



REPORT BY THE BOARD OF DIRECTORS FOR THE RENEWAL OF AUTHORISATION TO INCREASE CAPITAL (ITEM 5 ON THE AGENDA)

1. Purpose of the report

This report was drafted by the Board of Directors of FOMENTO DE CONSTRUCCIONES Y CONTRATAS, SA (hereinafter the "**Company**" or "**FCC**") by virtue of the obligation established by Article 144 of the Public Corporations Act in relation with Articles 152 and 153.1.b) of that Act.

In accordance with Article 153.1.b) of the Public Corporations Act, the General Meeting of Shareholders may, subject to the same requirements as for amending the Articles of Incorporation, delegate to the Board of Directors the power to decide to increase capital at one or more times to a specified figure, at such time and in such amount as the Board may decide, without the need to consult first with the General Meeting. Such capital increase(s) may not exceed one-half the capital and must be for monetary consideration, within at most FIVE (5) years, with reference to the date of authorisation in both cases.

This report, which also contains the full text of the proposal, and is drafted pursuant to the aforementioned legal obligation under Articles 144, 152, and 153.1.b) of the Public Corporations Act, is placed at the disposal of the shareholders as provided in those articles.

2. Justification for the proposal

The dynamics of any commercial company, and particularly of listed companies, require that their governing bodies have available to them at all times the most suitable instruments to enable them to respond appropriately to the demands of either the Company itself or the market. This may include providing the Company with new financial resources to meet such demands, which may be obtained in the form of new capital contributions.

Taking into account also the current situation of the global economy and the high volatility of the markets, speed of execution takes on special importance and becomes a determining factor for the successful raising of additional funds.

To avoid difficulties such as being unable to forecast the need to increase share capital and having to call a Shareholders' Meeting for this purpose, with the expense and delay that this would involve, thereby hampering an agile and efficient response, Article 153.1.b) of the Public Corporations Act allows the Shareholders' Meeting to authorise the Board of Directors to increase

the share capital within certain limits and subject to compliance with a number of requirements, without the need for prior consultation with the Shareholders' Meeting.

On the basis of this legal option, which is often used by listed companies, it is proposed that the General Meeting renew the authorisation to the Board of Directors to increase the share capital, on one or more occasions, by up to a total maximum amount of SIXTY-THREE MILLION SIX HUNDRED AND FIFTY-ONE THOUSAND SIX HUNDRED AND FORTY-EIGHT EURO (€63,651,648), which is 50% of the current subscribed and paid share capital, by issuing new common or preferred, voting or non-voting, or redeemable shares, or any others allowed by law, at par or with an issue premium or by increasing the par value of the existing shares.

In order to provide the Board of Directors with a flexible tool with which to access the capital markets, if market conditions are appropriate, it is proposed that the General Meeting authorise the Board of Directors to subdelegate the powers so granted to the Executive Committee.

3. Full text of the proposal to which this report refers

In accordance with the statements set out in this report, the following proposal is made to the General Meeting:

"Renew authorisation to the Board of Directors, with the power to sub-delegate, to increase capital at one or more times in accordance with article 153.1.b) of Public Corporations Act and subject to the limits envisioned in that article.

"To renew the delegation to the Board of Directors of the power to increase the Company's capital on one or more occasions by at most 50% of the subscribed and paid-up capital on the date of this authorisation, i.e. the amount of sixty-three million six hundred and fifty-one thousand six hundred and forty-eight euro (€63,651,648).

Any capital increase decided upon must be carried out within at most five years from this date.

Such capital increase(s) may be implemented, with or without a share premium, either by increasing the par value of existing shares, subject to the requirements of the law, or by issuing new shares, common or preferred, with or without voting rights, or redeemable shares or any other permitted by Law, or several forms at the same time, the consideration for the new shares or the increase in the par value of existing shares being a monetary contribution, including the conversion of unrestricted reserves, it being possible to use both systems simultaneously provided that this is allowed by law.

The Board of Directors will have the power, by virtue of this delegation, to establish that, in the event of incomplete subscription, the capital will be increased only in the amount of the actual subscriptions, and to amend the article of the Articles of Incorporation concerning capital, once the increase has been agreed upon and implemented.

The amount available at any time within the aforementioned maximum amount will be considered to include the amount of any capital increases which are undertaken by the Board of Directors in order to cater for the conversion of bonds in exercise of the powers granted by the Company's General Meeting.

The Board of Directors is also hereby empowered to apply for listing of any new securities that may be issued on any Stock Exchange or regulated market, whether domestic or foreign, in the terms of the applicable legislation.

The Board of Directors is likewise empowered to delegate the powers conferred to it by virtue of this resolution to the Executive Commission.

Resolution six of the Ordinary General Meeting on 21 June 2005 (item 7 of the agenda) is also revoked in the amount not used by the Board prior to the date of adoption of this resolution."