



Citizen Services

ANNUAL REPORT

2009

EDITADO POR: Fomento de Construcciones y Contratas, S.A

DISEÑO Y MAQUETACIÓN: mmasm

Mayo de 2010



ANNUAL REPORT 2009

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LETTER FROM THE CHAIRMAN AND MANAGING DIRECTOR



LADIES AND GENTLEMEN:

In a highly adverse economic environment, with a 3.6% drop in Spain's GDP, in 2009 FCC earned a **net profit** of over 300 million euro, after subtracting taxes and the portion attributable to minority shareholders.

Thanks to the timely measures taken by the Governing Bodies, FCC has successfully weathered the worst of the crisis, which we date to the first half of 2009, and is facing 2010 and following fiscal years with moderate optimism. This optimism is based on the strength of our balance sheet and our business portfolio, which is growing increasingly large and increasingly diversified in terms of markets and activities.

FCC's **turnover** was 12,669.6 million euro, 6.7% less than in the previous fiscal year, due mainly to a 10.2% reduction in domestic market income traceable to the effect of the slowdown in infrastructure construction.

The **foreign market**, which is now responsible for 44.3% of our turnover, is steadily following a developmental line similar to that of fiscal 2008. It has come down by only 2.1%, because of the 10.3% depreciation of the pound sterling against the euro, which affects the International Environment business area. In the Construction area, international turnover is already in excess of the turnover generated in Spain and shows a trend toward continued growth in the percentage of turnover earned in international markets in the fiscal years to come.

The **work and services backlog** had reached 34,547.5 million euro as of 31 December 2009, which means a 5.6% increase over 30 December 2008.

The **gross operating income (EBITDA)** reached 1,460.6 million euro. The sales margin was therefore 11.5%, a bare 0.5 percentage points lower than the margin obtained in 2008.

The **net financial expenses** were 281.1 million euro, 23% lower than the previous fiscal year, thanks to the lower interest rates and the Group's effective financial management.

In 2009 FCC carried on with its **policy of maximum austerity, based on a strict policy of controlling all costs** not directly related with production. Such costs were successfully reduced by 114.5 million euro.

Despite the 1,601.1-million-euro investment effort made, the **net recourse debt** sank 10.3% to 4,773.4 million euro.

The Board of Directors will be proposing to the shareholders **a complementary dividend** of 0.715 euro per share. That, in addition to the interim dividend of the same size paid out in January last, yields a total dividend of 1.430 euro, representing a 59% payout, a percentage similar to that of last fiscal year.

FCC is responding to the rising complexity of the challenges facing the company and its markets by pushing onward in its commitment to a uniquely FCC brand of responsibility. After several years of implementing our **corporate responsibility** model, with strong support from our leading shareholder, we now have a very solid, certifiable, practical, up-and-running framework that is solidly enmeshed with our different business areas.

FCC's responsible management was acknowledged anew in 2009, by several organisations, including the DJSI World and Stoxx selective responsible investment indices. Sustainable Asset Management (SAM) granted us their "SAM Gold Class" and "SAM Sector Mover" distinctions; the latter recognises ours as the company that has advanced the farthest in 2009 in its sector in its pursuit of sustainability. The report by the Spanish Carbon Disclosure Project (CDP) highlights FCC for its risk and opportunity analysis system, which goes beyond the most obvious elements and centres on our business areas. These acknowledgements fill us with pride and at the same time strengthen us in our commitments to continue consolidating our position amongst the world's most advanced companies in terms of sustainability and corporate responsibility.

Fiscal year 2009 was a year of strenuous efforts to hasten the development of the factors of productivity that are linked with sustainability. Great strides were made in understanding the risks and opportunities for the company stemming from climate change. The Group has taken the decision to integrate carbon management directly into business management, starting with a reinforcement of the emissions inventory and a detailed analysis of the processes in each business area. This event is a turning point in FCC's focus on management of atmospheric carbon emissions and the associated energy bill.

