30-03-1999	23-06-2004	GENERAL MEETING
MR. FERNANDO FALCÓ FERNÁNDEZ DE CÓRDOVA		DIRECTOR	18-12-2003	21-06-2005	GENERAL MEETING
MR. FELIPE BERNABÉ GARCÍA PÉREZ		DIRECTOR	30-03-1999	21-06-2005	GENERAL MEETING
IBERSUIZAS ALFA, S.L.	MR. LUIS CHICHARRO ORTEGA	DIRECTOR	15-09-2004	21-06-2005	GENERAL MEETING
IBERSUIZAS HOLDINGS, S.L.	MR. JORGE DELCLAUX BRAVO	DIRECTOR	15-09-2004	21-06-2005	GENERAL MEETING
LARRANZA XXI, S.L.	MS. LOURDES MARTÍNEZ ZABALA	DIRECTOR	13-01-2005	21-06-2005	GENERAL MEETING
MR. FRANCISCO MAS-SARDÁ CASANELLES		DIRECTOR	30-06-1991	28-06-2002	GENERAL MEETING
MR. MAX MAZIN BRODOVKA		DIRECTOR	29-06-2006	29-06-2006	GENERAL MEETING
MR. RAFAEL MONTES SÁNCHEZ		MANAGING DIRECTOR	06-03-1992	23-06-2004	GENERAL MEETING
MR. MARCELINO OREJA AGUIRRE		CHAIRMAN	21-12-1999	21-06-2005	GENERAL MEETING
MR. ANTONIO PÉREZ COLMENERO		DIRECTOR	30-03-2005	21-06-2005	GENERAL MEETING
MR. ROBERT PEUGEOT		DIRECTOR	15-09-2004	21-06-2005	GENERAL MEETING

Total number of directors	19

Indicate any removals from the Board of Directors in the period:

Name of director	Date removed

B.1.3. Complete the next tables with the members of the board and their status:

EXECUTIVE DIRECTORS

Name of director	Committee that proposed the appointment	Position in the company
MR. RAFAEL MONTES SÁNCHEZ		MANAGING DIRECTOR
MR. FELIPE BERNABÉ GARCÍA PÉREZ	APPOINTMENTS AND REMUNERATIONS	GENERAL SECRETARY
MR. ANTONIO PÉREZ COLMENERO	APPOINTMENTS AND REMUNERATIONS	GENERAL MANAGER OF HUMAN AND MEDIA RESOURCES

EXTERNAL NOMINEE DIRECTORS

Name of director	Committee that proposed the appointment	Name of the significant shareholder who is represented or who proposed the appointment
B 1998, S.L.		B 1998, S.L.
DOMINUM DESGA, S.A.		B 1998, S.L.
DOMINUM DIRECCIÓN Y GESTIÓN, S.A.	APPOINTMENTS AND REMUNERATIONS	B 1998, S.L.
EAC INVERSIONES CORPORATIVAS, S.L.		B 1998, S.L.
MR. FERNANDO FALCÓ FERNÁNDEZ DE CÓRDOVA	APPOINTMENTS AND REMUNERATIONS	B 1998, S.L.
MR. MARCELINO OREJA AGUIRRE	APPOINTMENTS AND REMUNERATIONS	B 1998, S.L.
IBERSUIZAS ALFA, S.L.	APPOINTMENTS AND REMUNERATIONS	B 1998, S.L.
IBERSUIZAS HOLDINGS, S.L.	APPOINTMENTS AND REMUNERATIONS	B 1998, S.L.
CARTERA DEVA, S.A.	APPOINTMENTS AND REMUNERATIONS	B 1998, S.L.
MR. ROBERT PEUGEOT	APPOINTMENTS AND REMUNERATIONS	B 1998, S.L.
LARRANZA XXI, S.L.	APPOINTMENTS AND REMUNERATIONS	B 1998, S.L.
MR. JUAN CASTELLS MASANA	APPOINTMENTS AND REMUNERATIONS	B 1998, S.L.
MR. MIGUEL BLESA DE LA PARRA	APPOINTMENTS AND REMUNERATIONS	B 1998, S.L.

EXTERNAL INDEPENDENT DIRECTORS

Name of director	Committee that proposed the appointment	Profile

MR. FRANCISCO MAS-SARDÁ CASANELLES		LAW DEGREE FROM BARCELONA UNIVERSITY. MEMBER OF THE COMPANIES BOARD OF INSTITUT CATALÀ DE TECNOLOGIA, MEMBER OF THE BOARD OF CAMBRA DE COMERÇ, INDUSTRIA I NAVEGACIÓ DE CATALUNYA. FORMER CHAIRMAN OF BANCA MAS SARDÁ, FOMENTO DE OBRAS Y CONSTRUCCIONES, S.A., AND NIXDORF ESPAÑA, S.A., VICE-CHAIRMAN OF AUTOPISTES DE CATALUNYA, S.A. AND MEMBER OF THE CATALUÑA OLÍMPICA ADVISORY BOARD
MR. GONZALO ANES Y ÁLVAREZ DE CASTRILLÓN	APPOINTMENTS AND REMUNERATIONS	PH.D. IN ECONOMICS, PROFESSOR OF HISTORY AND ECONOMIC INSTITUTIONS AT THE SCHOOL OF ECONOMIC SCIENCE AT THE COMPLUTENSE UNIVERSITY OF MADRID; DIRECTOR OF THE ROYAL ACADEMY OF HISTORY; DIRECTOR OF REPSOL YPF, S.A. DIRECTOR OF THE BANK OF SPAIN FROM 1980-1988; FORMER DIRECTOR OF THE MAGAZINE "MONEDA Y CRÉDITO"
MR. MAX MAZIN BRODOVKA	APPOINTMENTS AND REMUNERATIONS	GRADUATE IN PLANNING AND STATISTICS (MAJOR: ECONOMICS). FORMER POSITIONS: CHAIRMAN OF THE INTERNATIONAL RELATIONS COMMITTEE OF THE CEOE, FOUNDER AND NATIONAL CHAIRMAN OF THE ASOCIACIÓN EMPRESARIAL INDEPENDIENTE (A.E.I.), CO-FOUNDER AND VICE-CHAIRMAN OF CEOE, HONORARY CHAIRMAN OF CEIM, CHAIRMAN OF FUNDACIÓN CEIM, MEMBER OF THE SOCIAL COUNCIL OF MADRID COMPLUTENSE UNIVERSITY, FOUNDER OF HOTELES TRYP, S.A., FOUNDER OF WORLD TRADE CENTRE DE ESPAÑA AND CHAIR OF SAME FOR 7 YEARS.

OTHER EXTERNAL DIRECTORS

Name of director	Committee that proposed the appointment

Explain why these directors cannot be considered nominee or independent:

Indicate any changes in directors' status in the period:

Name of director	Date of change	Former status	Current status

B.1.4. Indicate if the status of the directors in the preceding section corresponds to the composition envisaged in the Regulations of the Board of Directors:

The types of directors comply with the provisions of article 6, "Qualitative Composition" of the Regulations of the Board of Directors.

B.1.5. Indicate the powers vested in the Managing Directors(s), if any:

Name of director	Brief description
MR. RAFAEL MONTES SÁNCHEZ	SEE NOTE TO SECTION G- B.1.5.

B.1.6. Identify the board members who are executives or directors of other companies that are part of the listed companies

Name of director	Name of the group's subsidiary	Position
CARTERA DEVA, S.A.	CEMENTOS PORTLAND VALDERRIVAS, S.A.	DIRECTOR
EAC INVERSIONES CORPORATIVAS, S.L.	REALIA BUSINESS, S.A.	DIRECTOR
EAC INVERSIONES CORPORATIVAS, S.L.	CEMENTOS PORTLAND VALDERRIVAS, S.A.	DIRECTOR
EAC INVERSIONES CORPORATIVAS, S.L.	FCC CONSTRUCCIÓN, S.A.	DIRECTOR
MR. FERNANDO FALCÓ FERNÁNDEZ DE CÓRDOVA	REALIA BUSINESS, S.A.	DIRECTOR
MR. FERNANDO FALCÓ FERNÁNDEZ DE CÓRDOVA	FCC CONSTRUCCIÓN, S.A.	DIRECTOR
MR. FERNANDO FALCÓ FERNÁNDEZ DE CÓRDOVA	CEMENTOS PORTLAND VALDERRIVAS, S.A.	DIRECTOR
IBERSUIZAS ALFA, S.L.	CEMENTOS PORTLAND VALDERRIVAS, S.A.	DIRECTOR
MR. RAFAEL MONTES SÁNCHEZ	FCC CONSTRUCCIÓN, S.A.	DIRECTOR
MR. RAFAEL MONTES SÁNCHEZ	CEMENTOS PORTLAND VALDERRIVAS, S.A.	DIRECTOR
MR. ROBERT PEUGEOT	FCC CONSTRUCCIÓN, S.A.	DIRECTOR
MR. ANTONIO PÉREZ COLMENERO	PER GESTORA INMOBILIARIA, S.L.	DIRECTOR
EAC INVERSIONES CORPORATIVAS, S.L.	CEMENTOS ALFA, S.A.	DIRECTOR
EAC INVERSIONES CORPORATIVAS, S.L.	CEMENTOS LEMONA, S.A.	DIRECTOR
EAC INVERSIONES CORPORATIVAS, S.L.	LEMONA INDUSTRIAL, S.A. UNIPERSONAL	DIRECTOR
MR. FERNANDO FALCÓ FERNÁNDEZ DE CÓRDOVA	CEMENTOS LEMONA, S.A.	VICE-CHAIRMAN
MR. FERNANDO FALCÓ FERNÁNDEZ DE CÓRDOVA	CORPORACIÓN UNILAND, S.A.	DIRECTOR
MR. FERNANDO FALCÓ FERNÁNDEZ DE CÓRDOVA	LEMONA INDUSTRIAL, S.A. UNIPERSONAL	VICE-CHAIRMAN

B.1.7. Provide details of any board members who sit on the boards of directors of other companies listed on the Spanish stock exchange, other than companies of your group, of which the company has been notified:

Name of director	Listed company	Position
IBERSUIZAS ALFA, S.L.	LA SEDA DE BARCELONA, S.A.	DIRECTOR
MR. MARCELINO OREJA AGUIRRE	ACERINOX, S.A.	DIRECTOR
MR. MIGUEL BLESA DE LA PARRA	IBERIA L.A.E., S.A.	DIRECTOR
MR. MIGUEL BLESA DE LA PARRA	ENDESA, S.A.	DIRECTOR

B.1.8. Complete the following tables regarding the aggregate remuneration paid to board members during the fiscal year:

a) In the company to which this report refers:

Remuneration item	Thousand euro
Fixed remuneration	2,365
Variable remuneration	519
Per diems	6
Remuneration mandated by the Articles	1,774
Stock options and/or other financial instruments	0
Other	0
Total:	**4,664**

Other benefits	Thousand euro
Advances	0
Loans granted	0
Pension plans and funds: Contributions	0
Pension plans and funds: Obligations	0
Life insurance premiums	0
Guarantees granted by the company to directors	0

b) Company directors who belong to the boards of directors and/or senior management of group companies:

Remuneration item	Thousand euro
Fixed remuneration	0
Variable remuneration	0
Per diems	0
Remuneration mandated by the Articles	981
Stock options and/or other financial instruments	0
Other	0
Total:	**981**

Other benefits	Thousand euro
Advances	0
Loans granted	0
Pension plans and funds: Contributions	0
Pension plans and funds: Obligations	0
Life insurance premiums	0
Guarantees granted by the company to directors	0

c) Total remuneration by type of director:

Type of director	By company	By group
Executive	3,183	138
External and proprietary	1,277	843
External and independent	204	0
Other external	0	0
Total:	**4,664**	**981**

d) Regarding profit attributable to the parent company:

Total directors' remuneration (in thousand euro)	5,645
Total directors' remuneration/profit attributed to the parent company (%):	1.053

B.1.9. List the executive staff members who are not executive directors and indicate the total remuneration paid to them during the fiscal year

Name	Position
MR. IGNACIO BAYÓN MARINÉ	CHAIRMAN OF REALIA BUSINESS, S.A.
MR. JOSÉ LUIS DE LA TORRE SÁNCHEZ	CHAIRMAN OF FCC SERVICIOS
MR. ANTONIO GÓMEZ CIRIA	HEAD OF INTERNAL AUDIT
MR. JOSÉ IGNACIO MARTÍNEZ-YNZENGA CÁNOVAS DEL CASTILLO	MANAGING DIRECTOR OF CEMENTOS PORTLAND VALDERRIVAS
MR. JOSÉ MAYOR OREJA	CHAIRMAN OF FCC CONSTRUCCIÓN, S.A.
MR. JOSÉ EUGENIO TRUEBA GUTIÉRREZ	CHIEF FINANCIAL OFFICER
MR. JOSÉ LUIS VASCO HERNANDO	GENERAL MANAGER - ADMINISTRATION

Total remuneration of senior management (in thousand euro)	4,852

B.1.10. Indicate, on an aggregate basis, whether there are golden parachute clauses for cases of dismissal or changes of control in favour of senior management, including executive directors of the company or the group. Indicate whether these contracts have to be notified to and/or approved by the company's or group's bodies:

Number of beneficiaries	9

	Board of Directors	General Meeting
Body that authorises the clauses	**X**	

	YES	NO
Is the General Meeting informed of the clauses?	**X**	

B.1.11. Describe the process for setting the remuneration of the members of the Board of Directors and the relevant clauses of the Articles of Association in this regard.

Article 37 of the Articles of Association states that:

"The post of board member is remunerated. The remuneration will consist of a share of the net profits which will 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 shall distribute among its members the remuneration resolved at the General Meeting of Shareholders, considering the functions and responsibilities of each one in the Board or its Delegate Committees."

Article 42 of the Rules of the Board establishes that one of the functions of the Appointments and Remuneration Committee is to “report on the remuneration system for directors and to review it periodically to ensure that it is commensurate with the functions they perform".

B.1.12. Identify the members of the Board of Directors who are also board members or executives of companies which are significant shareholders in the listed company and/or its group companies:

Name of director	Name of significant shareholder	Position
CARTERA DEVA, S.A.	B 1998, S.L.	DIRECTOR
MR. JUAN CASTELLS MASANA	B 1998, S.L.	DIRECTOR
DOMINUM DESGA, S.A.	B 1998, S.L.	DIRECTOR
DOMINUM DIRECCIÓN Y GESTIÓN, S.A.	B 1998, S.L.	DIRECTOR
EAC INVERSIONES CORPORATIVAS, S.L.	B 1998, S.L.	DIRECTOR
MR. FERNANDO FALCÓ FERNÁNDEZ DE CÓRDOVA	B 1998, S.L.	DIRECTOR
MR. FELIPE BERNABÉ GARCÍA PÉREZ	B 1998, S.L.	NON-MEMBER SECRETARY
IBERSUIZAS HOLDINGS, S.L.	B 1998, S.L.	DIRECTOR
LARRANZA XXI, S.L.	B 1998, S.L.	DIRECTOR
MR. RAFAEL MONTES SÁNCHEZ	B 1998, S.L.	DIRECTOR
MR. ROBERT PEUGEOT	B 1998, S.L.	DIRECTOR

Identify any significant relationships, other than those stated in the preceding section, of board members with significant shareholders and/or subsidiaries in the group:

Name of director	Name of significant shareholder	Relationship
CARTERA DEVA, S.A.	B 1998, S.L.	SHAREHOLDER AGREEMENTS OF B 1998, S.L.
LARRANZA XXI, S.L.	B 1998, S.L.	SHAREHOLDER AGREEMENTS OF B1998, S.L.
MR. ROBERT PEUGEOT	B 1998, S.L.	SHAREHOLDER AGREEMENTS OF B 1998, S.L. INDIRECTLY THROUGH SIMANTE, S.L.
IBERSUIZAS ALFA, S.L.	B 1998, S.L.	SHAREHOLDER AGREEMENTS OF B1998, S.L.
IBERSUIZAS HOLDINGS, S.L.	B 1998, S.L.	SHAREHOLDER AGREEMENTS OF B 1998, S.L.

B.1.13. List any changes made to the Board of Directors Regulations in the fiscal year.

The Rules of the Board of Directors of FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A. were amended by the Board of Directors on 18 May 2006, as was notified to the General Meeting on 29 June 2006.

