

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

ARTICLES 5 (ANNOUNCEMENT OF THE MEETING), 6 (INFORMATION AVAILABLE AS SOON AS THE GENERAL MEETING IS ANNOUNCED), 8 (PROXIES), 9 (RIGHT TO ATTEND, OBLIGATION TO ATTEND) AND 15 (VOTING ON PROPOSALS)

(ITEM 4 OF THE AGENDA).

2007 ORDINARY GENERAL MEETING OF SHAREHOLDERS

I. Purpose of the report

The purpose of this report is to justify the proposal submitted to the General Meeting of Shareholders of Fomento de Construcciones y Contratas, S.A. (hereafter, “**FCC**” or the “**Company**”) that is scheduled for 28 June 2007 at 16.00 hours, at first call, and for 29 June 2007 at the same time, at second call, under item 4 of the agenda, regarding amendment of the Rules of the General Meeting of Shareholders.

II. General justification of the proposal

The amendment to the Rules that is submitted to the General Meeting for approval is structured in two parts.

On the one hand, following publication by the National Securities Market Commission (CNMV) of the Unified Code of Corporate Governance (Unified Code), and even though, as discussed later, the recommendations of the Unified Code are implemented essentially in the Rules of the Board of Directors, some issues need to be addressed in the Rules of the General Meeting to ensure proper coordination with the content of the Articles of Incorporation and the Rules of the Board of Directors.

And, on the other hand, the proposed amendment to the Rules seeks to clarify and complement technical aspects of certain clauses, with the resulting change in wording, all with the aim of providing greater certainty in interpreting and applying those provisions.

This amendment of the Rules of the General Meeting comes in the context of a process of review and adaptation of the Company's main corporate governance documents in order to ensure coherence between them.

1. Amendment of certain clauses of the Rules of the General Meeting in order to adapt their content to the recommendations in the Unified Code of Corporate Governance.

On 19 May 2006, the National Securities Market Commission published the report of the special working group on the corporate governance of listed companies, Annex I of which contained the Unified Code of Good Governance, which sets out a number of recommendations to listed companies in the area of corporate governance.

The principles guiding the Unified Code are as follows.

- (i) *Voluntariness, subject to the "comply or explain" principle* (in their annual corporate governance report, companies must disclose which recommendations they do not apply, and explain why).
- (ii) *Evaluation by the market*: It is up to the markets to assess the companies' explanations.
- (iii) *Generality*: The Unified Code is applicable to all listed companies, although some recommendations may be inappropriate for smaller companies. In that case, it will suffice for the companies to explain the reasons and the options they choose.
- (iv) *Binding definitions*: When disclosing the degree of compliance, companies must adhere to the meanings that the Unified Code gives to certain terms used in making the recommendations.

Aside from actual compliance with the recommendations, adapting to the recommendations of the Unified Code requires FCC to analyse the main corporate governance documents (Articles of Incorporation, Rules of the Board of Directors, Rules of the General Meeting, Internal Code of Conduct in the Markets) to determine the extent to which they must be adjusted to the recommendations of the Unified Code.

Based on a decision of the CNMV Board on 22 May 2006, FCC must decide in 2007 which of the recommendations it assumes and which it discards (totally or partially) , and must make a disclosure in this respect to the markets and shareholders in the 2007 Annual Corporate Governance Report that the Board of Directors of FCC must approve early in 2008 (Article 116 of the Securities Market Law).

Regarding the scope and premises of the proposed amendment to the Rules of the General Meeting presented here, it should be noted that most of the recommendations in the Unified Code are accommodated in the Articles of Incorporation and (fundamentally) in the Rules of the Board of Directors, and that this proposal confines itself to those aspects of the Unified Code's recommendations that relate directly to the General Meeting and which, because of their nature and content, must be reflected in the rules of the General Meeting.