To continue moving forward and sharing our model of social responsibility is a constant challenge. This means continuing to strive to create lasting relationships of trust, where FCC is the standard setter in good use of natural resources and water, in the development of cleaner energy and in efficient infrastructure construction and management –in short, the basic levers capable of generating prosperity and wellbeing for the citizens we serve.

I would like to take advantage of this occasion to thank all our employees for their cooperation and dedication and also to thank our shareholders for the trust they have placed in us.

Baldomero Falcones Jaquotot
Chairman and Managing Director



BOARD OF DIRECTORS

Baldomero Falcones Jaquotot

Chairman
 Managing Director
 Executive Director

B-1998, S.L.

Representative: Esther Koplowitz Romero de Juseu
 First Vice Chairman
 Director, representing a major shareholder

Dominum Desga, S.A.

Representative: Esther Alcocer Koplowitz
 Second Vice Chairman
 Director, representing a major shareholder

Dominum Dirección y Gestión, S.A.

Representative: Carmen Alcocer Koplowitz
 Director, representing a major shareholder

EAC Inversiones Corporativas, S.L.

Representative: Alicia Alcocer Koplowitz
 Director, representing a major shareholder

Fernando Falcó y Fernández de Córdova

Director, representing a major shareholder

Marcelino Oreja Aguirre

Director, representing a major shareholder

Rafael Montes Sánchez

Director, representing a major shareholder

Miguel Blesa de la Parra

Director, representing a major shareholder

Gonzalo Anes y Álvarez de Castrillón

Independent Director

Juan Castells Masana

Director, representing a major shareholder

Felipe Bernabé García Pérez

Secretary General
 Executive Director
 Vice Secretary of the Board of Directors

Robert Peugeot

Director, representing a major shareholder

Cartera Deva, S.A.

Representative: Jaime Llantada Aguinaga
 Director, representing a major shareholder

Larranza XXI, S.L.

Representative: Lourdes Martínez Zabala
 Director, representing a major shareholder

César Ortega Gómez

Independent Director

Nicolás Redondo Terreros

Independent Director

Antonio Pérez Colmenero

Director, representing a major shareholder

Jaime Ribas

Independent Director

Francisco Vicent Chuliá

Secretary (non-member)

STRATEGY COMMITTEE

CHAIRMAN

Esther Koplowitz Romero de Juseu,
 on behalf of B 1998, S.L.

MEMBERS

Esther Alcocer Koplowitz,
 on behalf of Dominum Desga, S.A.

Alicia Alcocer Koplowitz,
 on behalf of EAC Inversiones Corporativas, S.L.

Carmen Alcocer Koplowitz,
 on behalf of Dominum Dirección y Gestión, S.A.

Fernando Falcó y Fernández de Córdova

Javier Ribas

Juan Castells Masana

Lourdes Martínez Zabala,
 on behalf of Larranza XXI, S.L.

Rafael Montes Sánchez

Robert Peugeot

Jaime Llantada Aguinaga,
 on behalf of Cartera Deva, S.L.

EXECUTIVE COMMITTEE**CHAIRMAN**

Baldomero Falcones Jaquotot

MEMBERS

Fernando Falcó y Fernández de Córdova

Esther Alcocer Koplowitz,
on behalf of Dominum Desga, S.A.

Alicia Alcocer Koplowitz,
on behalf of EAC Inversiones Corporativas, S.L.

Juan Castells Masana

Jaime Llantada Aguinaga,
on behalf of Cartera Deva, S.A.

Secretary (non-member)
Francisco Vicent Chuliá

Vice Secretary (non-member)
Felipe B. García Pérez

AUDIT AND CONTROL COMMITTEE**CHAIRMAN**

Gonzalo Anes y Álvarez de Castrillón

MEMBERS

Esther Alcocer Koplowitz,
on behalf of Dominum Desga, S.A.

Alicia Alcocer Koplowitz,
on behalf of EAC Inversiones Corporativas, S.L.