The detail of the articles amended at that meeting is as follows:

- Article 13.1: reworded to reflect the change in name from "Investor Relations Department" to "Stock Market and Investor Relations Department".
- Article 21: the last paragraph of this article was removed so that directors may not attend or participate in debates regarding related-party transactions and generally issues in which they may have a personal interest, by uniformity with article 25.1.
- Article 22.2:

Item f): the expression contained in item f) was nuanced in connection with article 217 of the Public Corporations Act, which establishes that " In the event of such a conflict, the director in question must not participate in the transaction giving rise to the conflict" by adding "except where expressly authorised to do so by the Board of Directors" since, if the Board authorises the transaction, there is no impediment to the director entering into contracts with the company.

Item g): a reference to the Corporate Responsibility Department was included so that all the information that the directors are obliged to provide periodically to the Company is channelled through that Department.

- Article 25 :

Section 2.a): in addition to spouse, a reference to "person with an analogous relationship" was included in coherence with article 127 ter of the Public Corporations Act, as amended by Act 26/2003, of 17 July.

Section 3: a reference to the Corporate Responsibility Department was included so that all the information that the directors are obliged to provide periodically to the Company is channelled through that Department.

- Article 29 first paragraph and section a): a reference to the Corporate Responsibility Department was included so that all the information that the directors are obliged to provide periodically to the Company is channelled through that Department. The name was changed from "Investor Relations Department" to "Stock Market and Investor Relations Department". The period for directors to inform the company of certain transactions was shortened from five to three days.
- Article 38.4: the possibility was added of holding Board of Directors meetings using new technology, when it is difficult or impossible for all the directors to attend in person, so as to enable them to attend using distance communications means.
- Article 40.7: the Executive Committee will not meet in the months when there is a Board of Directors meeting, since the matters ordinarily falling within the powers of the Executive Committee will be dealt with by the Board of Directors.
- Article 41:

Section 7: technical amendment to include the references to the adopted resolutions in the content of the Audit and Control Committee's minutes.

Section 11: the cross-references to articles of the Articles of Incorporation were updated (Articles 38 and 39 of the Articles of Incorporation)
- Article 42.2: technical amendment to include the resolutions adopted by the Appointments and Remuneration Committee in its minutes.
- Article 43.2: technical amendment to include the reference to the adopted resolutions in the content of the Strategy Committee's minutes.

B.1.14. State the procedures for appointing, re-electing, evaluating and removing directors. Describe the competent bodies, the procedures to be followed and the standards applied in each one of these procedures.

The General Meeting is responsible for appointing and removing directors. Directors may be re-elected one or more times for five-year terms.

Under the shareholders' agreements referred to in part A.6. of this report, with regard to the FCC Directors corresponding to B 1998, S.L., the investors may appoint four (4) directors to the Board of Directors of FCC.

EK or EK's chosen representative will be entitled to appoint all of the members of the Board of Directors of FCC which B 1998, S.L. is entitled to appoint, other than those whom the investors are entitled to appoint.

Chapter IV of the Rules of the Board entitled "Appointment and Removal of Directors" regulates the following:

Article 16. "Appointment of directors"
"Proposals for the appointment of Directors by the Board of Directors will be submitted to the General Meeting of Shareholders for its consideration and the appointment decisions that are adopted by virtue of the power of co-optation vested in the Board shall fall upon people of recognised integrity, fitness, technical competence and experience, based on the report of the Appointments and Remuneration Committee".

Article 18. "Term of Office"
"1. The term of office of Directors will be that established in the Articles of Association, which may not be more than five years.

2. The Directors appointed by co-optation will occupy their posts until the next General Meeting is held. This period of time will not count toward the term established in the preceding paragraph.

3. Directors whose mandates expire or who cease to sit on the Board for any reason may not work for competitors of FCC for two years.

4. The Board of Directors, at it complete discretion, may release outgoing Directors from this obligation or shorten the period of time."

Article 19. "Re-election of Directors"
"Prior to the submitting any Director to the General Meeting of Shareholders for re-election, the Appointments and Remuneration

Committee must issue a report evaluating the quality of work and devotion to the post of the proposed Directors during their previous mandate."

Article 20. "Resignation of Directors"
"The Directors will step down from the Board when their mandates have expired or when decided by the General Meeting of Shareholders making use of the legal and statutory powers vested in it."

Article 21. "Nature of the Resolutions of the Board on this Subject"
"Pursuant to the provisions of Article 25 of these Regulations, the Directors being proposed for appointment, re-election or dismissal will abstain from participating in the deliberations and votes referring to them."

B.1.15. Indicate under what circumstances directors are obliged to resign.

Article 20 of the Regulations of the Board establishes that:

"1. The Directors will step down from the Board when their mandates have expired or when decided by the General Meeting of Shareholders making use of the legal and statutory powers vested in it.

2. The Directors shall make their positions available to the Board of Directors and officially resign at the Board's request in the following cases:
a. When they no longer occupy the positions or perform the functions associated with their appointment as executive directors.

b. In the case of proprietary directors, when the shareholder whose interests they represent transfers its interest in FCC

c. When they are affected by circumstances of incompatibility or legal prohibition.

d. When at least two thirds of the Board members are in favour of the Director's resignation:

- when the Director is admonished by the Board for having infringed his obligations as a Director, following the proposal or report of the Appointments and Remuneration Committee or

- when the interests of FCC could be jeopardised by the Director remaining on the Board."

B.1.16. Indicate whether the Chairman of the Board is also the First Executive of the Company. If so, state the measures that have been taken to limit the risk of power accumulating in one person

YES ☐ **NO** ☒

B.1.17. Are special quorums required to take any type of decision, other then the legally-mandated quorums?:

YES [ ] **NO** [X]

Describe how resolutions are passed by the Board of Directors, indicating the attendance quorum required and the type of majority needed to pass resolutions:

Adoption of resolutions

Description of resolution	Quorum	Type of majority
Permanent delegation of powers to the Executive Committee, the Chairman or the Managing Directors, and the appointment of the directors who will hold such posts. ALL OTHER RESOLUTIONS (SEE SECTION G-B1.17)	Two-thirds of the board members must be present or represented at the meeting	Two-thirds of the board members

B.1.18. Indicate whether there are any special requirements, other than those relative to directors, for being appointed Chairman.

YES [ ] **NO** [X]

Description of requirements

B.1.19. Indicate whether the Chairman has a casting vote:

YES [ ] **NO** [X]

Issues on which there is a casting vote

B.1.20. State whether the Rules of the Board set an age limit for Directors:

YES [ ] **NO** [X]

Age limit for chairperson	
Age limit for CEO	
Age limit for director	

B.1.21. Indicate whether the Articles of Association or the Regulations of the Board establish a term limit for independent directors.:

YES [ ] NO [X]

Maximum term (years)	0

B.1.22. State whether there are formal procedures for delegating votes in the Board of Directors. If so, give a brief description.

There are no formal procedures for delegating votes in the Board of Directors.

B.1.23. State the number of Board of Directors meeting held during the fiscal year. Also state how many times the Board of Directors met without the Chairman in attendance:

Number of board meetings	10
Number of board meetings without the Chairman in attendance	0

Indicate the number of meetings held by board committees in the year:

Number of executive or advisory committee meetings:	6
Number of meetings held by the Audit Committee	8
Number of meetings held by the Appointments and Remuneration Committee	6
Number of meetings held by the Strategy and Investment Committee	1
Number of meetings held by the Committee	0

B.1.24. Indicate whether the individual and consolidated annual income statements presented to the Board for its approval are previously certified.

YES [X] NO [ ]

Indicate any person that has certified the company's individual and consolidated financial statements for board authorisation:

Name	Position
MR. RAFAEL MONTES SÁNCHEZ	MANAGING DIRECTOR
MR. JOSÉ EUGENIO TRUEBA GUTIÉRREZ	CHIEF FINANCIAL OFFICER SEE SECTION G-B.1.24

B.1.25. Describe any mechanisms established by the Board of Directors to ensure that the parent company and consolidated financial statements authorised by it are presented to the General Meeting with audit qualifications.

Among other things, the Audit Committee is responsible for reviewing the procedures used to prepare the financial and economic information published by the FCC Group periodically. Since this function is particularly

crucial where the annual information is concerned, the Audit Committee examined the 2006 financial statements carefully before they were authorised by the Board of Directors so that the would be free of any audit qualifications.

B.1.26. Detail the measures adopted so that the information disseminated to the securities markets is transmitted on an equal and symmetrical basis.

Article 14 of the Rules of the Board entitled “Relations with Markets” establishes that:

"1. The Board of Directors will take the necessary measures to inform the public immediately, by filing with the National Securities Market Commission (CNMV) and simultaneously posting on the FCC website, of:

a) Any significant events capable of having a significant influence on the formation of the market price of FCC shares.
b) Changes that have a significant effect on the ownership structure of FCC.
c) Substantial changes to the FCC rules of governance, which currently comprise the Articles of Incorporation, the Rules of the General Meeting, the Rules of the Board of Directors and the Internal Code of Conduct.
d) Transactions with own securities as required by law.

2. The Board of Directors will adopt the necessary measures to ensure that the periodical financial information and any other information that is made available to the markets is prepared according to the same principles, standards and professional practices as the financial statements and is equally reliable."

In general, the people bound by the Internal Code of Conduct approved by the Board of Directors on 17 June 2003 must abide by the rules of conduct contained in the Securities Market Act and its implementing regulations and must strictly abide by the provisions of article 81 of the Securities Market Act.
In particular, "they may not participate in any of the following conducts, either on their own behalf of that of a third party:

-Preparing or performing transactions with the securities or instruments to which the information refers.
-Disseminating or sharing such information with third parties, except in the normal performance of their duties.
-Recommending or advising thirty parties to acquire or assign negotiable securities or financial instruments or having someone else acquire or assign them based on such information."

"Those subject to the Code of Conduct must keep all of the information and data referring to FCC or the securities issued by the companies of the Group confidential, notwithstanding the obligation to reveal such information and collaborate with administrative or legal authorities as required by law.

"Furthermore, the above-mentioned parties shall prevent such data or information from being used improperly or abusively and shall report any cases which come to their attention and shall take the necessary measures to prevent, avoid and/or correct the consequences.

"The Chief Financial Officer will closely monitor the price of the affected securities and instruments during the examination or negotiation phase of any type of legal or financial transaction which could have a significant influence on the value of the affected securities or instruments. In the event of an abnormal fluctuation in the value or in the trading volume of the affected securities or instruments that gives the Chief Financial Officer reason to believe that such fluctuations were caused as a consequence of the transaction being leaked prematurely, he or she shall report the situation to the Chairman of the Steering Committee and the Chairman of the Board of Directors and, after obtaining authorisation from the latter, shall immediately issue a regulatory disclosure under the terms of article 83 bis.f) of the Securities Market Act. If the urgency of the situation allows, the Chairman of the Board will first inform the members of the Board of Directors.

Those bound by the Internal Code of Conduct will abstain from providing any confidential or privileged information to analysts, investors or the press which has not previously or simultaneously been provided to the market as a whole."

B.1.27. Is the Secretary of the Board also a Director?:

YES ☐ **NO** ☒

B.1.28. Indicate the mechanisms implemented by the Company to preserve the independence of auditors, financial analysts, investment banks and rating agencies, if any.

These mechanisms are regulated under article 41 of the Rules of the Board entitled “Audit and Control Committee”:
"...
2. The basic function of the Audit and Control Committee is to support the Board of Directors in its supervisory duties by periodically reviewing the processes used to prepare the economic and financial information, internal controls and the independence of the external auditors.
3. In particular, the Audit and Control Committee’s powers include but are not limited to:
...
- Making proposals to the Board of Directors, for submission to the General Meeting of Shareholders, on the appointment of external auditors referred to in Article 204 of the revised text of the Public Corporations Act approved by Royal Legislative Decree 1564/1989 of 22 December.

- Supervising the company’s internal audit services.

- Overseeing the company's financial information process and internal control systems.

- Requesting and receiving information from the external auditors on matters which could jeopardize the independence of the external auditors and on any other questions related to the auditing process and in relation to any and all communications envisaged in the auditing legislation and in auditing standards.

- Guaranteeing the independence of its own members in relation to the Company's external auditors.

- Overseeing compliance with legal requirements and the correct application of generally accepted accounting standards.

- Supervising the preparation of the individual and consolidated Income Statements and the Directors' Report for their authorisation by the Board of Directors in accordance with the law.

- Informing the Board on the accuracy and reliability of the individual and consolidated Income Statements and Directors' Report and of the financial information periodically disseminated to the markets.

- Issuing reports on proposed amendments of these Regulations, in accordance with the provisions of Article 4.3.

- Deciding on how to proceed in relation to the information rights of the Directors who come to the Committee for assistance, in accordance with the provisions of Article 30 of these Regulations. Requesting, as necessary, the inclusion of agenda items at Board meetings, under the conditions and by the deadlines established in article 38.4 of these Rules .

- Serving as a channel of communication between the Board of Directors and the external auditors and evaluating the results of each audit.

...
4. To perform its functions to the best of its ability, the Audit and Control Committee may seek the advice of external professionals, in which case the provisions of Article 31 of these Rules shall apply.

5. The Audit and Control Committee shall regulate its own transactions to the extent that they are not regulated in the Articles of Incorporation. The provisions contained therein relative to the transactions of the Board of Directors shall apply on a supplementary basis insofar as this is possible due to the nature and functions of the Committee.

...

9. It shall attend the Committee meetings and to collaborate and provide access to information to any member of the executive staff of FCC at their request. The Committee may also request the attendance of FCC's auditors at its sessions.

10. The Audit and Control Committee shall have access to all of the documentation and information needed to perform its functions.

11. For all other matters not specifically regulated hereunder, the provisions of Articles 37 and 38 of the Articles of Incorporation and on a supplementary basis the provisions of the Articles of Incorporation relative to the Board of Directors shall apply.

12. The members of the Audit and Control Committee may be assisted during their meetings by up to two advisers per Committee member, as required. These advisers may attend the meetings and may speak but not vote."

B.1.29. Indicate whether the auditor does work for the Company and/or the Group other than auditing work and, if so, whether they declare the amount of the fees received for such work and the percentage which such work represents out of the total fees billed to the Company or the Group.

YES [X] **NO** [ ]

	Company	Group	Total
Fees for work other than auditing (thousand euro)	65	301	366
Fees for work other than auditing/Total fees billed by the audit firm (%)	24.200	15.300	16.369

B.1.30. State for how many consecutive years the current auditors have been auditing the Company's annual income statements and/or those of the Group. Also, indicate the number of years audited by the current audit firm as a percentage of the total number of years in which the financial statements have been audited:

	Company	Group
Number of consecutive years	**17**	**17**

	Company	Group
No. of years audited by the current audit firm/No. of years that the company has been audited (%)	**100.000**	**100.000**

B.1.31. Indicate the stakes owned by members of the company's board of directors in companies with the same, analogous or complementary type of activity as the corporate purpose of the company and its group, that have been notified to the company. Also, indicate the positions they hold or the functions they perform in those companies:

Name of director	Company name	Stake (%)	Position or functions

B.1.32. Is there a procedure enabling directors to obtain external advice? If so, describe it:

YES [X] NO [ ]

Detail the procedure
Article 31 of the Rules of the Board of Directors, "Expert assistance", establishes that: "1. In order to assist them in discharging their duties, external directors are entitled to obtain the necessary assistance from the Company to discharge their duties and, where necessary, to obtain advice, at FCC's expense, from legal, accounting and financial consultants and other experts. 2. Requests to engage external consultants or experts must be referred to the Chairman of FCC and will be approved by the Board of Directors if it considers that: a) it is necessary for the proper performance by independent directors of their assigned duties. b) the cost is reasonable, in view of the materiality of the problem and the assets and revenues of FCC and c) the technical assistance cannot be properly provided by internal FCC experts or technical personnel. 3. Requests for expert assistance by any of the Board Committees may not be denied except when a majority of the Board members considers that the conditions envisaged in paragraph 2 of this Article are not met."

