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 9 OF THE AGENDA

The aim of this report is to explain the new powers to increase share capital, under the terms of article 153.1.b) of the Spanish Public Limited Companies Act, granted to the Board of Directors, and in particular to the Executive Committee. These powers include the authority to exclude preferential subscription rights according to article 159.2 of the foregoing Act, which is submitted for approval to the General Shareholders' Meeting of Sacyr Vallehermoso SA (hereinafter "the Company") as item 9 on the agenda. All this complies with articles 144.1.a), 152.1, 153.1 and 159.2 of the Public Limited Companies Act.

Article 153.1.b) of the Public Limited Companies Act authorises the General Shareholders' Meeting to grant to the Board of Directors, with the requirements stated for bylaw amendments, the power to increase share capital to a particular figure, once, or more, without consulting the General Shareholders' Meeting. The timing and amount of such increases are to be decided by the Board of Directors. Regulations stipulate that such increases may in no case exceed half the Company's share capital at the time of the authorisation, and that they must be carried out by cash contributions within five years of the resolution by the General Shareholders' Meeting.

The Board of Directors is of the understanding that the proposed resolution submitted to the General Shareholders' Meeting is explained by the convenience of the Board having a mechanism, stated in current company law, which allows one or several increases in share capital to be agreed without a new General Shareholders' Meeting being called and held, although this must be done within the restrictions, terms and conditions decreed.

Market demands on trading companies, and particularly on listed companies, require that their governing and management bodies are able to take advantage of opportunities provided by the legislative framework to respond swiftly and effectively to large companies' current trading needs. These needs undoubtedly include the need to provide the Company with new financial resources, which will often be done via new capital contributions.

However, it is often impossible to determine the Company's capital provision needs in advance and to anticipate the delays and cost increases which may be caused by calling a General Shareholders' Meeting to increase capital. This makes it harder for the Company to respond effectively and flexibly to market needs. It is therefore advisable for the Board of Directors to be able to use the mechanism to increase capital which is provided for in Spanish law. This mechanism is article 153.1.b) of the Public Limited Companies Act, which allows the Company to grant to the Board of Directors a flexible, effective tool to better attend to the Company's needs according to market circumstances.

With all these aims in mid, a proposal is submitted to the General Shareholders' Meeting to grant to the Board the power to increase the Company's share capital by a maximum of 142,318,106 shares. This figure is equal to half of the Company's capital. In order to coordinate this proposal with the proposal adopted as item 12 on the agenda of the General Shareholders' Meeting of 5 May 2006, it is also stated that the sum of any capital increases made under the resolution passed as item 12 shall be included within the above limit of 142,318,106 shares available at any given time. This is to convert any bonds or warrants regarding newly-issued shares.

The proposal made here also renders ineffective, as to its unused parts, resolution 10 adopted by the General Shareholders' Meeting of 25 June 2004.

Under the terms of article 159.2 of the Public Limited Companies Act, it is also stated hereby that the Board of Directors' powers to increase share capital, as described in this Report, also include the directors' right to exclude in whole or in part, when this is in the Company's interest, the preferential subscription rights of shareholders and holders of convertible debentures over shares issued under these powers. All this shall comply with the foregoing article 159.2. It should also be borne in mind that this article stipulates that the proposal to exclude preferential subscription rights, which must be stated in the notice of the General Shareholders' Meeting, is to be explained in a report by the directors, which must be made available to shareholders. This Report also complies with this stipulation.

The Board of Directors considers that this power to exclude the right to preferential subscription, in addition to the power to increase capital, is justified by several factors. Firstly, the removal of the right to preferential subscription tends to provide lower transaction-related costs (including in particular the commissions of the financial entities involved in share issue) than issuing shares with preferential subscription rights. Secondly, the power to remove the right to preferential subscription enables directors to act and respond substantially faster, as current financial markets sometimes require. This allows the Company to take advantage of times when market conditions are more favourable. Removing the right to preferential subscription also has a less distorting effect on trading in Company shares during the issue period. The issue period is usually shorter than share issue with preferential subscription rights.

In summary, the General Shareholders' Meeting grants to the Board of Directors the power to exclude the right to preferential subscription. On the basis of specific circumstances and within legal requirements, the Board of Directors is to decide whether or not to exclude this right in each individual case. If the Board of Directors decides to exercise its power to exclude the right to preferential subscription for a particular capital increase which may permit the use of this power granted by the General Shareholders' Meeting, the Board must issue a report giving the specific reasons why it is in the Company's interest to exclude this right. The exclusion of the right to preferential subscription must be the subject of the corresponding auditors' report, as mentioned in article 159.2 of the Public Limited Companies Act. Both reports must be made available to shareholders. The General Shareholders' Meeting held after the capital increase is decreed must be informed of the reports, as stated in the foregoing article 159.2.

The proposal also includes the request of admission for trading on official or unofficial secondary markets in Spain or abroad, of the shares issued by the company under the power granted to the Board of Directors. The Board of Directors has the power to perform any necessary actions or carry out any required procedures with the relevant bodies for the admission for trading of shares on domestic or foreign stock markets. Lastly, the Board of Directors may assign the powers granted to it to the Executive Committee.

Madrid, 7 May 2008