Fernando Falcó y Fernández de Córdova

Juan Castells Masana

Secretary (non-member)
José María Verdú Ramos

APPOINTMENTS AND REMUNERATIONS COMMITTEE**CHAIRMAN**

Esther Alcocer Koplowitz,
on behalf of Dominum Desga, S.A.

MEMBERS

Fernando Falcó y Fernández de Córdova

Alicia Alcocer Koplowitz,
on behalf of Cartera Deva, S.A.

Carmen Alcocer Koplowitz,
on behalf of Dominum Dirección y Gestión, S.A.

Rafael Montes Sánchez

Antonio Pérez Colmenero

Jaima Llantada Aguinaga,
on behalf of Cartera Deva, S.A.

Robert Peugeot

Gonzalo Anes y Álvarez de Castrillón

Secretary (non-member)
José María Verdú Ramos

STEERING COMMITTEE**CHAIRMAN**

Baldomero Falcones Jaquotot

MEMBERS

Esther Alcocer Koplowitz
Alicia Alcocer Koplowitz
Fernando Falcó y Fernández de Córdova
Antonio Gómez Ciria
Dieter Kiefer
Eduardo González Gómez
Felipe B. García Pérez (Secretary)
Francisco Martín Monteagudo
Gèrard Ries
José Luis de la Torre Sánchez
José María Verdú Ramos
José Mayor Oreja
Víctor Pastor Fernández
José Manuel Velasco Guardado
Miguel Hernanz Sanjuan



STRATEGY



FCC's strategy, within the framework of Plan 10 (approved in the spring of 2008), is based on the following key points.

- ▶ **Development of areas of strong demand the world over**, such as environmental services, water management, major infrastructure construction and management and renewable energy.

- ▶ **Spurring of the internationalisation process.** In services, expansion in nearby markets, with the strategy of spreading outward or prudent growth, to furnish secure synergies; and in infrastructure, focus on a small number of financially and politically stable, solvent countries.

- ▶ **Active portfolio management to maximise value for shareholders.**

- ▶ **Boosting of the organisation's efficiency:**
 - > Purchasing management, cost optimisation and information systems.
 - > Orientation toward results, talent management and introduction of management by objectives.
 - > Increase in cooperation amongst business lines.

- ▶ **Corporate social responsibility:**
 - > Good corporate governance and integrated CSR management.
 - > Internal social/community dimension and external reputation.
 - > Responsible communication/strengthening and unification of the FCC brand.



RELEVANT EVENTS AND OTHER REPORTS SENT TO THE CNMV



09/02/09

The Board of Directors of FCC, in its meeting of 3 February 2009, resolved to accept resignations from the directorship tendered by José María Sagardoy Llonis and Manuel Fernando Menéndez.

10/02/09

FCC reported that the Stock Option Plan launched in 2008 had been completed.

20/02/09

New framework of relationships between FCC and Caja Madrid within Realia.

26/02/09

Presentation of 2009 results.

27/02/09

Announcement of the Shareholders' Meeting and resolutions by the Board of Directors.

07/05/09

Announcement of the Shareholders' Meeting and resolutions by the Board of Directors.

12/06/09

Report on the **resolutions made at the Shareholders' Meeting** in Barcelona, the foremost of which are the following:

- ▶ To re-elect EAC Inversiones Corporativas, S.L., to the Board as a director representing a major shareholder
- ▶ To re-elect Rafael Montes Sánchez to the Board as a director representing a major shareholder

The Board of Directors in turn, at its meeting of 11 June 2009, made, inter alia, the following resolutions:

- ▶ To re-elect EAC Inversiones Corporativas, S.L., as a member of the Steering Committee, the Audit and Control Committee and the Appointments and Remunerations Committee.
- ▶ To re-elect Rafael Montes Sánchez as a member of the Appointments and Remunerations Committee.
- ▶ To name shareholder Javier Ribas as an independent director by co-option, on a motion by the Appointments and Remunerations Committee.
- ▶ To name EAC Inversiones Corporativas, S.L., and Dominum Dirección y Gestión, S.A., members of the Strategy Committee.