B.1.33. Is there a procedure for directors to receive the information they need to prepare for Board meetings sufficiently in advance? If so, describe it:

YES [X] NO [ ]

Detail the procedure
Article 38 of the Rules of the Board of Directors, ·"Meetings of the Board of Directors" details this process as follows: "1. The Board of Directors must meet with the necessary frequency to properly perform its functions, and whenever the interests of FCC require, in accordance with a calendar and agendas set at the beginning of the year, to which each director may propose the addition of other items not initially envisaged in the agenda, which proposal must be made not less than thirteen days prior to the date scheduled for the meeting. The calendar of the ordinary meetings will be set by the Board at the beginning of each year. The calendar may be modified by decision of the Board itself or of the Chairman, who will notify the directors of the change at least ten days in advance of the original meeting date, or of the modified meeting date if it is earlier. 2. The announcement of the ordinary meetings will be sent by post, fax, e-mail or telegram and will be authorised with the signature of the Chairman or the Secretary or Vice-Secretary, by order of the Chairman. Notwithstanding the provisions of Article 30 of the Articles of Incorporation, every effort will be made to announce the meetings not less than ten days in advance. Along with the announcement of each meeting, the directors will be provided with the meeting agenda and the pertinent documentation to enable them to form an opinion and vote on the issues submitted to them for their consideration. In emergency situations, at the Chairman's discretion, an immediate meeting of the Board of Directors may be called, in which case the meeting agenda will be limited to the urgent matters. 3. The Chairman will decide the meeting agenda. The directors and the Board Committees may ask the Chairman to include items on the agenda in the terms envisaged in section 1 of this article, and the Chairman will be obliged to include them. When a specific item is included on the meeting agenda at the request of the directors, then the directors who requested the inclusion of that item must forward the pertinent documentation along with their request or identify the pertinent documentation so that it can be forwarded to the rest of the Board members. In view of the directors' duty of confidentiality, every effort will be made to ensure that the importance and confidential nature of the information is not used as a pretext for breaching this rule, except under exceptional circumstances at the Chairman's discretion. 4. Board meetings may be held via telephone multiconference, videoconference or any other analogous system so that one or more directors can attend the meeting via that system. For that purpose, in addition to stating the location where the meeting is physically held, which is where the Board Secretary must be located, the announcement must state that directors can attend via telephone multiconference, videoconference or an equivalent system, indicating and making available the technical means for this purpose, which in all cases must enable direct, simultaneous communication among attendees. The Secretary of the Board of Directors must enter, in the minutes of meetings held in this way, in addition to the names of the directors physically in attendance or represented by another director, those who attended via telephone multiconference, videoconference or an equivalent system. "

B.1.34. Indicate if the company's directors have third-party liability insurance.

YES [X] **NO** [ ]

B.2. Board of Directors' Committees

B.2.1. List the bodies:

Name of body	No. of members	Functions
EXECUTIVE COMMITTEE	FIVE	ARTICLE 40 OF THE RULES OF THE BOARD STATES THAT ALL OF THE FUNCTIONS AND POWERS NECESSARY TO CONDUCT THE COMPANY'S BUSINESS ARE PERMANENTLY DELEGATED IN THE EXECUTIVE COMMITTEE. CONSEQUENTLY, THIS COMMITTEE IS VESTED WITH THE BROADEST POWERS TO DIRECT, ADMINISTER AND DISPOSE OF THE COMPANY'S ASSETS; TO REPRESENT THE COMPANY IN AND OUT OF COURT; TO SIGN CONTRACTS AND OTHER INSTRUMENTS; AND TO PERFORM ANY AND ALL FUNCTIONS AND FACULTIES ENTRUSTED BY LAW AND BY THE ARTICLES OF INCORPORATION TO THE BOARD OF DIRECTORS, WITH THE SOLE EXCEPTION OF THOSE WHICH ARE NOT DELEGABLE PURSUANT TO THE PROVISIONS OF ARTICLE 141, PART 1 OF THE PUBLIC CORPORATIONS ACT. ARTICLE 40.1 OF THE RULES OF THE BOARD OF DIRECTORS STATES THAT UNLESS OTHERWISE STIPULATED IN THE CONTENTS OF THE DELEGATION CONFERRED BY THE BOARD, THE EXECUTIVE COMMITTEE WILL HAVE THE POWER TO DECIDE ON INVESTMENTS, DISINVESTMENTS, CREDITS, LOANS, GUARANTEES, BONDS AND OTHER FINANCIAL FACILITIES FOR UNIT AMOUNTS LESS THAN 18 MILLION EUROS. SEE SECTION G-B.20.1.

AUDIT AND CONTROL COMMITTEE	FOUR	ARTICLE 41.2 OF THE RULES ESTABLISHES THAT THE BASIC FUNCTION IS TO SUPPORT THE BOARD OF DIRECTORS IN ITS SUPERVISORY DUTIES BY PERIODICALLY REVIEWING THE PROCESSES USED TO PREPARE THE ECONOMIC AND FINANCIAL INFORMATION, INTERNAL CONTROLS AND THE INDEPENDENCE OF THE EXTERNAL AUDITORS. SEE SECTION G-B.20.1.
APPOINTMENTS AND REMUNERATION COMMITTEE	SEVEN	ACCORDING TO ARTICLE 42.3 OF THE RULES OF THE BOARD OF DIRECTORS, ITS RESPONSIBILITIES INCLUDE REPORTING TO THE BOARD OF DIRECTORS ON APPOINTMENTS AND RESIGNATIONS AND ON THE REMUNERATION PAID TO BOARD MEMBERS AS WELL AS THE GENERAL REMUNERATION AND INCENTIVE POLICIES FOR DIRECTORS AND SENIOR EXECUTIVES. SEE SECTION G-B.20.1.
STRATEGY COMMITTEE	EIGHT	ACCORDING TO ARTICLES 43.4 AND 43.5 OF THE RULES OF THE BOARD OF DIRECTORS, THIS COMMITTEE IS RESPONSIBLE FOR AIDING THE BOARD OF DIRECTORS IN THE DETERMINATION OF THE GROUP'S STRATEGY. IN PARTICULAR, IT REPORTS TO THE BOARD ON PROPOSED INVESTMENTS, DISINVESTMENTS AND THIRD PARTY AGREEMENTS, THE DEVELOPMENT OF NEW LINES OF BUSINESS AND FINANCIAL TRANSACTIONS WHICH ARE OF SUCH RELEVANCE THAT THEY COULD HAVE AN IMPACT ON THE GROUP'S STRATEGY. SEE SECTION G-B.20.1.

B.2.2. List the committees of the Board of Directors and their members:

EXECUTIVE OR DELEGATE COMMITTEE

Name	Position
MR. RAFAEL MONTES SÁNCHEZ	CHAIRMAN
DOMINUM DESGA, S.A.	DIRECTOR
MR. FERNANDO FALCÓ FERNÁNDEZ DE CÓRDOVA	DIRECTOR
CARTERA DEVA, S.A.	DIRECTOR
MR. JUAN CASTELLS MASANA	DIRECTOR
MR. JOSÉ EUGENIO TRUEBA GUTIÉRREZ	SECRETARY (NOT A MEMBER)

AUDIT COMMITTEE

Name	Position
MR. FERNANDO FALCÓ FERNÁNDEZ DE CÓRDOVA	CHAIRMAN
IBERSUIZAS ALFA, S.L.	DIRECTOR
MR. FRANCISCO MAS-SARDÁ CASANELLES	DIRECTOR
MR. JUAN CASTELLS MASANA	DIRECTOR
MR. JOSÉ MARIA VERDÚ RAMOS	SECRETARY (NOT A MEMBER)

APPOINTMENTS AND REMUNERATION COMMITTEE

Name	Position
DOMINUM DESGA, S.A.	CHAIRMAN
MR. FERNANDO FALCÓ FERNÁNDEZ DE CÓRDOVA	DIRECTOR
MR. RAFAEL MONTES SÁNCHEZ	DIRECTOR
CARTERA DEVA, S.A.	DIRECTOR
MR. ROBERT PEUGEOT	DIRECTOR
MR. ANTONIO PÉREZ COLMENERO	DIRECTOR
MR. JOSÉ MARIA VERDÚ RAMOS	SECRETARY (NOT A MEMBER)
MR. GONZALO ANES Y ÁLVAREZ DE CASTRILLÓN	DIRECTOR

STRATEGY AND INVESTMENT COMMITTEE

Name	Position
B 1998, S.L.	CHAIRMAN
DOMINUM DESGA, S.A.	DIRECTOR
MR. FERNANDO FALCÓ FERNÁNDEZ DE CÓRDOVA	DIRECTOR
IBERSUIZAS ALFA, S.L.	DIRECTOR
IBERSUIZAS HOLDINGS, S.L.	DIRECTOR
CARTERA DEVA, S.A.	DIRECTOR
MR. ROBERT PEUGEOT	DIRECTOR
LARRANZA XXI, S.L.	DIRECTOR

B.2.3. Describe the rules governing the organisation and workings of each of the Board committees and their responsibilities:

**EXECUTIVE COMMITTEE

Its rules are set out in Article 36 of the Articles of Incorporation of FCC, which are partly transcribed below:

"... The Executive Committee will be convened by the Chairman himself or upon the request of two Committee members. The notice will be sent by letter, telegram or fax to each Committee member at least 48 hours in advance of the meeting date.

The meetings shall be held at the Company's registered offices or other located designated by the Chairman and indicated in the announcement.

In order for the Executive Committee to be quorate, there must be a majority of members present or represented.

Absent members may be represented by another member of the Executive Committee by notifying the Chairman in writing.

The deliberations will be directed by the Chairman. If the Chairman is absent, the meeting will be chaired by a Committee member chosen by majority vote of those in attendance.

The Chairman will give the floor to those attendees who wish to speak.

Resolutions will be passed by absolute majority of the Committee members.

In the event of a tie, the matter will be referred to the Board of Directors. In this case, the members of the Executive Committee will request that a meeting be convened as provided for in article 30 of the Articles of Association ..."

Also, article 40 of the Rules of the Board of Directors provides as follows:

"2. The Board of Directors will designate the directors to form part of the Executive Committee.

3. The Executive Committee will be composed of a minimum of five and a maximum of ten members.

4. The members of the Executive Committee will step down from the Committee when they cease to be directors or when decided by the Board.

5. Any vacancies arising will be filled as quickly as possible by the Board of Directors.

6. In the absence of the Chairman of the Executive Committee, a committee member will be chosen to perform his or her functions.

7. The Executive Committee will hold ordinary meetings in the months when a Board of Directors meeting is not scheduled, apart from the month of August, and it may meet on an extraordinary basis when required by the company's interests. Along with the announcement of each meeting, the members of the Executive Committee will be provided with the pertinent information they need to form an opinion and vote.

8. The Executive Committee will be convened as established in Article 35 of the Articles of Incorporation, although, except in the event of a justified emergency, every effort will be made to ensure at least ten days' of advance notice. Along with the announcement of each meeting, the members of the Executive Committee will be provided with the pertinent information they need to form an opinion and to vote.

9. The Executive Committee will be quorate when at least one-half plus one of its members are present or represented at the meeting.

10. In all other matters, the Executive Committee will be governed by the pertinent provisions of the Articles of Incorporation and, supplementarily, by the provisions relating to the Board of Directors contained in the Articles of Incorporation and these Rules."

**AUDIT AND CONTROL COMMITTEE:
The rules governing this committee are established in articles 37 and 41 of the Rules of the Board. The committee will be composed of four members appointed by the Board of Directors for a term not exceeding that of their

mandate as Directors, notwithstanding the fact that they may be re-elected indefinitely as long as the continue to be Board members. A majority of the Committee members shall be external directors.

The Committee will choose a Chairman and may also elect a Vice Chairman from among its non-executive members. Their terms of office may not exceed four years or their terms of office as Committee members, although they may be re-elected one year after stepping down.

The Secretary and Assistant Secretary, if any, shall be chosen by the Committee and need not be board members.

The Committee members may be assisted at their meetings by persons of their choice acting as their advisers, up to two advisers per member. These advisers will attend the meetings and may speak but not vote."

**APPOINTMENTS AND REMUNERATION COMMITTEE:
The organisation and working of this committee are regulated in article 42 of the Rules of the Board of Directors; it will comprise:
"1. ... members appointed by the Board of Directors for a term of office no longer than that of their mandate as Directors, notwithstanding the fact that they may be re-elected indefinitely as long as they continue to be Board members.
The majority of the members of the Appointments and Remuneration Committee will be external Directors.

2. The Appointments and Remuneration Committee will choose a Chairman from among its non-executive members. It will also designate a Secretary, who may or may not be a member of the Committee, to aid the Chairman and provide for the smooth transaction of business, duly reflecting the contents of the sessions and the deliberations and votes in the meeting minutes.

The members of the Appointments and Remuneration Committee will step down from the Committee when they step down as Directors or when decided by the Board of Directors.

4. The members of the Appointments and Remuneration Committee may be assisted during their meetings by up to two advisers per Committee member, as required. These advisers may attend the meetings and may speak but not vote.

5. To perform its functions to the best of its ability, the Appointments and Remuneration Committee may seek the advice of external professionals, in which case the provisions of Article 31 of these Regulations shall apply.

6. The Appointments and Remuneration Committee shall regulate its own transactions to the extent that they are not regulated in the Articles of Incorporation. The provisions contained therein relative to the transactions of the Board of Directors shall apply on supplemental basis insofar as this is possible due to the nature and functions of the Committee.

7. The Committee will meet periodically and when convened by the Chairman or requested by two committee members. Each year, the Committee will draft an action plan for the coming year which it will submit to the Board.

8. The minutes of each committee meeting will be drafted and signed by the Committee members in attendance.

9. Any member of the FCC Group's management or staff must, at the Committee' request, attend its meetings and provide his/her assistance and any information which he/she possesses.

10. The Appointments and Remuneration Committee shall have access to all of the documentation and information needed to perform its functions."

**STRATEGY COMMITTEE:
This committee is regulated in article 43 of the Rules of the Board. Its:
"1. ... members are appointed by the Board of Directors for a term of office no longer than that of their mandate as Directors, notwithstanding the fact that they may be re-elected indefinitely as long as they continue to be Board members. The majority of the members of the Strategy Committee will be external Directors.

2. The Strategy Committee will choose a Chairman from among its non-executive members. It will also designate a Secretary, who may or may not be a member of the Committee, to aid the Chairman and provide for the smooth transaction of business, duly reflecting the contents of the sessions and the deliberations in the meeting minutes.

3. The members of the Strategy Committee will step down from the Committee when they step down as Directors or when decided by the Board of Directors."

"6. To perform its functions to the best of its ability, the Strategy Committee may seek the advice of external professionals, in which case the provisions of Article 31 of these Regulations shall apply.

7. The members of the Strategy Committee may be assisted during their meetings by up to two advisers per Committee member, as required. These advisers may attend the meetings and may speak but not vote.

8. The Strategy Committee will meet periodically and when convened by the Chairman or requested by two committee members. Each year, the Committee will draft an action plan for the coming year which it will submit to the Board.

9. The minutes of each committee meeting will be drafted and signed by the Committee members in attendance.

10. Any member of the FCC Group's management or staff must, at the Committee' request, attend its meetings and provide his/her assistance and any information which he/she possesses.

11. The Strategy Committee shall have access to all of the documentation and information needed to perform its functions.

12. The Strategy Committee shall regulate its own transactions to the extent that they are not regulated in the Articles of Incorporation. The provisions contained therein relative to the transactions of the Board of Directors shall apply on supplemental basis insofar as this is possible due to the nature and functions of the Committee."

B.2.4. Indicate any advisory, consultation and other powers delegated to each committee:

Name of committee	Brief description
EXECUTIVE COMMITTEE	REGULATED IN ARTICLE 40 OF THE RULES OF THE BOARD AND ARTICLE 35 OF THE ARTICLES OF INCORPORATION. ALL OF THE FUNCTIONS AND POWERS NECESSARY TO CONDUCT THE COMPANY'S BUSINESS ARE PERMANENTLY DELEGATED IN THE EXECUTIVE COMMITTEE, WITH THE EXCEPTION OF THOSE WHICH ARE NOT DELEGABLE PURSUANT TO THE PROVISIONS OF ARTICLE 141.1 OF THE PUBLIC CORPORATIONS ACT. IN EXERCISING THESE FUNCTIONS AND POWERS, THE EXECUTIVE COMMITTEE MAY ASSIGN THEM TO OTHERS WITHIN THE SCOPE AND ACCORDING TO PREVIOUSLY-DETERMINED LIMITATIONS AND CONDITIONS, ENABLING THEM TO ACT JOINTLY OR SEVERALLY WITH OTHER PROXIES. IT MAY ALSO REVOKE ANY SUCH POWERS GRANTED. ACCORDING TO ARTICLES 34 AND 35 OF THE ARTICLES OF INCORPORATION, THE EXECUTIVE COMMITTEE MAY NOT GRANT GENERAL POWERS TO DECIDE ON THE FOLLOWING MATTERS: -CONVENING THE GENERAL MEETING AND SETTING THE MEETING AGENDA. -APPROVING INTERIM DIVIDENDS. -SUPERVISING DELEGATE BODIES. SEE SECTION G-B.2.4
AUDIT AND CONTROL COMMITTEE	REGULATED IN ARTICLE 41 OF THE RULES OF THE BOARD AND ARTICLE 39 OF THE ARTICLES OF INCORPORATION. SUPPORTS THE BOARD OF DIRECTORS IN ITS OVERSIGHT FUNCTIONS BY PERIODICALLY REVIEWING HOW THE ECONOMIC AND FINANCIAL INFORMATION IS PREPARED, BY CONDUCTING INTERNAL CONTROLS AND CHECKING THE INDEPENDENCE OF EXTERNAL AUDITORS. SEE SECTION G-B.2.4.
APPOINTMENTS AND REMUNERATION COMMITTEE	REGULATED IN ARTICLE 42 OF THE RULES OF THE BOARD OF DIRECTORS. ITS RESPONSIBILITIES INCLUDE REPORTING TO THE BOARD OF DIRECTORS ON APPOINTMENTS AND REMOVALS AND ON THE REMUNERATION PAID TO BOARD MEMBERS AS WELL AS THEIR GENERAL REMUNERATION POLICIES AND INCENTIVE PLANS. SEE SECTION G-B.2.4.

