



## **EXPLANATORY REPORT ON THE PROVISIONS OF ARTICLE 116 BIS OF THE SPANISH SECURITIES MARKET ACT (LEY DEL MERCADO DE VALORES)**

Report issued by the Board of Directors of Sacyr Vallehermoso, S.A. at a meeting thereof held on 23 March 2010, in accordance with the provisions of Article 116 bis of the Spanish Securities Market Act, as introduced by Article 114 of Act 6 dated 12 April 2007 (*Ley 6/2007*), governing the transparency of issuers of securities listed on regulated markets.

- a) Capital structure, including securities that are not listed on a regulated market in a member state, specifying, where appropriate, the different classes of shares and, for each class of shares, the attached rights and obligations and the percentage of total share capital that it represents.**

In accordance with Article 5 of the company's Bylaws, share capital amounts to 304,967,371 euros, represented by 304,967,371 common shares, each of a par value of 1 euro and all of a single class and series. All shares are fully paid up.

The company has no outstanding securities convertible into shares.

- b) Restrictions on the transfer of shares.**

The Bylaws do not impose any restrictions on the transfer of company shares, this without prejudice to the rules explained below.

As a listed company, the acquisition of certain significant shareholdings must be disclosed to the issuer and to the CNMV, the Spanish securities market watchdog, under the terms of Article 53 of the Spanish Securities Market Act (*Ley 24/1988*), Royal Decree 1362/2007 (*Real Decreto 1362/2007*) and CNMV Circular 2/2007, which set the first disclosure threshold at 3% of capital or voting rights.

Again as a listed company, the acquisition of 30% or more of the company's capital or voting rights triggers the obligation to mount a takeover bid in accordance with Article 60 of the Spanish Securities Market Act.

c) Significant direct and indirect shareholdings:

Shareholder	Direct shareholding		Indirect shareholding		Total		
	Nº of shares	%	Nº of shares	%	Nº of shares	%	Nº of voting rights
Juan Abelló Gallo	-	-	30,498,533 (1)	10.001	30,498,533	10.001	30,498,533
José Manuel Loureda Mantiñán	345	0.00	41,171,576 (2)	13.500		13.500	41,171,921
Luis del Rivero Asensio	173	0.00	41,929,229(3)	13.749	41,929,402	13.749	41,929,402
Manuel Manrique Cecilia	228	0.00	23,339,877(4)	7.653	23,340,105	7.653	23,340,105
Juan Miguel Sanjuan Jover	214	0.00	10,791,133 (5)	3.538	10,791,347	3.538	10,791,347
Participaciones Agrupadas, S.R.L.	24,395,075	7.999	-	-	24,395,075	7.999	24,395,075
Caixanova	12,076,843	3.960	-	-	12,076,843	3.960	12,076,843
Mutua Madrileña Automovilista	15,267,857	5.006	-	-	15,267,857	5.006	15,267,857
Disa Corporación Petrolífera, S.A.	20,549,237	6.738	-	-	20,549,237	6.738	20,549,237
Corporación Caixa Galicia, S.A.	9,118,524	2.990	-	-	9,118,524	2.990	9,118,524

(1) Juan Abelló holds his indirect shareholding through Nueva Compañía de Inversiones, S.A. (5 shares) and through Austral, B.V. (30,498,528 shares).

(2) José Manuel Loureda Mantiñán holds his indirect shareholding through Prilou, S.L. (25,844,241 shares) and through Prilomi, S.L. (15,327,335 shares), in which he holds an 81% interest.

(3) Luis Fernando del Rivero Asensio holds his indirect shareholding through his wholly-owned company Actividades Inmobiliarias y Agrícolas, S.A. (18,488,842 shares), and through Rimefor Nuevo Milenio, S.L (23,440,387 shares), in which he holds a 61.89% interest.

(4) Manuel Manrique Cecilia holds his indirect shareholding through Cymofag, S.L.

(5) Juan Miguel San Juan Jover holds his indirect shareholding through Grupo Satocán, S.A.

**d) Restrictions on voting rights.**

The Bylaws impose no specific restrictions on voting rights.

**e) Shareholder agreements.**

There are no shareholder agreements in effect at Sacyr Vallehermoso, S.A.

**f) Rules governing the appointment and replacement of directors and amendments to the Bylaws.**

• Appointment and removal of Board members

1. Appointment and reappointment:

- Directors will be appointed at the General Shareholders' Meeting or by the Board of Directors, in accordance with the Spanish Public Limited Companies Act (*Ley de Sociedades Anónimas*).
- Before the Board proposes appointments to the General Shareholders' Meeting and before the Board adopts resolutions on appointments by virtue of its legal powers of co-option, the Appointments and Remuneration Committee must send the Board its corresponding report.

When the Board fails to follow the recommendations of the Appointments and Remuneration Committee, it must state its reasons for so doing and record them in the minutes.

- When appointing external directors, the Board of Directors and the Appointments and Remuneration Committee will, within the scope of their respective powers, ensure that the directors selected are of recognized standing, skill and experience.