29/07/09

It was reported that independent director Gonzalo Anes y Álvarez de Castrillón had been named chairman of the Audit and Control Committee.

07/10/09

The Steering Committee resolved to issue an initial sum of 450 million euro's worth of bonds exchangeable for shares in the Company.

08/10/09

As a continuation of the disclosure published in connection with the issue of bonds exchangeable for shares in the Company, upon completion of demand prospecting by Barclays Bank PLC and Société Générale, FCC resolved to set the following terms and conditions for the issue:





- ▶ The Company will issue five-year bonds worth a total of four hundred and fifty million euro (€450,000,000).
- ▶ The bonds will earn interest at a fixed annual rate of 6.50%, payable half-yearly.
- ▶ The initial exchange price of the bonds is €39.287 per share in the Company.

09/10/09

Cartera Deva, S.A., a director representing a major shareholder in FCC, resolved to appoint Jaime Llantada Aguinaga as its new representative on the Board of Directors, effective as of the first of October of this year.

01/12/09

Resolutions made at the Extraordinary Meeting of Shareholders of 30 November 2009, held at first adjournment in Barcelona. The convertibility of the bonds exchangeable for shares in the Company was approved. The shares in question, worth four hundred and fifty million euro, were issued under the resolution of the Annual Shareholders' Meeting of 18 June 2008 and by virtue of the Steering Committee resolution of 6 October 2009, using power delegated to the Steering Committee by the Board of Directors on 30 September 2009, to enable the Company to cover the bondholders' exchange requests by means of delivering newly issued shares.

Total overriding of shareholders' pre-emptive subscription right. Capital increase of the sum necessary to attend to the conversion of bonds, up to an initially anticipated maximum of twelve million euro, subject to modifications on the basis of the terms and conditions of the bonds.

01/12/09

Under article 75 of the Public Limited Companies Act and on a motion made by the Board of Directors in its meeting of 27 October 2009, the Extraordinary Shareholder's Meeting of 30 November 2009 approved the execution of a share buyback programme. The purpose of the programme is to fulfil obligations to deliver treasury shares stemming from the issue of four hundred and fifty million euro's worth of exchangeable bonds.

18/12/09

Resolution of the Board of Directors to proceed to pay out the interim dividend for fiscal year 2009, the sum of 0.715 euro (gross) per share.

FCC IN FIGURES

CONSOLIDATED FIGURES

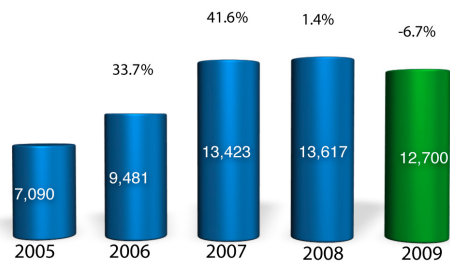
Millones de euros			
%	AÑO	MILLONES DE EUROS	%
	2005	686	
40,2	2006	887	27,4
39,1	2007	1.252	41,1
-15,5	2008	520	-58,5
-10,5	2009	450	-13,5

Cash-flow de explotación				Beneficio atribuido a la sociedad dominada	
Millones de euros				Millones de euros	
%	AÑO	MILLONES DE EUROS	%	AÑO	MILLONES DE EUROS
	2005	1.018		2005	421
414,8	2006	1.159	13,8	2006	536
-64,3	2007	1.252	8,0	2007	738
1,9	2008	1.136	-9,3	2008	334
-9,3	2009	1.578	38,8	2009	307