STRATEGY COMMITTEE	REGULATED IN ARTICLE 43 OF THE RULES OF THE BOARD OF DIRECTORS. RESPONSIBLE FOR MAKING PROPOSALS AND REPORTS TO THE BOARD ON ALL STRATEGIC DECISIONS, INVESTMENTS AND DISINVESTMENTS OF RELEVANCE TO THE COMPANY OR THE GROUP, EVALUATING THEIR APPROPRIATENESS IN TERMS OF BUDGETS AND STRATEGIC PLANS. ALSO RESPONSIBLE FOR ANALYSING AND MONITORING BUSINESS RISKS. SEE SECTION G-B.2.4.

B.2.5. Indicate whether there are regulations governing the Board committees, where they are available for consultation and any changes made to them in the fiscal year. Also, indicate if an annual report on each committee's activities has been drafted voluntarily .

The Rules of the Board approved on 14 June 2004 contains provisions for the Executive Committee (article 40), the Audit and Control Committee (article 41) and the Appointments and Remuneration Committee (article 42) and the Strategy Committee (article 43).

On 31 January 2007, the Board of Directors met to evaluate the performance of the Board and its committees in 2006, as established in article 38.5 of the Rules of the Board: “The Board will devote the first of its annual sessions to evaluating its own performance during the previous fiscal year, assessing the quality of its work and the effectiveness of its regulations and changing any aspects that are found not be working properly”.

This evaluation may be considered very satisfactory from two different perspectives: first of all, in terms of the quality of its transactions, in other words, because the Board's work has been organised in compliance with all established procedures; through the ongoing evaluation of its different committees; through the commitment of the Board itself to continuously improving its administrative functions; and secondly, because the regulations have been fulfilled entirely, which means that the regulations are very effective for the internal governance of this listed company.

The different committees supported the launch of numerous projects which are in line with the Group’s new strategy, which has rendered the Board more effective and more transparent in the fulfilment of its principal objective: protecting the Company’s interests.

B.2.6. If there is an Executive Committee, explain the level of delegation and autonomy in the exercise of its duties for the passage of resolutions on the management and administration of the Company.

According to article 40.1 of the Rules of the Board, it is possible for the Board to permanently delegate in the Executive Committee all of the Board’s powers, with the exception of those which are not delegable under the law, the Articles of Incorporation of the Rules of the Board.

Notwithstanding the above, there are a number of non-delegable powers which may only be exercised by the Board. Article 7 (“Powers of the Board of Directors - List of Non-delegable Powers") of the Rules of the Board states that the following may only be decided by the Board of Directors by adopting the pertinent agreements in each case as mandated by law or by the Articles of Incorporation:

a. Appointing and removing the Chairman, Vice Chairmen, Managing Directors, Secretary and Assistant Secretary of the Board of Directors and proposing the respective Boards of Directors the appointment and removal of the Chairmen and Managing Directors of the tier one specialised subsidiaries (FCC Construcción, S.A., FCC Medio Ambiente, S.A., Cementos Portland Valderrivas, S.A., Realia Business, S.A. and FCC Versia, S.A.) and the appointment and removal of members of the Steering Committee.

The Board may periodically modify the list of specialised subsidiaries referred to in the preceding paragraph.

b. Delegating powers to any of the members of the Board of Directors in the terms established by law and the Articles of Incorporation and revoking such powers.

c. Appointing and removing Board members on the different Committees discussed in these Regulations.

d. Supervising the Committees of the Board.

e. Appointing Board members by co-optation when vacancies arise, until the next General Meeting is held.

f. Accepting the resignation of board members.

g. Authorising the annual accounts and presenting them to the General Meeting.

h. Determining the Group’s strategy, with the support of the Strategy Committee and the Managing Director.

i. Approving investments, disinvestments, credits, loans, guarantees, bonds and other financial facilities for unit amounts above eighteen million (18,000,000) euro.

j. In general, the powers of organisation vested in the Board of Directors and the power to amend these Rules, in particular.

k. The powers vested in the Board of Directors by the General Meeting, which may only be delegated with the express consent of the General Meeting."

Unless otherwise stipulated in the contents of the delegation conferred by the Board, the Executive Committee will have the power to decide on

investments, disinvestments, credits, loans, guarantees, bonds and other financial facilities for unit amounts less than eighteen million euro.

The Executive Committee is permanently entrusted with all of the functions and faculties needed to conduct the Company's business and as such is vested with broad-ranging powers to direct and administer, dispose of assets and represent the company in and out of court, sign all types of contracts and acts involving the acquisition, disposal or encumbrance of property, guarantee external transactions or business transactions, without limit, and to exercise any and all functions conferred by the Articles of Incorporations and the Public Corporations Act on the Board of Directors, with the sole exception of those which may not be delegated according to part 1 of article 141 of the Public Corporations Act.

In addition, the Board of Directors controls and supervises the actions of the Executive Committee. At each one of its sessions, the Board is informed of the resolutions passed by the Executive Committee.

B.2.7. Indicate if the executive committee's composition reflects the composition of the board in terms of director type:

YES ☐ **NO** ☒

If not, detail the composition of the executive committee.
The composition of the Executive Committee is 80% external directors and 20% executive directors, while the composition of the Board of Directors is 84.21% external directors and 15.79% executive directors.

B.2.8. If there is an Appointments Committee, state whether its members are external directors:

YES ☐ **NO** ☒

C RELATED-PARTY TRANSACTIONS

C.1. Detail material transactions involving a transfer of funds or liabilities between the company or entities in its group and significant shareholders of the company:

Name of significant shareholder	Name of group company or entity	Nature of relationship	Type of transaction	Amount (thousand euro)
B 1998, S.L.	FCC MEDIO AMBIENTE, S.A.	Contractual	Provision of services	7
B 1998, S.L.	SERVICIOS ESPECIALES DE LIMPIEZA, S.A.	Contractual	Provision of services	9
B 1998, S.L.	SERVICIOS ESPECIALES DE LIMPIEZA, S.A.	Contractual	Provision of services	10
B 1998, S.L.	FCC CONSTRUCCIÓN, S.A.	Contractual	Provision of services	251
B 1998, S.L.	EURMAN, S.A.	Contractual	Provision of services	5

C.2. Detail material transactions involving a transfer of funds or liabilities between the company or entities in its group and directors or executives of the company:

Name of director or executive	Name of group company or entity	Type of transaction	Type of transaction	Amount (thousand euro)
LARRANZA XXI, S.L.	FCC VERSIA, S.A.	CONTRACTUAL	Acquisition of goods (finished or otherwise)	2
LARRANZA XXI, S.L.	FCC CONSTRUCCIÓN, S.A.	CONTRACTUAL	Acquisition of goods (finished or otherwise)	3
LARRANZA XXI, S.L.	FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A.	CONTRACTUAL	Acquisition of goods (finished or otherwise)	26
LARRANZA XXI, S.L.	FCC CONSTRUCCIÓN, S.A.	CONTRACTUAL	Provision of services	454
DOMINUM DESGA, S.A.	SERVICIOS ESPECIALES DE LIMPIEZA, S.A.	CONTRACTUAL	Provision of services	9
B 1998, S.L.	SERVICIOS ESPECIALES DE LIMPIEZA, S.A.	CONTRACTUAL	Provision of services	9
B 1998, S.L.	SERVICIOS ESPECIALES DE LIMPIEZA, S.A.	CONTRACTUAL	Provision of services	10
B 1998, S.L.	FCC CONSTRUCCIÓN, S.A.	CONTRACTUAL	Provision of services	251
B 1998, S.L.	FCC MEDIO AMBIENTE, S.A.	CONTRACTUAL	Provision of services	7
B 1998, S.L.	EURMAN, S.A.	CONTRACTUAL	Provision of services	5

C.3. Detail the material transactions between the company and other companies in the group, except those that are eliminated in consolidation or do not form part of the company's normal operations with regard to their purpose and conditions:

Name of group entity	Brief description of transaction	Amount (thousand euro)

C.4. Identify any conflicts of interest of company directors, in accordance with article 127 ter of the Public Corporations Act.

The director Miguel Blesa de la Parra disclosed that he performed, for his own account or for that of third parties, the following activities that are analogous or similar to those constituting FCC's object:
- Chairman of the Board of Directors of "Caja Madrid" (33.92%) and of "Corporación Financiera Caja de Madrid, S.A." (15.24%), which directly or indirectly have interests in the capital of Realia Business S.A., a company in which FCC, S.A. has an interest, directly or indirectly (49.16%).

The other directors of Fomento de Construcciones y Contratas, S.A. have reported that they do not carry out, for their own account or for that of third parties, activities that are identical, analogous or complementary to those comprising the Company's object.

The members of the Board of Directors do not own shares in other companies with business activities that are identical, similar or complementary to those of Fomento de Construcciones y Contratas, S.A.

The directors of Fomento de Construcciones y Contratas, S.A. or persons acting on their behalf did not participate during the fiscal year in transactions with the Company or with a company belonging to the group outside of the ordinary business of the Company or other than in normal market conditions.

With regard to the members of the Board of Directors of FCC who are executives or directors of other companies of the Group, SEE SECTION B.1.6.

These directors occupy positions or perform functions and/or hold interests of less than 0.01% in other companies of the FCC Group, in which Fomento de Construcciones y Contratas, S.A., directly or indirectly, has a majority of votes.

C.5. Detail the mechanisms established for detecting, determining and resolving possible conflicts of interest between the company and/or its group, and its directors, executive or significant shareholders.

Article 25.3, 25.4, 25.5 and 25.6 of the Rules of the Board establish that Directors must inform the Board, well in advance, of any situation which may give rise to a conflict of interest with the FCC Group of companies or its subsidiaries. In accordance with article 25.4, "the express authorisation of the Board of FCC will be required, based on the report of the Appointments and Remuneration Committee, in the following cases:

1. The provision of remunerated professional services by a Director to any company of the FCC Group other than those rendered by executive Directors in the performance of their duties as company employees.
2. The sale, transmission or any other arrangement involving an economic consideration of any kind by a Director to any company of the FCC Group of supplies, materials, goods or rights in general.
3. The transfer of supplies, materials, goods or rights in general by companies of the FCC Group to a Director other than in the course of the transferring company's ordinary business.
4. The provision of goods or services by companies of the FCC Group to the Director under lower-than-market conditions, even when they are part of the company's ordinary business.
5. In the case of ordinary transactions with the company, the Board of Directors may approve the generic line of transactions.
6. In any event, all significant transactions of any kind carried out by Directors with FCC, its subsidiaries or associated companies shall be reported in the Annual Corporate Governance Report. This obligation extends to the transactions between the Company and its direct or indirect significant shareholders."

According to article 25.2, " A personal interest on the part of the director is likewise considered to exist when it affects:
a) the director's spouse or person with an analogous relationship, or a person to whom the director is related by consanguinity or affinity up to and including the 4th degree, or

b) or a company in which the director holds a significant interest. An interest is considered to be significant when the director, alone or jointly with family members as defined in article 25.2 of the Rules of the Board, controls more than 15% of the political or economic rights or when, even though the ownership interest is less, the person can designate at least one member of the governing body."

Article 5.7 of the Internal Code of Conduct establishes that anyone subject to the Code, which includes directors and executives, among others, must notify the Chairman of the Steering Committee of any possible conflicts of interest with any company of the FCC Group by reason of family relationships or any other circumstance, by writing to the Chairman explaining such conflicts of interest in detail.

The Chairman of the Steering Committee must be consulted in writing about any questions on this subject before taking any decision that could be affected by such a conflict of interest.

A conflict of interest due to family relations is not considered to exist when the relationship exceeds the fourth degree of consanguinity or affinity.

D RISK CONTROL SYSTEMS

D.1. General description of the risk control policy of the Company and/or Group, detailing and evaluating the risks covered by the system and explaining why the systems adequately cover each type of risk.

The organisational structure of the FCC Group, the planning systems and the management processes governing its transactions are designed to control the different business risks faced by the Group. In this regard, risk management is part of the Group's management process and, as such, involves all members of the organisation. There are preventive policies, supervision and control policies and corrective action policies in place to meet the organisation's objectives.

The main risks covered by the system are listed below.

1 Market risks.
2 Operating Risks.
- 2.1 Contracting Risks
- 2.2 Production Process Risks
- 2.3 Environmental Risks.

3 Organisational Risks.
- 3.1 Labour Risks
- 3.2 Information System Risks

4 Financial Management Risks
- 4.1 Exchange Rate Risks
- 4.2 Interest Rate Risks
- 4.3 Risks associated with the reliability of economic and financial information
- 4.4 Industrial and Asset Risks

D.2. Indicate the control systems in place for evaluating, mitigating or reducing the principal risks to the Company and its Group.

1. Management of Market Risks.
The FCC Group faces diverse risks of a regulatory and structural nature inherent to the products and the environment in which it operates.

The Board of Directors, aided by the Strategy Committee, is responsible for defining the strategy of the FCC Group, assigning the available resources and setting the general policies to be applied and informing the different areas of them.

Strategic planning within the FCC Group is a process in which the objectives to be achieved in each activity are identified based on the improvements to be introduced, market opportunities and the level of risk that is considered acceptable. This process is the basis for drafting operating plans that specify the goals to be achieved each year.

The goals established during the planning process are reviewed periodically to analyse the deviations at different levels of responsibility and take the appropriate corrective action.

The General Regulations of organisation and operation provide the framework for all members of the organisation, the powers delegated at different hierarchical levels and the basic principles to be observed in operating processes. These principles are the basis of the specific regulations governing these processes.

To mitigate the market risks faced by each business line, the Group has also adopted a strategy of diversification into complementary business lines such as the provision of diverse services to government agencies, concessions and cement, among others.

2. Management of Transactional Risks

2.1.Management of Contracting Risks.

For the FCC Group, the risks and opportunities that arise during the contracting process are among the main challenges faced by the organisation. To deal with these challenges, the organisation has established formal policies and procedures that focus on:

a) Keeping technological capacity up to date at all times
The FCC Group is aware that doing business in a highly competitive market such as the one it operates in makes it necessary to offer the client added value through technical and economic capabilities. In this regard, the FCC Group is active in the area of technological research and innovation and places a great deal of emphasis on continuous personnel training.

b) The technical quality, economic viability and competitiveness of proposals.
The process of preparing, presenting and monitoring proposals is subject to different levels of authorisation within the organisation, assigning the principal tasks in this area to specific departments with highly qualified technical staff.

2.2 Management of Production Risks.

The formal policies and procedures designed by the FCC Group to control the risks associated with its construction and service provision activities focus on:

a) Quality systems.
The various activities of the FCC Group are subject to formal quality control systems that are well-rooted within the organisation and have enabled it to obtain ISO 9000 certification and to pass the periodic evaluations by external professionals.

Based on general principles and basic criteria, the quality control systems are founded upon the assignment of responsibilities, the definition and documentation of processes, and guidelines for detecting and correcting deviations.

The quality committees are the maximum executive bodies in this area and are responsible for establishing guidelines, monitoring compliance and reviewing the system. One of the responsibilities of the quality assurance departments is to conduct quality assurance audits of the operating units.

b) Ongoing personnel training
The FCC Group has a training programme in place based on specific training plans which offer both basic training and refresher courses, as well as training programs to cover specific needs as they arise. The quality assurance committees are responsible for establishing training plans, approving the implementation of training plans and ensuring that they are properly applied.

c) Ongoing support of operating units by technical departments with highly qualified staff.

d) The design and documentation of purchasing and subcontracting processes which guarantee the quality of the supplies and the efficacy and efficiency of the contracting system.

e) Economic and budget control systems for each operating unit that serve as the basis for economic planning: measuring, recording and evaluating production costs; analysing and monitoring deviations and quantifying and controlling the resources invested.

