



**REPORT OF THE BOARD OF DIRECTORS OF SACYR VALLEHERMOSO, S.A. IN RELATION TO THE MOTION CONCERNING ITEM NINE ON THE AGENDA FOR THE GENERAL SHAREHOLDERS' MEETING SCHEDULED FOR 29 JUNE 2010 ON FIRST CALL, AND 30 JUNE 2010 ON SECOND CALL**

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The Board of Directors of Sacyr Vallehermoso, S.A. has drawn up this report in order to provide supporting arguments for the proposed amendments to Articles 10, 13 and 24 of the company's Bylaws, and likewise to comply with Article 144.1.a) of the Spanish Public Limited Companies Act, which dictates that amendments to bylaws must be agreed upon at the General Meeting and the directors must prepare a written report in support of the proposed amendments.

Moreover, Article 15 of the Regulations of the Companies House (*Reglamento del Registro Mercantil*) imposes the following requirements for filing amendments to bylaws: (i) the proposed amendment must be transcribed verbatim; (ii) the grantors of the corresponding public instrument must formally state that the required report providing grounds for the amendment and the date thereof has been issued; and (iii) the new articles of the amended bylaws must be transcribed verbatim.

For such purposes, the Board of Directors, at a meeting held on 5 May 2010, agreed to announce the General Shareholders' Meeting for 29 and 30 June 2010, on first and second call respectively. Item nine on the agenda can be broken down as follows:

*Nine: Amendments to the Bylaws:*

*9.1. Amendment of Article 10 (Capital calls).*

*9.2. Amendment of Article 13 (Pre-emptive subscription right).*

*9.3. Amendment of Article 24 (Quorum at General Shareholders' Meetings).*

Below: 1) The aforementioned articles are transcribed in two columns, one containing the current drafting and the other containing the proposed amendments, followed by reasons for such amendments; and 2) the motion to be put before the General Meeting will be transcribed, which includes a verbatim transcription of the new wording of the amended articles.

**1. TRANSCRIPTION OF CURRENT ARTICLES 10, 13 AND 24 OF THE BYLAWS, PROPOSED AMENDMENTS AND REASONS**

**Article 10 of the Bylaws:**

The current drafting of Article 10 of the company's Bylaws and the proposed amendment are as follows:



<u>Current drafting</u>	<u>Proposed amendment</u>
<i>Article 10. Passive dividends</i>	<i>Article 10. Capital calls</i>
<p>1. Whenever there are partially disbursed shares, the shareholder will have to pay off the disbursement at the moment determined by the Board of Directors in a maximum period of 5 years starting at the date of the increased capital agreement.</p>	<p>1. Partially paid-up shares shall be paid up by the relevant shareholders at the time determined by the Board of Directors, within the maximum term of five years from the date of the resolution providing for the capital increase.</p>
<p>2. As far as the way of disbursement is concerned, and particularly if this is performed through money or non-money contributions, it has to be performed according to what is disposed in the agreement for capital increase..</p>	<p>The method <u>and other terms</u> of such payment <u>will be determined by the resolution providing for the capital increase, which may dictate that such payments be made by either monetary or non-monetary contributions.</u>”</p>

The proposed amendment will only affect point 2 of Article 10, which regulates the procedure for making payment of capital calls affecting partially paid up shares.

Act 3 of 3 April 2009 (*Ley 3/2009*), on corporate restructurings (hereinafter, the “Spanish Corporate Restructurings Act”) amended Article 42.1 of the Spanish Public Limited Companies Act, which now reads as follows: “*The shareholder must pay the company the amount of any capital that may remain outstanding in the manner and subject to the maximum timeframes set forth in the Bylaws*”.

In other words, the Spanish Public Limited Companies Act now dictates that the manner and term for paying capital calls will be regulated through the bylaws. The company therefore needs to amend section 2 of the aforementioned Article 10 of the Bylaws in order to confirm that the resolution to increase capital will also extend to the terms governing the method and other circumstances under which payment of capital calls must be made.

The Board proposes the aforementioned drafting as it believes that it is the General Meeting that must define the method for effecting the payment, based on the specific circumstances of each issue of new shares, or the Board itself insofar as the corresponding powers have been expressly delegated to the latter.



**Article 13 of the Bylaws:**

The current drafting of Article 13 of the company's Bylaws and the proposed amendment are as follows:

<u>Current drafting</u>	<u>Proposed amendment</u>
<p><i>Article 13. Elimination of the right for preferential subscription</i></p>	<p><i>Article 13. Removal of the pre-emptive subscription right</i></p>
<p><i>1. The General Board, or when applicable, the Board of Directors who agreed the capital increase will be able to agree the elimination, total or partial, of the subscription preferential right because of reasons of social interest..</i></p>	<p><i>1. The General Shareholders' Meeting or Board meeting that approves a capital increase <u>involving issuances of new shares, whether common shares or common shares with additional voting rights attached, in exchange for monetary contributions</u>, may resolve to remove, either fully or in part, the pre-emptive subscription right held by existing shareholders <u>in the situations and subject to the conditions prescribed by law</u>, insofar as such removal is deemed to be in the company's interests.</i></p>
<p><i>2. In particular, the social interest could justify the elimination of the subscription right whenever this is necessary for facilitate (i) the assets acquisition by the society (including shares or participations en societies) for the convenient development of the social object; (ii) the allocation of the new shares in foreign markets which allow the access to financing sources; (iii) the resources captivation through the use of allocation techniques based on the research of demands apt for maximizing the type of shares issues; (iv) maximizing the type of shares issues; (v) the incorporation of one industrial or technological partner; and (v) in general, the performance of any operation which is convenient for.</i></p>	<p><i>2. In particular, company interests may justify the removal of the pre-emptive subscription right when such removal is required to facilitate the following: (i) the acquisition, by the company, of assets (including shares or equity interests in companies) intended to help further the corporate purpose; (ii) the placement of new shares on foreign markets that enable access to sources of funding; (iii) securing funds through the use of placement techniques based on prospecting demand to maximize the rate of issue for the shares; (iv) the incorporation of an industrial or technological partner; and (v) in general, any transaction deemed to be in the company's interests.</i></p>
<p><i>3. There will not be right of preferential subscription for older shareholders and holder convertible liabilities when the capital increase is due to the conversion of liabilities into shares, to the absorption of a different</i></p>	<p><i>3. Existing shareholders <del>and holder convertible liabilities</del> will not be entitled to exercise their pre-emptive subscription right when the capital increase is due to the conversion of debt instruments into shares, the</i></p>



<p><i>society or part of the divided equity in another society, or when the society has presented a public offer for acquisition of values the CONTRAPRESTACIÓN of which consists on, partly or completely, values to issue by the society.</i></p>	<p><i>absorption of another company or part of the assets spun off from another company, or when <u>effected in exchange for non-monetary contributions, including when</u> the consideration for a public tender offer of securities announced by the company consists, either fully or in part, of securities issued by the company.</i></p>
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The proposed amendments are based on the Spanish Corporate Restructurings Act, which redrafts Article 158.1 of the Spanish Public Limited Companies Act. This article, which governs the exercise of pre-emptive subscription rights, features two important changes: the pre-emptive right is recognized solely in the case of “existing shareholders”, thus eliminating the previous mention to holders of convertible debt instruments, and only in relation to the issue of new shares when the consideration is monetary contributions.

For section 1 of the aforementioned Article 13 of the Bylaws, we suggest clarifying the fact that the capital increase may be “... *involving issues of new shares, whether common shares or common shares with additional voting rights attached, in exchange for monetary contributions...*”.

Section 2 remains intact, while for section 3 we propose eliminating the words “...and holder convertible liabilities...” in relation to the removal of the pre-emptive subscription right, given that since the arrival of the Spanish Corporate Restructurings Act, holders of convertible debt instruments are not legally entitled to this right. In accordance with the new wording of Article 158 of the Spanish Public Limited Companies Act, we also propose that the pre-emptive right may not be exercised when new shares are issued in exchange for non-monetary contributions.

**Article 24 of the Bylaws:**

The current drafting of Article 24 of the company’s Bylaws and the proposed amendment are as follows:

<u>Current drafting</u>	<u>Proposed amendment</u>
<p><i>Article 24. Constitution of the General Board</i></p>	<p><i>Article 24. Quorum for General Shareholders’ Meetings</i></p>
<p><i>1. The General Board will be validly constituted in the first summon when the present or represented shareholders possess, at least, the twenty five per cent of the shareholders, equity with voting right.. In the second summon the constitution of the Board will be valid whichever is the participant capital of it.</i></p>	<p><i>1. The General Shareholders’ Meeting will be validly convened on first call when shareholders present or represented by proxy hold at least twenty-five percent (25%) of the share capital carrying the right to vote. On second call, the meeting will be validly convened regardless of the capital in attendance.</i></p>



<p>2. If the Board is called to deliberate over by-law modifications including the increase and decrease of capital, over the transformation, Merger or division of the society or the issue of liabilities will be needed in the first summon the attendance of shareholders which represent, at least, the fifty per cent of the social equity with voting right.. In the second summon, it will be enough the attendance of the twenty five per cent..</p>	<p>2. If shareholders are called upon to address <u>any</u> amendments to the bylaws, including capital increases or reductions, <u>issues of debt instruments, the removal or limitation of the pre-emptive subscription right over new shares, the conversion, merger, spin-off of the company, the mass transfer of assets and liabilities, or if the company moves its registered offices abroad</u>, then shareholders present or represented by proxy on first call must possess at least fifty percent (50%) of the subscribed capital carrying the right to vote. On second call, a quorum of twenty-five percent (25%) of said capital will be sufficient.</p>
<p>3. The shareholders who vote by mail or electronically will be regarded as present for purposes of constitution of the Board..</p>	<p>3. Shareholders that cast their votes by post or via electronic channels will be deemed present when calculating the quorum for the meeting.</p>
<p>4. The absences produced once the General Board is formed will not affect its validity..</p>	<p>4. Any absences that arise once the General Shareholders' Meeting has been convened will not affect the continuing validity of the meeting.</p>
<p>5. For the valid constitution of the Board it will not be needed the attendance of the administrators of the Company.</p>	<p>5. The attendance of company directors is not required for the General Shareholders' Meeting to be deemed validly convened.</p>