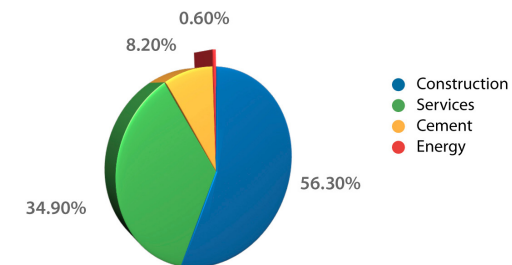
Patrimonio neto				Cartera de obras y servicios	
Millones de euros				Millones de euros	
%	AÑO	MILLONES DE EUROS	%	AÑO	MILLONES DE EUROS
	2005	2.608		2005	20.497
27,1	2006	3.418	31,0	2006	30.510
-13,3	2007	4.250	24,3	2007	30.215
-28,0	2008	3.198	-24,8	2008	32.707
-8,1	2009	3.137	-1,8	2009	34.548

Endeudamiento financiero neto y apalancamiento			
Millones de euros			
Endeudamiento financiero neto			
Millones de euros			
AÑO	MILLONES DE EUROS	% Apalancamiento	
2005	403	2005	13,4%
2006	5.204	2006	60,4%
2007	7.776	2007	65%

Turnover
Million euro



Breakdown by activity

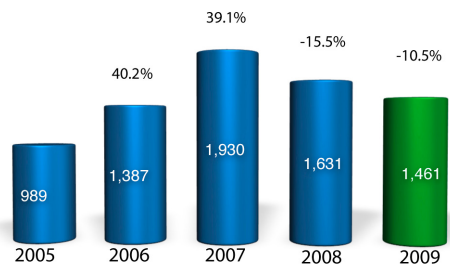


FCC's interest in Realia has been carried by the equity method since 1 January 2009.

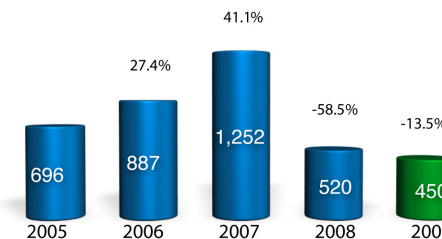
To facilitate smooth comparison, this note presents a pro forma 2008 income statement that is the result of consolidating the holdings in Realia by the equity method.

Renewable Energy activity was incorporated as an independent segment as of the first quarter of 2009, after it began operations in late 2008.

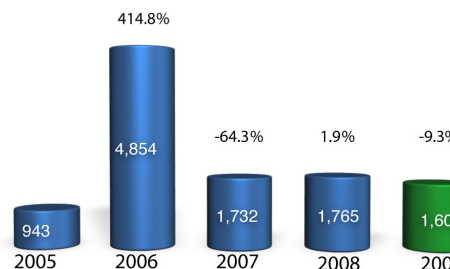
Gross operating profit (Ebitda)
Million euro