2.3 Management of Environmental Risks
The FCC Group has an ISO 14001-certified environmental management system based on:

a) Compliance with the regulations applicable to the environmental aspects of its activities.
b) Establishment and attainment of continuous improvement targets that exceed legislative and contractual requirements.
c) Minimising the environmental impact through proper operational control.
d) Ongoing analysis of risks and possible improvements.

The basic tool for controlling this risk is the environmental plan prepared by each operating unit, which consists of:
a) Identifying the environmental aspects of its activity and applicable regulations.
b) Environmental impact evaluation criteria

c) Measures to be adopted to minimise the impact.
d) A system for monitoring and measuring the objectives achieved

3. Management of Organisational Risks.

3.1 Management of Labour Risks.
One of the FCC Group's priorities in the conduct of its business is to guarantee the safety of its personnel and to comply with all labour legislation, giving the utmost priority to occupational risk prevention systems. These systems are formalised and organised on the basis of:

a) The assignment of functions and responsibilities.
b) Compliance with procedures integrated into the production process for evaluating risks and implementing health and safety plans.
c) Ongoing training supported by specialists in the field.
d) Regular reviews by safety specialists of the planned measures in the operating units.
e) A system of safety audits by internal and external professionals.

3.2 Management of Information System Risks
The complexity and volume of the activities of the FCC Group make it necessary to have information systems for managing all of the activities at the individual and overall levels with a high degree of security.

These information systems are based on a set of electronic security methods, processes, and systems supervised by a Information Security and Risk Management Department and designed to protect privileged information and mitigate the inherent risks through policies and systems that control access to information and the ability to retrieve information.

The Group has manuals and rules of conduct referring to the physical and logical security of the information systems which covers the management of the principal risks: access to data processing centres, network access, protection of personal data (Data Protection Act), backups, etc.

4. Management of Financial Risks

4.1 Management of exchange rate risk.
A notable consequence of implementing the Strategic Plan has been an increase in international exposure as a result of major acquisitions in markets whose reference currency is not the euro (mainly the pound sterling and the Czech koruna).

FCC Group general policy is to reduce, as far as possible, the negative effect on its financial statements of exposure to foreign currencies, both in transactions and in balance sheet items.

In practice, where local financial markets permit, the Group actively manages the exchange rate risk by hedging financial transactions in the same currency as that in which the asset is denominated.

4.2 Management of interest rate risk.

Since the FCC Group's activities are closely linked to inflation, its financial policy is to reference both its debt and its liquid financial assets (both connected to its production cycle) to floating interest rates.

Within its Strategic Plan for growth, the FCC Group has recently acquired companies for the purpose of expanding its core businesses. Those acquisitions, financed basically with debt, increased the Group's indebtedness and greatly changed its debt profile.

As a result, FCC has arranged interest rate hedges for 2,103,100 thousand euro, mainly in the form of swaps, where the Group companies pay fixed rates and receive floating rates.

In any event, given the volatility of the money markets, FCC actively manages its interest rate risk with a view to always having the position that is most appropriate to the Group's interests.

4.2 Management of risks associated with the reliability of economic and financial information
The FCC Group has certain processes for managing economic and financial information based on:

a) An organisational structure that separates the administrative and accounting processes used as the basis for preparing the economic and financial information as a means of preventing the risk of manipulation. There is a centralised corporate department in charge of these processes which assigns responsibilities in the different business areas of the FCC Group to departments that are functionally dependent on it.
b) Continuous updating of financial reporting procedures, standards and systems.
c) An economic and financial information review system and compliance with internal control systems through internal and external audits.

4.4 Management of Asset and Industrial Risks
To protect the FCC Group’s balance sheet, the Company applies an active risk management policy to manage the risks that have a direct effect on the Company's assets, as a result either of their destruction or of the generation of obligations to third parties.
The process of analysing the risks to which the Company is exposed is an ongoing one. The potential losses are quantified and the appropriate measures taken to eliminate and/or reduce them, transferring those which remain to the insurance sector by arranging the pertinent insurance policies, optimising them in economic terms and choosing the most suitable financing mechanisms for retained risks, all with the ultimate goal of maintaining or guaranteeing the Company’s net worth and thus generating value for shareholders.

D.3. If any risks affecting the Company and/or Group have materialised, please indicate the circumstances under which this occurred and whether the established control systems were effective.

The policies and procedures for preventing and externalising risks in 2006 were satisfactory since no risks materialised which had a significant effect on the company’s net worth or on the normal conduct of its business.

D.4. Indicate whether there is a committee or other governing body in charge of establishing and supervising these control mechanisms and describe its functions.

There is a delegated committee of the Company's supreme governing body, the Audit and Control Committee, which is responsible for establishing and supervising the Company's control systems (See B.1.28).
Risk management is part of the Group's overall management framework and involves all members of the organisation, accompanied by preventive, supervisory and control policies. There are different people responsible for designing the processes at different levels of the organisation, and committees or bodies in charge of ensuring that the established controls work properly.

D.5. Identification and description of the processes for ensuring compliance with the regulations affecting the Company and/or Group.

The FCC Group has procedures in place to guarantee compliance with the regulations governing each of the Group's economic activities, with different departments specialising in the regulations applicable to each company and the Group (business, labour, tax, environmental laws, etc.) These departments are in charge of:
a) Staying fully abreast of and up to date on the different regulations
b) Overseeing regulatory compliance.
c) Drafting the standards needed to standardise the Group's approach.
d) Advising operating units.

E GENERAL MEETING

E.1. List the quorums needed to hold the General Meeting as set forth in the Articles of Incorporation. Describe how they differ from the minima set out in the Public Corporations Act.

The Ordinary and Extraordinary General Meeting will be quorate:

- On the first meeting date, when the shareholders present or represented possess at least fifty percent of the paid-up share capital with voting rights. On the second meeting date, the General Meeting will be quorate when the shareholders present or represented possess at least forty-five percent of the paid-up share capital with voting rights.

- In order for the General Meeting of Shareholders to validly decide on debenture issues, capital increases or decreases, transformations, mergers and spin-offs and, in general, any amendment to the Articles of Incorporation, shareholders possessing at least fifty percent of the paid-up share capital with voting rights must be present or represented at the meeting on the first announced date. On the second announced meeting date, shareholders possessing forty-five percent of the share capital will suffice.

When the shareholders in attendance or represented on second call account for less than fifty percent of the subscribed capital with voting right, resolutions may

only be validly passed with the favourable vote of two-thirds of the share capital present or represented at the Meeting.

The differences between the Articles of Incorporation and the general system envisaged in the Public Corporations Act are that:

* regarding ordinary matters:
- On first call, the quorum of 25% set in the Public Corporations Act has been raised to 50% in the Articles.
- On second call, the quorum is 45%, while the Public Corporations Act establishes no quorum at all on second call.

* regarding special matters:
- On first call there is no difference between the two.
- On second call, the Public Corporations Act sets an attendance limit of 25%, while the Articles of Incorporation raise the attendance limit to 45%. In those cases where less than one-half of the share capital with voting rights is in attendance, there is no difference compared to the Public Corporations Act.

E.2. Indicate the system for passing resolutions. Describe how it is different than the system contained in the Public Corporations Act.
There are no differences with respect to the general rules contained in the Public Corporations Act.

E.3. List the shareholders' rights with regard to General Meetings that differ from those established in the Public Corporations Act.

There are no differences with respect to the general rules contained in the Public Corporations Act.

E.4. Indicate the steps taken, if any, to encourage the participation of shareholders in General Meetings.

The Rules of the General Meeting include a number of measures intended to foster shareholder participation in the Meeting. These measures are defined in the shareholders' information rights regulated in the following articles:

-Article 6. "Information available as soon as the General Meeting is announced "
"As from the date of the meeting announcement, the Company will make available to its shareholders, at its registered offices, at the National Securities Market Commission, on the stock exchanges where its stocks are traded and on the Company's website, the following:
a) The full text of the announcement.
b) The text of all of the motions to be submitted by the Board of Directors in relation to the items on the agenda.
c) The documents or information which by law must be made available to the shareholders on the items on the meeting agenda as from the date of the announcement of the General Meeting of Shareholders.
d) Information on the channels of communication between the company and its shareholders for the purposes of obtaining information or making suggestions, in accordance with the applicable regulations."

Article 7. "Right to Information prior to the General Meeting of Shareholders"
"1. Up to seven calendar days before the first scheduled date for the Meeting, shareholders may request any information or explanations they require and raise any questions they consider pertinent regarding the items 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.

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, delivered by hand, post or courier. The 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.

3. Once the identity and status of the requesting shareholder is verified, the information requests regulated in this article will be answered up to the date of the General Meeting of Shareholders but prior to the start of the meeting.

4. The Chairperson may refuse to supply the requested information when, in his opinion, the publication of the requested information might be detrimental to the Company's interests, except when the request is backed by shareholders representing at least one-fourth of the share capital.

5. The Board of Directors may empower any of its members, its Secretary and Vice-Secretary to answer shareholders' requests for information through the Stock Market and Investor Relations Department."

- Article 14. "Information"

"1. The Directors must provide the information requested by shareholders, except under the circumstances envisaged in article 7.4 of these rules or when the requested information is not available during the meeting. In this case, the information will be provided in writing within seven days from the meeting date, to which end the shareholders will indicate the mailing address where the information should be sent.

2. The requested information or clarifications will be provided by the Chairman or, at the Chairman's request, by the Managing Director, the Chairman of the Audit Committee, the Secretary, a Director or any employee or expert on the subject in question, in accordance with article 9.2 of these Rules."

- Article 15.3. "Voting on Proposals"
"Without prejudice to the alternative systems which may be employed at the Chairman's discretion, the procedure for voting on the proposed resolutions referred to above will be as follows:

a) The system for voting on the proposed resolutions relating to the items on the agenda will be a negative deduction system. This means that, for each proposal, the votes corresponding to all of the shares present and represented will be

considered as votes in favour, deducting those corresponding to the shares whose owners or representatives state that they are voting against or abstaining, to which will be added the votes corresponding to proxies received by the Board of Directors, indicating whether voters are against the motion or abstentions. Votes against and abstentions will be counted separately.

b) The system for voting on the proposed resolutions relating to items not on the agenda, when such proposals may legitimately be voted upon, will be a positive deduction system. This means that the votes corresponding to all of the shares present and represented will be considered as votes against, deducting those corresponding to the shares whose owners or representatives state that they are voting for the proposal or abstaining.

c) When technically possible and provided that compliance with all legal requirements can be guaranteed, the Board of Directors may establish the use of electronic vote counting systems."

E.5. State whether the Chairman of the General Meeting is also as the Chairman of the Board of Directors. If so, describe any measures that have been adopted to guarantee the independence and efficacy of the General Meeting.

YES [X] **NO** [ ]

Detail the measures

According to article 10.2 of the Rules of the General Meeting, "The General Meeting of Shareholders is presided over by the Chairman and, in his absence, by the Vice-Chairmen of the Board of Directors, in order; if there is no pre-set order, it will go in order of seniority on the Board. if there is no Vice-Chairman in attendance, the General Meeting will be chaired by the oldest director."

Measures to guarantee the independence and smooth transaction of the General Meeting:

The Rules of the General Meeting of Fomento de Construcciones y Contratas, S.A. contain a detailed set of measures to guarantee the independence and smooth transaction of the General Meeting which can be consulted on the Company's website.
Notably, Article 7 " Right to Information prior to the General Meeting of Shareholders" provides that:

"1. Up to seven calendar days before the first scheduled date for the Meeting, shareholders may request any information or explanations they require and raise any questions they consider pertinent regarding the items 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.

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, delivered by hand, post or courier. The 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.

3. Once the identity and status of the requesting shareholder is verified, the information requests regulated in this article will be answered up to the date of the General Meeting of Shareholders but prior to the start of the meeting.

4. The Chairperson may refuse to supply the requested information when, in his opinion, the publication of the requested information might be detrimental to the Company's interests, except when the request is backed by shareholders representing at least one-fourth of the share capital.

5. The Board of Directors may empower any of its members, its Secretary and Vice-Secretary to answer shareholders' requests for information through the Stock Market and Investor Relations Department."

Article 23 of the Articles of Incorporation establishes that shareholders may request, either prior to the meeting in writing or verbally during the meeting, copies of the reports or explanations they deem necessary regarding the items contained on the meeting agenda. The Directors shall be obliged to provide such information, except in those instances where, in the Chairman's opinion, the publication of such information could be harmful to the Company's interests. This exception shall not apply when the request is supported by shareholders representing at least one-fourth of the share capital.

E.6. Indicate any changes made to the Rules of the General Meeting during the fiscal year.

The General Meeting on 29 June 2006 approved the following amendments; there have been no amendments since that date:

Amendment to article 4:
The validity of the ordinary general meeting was expressly recognised even if it is convened or held outside the period prescribed by law, i.e. the first six months of each fiscal year.

Amendment to article 5:
The term for publishing the notice of the ordinary general meeting was extended from 15 days to one month prior to the scheduled date. Also, shareholders owning at least 5% of capital may request the publication of a supplement to the notice of meeting. The wording of article 5.3 was amended to allow for attendance at the meeting by distance communication means.
The Rules of the General Meeting were adapted to the changes in the Articles of Incorporation, which eliminated the need to own a given number of shares in order to be entitled to attend the General Meeting, and re-rewrote article 18 of the Articles of Incorporation.

Amendment to article 7:
Article 7.3 was amended to allow the Company to choose how to respond to requests for information from shareholders. The references to the Stock Market and Investor Relations Department were modified as a result of its change of name in order to apply uniform terminology with respect to the Rules.

Amendment to articles 9 & 11:
The Rules of the General Meeting were adapted in accordance with the amendment of the Articles of Incorporation, eliminating the need to own at least two thousand shares in order to be entitled to attend the General Meeting, it being sufficient to own one share; the reference to grouping of shares was, therefore, eliminated.

Amendment to article 12:
The Rules of the General Meeting were adapted to the amendment to the Articles of Incorporation eliminating the need to own at least two thousand shares in order to be entitled to attend the General Meeting, it being sufficient to own one share; the reference to grouping of shares was, therefore, eliminated. Additionally, Act 19/2005, of 14 November, on the European Limited Company domiciled in Spain, made a number of amendments to the Public Corporations Act which made it necessary to amend the Rules of the General Meeting by adding a new paragraph 2 to this article.

E.7. Indicate the attendance figures at General Meetings held during the fiscal year referred to in this report:

Attendance

Date of general meeting:	% of attendance:	% by proxy:	% distance vote:	Total %:
29-06-2006	61.078	38.922	0.000	100.000

E.8. Briefly describe the resolutions passed at the general meetings held during the fiscal year in question and the percentage by which each was passed.

A General Meeting was held on 29 June 2006 which adopted the following resolutions:

1.1.- Information to shareholders not submitted to a vote (Item one of the Agenda):
Since the previous General Meeting, held on 21 June 2005, a number of amendments were made to the Rules of the Board of Directors, all approved by the Board of Directors on 18 May 2006, which were described in detail.

1.2.- Outcome of the votes on the resolutions:

2.- Examination and approval of the financial statements (balance sheet, income statement and notes to financial statements) and directors' reports of FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A. and its consolidated group for 2005, and discharge of the Board of Directors from liability. (Item 2 of the Agenda)

The balance sheet, income statement, notes to financial statements and directors' reports for 2005 of FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A. and its consolidated group were approved. These documents had been audited by the Company's auditor.

The meeting discharged the board from liability for 2005 and approved the financial statements of the Consolidated group:

Votes cast	79,749,007
Votes against	9,540
Abstentions	291,678
Votes in favour	79,447,789

3.- Examination and approval of the proposed distribution of 2005 income. (Item 3 of the Agenda):

Total income distributed:	237,554,111.49 euro
- Interim dividend	99,682,001.33 euro
- Supplementary dividend	94,113,042.16 euro
- Voluntary reserves	43,759,068.00 euro

The remuneration for the Company's Board of Directors for 2005, which amounts to 1,654,151 euro, equivalent to 0.3925% of consolidated income attributable to Fomento de Construcciones y Contratas, S.A., was approved.

Votes cast	79,749,007
Votes against	2,886
Abstentions	200
Votes in favour	79,745,921

4.- Amendment to the Articles of Incorporation: articles 13 (Types of General Meetings), 14 (Meeting Announcements), 18 (Legitimation for attending General Meetings), 30 (Board: Announcement. Meetings), 32 (Board: Deliberations. Resolutions. Minutes), 37 (Board Remuneration) and 38 (the Audit and Control Committee).

Votes cast	79,749,007
Votes against	0
Abstentions	200
Votes in favour	79,748,807

5.- Amendment to the "Rules of the General Meeting of Fomento de Construcciones y Contratas, S.A.": 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).