Section 2 of this article governs the cases in which a quorum is required for the General Meeting to be validly convened. On first call, this amounts to fifty percent of the subscribed capital carrying the right to vote. In this regard, the Spanish Corporate Restructurings Act ushered in certain amendments to Article 103 of the Spanish Public Limited Companies Act, essentially introducing a number of additional matters for which a reinforced quorum is required. We therefore propose adding these to section to Article 24.2 of the company's Bylaws.

These new matters envisaged in Article 103 of the Spanish Public Limited Companies Act are as follows: (i) any amendment to the Bylaws; (ii) the removal or limitation of the pre-emptive subscription right over new shares; (iii) the mass transfer of assets and liabilities and; (iv) if the company moves its registered office abroad.

## **2. MOTION TO BE PUT BEFORE THE GENERAL MEETING**

Transcribed verbatim below is the motion to be put before the General Shareholders' Meeting in relation to the amendments to Articles 10, 13 and 24 of the company's Bylaws, included as Item Nine on the agenda. Pursuant to the provisions of Article 158.3 of the Regulations of the Companies House (*Reglamento del Registro Mercantil*), this motion includes a verbatim transcription of the new drafting of the Bylaw articles to be amended.



**Item Nine: Amendments to the Bylaws:**

**9.1. Amendment of Article 10 (Capital calls)**

**MOTION:**

*To amend Article 10 of the Bylaws, which will hereinafter read as follows:*

*“Article 10. Capital calls.*

- 1. Partially paid-up shares shall be paid up by the relevant shareholders at the time determined by the Board of Directors, within the maximum term of five years from the date of the resolution providing for the capital increase.*
- 2. The method and other terms of such payment will be determined by the resolution providing for the capital increase, which may dictate that such payments be made by either monetary or non-monetary contributions.”*

**9.2. Amendment of Article 13 (Pre-emptive subscription right)**

**MOTION:**

*To amend Article 13 of the Bylaws, which will hereinafter read as follows:*

*“Article 13. Removal of the pre-emptive subscription right.*

- 1. The General Shareholders’ Meeting or Board meeting that approves a capital increase involving issuances of new shares, whether common shares or common shares with additional voting rights attached, in exchange for monetary contributions, may resolve to remove, either fully or in part, the pre-emptive subscription right held by existing shareholders in the situations and subject to the conditions prescribed by law, insofar as such removal is deemed in the company’s interests.*
- 2. In particular, company interests may justify the removal of the pre-emptive subscription right when such removal is required to facilitate the following: (i) the acquisition, by the company, of assets (including shares or equity interests in companies) intended to help further the corporate purpose; (ii) the placement of new shares on foreign markets that enable access to sources of funding; (iii) securing funds through the use of placement techniques based on prospecting demand to maximize the rate of issue for the shares; (iv) the incorporation of an industrial or technological partner; and (v) in general, any transaction deemed to be in the company’s interests.*
- 3. Existing shareholders will not be entitled to exercise their pre-emptive subscription right when the capital increase is due to the conversion of bonds into shares, the absorption of another company or part of the assets spun off from another company, or when effected in exchange for non-monetary contributions, including when the consideration for a public tender offer of securities announced by the company consists, either fully or in part, of securities to be issued by the company.”*



### 9.3. Amendment of Article 24 (Quorum at General Shareholders' Meetings).

#### MOTION:

*To amend Article 24 of the Bylaws, which will hereinafter read as follows:*

*“Article 24. Quorum at General Shareholders' Meetings.*

- 1. The General Shareholders' Meeting will be validly convened on first call when shareholders present or represented by proxy hold at least twenty-five percent (25%) of the share capital carrying the right to vote. On second call, the meeting will be validly convened regardless of the capital in attendance.*
- 2. If shareholders are called upon to address any amendments to the Bylaws, including capital increases or reductions, issues of debt instruments, the removal or limitation of the preemptive subscription right over new shares, the conversion, merger or spin-off of the company, the mass transfer of assets and liabilities, or if the company moves its registered office abroad, then shareholders present or represented by proxy on first call must possess at least fifty percent (50%) of the subscribed capital carrying the right to vote. On second call, a quorum of twenty-five percent (25%) of said capital will be sufficient.*
- 3. Shareholders that cast their votes by post or via electronic channels will be deemed present when calculating the quorum for the meeting.*
- 4. Any absences that arise once the General Shareholders' Meeting has been convened will not affect the continuing validity of the meeting.*
- 5. The attendance of company directors is not required for the General Shareholders' Meeting to be deemed validly convened.”*

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Madrid, 5 May 2010.