Accordingly, it is proposed to amend specifically the following clauses of the Rules: (i) article 5 of the Rules of the General Meeting relating to the Announcement of the meeting; (ii) article 6 of the Rules of the General Meeting relating to Information available as soon as the General Meeting is announced; and (iii) article 15 of the Rules of the General Meeting relating to Voting on Proposals.

2. Technical improvements in certain clauses of the Rules of the General Meeting

As indicated above, the proposed amendment also seeks to make technical improvements to certain clauses of the Rules in order to clarify and complete certain aspects with the goal of providing greater certainty in their interpretation and application.

Specifically, amendments are proposed in the following articles: (i) article 8 of the Rules of the General Meeting relating to proxies; and (ii) article 9 of the Rules of the General Meeting relating to right to attend, obligation to attend.

Finally, in both the technical amendments and the amendments relating to the Unified Code, minor changes in wording and style have been made to facilitate understanding of those articles of the Rules.

III. Detailed justification of the proposal to amend the Rules of the General Meeting

The broad lines of the amendment are set out above; the specific amendments are described in greater detail below:

Current wording	Proposed wording
Article 5. Meeting Announcement	Article 5. Meeting Announcement
1. The General Meeting of Shareholders will be convened by placing an announcement in the Official Gazette of	1. The General Meeting of Shareholders will be convened by placing an announcement in the Official Gazette of

the Mercantile Register and in one of the daily newspapers with the largest circulation in the province and on the Company's website at least one month in advance of the meeting date.

The Board of Directors must consider the advisability of publishing the meeting announcement in other media.

The announcement will be sent to the National Securities Market Commission on the day it is published.

2. The meeting announcement will contain:

a) The name of the Company, and the place, date and time of the meeting at first call and at second call; there must be at least twenty-four hours between the times of first and second call.

b) The meeting agenda, which must contain a clear and precise list of the business to be transacted at the meeting.

c) The requirements for attending the General Meeting and for accrediting one's attendance rights.

d) The right of shareholders to be represented at the meeting by a proxy, who need not be a shareholder, and the requirements and procedures for exercising this right.

e) Shareholders' right to information and the procedures for exercising this right.

3. When each General Meeting of Shareholders is announced, the Board of Directors will evaluate whether there are distance communication methods available that permit the shareholders to vote and/or delegate their votes remotely, duly guaranteeing the identity of the shareholder exercising the right to vote or, in the case of a proxy, the identity of

the Mercantile Register and in one of the daily newspapers with the largest circulation in the province and on the Company's website at least one month in advance of the meeting date.

The Board of Directors must consider the advisability of publishing the meeting announcement in other media.

The announcement will be sent to the National Securities Market Commission on the day it is published.

2. The meeting announcement will contain:

a) The name of the Company, and the place, date and time of the meeting at first call and at second call; there must be at least twenty-four hours between the times of first and second call.

b) The agenda of the General Meeting of Shareholders will be written clearly and precisely and will include the business to be transacted at the meeting, **and it must be drafted so as not to prevent issues which are substantially independent from being voted on separately, in order that the shareholders may express their preferences separately.**

c) The requirements for attending the General Meeting and for accrediting one's attendance rights.

d) The right of shareholders to be represented at the meeting by a proxy, who need not be a shareholder, and the requirements and procedures for exercising this right.

e) Shareholders' right to information and the procedures for exercising this right.