Votes cast	79,749,007
Votes against	0

Abstentions	200
Votes in favour	79,748,807

6.- Appointment and reappointment of directors (Item 6 of the Agenda)

6.A.- Establish at nineteen (19) the number of members of the Board of Directors, within the limits set out in article 27 of the Articles of Incorporation.

Votes cast	79,749,007
Votes against	85,130
Abstentions	156,758
Votes in favour	79,507,119

6B.- Re-appoint Dominum Desga, S.A. as a member of the Board of Directors, based on a proposal by the Appointment and Remuneration Committee, effective from the date of this General Meeting and for a term of five years

Votes cast	79,749,007
Votes against	85,130
Abstentions	156,758
Votes in favour	79,507,119

6C.- Appoint Miguel Blesa de la Parra as a member of the Board of Directors, based on a proposal by the Appointment and Remuneration Committee, effective from the date of this General Meeting and for a term of five years.

Votes cast	79,749,007
Votes against	85,130
Abstentions	156,758
Votes in favour	79,507,119

6D.- Appoint Max Mazin Brodovka as a member of the Board of Directors, based on a proposal by the Appointment and Remuneration Committee, effective from the date of this General Meeting and for a term of five years.

Votes cast	79,749,007
Votes against	85,130
Abstentions	156,758
Votes in favour	79,507,119

7.- Authorisation to acquire own shares and authorisation to subsidiaries to acquire shares of Fomento de Construcciones y Contratas, S.A., in accordance with the limits and requirements in article 75 et seq. of the Public Corporations Act. (Item 7 of the Agenda)

The shareholders authorised FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A. and the companies in its Group which meet any of the circumstances set out in

article 42.1 and 42.2 of the Commerce Code to acquire own shares on the market, by purchase in any of the Stock Exchanges on which they are listed, at the stock market price on the day of acquisition, which must be between the following minimum and maximum values:

- At most 10% more than the highest market price in the three months prior to the acquisition.
- The minimum value will be 10% less than the lowest market price in the three months prior to the acquisition.

Votes cast	79,749,007
Votes against	0
Abstentions	200
Votes in favour	79,748,807

8.- Reappointment of auditors for the company and its consolidated group. (Item 8 of the Agenda)

DELOITTE, S.L was re-appointed as auditor of the Company and its Consolidated group for 2007.

Votes cast	79,749,007
Votes against	42,828
Abstentions	0
Votes in favour	79,706,179

9.- Give broad powers to the directors to implement, notarise, register, rectify and execute the adopted resolutions. (Item 9 of the Agenda)

Votes cast	79,749,007
Votes against	0
Abstentions	200
Votes in favour	79,748,807

12.- Approve the minutes of the Meeting:

This item of the agenda was not voted as the Meeting was minuted by a notary.

E.9. State how many shares a shareholder must possess to attend the General Meeting and whether there are any restrictions in the Articles of Incorporation.

It is only necessary to own one share.

E.10. Indicate and give the reasons for the Company's policies on voting by proxy at the General Meeting.

Notwithstanding the provisions of the Articles of Incorporation regulating proxies, it is the policy of the Board of Directors not to demand unnecessary formalities in the

proxy voting procedure which might hinder the rights of the shareholders who wish to exercise their right to attend the General Meeting, while providing the minimum necessary guarantees needed to verify the delegation of a proxy by the shareholder.

E.11. Indicate whether the Company is aware of the policy of institutional investors with regard to participating in Company decisions

YES ☐ **NO** ☒ X

Describe the policy:

E.12. Indicate the address of the corporate website and how the corporate governance contents can be accessed on the site.

The FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A. website, www.fcc.es, contains a section on the home page entitled “Information for Shareholders and Investors” which includes the information required by Act 26/2003 of 18 July, Order ECO/3722/2003 of 26 December, Circular 1/2004 of 17 March of the National Securities Market Commission, Order EHA/3050/2004 of 15 December and Royal Decree 1333/2005 of 11 November.

This page is just two clicks away from the home page. The contents are structured and ranked under headings that provide rapid access. All pages are printable.

FCC's web site is designed and programmed in accordance with the guidelines of the Web Accessibility Initiative (WAI), which establishes international standards in creating web contents that are accessible to all. Based on a technical analysis of accessibility, Technosite's accessibility consultants found that FCC's web site complies with all priority 1 and priority 2 checkpoints established by the Web Content Accessibility Guidelines 1.0 (WAIG 1.0) of the World Wide Web Consortium (W3C).

The site includes a link to the data notified by FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A. to the web site of the National Securities Market Committee.

F LEVEL OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

Indicate the degree of compliance or non-compliance with existing corporate governance recommendations.

In the event of not complying with a recommendation, detail the recommendations, regulations, practices or criteria applied by the company.

Until such time as the single document referred to in Order ECO/3722/2003 of 26 December has been drafted, the recommendations contained in the Olivencia and the Aldama Reports should be used as a reference. As set out in the decision by the

CNMV Board approving the single document of corporate governance recommendations: "Listed companies must use the aforementioned Unified Code as the reference when they present the Annual Corporate Governance Report for 2007 in the first half of 2008."

To that end, at 31 December 2006, FCC was engaged in an internal process of adapting its rules to the recommendations of the Unified Code of Corporate Governance approved by the CNMV on 19 May 2006.

Because of the transition period for adaptation, this section of this Report refers to FCC's compliance with the recommendations on corporate governance of the Aldama Report and the Olivencia Code.

1. FUNCTIONS OF THE BOARD OF DIRECTORS
Recommendation 1.
“The Board of Directors should accept expressly that the essence of its mandate is a general supervisory function. It should exercise, without the possibility of delegation, the responsibilities that such function involves and draw up formally a catalogue of the issues reserved for deliberation by it”.
The Board of Directors expressly accepts that the essence of its mandate is to supervise, direct, control and represent FCC, although the liability of both the Board as a governing body and its individual members may not be delegated

In any event, the Board of Directors, through the passage of resolutions which must be approved in each case as stipulated by law and the Articles of Incorporation, has sole powers of the following issues (Article 7 of the Rules of the Board):

a. Appointing and removing the Chairman, Vice-Chairmen, Managing Directors, Secretary and Assistant Secretary of the Board of Directors and proposing the respective Boards of Directors the appointment and revocation of the Chairmen and Managing Directors of the tier one specialised subsidiaries (FCC Construcción, S.A., FCC Medio Ambiente, S.A., Cementos Portland Valderrivas, S.A., Realia Business, S.A. and FCC Versia, S.A.) and appointing and removing members of the Steering Committee.

From time to time, the Board may modify the list of specialised subsidiaries referred to in the preceding paragraph.

b. Delegating powers to any of the members of the Board of Directors in the terms established by law and the Articles of Incorporation and revoking such powers.

c. Appointing and removing Board members on the Committees discussed in these Regulations.

d. Supervising the Delegated Committees of the Board.

e. Appointing Board members by co-optation when vacancies arise, until the next General Meeting is held.

f. Accepting the resignation of board members.

g. Authorising the annual accounts and presenting them to the General Meeting.

h. Determining the Group’s strategy with the support of the Strategy Committee and the Managing Director.

i. Approving investments, disinvestments, credits, loans, guarantees, bonds and other financial facilities for unit amounts above eighteen million (18,000,000) euro.

j. Organising the Board of Directors in general and modifying these Regulations in particular.

k. The powers vested in the Board of Directors by the General Meeting, which may only be delegated with the express consent of the General Meeting.

The Board is assisted in the performance of its functions by specialised committees in order to diversify the work and ensure that in certain cases, where the immediacy and importance of the issues do not require that they be forwarded directly to the full Board, the proposals and resolutions first pass through a specialised body that can filter and inform its decisions, thereby ensuring that decisions are objective and duly thought-out. These specialised committees are: the Executive Committee, the Audit and Control Committee, the Appointments and Remuneration Committee and the Strategy Committee.

2. INDEPENDENT DIRECTORS
Recommendation 2.
“The Board of Directors should include a reasonable number of independent directors, who should be persons of repute in their professional fields who are unrelated to either the executive management team or to major shareholders.”

The number of independent directors is four (15.79%), all of whom meet the general requirements of integrity, fitness, technical competence and experience referred to in the Olivencia code and the Aldama Report and are not prohibited from sitting on the board due to any type of incompatibility. The different professional backgrounds of the independent directors enrich the Board with different points of view and the contribution of varied experiences outside of the business world.

3. COMPOSITION OF THE BOARD
Recommendation 3.
In the composition of the Board of Directors there should be an ample majority of external directors (both proprietary directors and independent directors) with respect to executive directors, and the ratio between nominee directors and independent directors should be established taking into consideration the ratio between share capital corresponding to major shareholders and other share capital.

This recommendation was updated by the Aldama Report in the sense that there should be an ample majority of external directors and within them a very significant level of participation by independent directors, bearing in mind the stockholder structure and the capital represented on the Board.

The Company complies fully with this recommendation, given that 68.42% of the Board members are external nominee directors and the remaining 15.79% are external independent directors.

Given the ratio between the capital held by significant shareholders and the rest, the recommendation regarding the ratio of nominee to independent directors is complied with partially.

4. NUMBER OF DIRECTORS

Recommendation 4.
“The size of the Board of Directors should be that required to ensure that it operates in the most efficient and participative manner possible. The appropriate size, in principle, is probably between five and fifteen members."

The Aldama Report refrains from recommending a maximum and minimum number of Board members, limiting itself to stating that it should have the number required to ensure that it operates in the most efficient and participatory manner possible.

The Board of Directors believes that twenty (as of 31 December 2006 there were nineteen Directors) is an appropriate number in view of the Group's complexity and the distribution of tasks among the plenary Board, the Executive Committee, the Audit and Control Committee, the Appointments and Remuneration Committee and the Strategy Committee.

5. CHAIRMAN OF THE BOARD OF DIRECTORS
Recommendation 5.
“In the event that the Board opts for the formula whereby its Chairman is also the Company's chief executive, it should adopt the necessary precautions to reduce the risks arising from the concentration of power in a single person."

The office of Chairman and Chief Executive Officer are not held by the same person.

6. SECRETARY OF THE BOARD
Recommendation 6.
“Greater importance should be attached to the Secretary of the Board of Directors, reinforcing the Secretary’s independence and stability and highlighting the Secretary’s function of overseeing the formal and material legality of the conduct of the Board.”

The Secretary of the Board is independent and oversees the formal and material legality of the Board's conduct.

The Secretary is a professor of mercantile law and a partner in one of Spain's most prestigious law firms, which undoubtedly guarantees that the procedures and regulations of governance are respected and reviewed on a regular basis.

7. COMPOSITION OF THE EXECUTIVE COMMITTEE
Recommendation 7.
“The composition of the Executive Committee, if there is one, should reflect the same balance as exists within the Board itself between the different kinds of directors. Relations between these two bodies should be governed by the principle of transparency, in such a way that the Board is kept fully aware of the issues dealt with and decisions adopted by the Committee.”

The Executive Committee is composed of five (5) Directors: one (1) executive director and four (4) external directors.

The Board of Directors is informed at each one of its sessions of the resolutions adopted by the Executive Committee.

8. CONTROL COMMITTEES
Recommendation 8.
“The Board of Directors should create internal Control Committees made up exclusively of external directors, with responsibility for information and accounting control (Audit); the

selection of directors and senior management personnel (Appointments); the laying down and reviewing of remunerations policies (Remuneration); and the evaluation of the system of governance (Compliance)."

The Board of Directors of Fomento de Construcciones y Contratas, S.A. has set up the following Delegated Committees:
- the Audit and Control Committee is composed of four directors (100% external).
- the Appointments and Remuneration Committee is composed of seven directors (71% external).
- Strategy Committee: on 30 May 2005, following the favourable report of the Appointments and Remuneration Committee, eight directors were appointed (100% external).

9. INFORMATION TO DIRECTORS
Recommendation 9.
"That such measures as may be required be adopted to ensure that the directors receive in good time sufficient information, drawn up specifically and designed for the preparation of the meetings of the Board. Important or reserved information may only be excluded in exceptional circumstances."

Article 38, ("Board of Directors Meetings") of the Rules of the Board establishes that the announcement of the ordinary sessions will be sent by post, fax, or telegram and will be authorised with the signature of the Chairman or the Secretary or Assistant Secretary by order of the Chairman.
Notwithstanding the provisions of Article 30 of the Articles of Incorporation, every effort will be made to announce the meetings not less than ten days in advance. Along with the announcement of each meeting, the Directors will be provided with the meeting agenda and the pertinent documentation to enable them to form an opinion and vote on the issues placed before them for their consideration. In emergency situations, as decided by the Chairman, the minimum advance notice for the meeting will be 48 hours and in this case the meeting agenda will be limited to the urgent matters.

The Chairman will decide the meeting agenda. The Directors may request the inclusion of items on the agenda and the Chairman will be obliged to include them when the request is made by at least three Directors or by any one of the Board Committees at least three days in advance of the meeting date.

When a specific item is included on the meeting agenda at the request of the Directors, then the Directors who requested the inclusion of that item will forward the pertinent documentation along with their request or identify the pertinent documentation so that it can be forwarded to the rest of the Board members.

10. FUNCTIONS OF THE BOARD OF DIRECTORS
Recommendation 10.
"To ensure the proper running of the Board of Directors, its meetings should be held with the frequency required to enable it to perform its duties; the Chairman should encourage the participation of all board members, endeavouring to ensure that each one is free to adopt the stance he or she considers appropriate; particular care should be taken in the wording of the minutes and an evaluation should be made at least once a year of the quality and efficacy of the Board's work."

Article 38 ("Board of Directors Meetings") of the Rules of the Board establishes that the Board of Directors will meet as often as required and at least six times per year. The calendar of the ordinary sessions will be set by the Board at the beginning of each year. The calendar may be modified by agreement of the Board or by decision of the Chairman, who will notify the Directors of the change at least ten days in advance of the original meeting date, or the modified meeting date if it comes before the original date.

Board meetings may be held via telephone multiconference, videoconference or any other analogous system so that one or more directors can attend the meeting via that system.

The announcement of the ordinary sessions will be sent by post, fax, or telegram and will be authorised with the signature of the Chairman or the Secretary or Assistant Secretary by order of the Chairman. Notwithstanding the provisions of Article 30 of the Articles of Incorporation, every effort will be made to announce the meetings not less than ten days in advance. Along with the announcement of each meeting, the Directors will be provided with the meeting agenda and the pertinent documentation to enable them to form an opinion and vote on the issues placed before them for their consideration.

In emergency situations, as decided by the Chairman, the minimum advance notice for the meeting will be 48 hours and, in this case, the meeting agenda will be limited to the urgent matters.

On 31 January 2007, the Board devoted the first of its annual sessions to an assessment of its own transactions during the preceding year, evaluating the quality of its work, the efficacy of its regulations and correcting those aspects which have been shown to be dysfunctional, if any.

The number of meetings held during the fiscal year (10) surpasses those recommended in the Rules of the Board of Directors (6).

11. SELECTION AND RE-APPOINTMENT OF DIRECTORS

Recommendation 11.

"The involvement of the Board in the selection and re-appointment of its members should follow a formal and transparent procedure, and should be based on a reasoned proposal prepared by the Appointments Committee."

The selection and re-election of the members of the Board must adhere to the procedures established in the Rules of the Board of Directors, the Articles of Incorporation and the Public Corporations Act, with the participation of the Appointments and Remuneration Committee.

In particular, on 18 May 2006, the Appointments and Remuneration Committee reported to the Board of Directors in favour of:

- the re-appointment of Dominum Desga, S.A. as a director for another five-year term.
- the appointment of Mr. Miguel Blesa de la Parra as a director for a five-year term.

And on 25 May 2006, the Appointments and Remuneration Committee reported to the Board of Directors in favour of:

- the appointment of Mr. Max Mazin Brodovka as an independent director.

12. RESIGNATION OF DIRECTORS

Recommendation 12.

“Companies should include in their regulations the obligation incumbent upon the directors to resign in situations in which they may have a negative effect on the functioning of the Board or on the standing and reputation of the company.”

Articles 20 (“Director Resignation"), of the Rules of the Board lists the circumstances under which directors must resign:

"1. Directors will step down from the Board when their mandates have expired or when decided by the General Meeting of Shareholders making use of the legal and statutory powers vested in it.