- Directors will hold office for a maximum term of five years, and may be re-elected for the same tenure on any number of occasions.

- Directors appointed by co-option will remain in office until the date of the meeting of the first General Shareholders' Meeting at which their appointment is to be ratified, where applicable.

- A director who terminates her/his term of office or, for any other reason, stands down or is removed from office may not work for another entity with a corporate purpose similar to that of the company for a period of two years, insofar as the Board of Directors has grounds to believe that this might harm the company's interests.

2. Termination of appointment or removal:

- Directors will stand down or be removed from office when the period for which they were appointed expires, when they tender their resignation to the company or when the General Shareholders' Meeting so decides, pursuant to the powers conferred upon it by law and by the company's Bylaws.

- Directors must tender their resignation before the Board and subsequently step down, if deemed opportune, in the following cases:

- a) when they reach the age of 65 in the case of executive directors, although they may, where applicable, continue as non-executive directors;
- b) when they leave the executive posts with which their appointment as director was associated;
- c) when they fall within any of the situations of incompatibility or prohibition prescribed by applicable law;
- d) when they are seriously reprimanded by the Audit Committee for having violated their obligations as directors, and;
- e) when their continuation on the Board could put the Company's interests at risk or negatively affect the image and reputation of the company, or when the reasons for which they were appointed cease to apply (for example, when a proprietary director sells her/his stake in the company).

- Amendments to the Bylaws

The procedure for amending the Bylaws is governed by Article 144 of the Spanish Public Limited Companies Act, which is common to all such companies, and requires any change to be approved at the General Shareholders' Meeting subject to the majorities stipulated in Article 103 of the same Act.

The power to amend the Bylaws is expressly attributed to the General Shareholders' Meeting by Article 19 of the Bylaws and Article 3 of the Regulations of the General Shareholders' Meeting, whereas the required majorities for voting are those envisaged at law.

**g) The powers of directors and, in particular, the power to issue or buy back shares.**

The Chairman and CEO of SACYR VALLEHERMOSO, S.A. are entrusted with all the duties and powers of the Board of Directors, save for those that cannot be delegated in accordance with prevailing legislation or the Bylaws and those which the Board retains for itself in accordance with Article 38.3 of the Bylaws.

In accordance with Article 75 and Additional Provision One of the Spanish Public Limited Companies Act, shareholders at the General Meeting held on 17 June 2009 authorized the Board of Directors to buy back shares in Sacyr Vallehermoso, S.A.. Such acquisitions may be effected directly by Sacyr Vallehermoso, S.A., or indirectly through its subsidiaries, and may take the form of purchase agreements, swaps or any other legally admissible exchange for valuable consideration.

All acquired shares must be fully paid up.

The par value of the shares acquired, when added to the value of the shares already owned, directly or indirectly, may not exceed the maximum limit prescribed by applicable law.

The acquisition price per share must be at least the nominal value and at most the listed price on the continuous market of the Spanish stock exchanges at the date of acquisition. This authorization to acquire treasury shares will remain in effect for 18 months.

A reserve equivalent to the value of any company shares that may be purchased will be created as a balance sheet liability. This unavailable reserve will be maintained until such time as the shares are disposed of or redeemed.

This authorization also extends to those acquired shares that are to be transferred directly to company employees and directors, or otherwise transferred as a result of share option rights exercised by such employees or directors.

In accordance with Article 153.1 b) of the Spanish Public Limited Companies Act, the General Shareholders' Meeting held on 18 June 2008 authorized the Board of Directors to increase share capital and to exclude the pre-emptive subscription right, pursuant to Article 159.2 of the same Act, thereby rendering null and void, as to the unused part, the authorization previously granted to the Board of Directors at the General Shareholders' Meeting of 25 June 2004.

Share capital may be increased one or more times when required, within a maximum term of five years running from the date of the aforementioned General Meeting and subject to the limit of 142,318,106 shares.

Shareholders at the General Shareholders' Meeting of 5 May 2006 authorized the Board of Directors to issue fixed-income securities, including fixed-income securities convertible into existing and/or new shares in the company, as well as promissory notes, preferential shares or warrants (options to subscribe new or acquire existing shares in the company).

These securities may be issued on one or more occasions and when required, within the maximum term of five years from the date on which this resolution is approved.

- h) **Significant agreements to which the company is a party and which take effect, are amended or terminate upon a change of control of the company arising from a takeover bid, including the effects of such agreements, except where disclosure would severely harm the company's interests. This exception shall not apply where the company is legally bound to disclose such information.**

The company has no significant agreements outstanding that would take effect, be altered or terminate in the event of a change of control arising from a takeover bid.

- i) **Agreements between the company and its directors, managers and employees providing for compensation if they are wrongfully dismissed or if the employment relationship is terminated following a takeover bid.**

Two members of the Management Committee have senior management contracts that foresee severance pay of between one and two years of salary in the event of dismissal.