



SACYR VALLEHERMOSO SA BOARD OF DIRECTORS' REPORT ON THE PROPOSED RESOLUTION SUBMITTED FOR APPROVAL BY THE GENERAL SHAREHOLDERS' MEETING TO BE HELD ON 17 JUNE 2008 ON FIRST CALL, OR 18 JUNE 2008 ON SECOND CALL, AS ITEM 7 OF THE AGENDA

I. Aim of the report

The Board of Directors of Sacyr Vallehermoso SA (hereinafter "**SACYR VALLEHERMOSO**" or the "**Company**") has written this report, as required by articles 152.1 and 144.1.a) of the Public Limited Companies Act, in connection with the proposed increase in share capital stated below and included as item 7 on the agenda of the General Shareholders' Meeting called for 12 p.m. on 17 June 2008 on first call, or the same time at 18 June 2008 on second call, in Madrid.

II. Board of Directors' report explaining the capital increase

The sum of the increase in share capital which is the subject of this report is 20,331,158 euros, fully charged to voluntary reserves. The increase will be carried out via the issue of 20.331.158 new shares with a face value of one (1) euro each, and will be assigned to shareholders free of charge.

The Board of Directors feels that the capital increase proposed to the General Shareholders' Meeting is greatly in the Company's interest, and is justified for three basic reasons: (i) firstly, this measure will create greater liquidity for SACYR VALLEHERMOSO in the stock exchange as more Company shares will be in circulation, and this will benefit all shareholders; (ii) secondly, this measure will reinforce the capital base by capitalising the reserves and introducing a more demanding regime; (iii) thirdly, this measure is a free capital increase that enables the company to reward shareholders while maintaining the resources necessary to, whenever possible, independently finance new projects that generate value for shareholders.



III. Resolution proposed for approval by the General Shareholders' Meeting

Below is the full text of the proposed resolution to increase share capital, submitted for approval by SACYR VALLEHERMOSO's General Shareholders' Meeting as item 7 on the agenda.

“Seven.- Increase of the share capital by 20,331,158 euros, with the issuance of 20,331,158 shares with a face value of one (1) euro each, of the same class and series as those currently in circulation, charged to voluntary reserves and with the subsequent amendment of article 5 of the company bylaws. Request for admission of the new shares issued to trading on the stock exchanges of Madrid, Barcelona, Bilbao and Valencia, through the Spanish electronic continuous trading system (*Sistema de Interconexión Bursátil*, SIBE), and on the Lisbon stock exchange (Euronext Lisbon). Delegation of powers to the Board of Directors.

1. Increase in share capital charged to voluntary reserves

- (a) It is agreed to increase Sacyr Vallehermoso SA's share capital by 20,331,158 euros, through the issuance of 20,331,158 shares, with a face value of one (1) euro each, of the same class and series, and with the same rights, as those currently in circulation, registered through accounting records and assigned free of charge to company shareholders, at a ratio of one (1) new share for every fourteen (14) existing shares held.

In order to maintain the exact ratio of one (1) new share for every fourteen (14) in circulation, the company hereby waives the rights to the free allocation of new shares that it is entitled to as holder of own shares.

- (b) The balance sheet for the operation is the year ending 31 December 2007, as audited by Ernst & Young SL, on 8 April 2008, and approved by the General Shareholders' Meeting as item 1 of the agenda. Pursuant to article 157.2 of the Public Limited Companies Act, the date of this balance sheet (31 December 2007) is less than six (6) months before the date of the decision to increase the capital.
- (c) The capital increase will be fully charged to voluntary reserves.
- (d) Shareholders are informed that one (1) new share will be assigned for every fourteen (14) old shares held (as per legal regulations and bearing in mind the company's waiving of its rights to the free allocation of new shares as outlined in paragraph (a) above).
- (e) All individuals or companies that by midnight on the day when the announcement of the increase in capital is published in the Official Gazette of the Commercial Registry (BORME) appear legitimately recorded in the



accounting records of the Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores SA, or Iberclear (hereinafter the "Systems Company") and participating organisations, will be considered to be SACYR VALLEHERMOSO shareholders.

