REPORT FROM THE BOARD OF DIRECTORS OF FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A. DATED 21 MARCH 2019, IN ACCORDANCE WITH THE PROVISIONS OF ARTICLES 286, 297.1.b) AND 506 OF THE SPANISH CORPORATE ENTERPRISES ACT, REGARDING THE PROPOSAL OF AUTHORISATION TO THE BOARD OF DIRECTORS TO INCREASE CAPITAL UNDER ITEM 8º OF THE AGENDA OF THE ORDINARY GENERAL MEETING OF SHAREHOLDERS CONVENED ON 8 MAY 2019, AT FIRST CALL, AND 9 MAY 2019 AT SECOND CALL.

1. Purpose of the report

This report is drafted by the Board of Directors of FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A. (hereafter, the "Company") in accordance with the provisions of articles 286, 297.1.b) and 506 of the spanish Corporate Enterprises Act, to justify the proposal of authorisation to the board of directors with substitution powers, to agree, on one or several occasions, to increase capital as provided for by article 297.1.b) of the Corporate Enterprises Act, subject to the limits established therein, and with the power, if applicable, to agree to the exclusion of the right of preferential subscription up to a limit of 20% of the share capital at the time of this delegation, submitted for approval by the Ordinary General Meeting of Shareholders convened for 8 May 2019 at 16.00 hours at first call, and on 9 May 2018, at the same time, at second call, under item 8º of the agenda.

2. Justification for the proposal of delegation of the power to agree to increase capital and exclusion of the right of preferential subscription.

The dynamics of any trading company, especially of companies whose shares are listed for official trading, require that their governing and administrative bodies have at all times the most suitable instruments to respond adequately to the requirements demanded in each case by the Company itself or the needs of the market. These needs may include providing the Company with new financial resources to meet these demands, which may be obtained through new capital contributions.

Taking into account the current global economic situation and the high volatility of the markets, speed of execution is of particular importance and becomes a determining factor for the successful attainment of a potential attraction of additional resources.

In order to avoid difficulties such as not being able to foresee in advance the need for share capital and having to attend the General Shareholders Meeting in order to increase it with the costs and delay that holding it would entail, article 297.1.b) of the Spanish Limited Liability Companies Law allows the General Shareholders Meeting to authorise the Board of Directors to increase share capital, within certain limits and complying with a series of requirements, without first consulting said Meeting.

In addition, article 506 of the Spanish Limited Liability Companies Law provides that, in listed companies, when the General Shareholders Meeting delegates the power to increase share capital in accordance with the provisions of article 297.1.b) of said Law, the Board of Directors may also be granted the power to exclude preferential subscription rights when the interests of the Company so require, although, for such purposes, said proposal for exclusion must be included in the call of the General Meeting and a report from the directors justifying the proposal shall be made available to the shareholders.

Likewise, Recommendation 5 of the Code of Good Governance for Listed Companies, of 24 February 2015, establishes that, when submitting a proposal to delegate powers to issue shares excluding the right of preferential subscription, the Board of Directors establishes a limit to said exclusion of 20% of the share capital at the time of the delegation.

The Board of Directors justifies the proposal to delegate the power to exclude the right of preferential subscription, among other reasons, because of the flexibility and speed with which it is sometimes necessary to act in today's financial markets in order to be able to take advantage of the times when market conditions are most favourable. This is in addition to the relative lowering of the costs associated with the transaction (including, especially, the commissions of the financial entities participating in the issue) compared to an issue with the right of preferential subscription, also achieving a lower distortion effect on the trading of the Company's shares during the issue period, which tends to be shorter than in an issue with rights.

This does not necessarily mean that each capital increase carried out under this delegation must be carried out by excluding the right of preferential subscription, and it is perfectly possible for capital increases to be carried out with subscription rights under this delegation, without prejudice to the fact that, in line with the recommendations of good governance, the resolution of the General Meeting includes a limit to this exclusion of 20%.

In light of all this, it is proposed to authorise the Board of Directors to agree to increase, on one or more occasions, the Company's share capital by a maximum amount of up to 50% of the subscribed and paid-up capital at the date of authorisation, that is, by the amount of ONE HUNDRED AND EIGHTY NINE MILLION FOUR HUNDRED TWELVE THOUSAND SEVEN HUNDRED AND FIFTY THREE EUROS (189,412,753 euros), and with the power, as the case may be, to agree to the exclusion of the right of preferential subscription up to a limit of 20% of the share capital at the time of said delegation.

The full wording of proposed resolutions submitted for approval by the Ordinary General Meeting of Shareholders under item 8º of the Agenda, set out hereinafter:

Authorisation to the Board of Directors, with substitution powers, to agree, on one or several occasions, to increase capital as provided for by article 297.1.b) of the Corporate Enterprises Act, subject to the limits established therein, and with the power, if applicable, to agree to the exclusion of the right of preferential subscription up to a limit of 20% of the share capital at the time of this delegation.

The following is proposed: "Authorize the Board of Directors to agree to increase, once or several times, the share capital of the Company up to a maximum amount of 50% of the capital subscribed and paid up as of the date of this authorisation, i.e., €189,412,753. The capital increase or increases that may be agreed should be made within a maximum period of five years from today.

Any capital increase agreed may be carried out with or without an issue premium, either by increasing the nominal value of the existing shares with the requirements set forth in the Corporate Enterprises Act, or issuing new shares, ordinary or privileged, with or without vote, or redeemable shares, or any other admitted by law, or several modalities at the same time, insofar as the countervalue of the new shares or the increase of the nominal value of the existing ones shall consist in monetary contributions, including the transformation of unrestricted reserves, and both modalities may even be used simultaneously so long as doing so is admitted by the pertinent legislation currently in force.

By virtue of this authorisation, the Board of Directors may establish that, in case of incomplete subscription, the capital is increased only in the amount of the subscriptions made, and to rewrite the article of the Bylaws relative to the share capital once the increase is agreed and executed.

By virtue of this authorisation, the Board of Directors may also request the admission to trading of any new securities issued in any Stock Exchange or regulated market, national or foreign, under the terms of the applicable legislation.

The Board of Directors may expressly exclude, in whole or in part, the right of preferential subscription, in accordance with the provisions of article 506 of the Corporate Enterprises Act, up to a maximum nominal amount altogether equal to 20% of the share capital at the time of this authorisation, in relation to all or any of the issues that will be agreed on the basis of this authorisation.

In any case, should the Board decides to abolish pre-emptive subscription rights, it shall issue a report detailing the specific reasons of social interest that justify said measure at the time of adopting the corresponding capital increase agreement, which will be the subject of the correlative report of a statutory auditor other than the Company referred to in article 506 of the Corporate Enterprises Act. These reports would be made available to the shareholders and communicated to the first General Meeting held after the issuance agreement.

In accordance with articles 286, 297.1.b) and 506 of the Corporate Enterprises Act, the Board of Directors has made a report justifying the present proposal of agreement available to the shareholders.

As provided for in article 249 bis l) of the Corporate Enterprises Act, the Board of Directors is expressly authorised to sub-delegate (with the faculty of substitution when appropriate) in the Executive Committee, the director or Directors it deems pertinent, each and every one of the powers granted to the Board of Directors by virtue of this agreement."