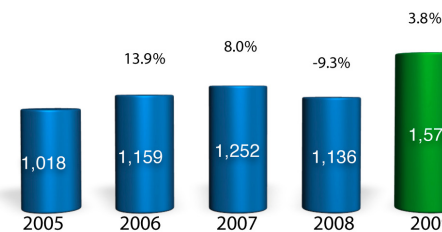
Pre-tax profits
Million euro



Investments
Million euro



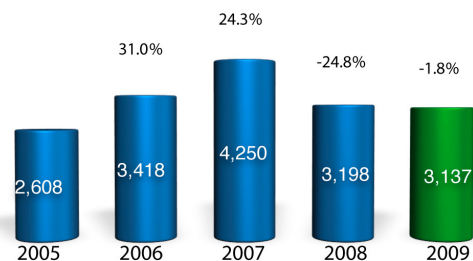
Operating cash flow
Million euro



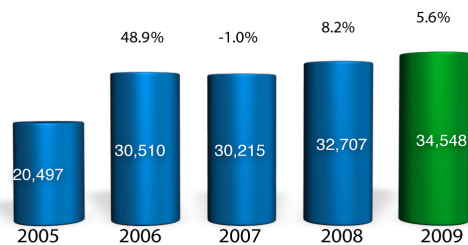
FCC in figures

consolidated figures

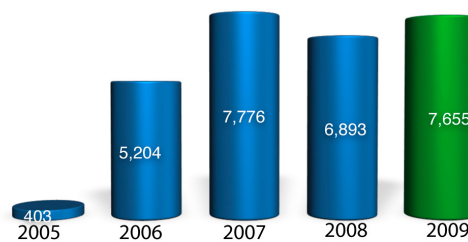
Net wealth
Million euro



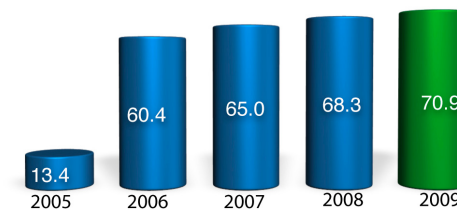
Construction work and services backlog
Million euro



Net financial indebtedness
Million euro



Leverage %
(Net debt/equity+net debt)



EVOLUTION OF SHARES

After 2008, a year branded by the subprime crisis that had banks reeling, 2009 began with the taking of urgent measures to contain the decline of capital markets and to stabilise the contraction of the real economy.

It was not until March 2009 that a slow but steady recovery began to be seen in markets. The IBEX hit bottom on 9 March at 6,817 points, which represented a 25.8% backslide since the beginning of the year, on top of the 39.4% decline in 2008. Since that date, the recovery, albeit slow, enabled the IBEX to close 2009 at 11,940 points, a 75% revaluation from the low or a 29.8% revaluation over the course of 2009.

The index for the construction sector, which included all the firms comparable to FCC, advanced by 24.1%.

STOCK MARKET CAPITALISATION

FCC ended the year with a capitalisation of 3,749 million euro.

TRADING

The total share volume traded this fiscal year was over 118 million shares, with a daily average of 463,802 shares. In the year as a whole, 93% of the total share capital of FCC rotated. The daily average cash value traded was over 12.5 million euro.

DIVIDENDS

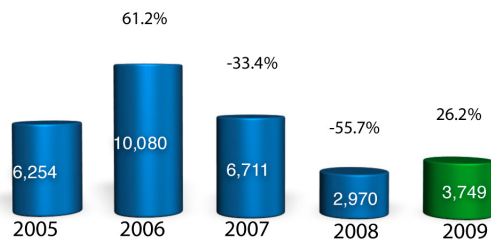
If the proposal that will be submitted to the General Meeting of Shareholders is approved, the amount that will be distributed to shareholders in the form of dividends paid on fiscal 2009 will be 1.43 euro (gross) per share, distributed in two payments: the interim dividend of 0.715 euro (gross) per share paid on 12 January 2010 and the complementary dividend of a similar amount.

The total maintains the same ratio with net imputed earnings as in 2008, 59.2%, and is 8.9% less than the amount distributed for the previous fiscal year. In addition, with respect to the year's starting quotation, it signifies a high 6.7% rate of return for shareholders.

Itemised evolution of dividends distributed in the last five years:

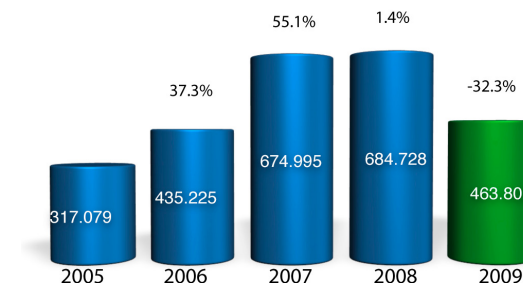
Stock Market Capitalisation

Million euro



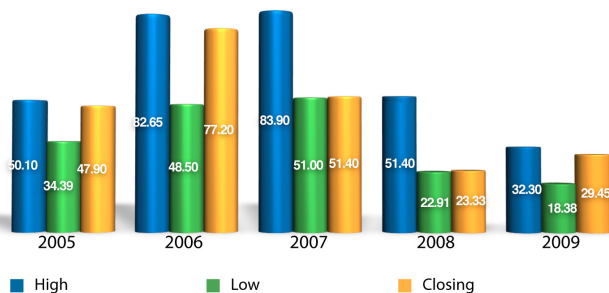
Trading volume

Average number of shares daily



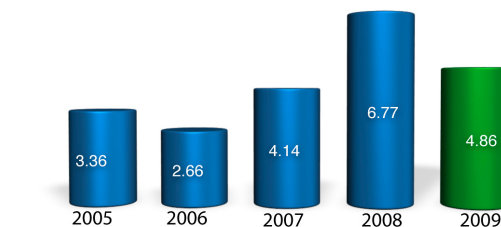
Share Quotations: high, low and closing price

In euro



Dividend returns per share

calculated with the quotation at the close of the fiscal year



TREASURY SHARES

In October 2009 FCC successfully launched an issue of 450 million euro's worth of five-year convertible bonds. On the following 30 November an Extraordinary Shareholder's meeting was held, where the bonds' convertibility into shares in the company was approved. A share buyback programme was therefore approved whose intention was to fulfil the obligations stemming from the issue of exchangeable bonds and avoid the risk of future dilution for current shareholders.

As of 31 December 2009, the treasury shares numbered 9,314,543, equivalent to 7.317% of the company's share capital.

SHAREHOLDERS

FCC, S.A., issues shares under the book entry system. Those shares are listed on the four Spanish stock exchanges (Madrid, Barcelona, Valencia and Bilbao). According to the information on file in Spanish National Securities Market Commission (CNMV) records, on the closing date of the fiscal year the main shareholders in the company were the following:

PRINCIPAL SHAREHOLDERS		
B-1998, S.L.	58.871.785	47,031 %
AZATE, S.L. (*)	8.653.815	6,798 %
THE ROYAL BANK OF SCOTLAND	4.330.938	3,402 %

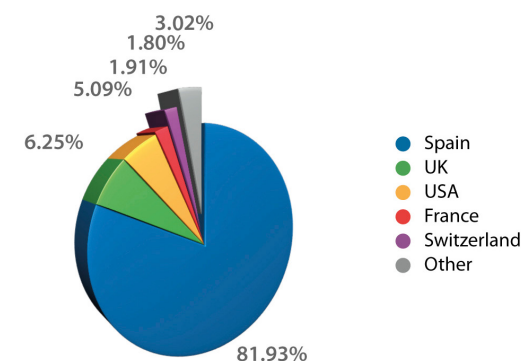
(*) Wholly owned subsidiary of B-1998, S.L.

FCC's free float is 42.5%. Its estimated distribution is 9.8% Spanish minority shareholders, 24.8% Spanish institutional investors and the remaining 7.8% foreign institutional investors.

The composition of the free float is as follows:

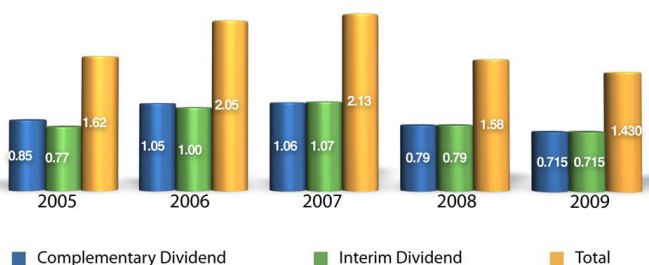
Free-float distribution by country

As of 31 december 2009



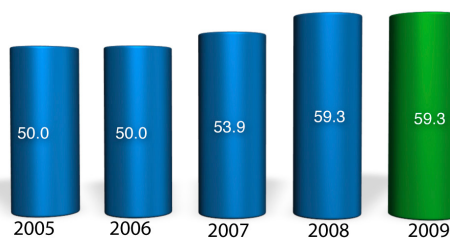
Dividend per share

In euro



% Pay-out

(Dividend w/o parent company's ordinary net profit)



