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

The purpose of this report is to provide grounds for the motion to vest in the Board of Directors (with express powers to delegate such powers to the Chief Executive Officer or to the Executive Committee, which will in turn have powers to sub-delegate) the power to effect the capital increase in accordance with the provisions of Article 153.1.b) of the Spanish Public Limited Companies Act (*Ley de Sociedades Anónimas*), including the power to remove the pre-emptive subscription right pursuant to Article 159.2 of the same Act. Approval of the motion rests with the General Shareholders' Meeting of Sacyr Vallehermoso, S.A. (hereinafter, the "**Company**") pursuant to Item Eight on the agenda, all the foregoing in accordance with Articles 144.1.a), 152.1, 153.1 and 159.2 of the Spanish Public Limited Companies Act.

Article 153.1.b) of the Public Limited Companies Act authorizes the General Meeting to vest in the Board of Directors, subject to applicable requirements governing amendments to the Bylaws, the power to effect one or more capital increases up to a certain ceiling, as often as required and for the amount the Board deems fit, without the need to consult the General Meeting. The article dictates that such increases may never exceed half of the company's capital at the time of the authorization and must be effected in exchange for monetary contributions within the maximum term of five years running from the date on which the General Meeting adopts the corresponding resolution.

The Board of Directors believes that the motion to be put before the General Meeting can be justified on the basis that the Board requires a mechanism envisaged by applicable company law that enables it to bring about one or more capital increases without the need for a further General Shareholders' Meeting to be held, although subject to the limits, terms and conditions imposed by the latter body.

Given the market demands facing companies and particularly listed companies, governing bodies of large companies must have legally admissible paths open to them to provide rapid and effective responses to any needs that may arise during the course of business. Without doubt, this encompasses the need to secure new sources of funding for the company, something that is frequently achieved through new capital contributions.

Yet it is often impossible to gauge in advance the capital needs of a company and to anticipate the delays and cost increases that would lead the management to request capital increases at the General Meeting, thus preventing the company from responding effectively and quickly to market needs. It is therefore advisable that the Board have an authorized mechanism for adjusting share capital, as provided for under applicable Spanish law. In effect, the delegation of powers envisaged under Article 153.1.b) of the Spanish Public Limited Companies Act enables the company to provide its Board of Directors with an agile and flexible instrument to respond to the company's needs in accordance with prevailing market conditions.

With these thoughts in mind, a motion is to be put before the General Meeting to vest in the Board the power to effect capital increases affecting the company for the nominal and maximum sum of €152,483,685.55, a figure equivalent to half the company's current share capital. Such increases will be carried out by issuing and circulating new shares (with or without premium), with the consideration comprising monetary contributions. Likewise, the amount of any capital increases that may be effected in order to convert bonds or warrants into new-issue shares pursuant to any future resolutions to vest powers of the General Meeting in the Board over the term of this resolution will count towards the available balance from time to time of the aforementioned maximum limit of €152,483,685.55.

Furthermore, pursuant to Article 159.2 of the Spanish Public Limited Companies Act, it is proposed that the powers vested in the Board of Directors to increase capital as discussed in this report also include the power of the directors to remove, either fully or in part and when deemed in the company's interests, the pre-emptive subscription right of shareholders over the shares issued under the delegated powers, all the foregoing in accordance with the provisions of the above-referenced article. Please note that the same Article 159.2 states that motions to vest powers to remove pre-emptive subscription rights, which must be included in the announcement of the General Meeting, must be justified in a report prepared by the directors, which will be made available to shareholders. This report is intended to address this concern.

The Board of Directors believes that this power to remove the pre-emptive subscription right, as a complementary power to the one to increase capital, can be explained and justified on various fronts. Firstly, removing the pre-emptive subscription right tends to help cut the associated costs (including, in particular, the fees of financial institutions party to the rights issue) in comparison to a rights issue subject to a pre-emptive subscription right. Secondly, the power to remove the pre-emptive subscription right will speed up proceedings and enhance the directors' ability to respond successfully to prevailing conditions within the financial markets, thereby enabling the company to make the transaction coincide with favourable market conditions. Moreover, removing the pre-emptive subscription right will cushion the impact on the listed price of the company's shares over the issue period, which tends to be shorter for issues without such rights attached.