3. When each General Meeting of

<p>the principal and agent and whether the use of such methods is feasible. If the Board of Directors determines that such methods are available and can be used, it shall mention this in the announcement, specifying the communication methods that shareholders may use to exercise their representation rights, exercise or delegate their vote and attendance. It shall also contain the deadlines, forms and ways in which shareholders can attend the Meeting by electronic or telematic means.</p> <p>4. The agenda contained in the announcement shall be determined by the Board of Directors, although shareholders who own at least 5% of capital may request the publication of a supplement to the meeting announcement, adding one or more items to the agenda. The shareholders who wish to exercise that right must send that supplement via certifiable means to the company's registered offices within five days from publication of the meeting announcement. The supplement must be published at least fifteen days prior to the scheduled meeting date.</p>	<p>Shareholders is announced, the Board of Directors will evaluate whether there are distance communication methods available that permit the shareholders to vote and/or delegate their votes remotely, duly guaranteeing the identity of the shareholder exercising the right to vote or, in the case of a proxy, the identity of the principal and agent and whether the use of such methods is feasible. If the Board of Directors determines that such methods are available and can be used, it shall mention this in the announcement, specifying the communication methods that shareholders may use to exercise their representation rights, exercise or delegate their vote and attendance. It shall also contain the deadlines, forms and ways in which shareholders can attend the Meeting by electronic or telematic means.</p> <p>4. The agenda contained in the announcement shall be determined by the Board of Directors, although shareholders who own at least 5% of capital may request the publication of a supplement to the meeting announcement, adding one or more items to the agenda. The shareholders who wish to exercise that right must send that supplement via certifiable means to the company's registered offices within five days from publication of the meeting announcement. The supplement must be published at least fifteen days prior to the scheduled meeting date.</p>
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Justification of the amendment to article 5:

The proposed amendment includes paragraph 1 of recommendation 5 of the Unified Code of Corporate Governance.

Current wording	Proposed wording
<p>Article 6. Information available as soon as the General Meeting is announced</p> <p>As from the date of the meeting announcement, the Company will make available to its shareholders, at its registered offices, at the National</p>	<p>Article 6. Information available as soon as the General Meeting is announced</p> <p>As from the date of the meeting announcement, the Company will make available to its shareholders, at its registered offices, at the National</p>

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 the motions drawn up by the Board of Directors regarding 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.

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.

When the proposal consists of the appointment or ratification of directors, the following information with regard to the directors will also be included: (i) professional and biographical profile; (ii) other Boards of Directors to which they have belonged, both listed and unlisted companies; (iii) indication of the category of director to which they belong, specifying, in the case of proprietary directors, the shareholder at whose request the appointment, ratification or re-appointment has been proposed, or with whom they have ties; (iv) date of their first appointment as a director of the Company, and date of their subsequent appointments; (v) Company shares and share options which they possess.

- 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.
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Justification of the amendment to article 6:

The amendment includes recommendation 4 of the Unified Code.

Current wording	Proposed wording
<p>Article 8. Proxies</p> <p>1. Shareholders entitled to attend the General Meeting of Shareholders may delegate a proxy to represent them, who may or may not be a shareholder.</p> <p>The proxy will be granted according to the terms and within the scope established in the Public Corporations Act (Ley de Sociedades Anónimas), in writing, and separately for each General Meeting, except when the proxy is a spouse, ascendant or descendant of the shareholder or holds a general power of attorney to administer all of the shareholder's assets in Spain.</p> <p>2. In the event of a public request for proxies, the provisions of article 107 of the Public Corporations Act and article 114 of the Securities Market Act 24/1998, of 28 July, will apply. The text of both of these articles is appended hereto as an inseparable part of these Rules.</p> <p>3. Proxies are always revocable. The shareholder's attendance at the General Meeting of Shareholders constitutes a revocation of the proxy, regardless of the date of the proxy.</p>	<p>Article 8. Proxies</p> <p>1. Shareholders entitled to attend the General Meeting of Shareholders may delegate a proxy to represent them, who may or may not be a shareholder.</p> <p>The proxy will be granted according to the terms and within the scope established in the Public Corporations Act (Ley de Sociedades Anónimas), in writing, and separately for each General Meeting, except when the proxy is a spouse, ascendant or descendant of the shareholder or holds a general power of attorney to administer all of the shareholder's assets in Spain.</p> <p>2. The proxy may also be granted by post, whereby a written document is handed to the Company indicating the representation granted, accompanied by the attendance card issued by the Company or entities responsible for keeping a record of account entries. However, the attendance card itself may suffice when used for the purposes of delegation by post.</p> <p>Representation may also be granted by other means of distance communication provided that they are expressly permitted by the Board of Directors when the General Meeting of Shareholders is announced, which will be publicised in the meeting announcement and on the Company's</p>

website.