- (f) The rights to free allocation will be transferable under the same conditions as the shares to which they apply. The rights to free allocation may be traded using the Spanish electronic continuous trading system (*Sistema de Interconexión Bursátil*, SIBE) during the period referred to in paragraph (g) below.
- (g) The rights to free allocation of the new shares may be exercised during the period of fifteen (15) days from the date of publication of the capital increase announcement in the Official Gazette of the Commercial Registry (BORME). The allocation of shares under the increase in capital may be conducted using any of the organisations participating in the Systems Company.
- (h) For shareholders with a number of shares in SACYR VALLEHERMOSO which is not a multiple of fourteen (14), the Company may establish mechanisms to allow the transmission or grouping together of the rights of free allocation. In any case, those shares which remain unallocated will be held in a deposit for three (3) years from the end of the free allocation period. After this period has ended, the shares may be sold under the terms of article 59 of the Spanish Public Limited Companies Act, with costs chargeable to the interested parties. The sums collected from the sale will be deposited in the Bank of Spain or in the general deposits account (Caja General de Depósitos), minus any charges for the sale or from the previous deposit, and made available to the interested parties.
- (i) The new shares offer their holders the same rights as the shares of SACYR VALLEHERMOSO currently in circulation, from the date of their allocation. The new shares entitle shareholders to dividends declared by SACYR VALLEHERMOSO from 1 January 2008.

2. Admission to trading of the new shares

A request will be made for admission to trading of the new shares issued on the stock exchanges of Madrid, Barcelona, Bilbao and Valencia, through the Spanish electronic continuous trading system (*Sistema de Interconexión Bursátil*, SIBE), and on the Lisbon stock exchange (Euronext Lisbon).

3 Amendment of article 5 of the company bylaws.

Once the period of free share allocation has ended and the capital increase has been declared completed, article 5 of the bylaws will be rewritten as follows:

"Article 5.- Share capital

Share capital is 304,967,371 euros and is represented by 304,967,371 shares with a face value of one euro each, fully paid up."

4. Delegation of powers to the Board of Directors.-

Pursuant to article 153.1.a) of the Spanish Public Limited Companies Act, authorisation is granted to the Board of Directors to increase the share capital and to establish any conditions not already covered by the above sections. The following powers are delegated to the Board of Directors – although the following list is neither exhaustive nor restrictive:

- a) To set the date on which the resolution to increase share capital is to be implemented, within a maximum of one (1) year of its being adopted.
- b) To declare the increase in share capital completed and closed once the allocation period ends.
- c) To draft, undersign, and submit the regulatory announcement to the Spanish National Securities Commission (CNMV), and present any additional information or documentation that may be required.
- d) To draft, undersign, and submit to the Spanish National Securities Commission (CNMV), if required, the prospectus or other document containing the necessary information on the share issue, according to Spanish Securities Market Act 24/1988 (28 July) and its subsidiary legislation. The Board must assume responsibility for the content of the prospectus or other document, and must draft, undersign, and submit any necessary supplements and request their verification and registration.
- e) To carry out any proceedings, declarations or formalities before the Spanish National Securities Commission (CNMV), the companies which govern the Madrid, Barcelona, Valencia and Bilbao stock exchanges, the Sociedad de Bolsas (organisation in charge of managing the Spanish exchanges), the Systems Company, the Treasury and Financial Policies General Directorate, the Commerce and Investments General Directorate, the Lisbon stock exchange and any other public or private entity or registry, in order to obtain the authorisation, verification and subsequent implementation of the share offer.
- f) To draft and publish as many announcements as required.



- g) To draft, sign, authorise and, as the case may be, certify any documents relating to the share offer.
- h) To perform all of the required procedures to ensure that the new shares under the capital increase are recorded in the accounting records of the Systems Company and admitted for trading on the stock exchanges of Madrid, Barcelona, Bilbao and Valencia through the Spanish electronic continuous trading system (*Sistema de Interconexión Bursátil*, SIBE), and, if applicable, other foreign stock markets on which shares in the Company are traded.
- i) And to take all actions considered necessary or appropriate with public or private entities, either Spanish or foreign, in order to carry out and formalise the increase in capital (these may include issuing public deeds, including to clarify, supplement or resolve any omissions or errors which might hinder the effectiveness of the previous agreements).

The Board of Directors has the power to delegate the above listed powers (totally or partially) to the Executive Committee (which may, in turn, delegate these powers to any of its members or to its Secretary), or to any member of the Board or to the secretary to the Board.”

Madrid, 7 May 2008