2. The Directors shall make their positions available to the Board of Directors and officially resign at the Board's request in the following cases:

a. When they no longer occupy the positions or perform the functions associated with their appointment as executive directors.

b. In the case of nominated directors, when the shareholder whose interests they represent transfers its interest in FCC

c. When they are affected by circumstances of incompatibility or legal prohibition.

d. When at least two thirds of the Board members are in favour of the Director's resignation:

- when the Director is admonished by the Board for having infringed his obligations as a Director, following the proposal or report of the Appointments and Remuneration Committee or

- when the interests of FCC could be jeopardised by the Director remaining on the Board."

13. AGE OF DIRECTORS

Recommendation 13.

"An age limit should be established for the occupation of positions on the Board. This could be between sixty-five and seventy years of age for executive directors and for the Chairman, and somewhat more flexible in the case of other Board members."

The recommendation in the Aldama Report modified the one found in the Olivencia Report. It does not set an age limit but merely states that any company that implements such a policy must state it clearly in its internal regulations.

The Articles and Rules of FCC make no provision in this regard.

14. INFORMATION RIGHTS FOR DIRECTORS

Recommendation 14.

“There should be formal recognition of the right of each and every board member to gather and obtain the information and the advice required for the purposes of his supervisory duties. The channels through which this right is to be exercised – including recourse to external experts in special circumstances – should be established.”

Articles 30 and 31 of the Rules of the Board establish the information and inspection authority and the right of Directors to be assisted by experts.

Article 30. "Information and Inspection Authority"
"1. In order to perform their duties, Directors may inform themselves of any aspect of FCC and its subsidiaries and associated companies, domestic or foreign. To this end, they may examine documentation, talk to the heads of the departments in question and visit the company's facilities.

2. So as not to disturb the ordinary transactions of the FCC Group, the exercise of these information rights shall be channelled through the Chairman, who will respond to the Directors' requests by either providing the information directly or offering the appropriate interlocutors at the pertinent organisational level.

If such a request for information is denied, delayed or deficiently handled, the requesting Director may repeat his petition to the Audit and Control Committee, which shall listen to the versions of the Chairman and requesting Director and then decide how to proceed.

4.The requested information may only be denied when, in the opinion of the Chairman or the Audit and Control Committee, it is unnecessary or could be harmful to the Company's interests. Information requests shall not be denied when the request is supported by a majority of the Board members."

Article 31. "Expert Assistance."
"1. In order to be aided in the performance of their duties, external Directors may request the hiring of legal, accounting and financial advisers or other experts, at the Company's expense.

Such requests must necessarily refer to specific problems of a certain significance and complexity which arise in the performance of the Director's duties.

2. Requests for external advisers or experts shall be submitted to the Chairman of FCC and will be authorised by the Board of Directors if, in the Board's opinion:

a. It is necessary for the proper performance by independent Directors of their assigned duties.

b. The cost is reasonable, in view of the importance of the problem and the assets and income of FCC and

c. The technical assistance cannot be properly provided by internal FCC experts or technical personnel.

3. Requests for expert assistance by any of the Board Committees may not be denied, except when a majority of the Board members considers that the conditions envisaged in part 2 of this Article are not met."

15. DIRECTOR REMUNERATION
Recommendation 15.
"The policy as regards the remuneration of directors – which should be proposed, evaluated and reviewed by the Remuneration Committee – should be based on principles of moderation, should bear a relation to the Company's income and should be disclosed

in the form of a detailed breakdown by individual cases. The remuneration of directors is based on principles of moderation and bears a relation to the Company's income.”

The remuneration of directors is based on principles of moderation and bears a relation to the Company's income. Overall information is provided in the annual report as provided for in article 200 of the Public Corporations Act and part B.1.8. of this report. The actual remuneration of the members of the Board of Directors is lower than the limit allowed in the Articles of Incorporation. The principles for Director remuneration are established in article 32 of the Rules:

Article 32. "Remuneration of Directors"
"1. The Board, following a proposal of the Appointments and Remuneration Committee, will pay its members the remuneration agreed by the General Meeting of Shareholders in accordance with the Articles of Incorporation. Each board member shall be entitled to receive the remuneration established by the Board of Directors in accordance with the Articles of Incorporation, following the proposal of the Appointments and Remuneration Committee.

2. The remuneration paid to Directors will be stated in the Directors’ Report. The remuneration paid to the executive Directors for the performance of their functions shall be part of the information included in the Annual Corporate Governance Report regarding the remuneration and cost FCC Group executives.

3. The remuneration referred to in this Article is compatible with and separate from the salaries, remunerations, indemnities, pensions, stock options or any other kind of compensation established in general or specifically for those members of the Board of Directors who perform executive functions, regardless of the type of contractual relationship with the Company, whether it be an employment relationship - common or special for executives - mercantile or service provision, which relationships shall be compatible with sitting on the Board of Directors.

4. The Company will arrange liability insurance for its Directors."

16. GENERAL OBLIGATIONS OF DIRECTORS AND CONFLICTS OF INTEREST
Recommendation 16.
“The Company’s internal regulations should detail the obligations arising from the general duties of diligence and loyalty incumbent upon the directors, envisaging, in particular, situations of conflict of interest, their duty of confidentiality, the exploitation of business opportunities, and the use of corporate assets.”

The Rules of the Board discuss the obligations of Directors in Chapter V "Obligations of Directors” (articles 22 to 29), addressing the following issues:
- General obligations of directors
- Confidentiality
- Non-competition
- Conflicts of interest
- The use of FCC information
- Business opportunities and the use of company assets
- Indirect transactions
- Information obligations of directors

17. TRANSACTIONS WITH SIGNIFICANT SHAREHOLDERS
Recommendation 17.

“The Board of Directors should seek the adoption of appropriate measures designed to extend the duty of loyalty to major shareholders, establishing, in particular, precautions in respect of transactions between such shareholders and the company.”

This report provides detailed information on significant transactions with significant shareholders in fiscal year 2005.

The Rules of the Board contain measures for making the obligation of loyalty applicable to significant shareholders and people related to them. More specifically, article 25 establishes that

"directors shall abstain from attending and participating in deliberations affecting matters in which they could have a personal interest and from voting on those issues. A personal interest on the part of the Director is likewise considered to exist when it affects:

a. The Director’s spouse or person with an analogous relationship, or a person to whom the director is related by consanguinity or affinity up to and including the 4th degree,

b. A company in which the Director holds a significant interest. An interest is considered to be significant when the Director, by himself or in union with relatives of the type mentioned in a. above, owns more than 15% of the political and economic rights or, even without this percentage, may appoint at least one member to the company’s Board of Directors.

3. Directors shall inform the Board, through the Corporate Responsibility Department or any other that takes it place, well in advance of any situation which may cause a conflict of interest with the interests of the FCC Group of companies or its associated companies.

4. The express prior authorisation of the Board of FCC will be required, based on the report of the Appointments and Remuneration Committee, in the following cases:

1. The provision of remunerated professional services by a Director to any company of the FCC Group other than those rendered by executive Directors in the performance of their duties as company employees.

2. The sale, transfer or any other arrangement involving an economic consideration of any kind by a Director to any company of the FCC Group of supplies, materials, goods or rights in general.

3. Transmission of supplies, materials, goods or rights in general by companies of the FCC Group to a Director other than in the course of the transferring company’s ordinary business.

4. The provision of goods or services by companies of the FCC Group to Director under lower than market conditions, even when they are part of the company’s ordinary business.

5. In the case of ordinary transactions with the company, the Board of Directors may approve the generic line of transactions.

6. In any event, all transactions of any kind carried out by Directors with FCC, its subsidiaries or associated companies shall be reported in the Annual Corporate

Governance Report. This obligation extends to the transactions between the Company and its direct or indirect significant shareholders."

18. COMMUNICATIONS WITH SHAREHOLDERS
Recommendation 18.
“Measures should be decided upon to make the procedure for the delegation of votes more transparent and to increase the level of communication between the company and its shareholders, in particular institutional investors.”

The formal publication of the announcement of the General Meeting by the Company (in 8-10 national daily newspapers) goes well beyond the legal requirements (publication in one daily newspaper, stock market gazettes and the BORME). The Stock Market and Investor Relations Department also provides shareholders with information on the agenda and the resolutions to be submitted to the shareholders for their approval. All of this means that shareholders who cannot personally attend the General Meeting can delegate a proxy to vote for them on each agenda item.

The purpose of the Regulations of the General Meeting is threefold: first of all, to reinforce the transparency which should preside over the Company’s governing bodies by making the procedures for preparing and holding the General Meetings public. Secondly, to specify the different ways in which shareholders can exercise their political rights in relation to General Meetings. And thirdly, to unify in a single text all of the regulations governing the General Meeting of Shareholders, thus favouring the knowledge of shareholders with regard to the transactions of the Company's supreme governing body.

The Rules contain a series of measures relative to shareholders' information rights, proxies and electronic voting intended to encourage shareholder participation at general meetings.

On the FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A. website www.fcc.es, there is a section on the home page entitled “Information for Shareholders and Investors” which includes the information required by Act 26/2003 of 18 July, the Order ECO/3722/2003 of 26 December and the Circular 1/2004 of 17 March of the National Securities Market Committee. That information consists of economic and financial information and information on each general meeting of shareholders, the announcement and agenda, the proposed resolutions, voting by proxy and electronic voting.

19. MARKET TRANSPARENCY
Recommendation 19.
“The Board of Directors, above and beyond the requirements imposed by current legislation, should be responsible for supplying the markets with speedy, accurate and reliable information, particularly in relation to the structure of its body of shareholders, substantial modifications to its regulations of governance, transactions of particular relevance with related parties, or treasury stock.”

The financial information is supplied to the markets in a timely manner and in the appropriate format. The market is also informed in a timely manner of any significant events, particularly in relation to the structure of its body of shareholders, substantial modifications to its regulations of governance, transactions of particular relevance with related parties, or treasury stock.

Furthermore, pursuant to article 116 of the Stock Market Act on the rights of investors to key information on the decision-making processes in listed companies and the most

important aspects of their corporate governance, the Rules of the Board of Directors establish that, in addition to that mentioned above, the Board must prepare and publish an annual corporate governance report as mandated by law.

20. FINANCIAL INFORMATION
Recommendation 20.
“All periodic financial information which, in addition to the annual information, is offered to the markets should be drawn up in accordance with the same principles and professional practices as apply in the preparation of the annual accounts and should be verified by the Audit Committee prior to publication.”

All periodic financial information is drawn up in accordance with the same principles and professional practices as applied in the preparation of the annual accounts.

According to the Rules of the Board of Directors (article 14.2), all information made available to the markets is prepared according to the same professional principles, practices and criteria as those used to prepare the annual accounts and is just as reliable. To this end, the information is reviewed before being distributed by the Audit and Control Committee, one of whose functions is to ensure that the same principles and practices as those used to prepare the annual accounts are employed.

21. EXTERNAL AUDITORS
Recommendation 21.
“The Board of Directors and the Audit Committee should monitor situations which may jeopardise the independent status of the Company’s external auditors and, specifically, should verify the percentage represented by fees paid by the Company to the audit firm, in all respects, in terms of such firm’s total income. Information should be issued publicly on fees paid corresponding to professional services other than audit services provided by the audit firm.”

The Board’s relations with the external auditors of FCC are channelled through the Audit and Control Committee as provided for in the Articles of Incorporation.

The percentage of the fees paid by the Group in proportion to the auditor’s total revenues in Spain is 0.12%.

22. AUDIT QUALIFICATIONS
Recommendation 22.
“The Board of Directors should endeavour to ensure that the accounts which it draws up are submitted to the General Meeting without audit reservations and qualifications. When this is not possible, both the Board and the Auditors should explain clearly to both shareholders and the markets the nature and scope of the discrepancies."

In compliance.

23. ANNUAL CORPORATE GOVERNANCE REPORT
Recommendation 23.
“The Board of Directors should include in its annual public report information on its regulations of governance, explaining any aspects in which these regulations fail to conform to the recommendations of this Code.”

The Company, as established in article 116 of the Stock Market Act, publishes an Annual Corporate Governance Report which is approved by the Board of Directors, forwarded to

the CNMV and made available to all shareholders and investors on the Company's website. This report is provided to shareholders as an annex to the Annual Report at the Ordinary General Meeting of Shareholders.

G OTHER INFORMATION OF INTEREST

If you believe that a significant principle or item relating to corporate governance practices applied by your company has not been disclosed in this report, provide information.

This section can include any other information, clarification or qualification related to the aforementioned sections of this report provided that they are significant and are not repetitive.

Specifically, indicate whether the company is subject to any laws other than the laws of Spain with regard to corporate governance and, if so, include any information the company is obliged to provide other than that requested in this report.

EXPLANATORY ANNEX:
SECTION A:
FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A. (FCC) is controlled by B 1998, S.L., which owns 52.483% of FCC's share capital. Of that amount,
59,871,785 shares are held directly and 8,653,815 are held indirectly through its subsidiary Azate, S.A.
Fomento de Construcciones y Contratas, S.A. (FCC) is controlled by B 1998, S.L. which is in turn controlled by Esther Koplowitz Romero de Juseu (EK), who holds 73.37% of its share capital:
- 54.6107% directly and
- 18.7601% indirectly through Dominum Desga, S.A. (0.0001%), and Dominum Dirección y Gestión, S.A. (18.76%), both wholly owned by EK.
Furthermore, EK owns 123,313 direct shares in FCC and 39,172 indirect shares in FCC through the companies Dominum Desga, S.A. (4,132 shares) and Ejecución y Organización de Recursos, S.L. (35,040 shares), wholly owned by EK.
The company B 1998, S.L. is partially owned by a number of investors (the investors) in the amount of 26.63%:
- Cartera Deva, S.A. (5.01%)
- Ibersuizas Holdings, S.L. (10.55%)
- Simante, S.L. (5.73%)
- Larranza XXI, S.L. (5.34%)

SECTION A.6.
On 30 July 2004, a Regulatory Disclosure was published on the website of the CNMV which referred to the acquisition of a part of EK's interest in the company B 1998, S.L. by the companies Inversiones Ibersuizas, S.A., Inversiones San Felipe, S.L., Cartera Deva, S.A, and the French Peugeot family through the company Simante, S.L.

On 13 January 2005, the Group published a Regulatory Disclosure to the effect that the company Dominum Dirección y Gestión, S.A. Sociedad Unipersonal (wholly-owned by Esther Koplowitz Romero de Juseu) reached an agreement with the company Larranza XXI, S.L. (a company of the Bodegas Faustino group) on the transfer to the latter of a

minority shareholding held by the former in the company B 1998, S.L., which in turn possesses, directly or indirectly, 52.483% of the share capital of FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A.

Also on 13 January 2005, the Group published a Regulatory Disclosure to the effect that the company Dominum Dirección y Gestión, S.A. Sociedad Unipersonal (wholly-owned by Esther Koplowitz Romero de Juseu) reached an agreement with the investment companies Inversiones Ibersuizas, S.A., Inversiones San Felipe, S.L., Ibersuizas Holdings, S.L., Cartera Deva, S.A., Arzubi Inversiones, S.A. and EBN Banco de Negocios, S.A. on the transfer to the latter of a minority shareholding held by the former in the company B 1998, S.L., which in turn possesses, directly or indirectly, 52.483% of the share capital of FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A.
The regulatory disclosures noted the principal agreements relative to the control of the companies (FCC and B 1998, S.L.) reached by EK and the investors since the respective acquisitions:

- EK will continue to control B 1998, S.L., and therefore Azate, S.A. and FCC.
- The Board of Directors of B 1998 S.L. will be composed of twelve directors. The Investors will be entitled to appoint 4 directors but may never appoint more than one-third of the members of the Board of Directors of B 1998, S.L.
- EK will be entitled to appoint the majority of members of the Board of Directors of FCC and its subsidiaries. The investors, as a whole, may appoint up to 4 members but never more than one-third of the members of the Board of Directors of FCC.
- EK will be entitled to designate the Chairman of the Board of Directors of FCC and the Managing Director of FCC and at least two-thirds of the members of its Executive Committee.
- The pay-out of FCC will be at least 50%.