EVOLUTION OF THE MAIN FINANCIAL INDICATORS

Fomento de Construcciones y Contratas, S.A., and dependent companies (Consolidated Group)

At 31 December 2009 (thousands of euros)

ASSETS	31/12/2009	31/12/2008
NON-CURRENT ASSETS	12,832,839	11,829,356
Intangible fixed assets	4,462,312	3,886,429
Property, plant and equipment	5,957,478	5,491,693
Investment properties	264,093	263,919
Investments carried using the equity method	1,145,754	1,116,605
Non-current financial assets	404,024	517,868
Deferred tax assets	599,178	552,842
CURRENT ASSETS	8,427,874	8,768,005
Non-current assets held for sale	–	7,367
Inventories	1,103,282	1,575,256
Trade and other accounts receivable	5,372,976	5,499,162
Other current financial assets	230,980	222,830
Other current assets	66,174	54,729
Cash and cash equivalents	1,654,462	1,408,661
TOTAL ASSETS	21,260,713	20,597,361

LIABILITIES	31/12/2009	31/12/2008
EQUITY	3,136,517	3,197,953
Net equity allocated to the parent	2,483,835	2,548,706
> Capital and reserves	2,809,111	2,954,403
> Value adjustments	(325,276)	(405,697)
Minority interests	652,682	649,247
NON-CURRENT LIABILITIES	10,619,979	8,758,123
Grants	85,692	63,576
Provisions -non-current	906,535	821,429
Non-current financial liabilities	8,393,590	6,872,318
Deferred tax liabilities	1,216,910	1,000,004
Other non-current liabilities	17,252	796
CURRENT LIABILITIES	7,504,217	8,641,285
Provisions -current	110,773	91,918
Current financial liabilities	1,487,563	2,224,890
Trade and other accounts payable	5,896,831	6,308,398
Other current liabilities	9,050	16,079
TOTAL LIABILITIES	21,260,713	20,597,361

INCOME STATEMENT

Fomento de Construcciones y Contratas, S.A., and dependent companies (Consolidated Group)

At 31 December 2009 (thousands of euros)

	31/12/2009	31/12/2008
NET TURNOVER	12,699,629	14,019,500
Own work capitalised	50,460	85,370
Other operating revenue	357,527	375,119
Changes in inventories of finished products and work in progress	(25,397)	(61,412)
Raw materials and consumables	(6,126,122)	(6,987,241)
Staff costs	(3,296,522)	(3,260,766)
Other operating charges	(2,198,960)	(2,408,253)
Fixed asset depreciation	(737,639)	(745,674)
Grants for non-financial fixed assets and others	2,673	7,013
Impairment and profit/ loss on fixed asset disposals	11,972	(80,012)
Other profit (loss)	(6,537)	2,666
OPERATING RESULTS	731,084	946,310
Finance income	66,196	105,856
Finance expense	(357,269)	(590,254)
Change in fair value of financial instruments	5,189	(15,573)
Exchange differences	(32,541)	1,182
Impairment and losses on disposal of financial instruments	43,329	30,167

	31/12/2009	31/12/2008
FINANCE INCOME/COSTS	(275,096)	(468,622)
Profit (loss) of companies carried by the equity method	(6,093)	15,162
BEFORE-TAX PROFIT (LOSS) FROM CONTINUOUS OPERATIONS	449,895	492,850
Corporate income tax	(114,916)	(99,960)
PROFIT/LOSS FOR YEAR FROM CONTINUING OPERATIONS	334,979	392,890
PROFIT/LOSS FOR THE YEAR	334,979	392,890
Profit/loss attributed to the parent company	307,199	334,039
Profit/loss attributable to minority shareholders	27,780	58,851
EARNING PER SHARE		
Basic	2.52 €	2.68€
Diluted	2.51 €	2.68€