3. Representation granted by any of the above means of distance communication must be received by the Company at least five (5) hours before the time scheduled for the General Meeting at first call. Otherwise, proxies will not be recognised.

4. The Chairman and Secretary of the General Meeting of Shareholders will have broad powers to grant the validity of the document or other proof of representation; they may only refuse to recognise that which lacks the minimum necessary requirements, provided that they are irremediable.

5. When directors of the Company make a public solicitation of proxies, the rules contained in the Public Corporations Act, in the Securities Market Act and in the implementing regulations will play. In particular, the proxy document must contain the agenda or include it as an annex, as well as the request for instructions on how to exercise the right to vote and indicating how the proxy should vote in the absence of specific instructions. The proxy may also include items that, although not provided for on the agenda of the meeting, can be dealt with, as permitted by law, at the meeting, and may also provide for the substitution of the director by another member in attendance at the general meeting when he is in a conflict of interests which prevents him from voting the proxy.

6. Proxies are always revocable. The shareholder's attendance at the General Meeting of Shareholders constitutes a revocation of the proxy, regardless of the date of the proxy.

Justification of the amendment to article 8:

The amendment makes technical improvements.

Current wording	Proposed wording
<p>Article 9. Right to attend, obligation to attend</p> <p>1. Shareholders possessing one or more shares shall be entitled to attend the General Meetings, provided that the ownership of the shares is registered in the ledger of account entries at least five days in advance of the Meeting date.</p> <p>2. The members of the Board of Directors are obliged to attend the General Meeting of Shareholders. Executives, managers, technical personnel and others responsible for the management of the Company may also attend General Meetings when the Board of Directors sees fit and considers that their participation in the Meeting may be useful to the Company. The Chairman of the General Meeting may authorise any other person to attend, as he sees fit, but the General Meeting is entitled to revoke such authorisation.</p>	<p>Article 9. Right to attend, obligation to attend</p> <p>1. Shareholders possessing one or more shares will be entitled to attend the General Meeting, provided that their ownership of the shares is registered in the ledger of account entries at least five days in advance of the Meeting date and the shareholder accredits such ownership at the Company's registered offices or any other location indicated in the notice of meeting, by exhibiting the pertinent certificate or attendance card issued by the Company, or in any other form permitted by law.</p> <p><i>The member entities of the Sociedad de Gestión de Sistemas de Registro, Compensación y Liquidación de Valores S.A. (Iberclear) may be authorised by the Company to issue General Meeting attendance cards to the shareholders who have deposited their shares; these cards are also provided, where appropriate, by the Company itself, upon proof of share ownership.</i></p> <p><i>The Company will advise these entities about the format of the attendance card that must be issued to the shareholders, ensuring that the cards issued by these entities are uniform and include a bar code or another system which allows the card to be read electronically to record meeting attendance automatically, and the form in which this document may be used to grant proxy to another shareholder. The attendance card may indicate the identity of the proxy where the shareholder represented has not expressly indicated it, and possible conflicts of interest.</i></p> <p>2. The members of the Board of Directors</p>

	are obliged to attend the General Meeting of Shareholders. Executives, managers, technical personnel and others responsible for the management of the Company may also attend General Meetings when the Board of Directors sees fit and considers that their participation in the Meeting may be useful to the Company. The Chairman of the General Meeting may authorise any other person to attend, as he sees fit, but the General Meeting is entitled to revoke such authorisation.
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Justification of the amendment to article 9:

The amendment makes technical improvements.