There are also numerous agreements between EK and the Investors designed to protect the latter's investment in B 1998, S.L. as minority shareholders. They are described below:

- WITH REGARD TO B 1998, S.L:

With regard to B 1998, S.L. and notwithstanding the fact that as a general rule the resolutions (of the General Meeting and the Board of Directors) are governed by the principle of a simple majority of the share capital, provisions are made for a number of special circumstances where the approval of the minority shareholders will be required:

-Amendments of the Articles of Incorporation which involve moving the registered offices abroad, changing the business objective or increasing or reducing share capital, except when such transactions are imposed by legal imperative or when capital reductions are carried out through the acquisition of shares in B 1998 S.L, owned directly or indirectly by EK or Dominum Dirección y Gestión, SA, by B 1998 S.L. itself for subsequent amortisation or by amortization of the shares of B 1998, S.L. owned directly or indirectly by EK or Dominum Dirección y Gestión, SA, charged to the reserves which, under the Articles or otherwise, are only accessible to EK.
- Transformations, mergers and spin-offs in any of their forms or the assignment *en bloc* of assets and liabilities;
- The dissolution or winding up of B 1998 S.L.;
- The over-riding of pre-emptive in capital increases and the exclusion of shareholders;
- Any change to the administration system of B 199B S.L.;
- The establishment or modification of the dividend policy agreed by the Investors in respect of the rights, provided by the Articles or otherwise, attached to the shares owned by the Investors;

- Any encumbrance of any relevant assets of B 1998, S.L. and specifically of FCC shares or shares in any other company in which B 1998 S.L. may hold an interest now or in the future;
- Any increase in the annual overhead costs which exceeds those shown on the Company's balance sheet ending 31st. December 2003, plus the annual increase in the Consumer Price Index, plus two percentage points. For calculation purposes, the remuneration received by B 1998 S.L., as a consequence of being part of the Board of Directors of FCC (hereinafter, "FCC Board Remuneration") will be excluded as will the remuneration received by members of the Board of Directors of B 1998 S.L to the extent that it does not exceed the remuneration of the Board of Directors of FCC;
- The granting or maintenance of powers which allow the disposal of FCC shares in any form;
- The indebtedness of B 1998 S.L and the provision or receipt of guarantees totalling more than 500,000 euro in aggregate;
- The creation or acquisition of direct subsidiaries (excluding FCC subsidiaries) or the acquisition of interests in companies other than those in which B 1998 S.L. currently holds an interest.

- WITH REGARD TO FCC:
With regard to FCC and notwithstanding the fact that as a general rule the resolutions (of the General Meeting and the Board of Directors) are governed by the principle of a simple majority of the share capital, provisions are made for a number of special circumstances where the approval of the minority shareholders will be required:
- Amendments of the Articles of Incorporation which involve moving the registered offices abroad or increasing or reducing share capital, except when such transactions are imposed by legal imperative;
- Changes to the business object insofar as they involve the incorporation of activities unrelated to the construction, services, cement and real estate sectors;
- Transformations, mergers and spin-offs;
- The merger of FCC Construcción, S.A., Cementos Portland Valderrivas, S.A. and FCC Servicios, S.A. as a consequence of which B 1998, S.L. no longer holds, indirectly, more than 50% of the voting rights in the company formed by the merger;
- The over-riding of pre-emptive subscription rights in capital increases;
- The modification of the administration system;
- The disposal, encumbrance or acquisition of FCC assets unrelated to the Company's business objective, provided that they are material, and any such actions included within the business objective of FCC when the value of the individual transaction or a group of transactions is equal to or greater than 700,000,000 euro (plus the annual increase in the Consumer Price Index) or any significant change to the current structure of the FCC Group or which represents more than 10% of the consolidated assets of the FCC Group;
- Any other transactions involving a variation of more than 20% of the capital and reserves of FCC or 10% of the consolidated assets of the FCC Group;
- The granting of powers which permit the disposals, encumbrances or acquisitions referred to above; the foregoing in no way limits the right of EK to appoint and remove the Managing Director of FCC;
- The indebtedness of FCC and the giving or receiving of guarantees by FCC (excluding the guarantees required as part of the normal business transactions and project finance) which overall exceed 2.5 times the amount of the gross operating income shown on the last consolidated balance sheet of FCC.

If it is not possible to reach a consensus between EK and the Investors to pass the resolutions under the special circumstances referred to above, they will take the necessary actions required to maintain the pre-existing situation.
For further information, please see the full contents of the shareholders' agreements, which are available on the website of the National Securities Market Commission under the heading of Regulatory Disclosures reported by the Company on 30 July 2004 and 13 January 2005.

- The Company has no knowledge of the existence of concerted actions.

SECTION B.10.2.
Francisco Vicent Chuliá was appointed Secretary of the Board of Directors at the Board meeting on 26 October 2004.

SECTION B.10.5.
Article 35.2 of the Rules of the Board establishes that the Board of Directors may permanently delegate the powers of the Board to one or more of its members, with the exception of those which are not delegable under the law, the Articles of Incorporation or the Rules.

In order to be valid, the permanent delegation of the powers of the Board of Directors and the appointment of the Director or Directors to whom such powers are delegated, regardless of the office they hold, shall require the favourable vote of at least two-thirds of the members of the Board of Directors.

The Managing Director is responsible for representing and directing the Company's business, always in keeping with the decisions and criteria established by the General Meeting of Shareholders and the Board of Directors, within the scope of their respective authorities.

The effective representation and direction of the Company's business includes but is not limited to:

- Supporting the Board of Directors in the definition of the Group's strategy.

- Preparing the Business Plan and Annual Budgets to be submitted to the Board of Directors for approval.

- Preparing and submitting to the Board of Directors or to the Executive Committee for approval, depending, respectively, on whether the individual amount is higher or lower than eighteen million euro, proposals for investments, disinvestments, credits, loans, guarantees, bonds and other types of financial facilities.

- Hiring and firing of company personnel with the exception of the appointments to be made by the Board of Directors pursuant to the terms of these Rules.

Once a year, at the first Board meeting of the year, the Managing Director will report to the Executive Committee on the actual level of compliance with the forecasts in terms of the proposed investments submitted to the Committee and to the Board of Directors.

Article 7.2 of the Rules of the Board of Directors establishes the following:

"In any event, through the passage of resolutions which must be approved in each case as stipulated by law and the Articles of Incorporation, the plenary Board of Directors has exclusive powers over the following formal list of matters, which may not be delegated:

a. Appointment and removal of the Chairman, Vice-Chairman, Managing Director, Secretary and Vice-Secretary of the Board of Directors, and proposal to the respective Boards of Directors through the Company's representatives therein, to appoint and remove the Chairmen and General Managers of the current top-level specialised subsidiaries (FCC Construcción, S.A., FCC Medio Ambiente, S.A., Cementos Portland Valderrivas, S.A., Realia Business, S.A. and FCC Versia, S.A.), acting in this connection in pursuit of the corporate interest of each of the aforementioned subsidiaries, and the appointment and removal of Executive Committee members.
The Board may periodically amend the list of specialised subsidiaries in the preceding paragraph.
b. Delegating faculties to any of the members of the Board of Directors in the terms established by law and the Articles of Incorporation, and revoking such powers.
c. Appointment and removal of Board members as members of the various Committees envisaged in these Rules.
d. Supervising the Board's Delegated Committees.
e. Appointing Board members by co-optation to fill vacancies that arise, until the next General Meeting is held.
f. Accepting the resignation of board members.
g. Authorising the Financial Statements and presenting them to the General Meeting.
h. Determining the Group's strategy with the support of the Strategy Committee and Managing Director.
i. Approving investments, divestments, credit lines, loans, surety or guarantee lines, and other financial facilities for unit amounts in excess of eighteen million euro (18,000,000).
j. The general organising powers of the Board of Directors, particularly the power to amend these Rules.
k. The powers vested in the Board of Directors by the General Meeting, which may only be delegated with the express consent of the General Meeting."

Also, article 8 ("General Functions - Equilibrium in the performance of functions"), paragraph 1, establishes that "The Board of Directors is responsible for performing such acts as may be necessary to attain the corporate purpose set forth in the Articles of Incorporation, in accordance with the applicable laws". And paragraph 2 establishes that "Delegation by the Board of powers to any of its members within the limits allowed by the law does not deprive the Board of those powers".

On 26 October 2004, the Board of Directors delegated numerous powers to Rafael Montes Sánchez relative to: financial matters, customer and supplier relations, labour relations, administration and disposal, companies and associations, legal matters and internal affairs. This delegation of powers facilitates Group management and expedites the external manifestation of the company's will.

SECTIONS B.1.8 AND B.1.10.
The body which authorises "golden handshake" clauses is the Executive Committee.

As indicated in the notes to the income statements for each fiscal year that are prepared by the Board of Directors and submitted to the General Meeting for approval, an insurance policy was arranged to cover the payment of contingencies relative to death,

permanent disability, retirement and other items to the executive directors and executive staff members listed in sections B.1.3 and B.1.9, respectively.

In particular, the contingencies eligible for indemnification are those which result in the termination of the labour relationship for any of the following reasons
a) Unilateral decision by the company
b) Dissolution or disappearance of the parent company for any reasons, including merger or spin-off.
c) Death or permanent disability.
d) Other causes of physical or legal disability.
e) A substantial change in professional conditions.
f) Resignation at the age of 60 at the executive's request and with the company's approval.
g) Resignation at the age of 65 years by unilateral decision of the executive.
The consolidated income statement of the FCC Group includes the payment of insurance premiums in the amount of 4,384 thousand euro, 3,064 thousand euro of which relate to the executive directors and senior management referred to in part B.1.10.

SECTION B.1.17.
All other resolutions of the Board of Directors shall require the favourable vote of an absolute majority of the members.

SECTION B.1.24.
Part 1 of article 10 of the Rules of the Board "Specific functions relative to the Annual Accounts and Directors' Report" states that the Board of Directors will draw up the Annual Accounts and the Directors' Report, both individual and consolidated, to provide a true and fair view of the equity, financial situation and results of FCC, as provided for under the law, based on the report of the Audit and Control Committee. These accounts will first be certified for their integrity and accuracy by the Chief Financial Officer with the Chairman's approval, if he has executive powers, and otherwise by the Managing Director.

SECTION B.2.4.
* EXECUTIVE COMMITTEE
Article 40.1 of the Rules of the Board establishes that "The Board may set up an Executive Committee in which it may permanently delegate all of the powers vested in the Board of Directors with the exception of those which, by law or under the Articles of Incorporation or these Rules, may not be delegated. Unless otherwise stipulated in the delegation of powers by the Board of Directors, the Executive Committee will have specific responsibility for deciding on investments, divestments, credits, loans, guarantee and surety lines and other financial facilities for unit amounts not exceeding eighteen million euro".

*AUDIT AND CONTROL COMMITTEE:
Article 41 of the Rules of the Board of Directors establishes that:
"2. The basic function of the Audit and Control Committee is to support the Board of Directors in its supervisory duties by periodically reviewing the processes used to prepare the financial information, the internal controls and the independence of the external auditors.

3. In particular, the Audit Committee's authority includes, but is not limited to:

- Informing the General Meeting of Shareholders on the questions raised by shareholders which fall within its scope of authority.
- Making proposals to the Board of Directors, for submission to the General Meeting of Shareholders, on the appointment of external auditors referred to in Article 204 of the revised text of the Public Corporations Act approved by Royal Legislative Decree 1564/1989 of 22 December.
- Supervising the company's internal audit services.
- Overseeing the company's financial information process and internal control systems.
- Requesting and receiving information from the external auditors on matters which could jeopardize the independence of the external auditors and on any other questions related to the auditing process and in relation to any and all communications envisaged in the auditing legislation and in auditing standards.
- Guaranteeing the independence of its own members in relation to the Company's external auditors.
- Overseeing compliance with legal requirements and the correct application of generally accepted accounting standards.
- Supervising the preparation of the individual and consolidated Income Statements and the Directors' Report for their authorisation by the Board of Directors in accordance with the law.
- Informing the Board on the accuracy and reliability of the individual and consolidated Income Statements and Directors' Report and of the financial information periodically disseminated to the markets.
- Evaluating the reports on proposed amendments of these Rules, in accordance with the provisions of part 3, Article 4.
- Deciding on how to proceed in relation to the information rights of the Directors who come to the Committee for assistance, in accordance with the provisions of Article 30 of these Rules. Requesting, as necessary, the inclusion of items on the agenda for Board meetings, under the conditions and by the deadlines established in article 38.4 of these Rules.
- Serving as a channel of communication between the Board of Directors and the external auditors and evaluating the results of each audit.
- Issuing reports and proposals as requested by the Board of Directors or the Chairman of the Board and those it deems appropriate for the best performance of its functions."

* APPOINTMENTS AND REMUNERATION COMMITTEE:
Article 42 of the Rules of the Board of Directors establishes that:

"3. The Appointments and Remuneration Committee is responsible for proposing or informing the Board of Directors as follows:

a. Advising on proposals for the appointment or re-election of Directors and proposals for reprimanding Directors as referred to in Article 20.2 d) of these Rules.
b. Proposing the people or positions that should be considered executive staff members or positions of the Company, in addition to those envisaged in Article 2.2 of these Rules.
c. Advising on the Board of the Directors' remuneration scheme and revising it periodically to ensure that it is in keeping with the duties performed by the Directors.
d. Advising on incentive plans for the executives of the FCC Group, particularly those that are related to the value of the shares.
e. Advising on the fundamental aspects of the general compensation policy of the FCC Group and the remunerations and types of contracts of FCC executives.
f. Advising on proposals for the appointment of members to the Committees of the Board of Directors.

g. Preparing and maintaining a record of the situation of Directors and Executives of FCC
h. Receiving the information provided by Directors under Article 24.2 of these Rules.
i. Advising on the professional or commercial transaction referred to in Article 25.4 of these Rules, if any.
j. Advising on the use, by Directors for their own benefit, of business opportunities previously studied and ruled out by the FCC Group and the use by Directors of assets belonging to the Group of Companies referred to in parts 1 and 3 of Article 27 of these Rules.
k. Receiving and filling in the record of situations referred to in letter h. above the personal information provided by the Directors as established in Article 29 of these Rules.
l. Requesting, as necessary, the inclusion of agenda items at Board meetings, under the conditions and by the deadlines established in Article 38.4 of these Regulations."

"5. To perform its functions optimally, the Appointments and Remuneration Committee may seek the advice of external professionals, in which case the provisions of Article 31 of these Rules shall apply."

"10. The Appointments and Remuneration Committee shall have access to all of the documentation and information needed to perform its functions."

* STRATEGY COMMITTEE:
Article 43 of the Rules of the Board of Directors establishes that:

"4. It is a function of the Strategy Committee to assist the Board of Directors in determining the Group's strategy based on the guidelines set out by the Board, preparing such reports and motions as may be necessary.

5. In particular, the Strategy Committee will advise the Board on any proposals involving investments, divestments, associations with third parties, the development of new lines of business, and financial transactions whose materiality is such that they may, in the Board's opinion, have an effect on the Group's strategy; it will also advise the Board on any other matters requested by the Board which do not fall under the jurisdiction of any other Committee.

6. To perform its functions optimally, the Strategy Committee may seek the advice of external professionals, in which case the provisions of Article 31 of these Rules will apply."

SECTION B.2.8.
Two of the seven members of the Appointments and Remuneration Committee are executive directors. Nonetheless, the terms of article 42.1 of the Rules of the Board of Directors are met since a majority of the Committee members are external directors.

SECTIONS C.1 AND C.2
The significant transactions disclosed by B 1998 S.L. were arranged by Dominum Desga, S.A. (amounting to 8.691€), Diseño Especializado en Organización de Recursos, S.L. (amounting to 10.450€), Ordenamientos Ibéricos, S.A. (amounting to 250.765€), Esther Koplowitz Romero de Juseu (4.828€), with the exception of cleaning services (amounting to 6.655€) that were commissioned directly by B 1998, S.L from FCC Medio Ambiente, S.A.

SECTION C.3
There are multiple transactions between companies of the group that are part of the Group's normal business transactions, all of which are eliminated in the process of preparing the consolidated financial statements.

SECTION E.7.
The specific details of attendance at the General Meeting are as follows:
Date of General Meeting: 29-06-2006
Shareholders physically in attendance as a percentage of total share capital: 53.399%
Shareholders represented by proxy: 7.679%
Distance voting: 0
Total attendance at General Meeting as a percentage of total share capital: 61.079%

SECTION E.11
To date, the institutional investors have not expressed any intention of participating in the Company's decisions.

OTHER INFORMATION OF INTEREST:
On 30 May 2006, the CNMV was notified of the decision by the Barcelona Provincial Court dated 12 May 2006 upholding the decision of Barcelona Mercantile Court no. 4 which found that the Mercantile Registrar had overstepped his powers by refusing to register the inscription of a resolution to appoint directors passed by FCC's General Meeting on 23 June 2004 (the directors appointed in place of those proposed by Acciona).
That decision put an end to the register-related part of the dispute between FCC and Acciona that arose when, at the FCC General Meeting of 23 June 2004, Acciona sought to appoint three members of the Board of its rival, FCC, by the procedure of proportional representation.
The full content of the court decision is available for consultation at the Company's web site, www.fcc.es, under Press Room - News.

This annual corporate governance report was approved by the Company's Board of Directors on 29 March 2007.