It should also be noted that the power, and not the obligation, to remove the pre-emptive subscription right is a power that the General Meeting may vest in the Board of Directors, with the latter remaining ultimately responsible for deciding whether or not to effectively remove such right on a case by case basis, with due regard paid to the specific circumstances of each case and in accordance with legal requirements. If the Board of Directors decides to exercise its power to remove the pre-emptive subscription right in relation to a specific capital increase effected under the authorization granted by the General Shareholders' Meeting, the directors' report and the financial audit report must be drawn up pursuant to Article 159.1.b) of the Spanish Public Limited Companies Act. In accordance with Article 159.2 of the same Act, both reports must be made available to shareholders and reported at the first General Meeting to be held after the capital increase in question.

The motion also envisages the power to carry out the necessary formalities, when required, to ensure that the shares issued by the company under this power are listed for trading on official or unofficial, organized or over-the-counter Spanish or foreign secondary markets, with the

Board of Directors entitled to act accordingly to list the instruments before the competent authorities and bodies of the various Spanish and international securities markets. On a final note, it is expected that the Board will be able to delegate the conferred powers to the Chief Executive Officer or the Executive Committee, which will be entitled to sub-delegate such powers.

Motion to be put before the General Meeting

Transcribed verbatim below is the motion to be put before the General Meeting in relation to Item Eight on the agenda.

Item Eight: Authorization for the Board of Directors to increase share capital, pursuant to Article 153.1.b) of the Spanish Public Limited Companies Act, including delegated powers to eliminate 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 by the General Shareholders' Meeting on 18 June 2008.

MOTION:

"A) To authorize the Board of Directors, to the fullest extent required by law, and in accordance with Article 153.1.b) of the Spanish Public Limited Companies Act, to increase share capital on any number of occasions and when required within the term of five years running from the date of this General Meeting, subject to the maximum limit of €152,483,685.55, equivalent to half the company's current capital. Capital increases will be effected under this authorization by issuing and circulating new shares, with or without premium, consideration for which will be monetary contributions. In relation to each rights issue, the Board of Directors must decide whether the new issues are to comprise common shares, common shares with additional voting rights, callable shares, shares without voting rights attached or any other kind of legally admissible share. Likewise, the Board of Directors may determine the terms and conditions for the rights issues and the characteristics of the shares, insofar as these are not envisaged herein, and may freely offer the new unsubscribed shares within the term or terms for exercising the pre-emptive subscription right. In the event that not all shares are subscribed, the Board of Directors may also dictate that capital will only be increased by the amount of the shares effectively subscribed, with powers to redraft the articles of the Bylaws governing share capital and number of shares.

If, at any time over the life of this authorization, the General Meeting decides to confer upon the Board the power to effect rights issues in order to respond to conversions of bonds, warrants or other similar instruments, the maximum amount of such issues will count towards the maximum amount authorized under this resolution.

Similarly, and in relation to the capital increases effected under this authorization, the Board of Directors is authorized to eliminate, either fully or in part, the pre-emptive subscription right, in accordance with the provisions of Article 159.2 of the Spanish Public Limited Companies Act.

Where applicable, the company shall carry out the necessary formalities to ensure that the shares issued by the Company under this power are listed for trading on official or unofficial, organized or over-the-counter Spanish or foreign secondary markets, thereby *authorizing the Board of Directors to act accordingly to list the instruments before the competent authorities and bodies of the various Spanish and international securities markets.*

The Board of Directors is likewise authorized to delegate any or all of the powers conferred under this resolution to the Executive Committee, which will in turn have powers to sub-delegate, or to the Chief Executive Officer.

B) This authorization will render null and void, as to the unused part, the authorization previously granted by the General Shareholders' Meeting of 18 June 2008.

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Madrid, 5 May 2010.