Current wording	Proposed wording
<p>Article 15. Voting on Proposals</p> <p>1. Upon conclusion of the shareholders' addresses and once the questions have been answered as provided for in these Rules, the proposed resolutions in the agenda and any others which by law need not be included in the agenda will be voted on.</p> <p>2. The Secretary will ask the shareholders whether or not they wish to have the proposed resolutions read, the text of which was delivered to the shareholders before the meeting and is available on the Company's website. If any shareholder wishes them to be read or if the Chairman deems it appropriate, the proposed resolutions will be read aloud. In any event, the shareholders will be informed of the agenda item to which each proposed resolution refers.</p> <p>3. Notwithstanding the alternative systems which may be employed by the Chairman, the procedure for voting on the proposed resolutions referred to above will be as follows:</p> <p style="padding-left: 40px;">a) The system for voting on the proposed resolutions relating to the</p>	<p>Article 15. Voting on Proposals</p> <p>1. Upon conclusion of the shareholders' addresses and once the questions have been answered as provided for in these Rules, the proposed resolutions in the agenda and any others which by law need not be included in the agenda will be voted on.</p> <p>2. The Secretary will ask the shareholders whether or not they wish to have the proposed resolutions read, the text of which was delivered to the shareholders before the meeting and is available on the Company's website. If any shareholder wishes them to be read or if the Chairman deems it appropriate, the proposed resolutions will be read aloud. In any event, the shareholders will be informed of the agenda item to which each proposed resolution refers.</p> <p>3. Notwithstanding the alternative systems which may be employed by the Chairman, the procedure for voting on the proposed resolutions referred to above will be as follows:</p> <p style="padding-left: 40px;">a) The system for voting on the proposed resolutions relating to</p>

items on the agenda will be by 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 for each proposal, the votes corresponding to all of the shares present and represented will be considered 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.

d) If, in accordance with the terms of article 5 of these Rules, the meeting announcement makes provisions for voting electronically using one or more distance voting methods, and without detriment to the specific instructions for each particular case in order to be valid and accepted by the Company, the document containing the vote must contain the following information at the very least:

the items on the agenda will be by 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 for each proposal, the votes corresponding to all of the shares present and represented will be considered 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.

d) If, in accordance with the terms of article 5 of these Rules, the meeting announcement makes provisions for voting electronically using one or more distance voting methods, and without detriment to the specific instructions for each particular case in order to be valid and accepted by the Company, the document containing the vote must contain the following

<ul style="list-style-type: none"> (i) Meeting date and agenda. (ii) The shareholder's identity. (iii) The number of shares owned by the shareholder. (iv) The shareholder's vote on each of the items on the agenda. <p>4. The statements containing votes submitted to the notary or the meeting officers as envisaged in paragraph 3 above may be made individually for each of the proposals or jointly for several or all of them, indicating to the notary or the officers the identity of the shareholder or representative, the number of shares in question, and whether the shareholders/representative votes in favour or against, or abstains.</p>	<p>information at the very least:</p> <ul style="list-style-type: none"> (i) Meeting date and agenda. (ii) The shareholder's identity. (iii) The number of shares owned by the shareholder. (iv) The shareholder's vote on each of the items on the agenda. <p><i>e) Issues which are substantially independent will be voted on separately so that the shareholders can exercise separately their voting preferences; this rule will be applied when adopting resolutions on: (i) the appointment or ratification of directors, which must be voted on individually; and (ii) amendments to the Articles of Incorporation where each article or group of articles is substantially independent.</i></p> <p><i>f) Provided that it is legally possible and that the requirements provided for in this respect are met, financial intermediaries who are legitimised as shareholders, but who act on behalf of different customers, will be allowed to split the vote as per the instructions of their customers.</i></p> <p>4. The statements containing votes submitted to the notary or the meeting officers as envisaged in paragraph 3 above may be made individually for each of the proposals or jointly for several or all of them, indicating to the notary or the officers the identity of the shareholder or representative, the number of shares in question, and whether the shareholders/representative votes in favour or against, or abstains.</p>
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Justification of the amendment to article 15:

The amendment includes recommendations 5 and 6 of the Unified Code.

