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### **EXPLANATORY REPORT ON THE MATTERS STATED IN ARTICLE 116.BIS) OF THE SPANISH SECURITIES MARKET ACT 24/1988 (28 JULY) AND INCLUDED IN THE MANAGEMENT REPORT**

Report issued by the Sacyr Vallehermoso SA Board of Directors at its meeting held on 12 March 2008, pursuant to article 166 bis) of the Spanish Securities Market Act, and article 14 of Act 67/2007 of 12 April on transparency of issuers of securities listed on a regulated stock market.

- a) Structure of capital, including shares not traded on an EU regulated stock market, stating also, where applicable, the various share classes, the rights and obligations of each class, and the percentage of share capital so represented:

Pursuant to article 5 of the bylaws, the Company's share capital amounts to 284,636,213 euros, represented by 284,636,213 ordinary shares with a face value of 1 euro, all of the same class and series. All shares have been fully paid up.

None of the securities issued may be converted into shares.

- b) Restrictions on security transfers:

Notwithstanding certain regulations described below, the bylaws do not impose any restrictions on transfers of securities which represent share capital.

As a listed company, the purchase of certain significant shareholdings is subject to notification to the issuer and the Spanish National Securities Commission (CNMV), in compliance with article 53 of the Spanish Securities Market Act 24/1988, Royal Decree 1362/2007 of 19 October, and Circular 2/2007 of 19 December from the Spanish National Securities Commission, which establish the purchase of 3% of the capital or the voting rights as the initial threshold for such notification.

Also, as a listed company, the purchase of a percentage that is equal to, or exceeds, 30% of the capital or voting rights in the company will trigger the obligation to launch a takeover bid under the terms established in article 60 of the Securities Market Act 24/1988.

- c) Major direct or indirect shareholdings:

Shareholder	Direct holding		Indirect holding		Total		
	No. of shares	%	No. of shares	%	No. of shares	%	No. of voting rights
Juan Abelló Gallo	-	-	28,465,284(1)	10.001	28,465,289	10.001	28,465,289
José Manuel Loureda Mantiñán	322	0.00	38,426,802 (2)	13.500		13.500	38,427,124
Sofip, Sociedades Gestora de Participaciones Sociales SA	-	-	14,502,215 (3)	5.095	14,502,215	5.095	14,502,215
Luis del Rivero Asensio	161	0.00	39,129,280(4)	13.747	39,129,441	13.747	39,129,441
Manuel Manrique Cecilia	213	0.00	25,995,772(5)	9.133	25,995,985	9.133	25,995,985
Juan Miguel Sanjuan Jover	200	0.00	9,916,169 (6)	3.484	9,916,369	3.484	9,916,369
Participaciones Agrupadas SFR	22,768,737	7.999	-	-	22,768,737	7.999	22,768,737
Corporación Caixa Galicia SA	14,231,811	5.000	-	-	14,231,811	5.000	14,231,811



Shareholder	Direct holding		Indirect holding		Total		
	No. of shares	%	No. of shares	%	No. of shares	%	No. of voting rights
Mutua Madrileña Automovilista	14,250,000	5.006	-	-	14,250,000	5.006	14,250,000
Disa Corporación	17,200,566	6.043	-	-	17,200,566	6.043	17,200,566

- (1) Juan Abelló has an indirect shareholding through Nueva Compañía de Inversiones SA (5 shares) and TORREAL SA (28,465,284 shares).
- (2) José Manuel Loureda Mantiñán has an indirect shareholding through PRILOU SL (24,121,290 shares) and Prilomi SL (14,305,512 shares.)
- (3) Sofip, Sociedades Gestora de Participaciones Sociales SA has an indirect shareholding through Finavague SL.
- (4) Luis del Rivero Asensio has an indirect shareholding through Actividades Inmobiliarias y Agrícolas SA (17,251,586 shares) and Rimefor Milenio Nuevo SL (21,877,694 shares).
- (5) Manuel Manrique Cecilia has an indirect shareholding through Cymofag SL.
- (6) Juan Miguel San Juan Jover has an indirect shareholding through Grupo Satocan SA.

d) Restrictions on voting rights:

The bylaws do not impose any specific restrictions on this right.

e) Agreements between shareholders:

There are no agreements between Sacyr Vallehermoso SA shareholders.

f) Regulations which apply to the appointment and replacement of members of the Board of Directors and amendments to bylaws:

- Appointment and dismissal of members of the Board of Directors

1. Appointment and reappointment:

- Directors are appointed by the General Shareholders' Meeting, or the Board of Directors, in compliance with the Public Limited Companies Act.
- Proposals for director appointments are submitted by the Board of Directors to the General Shareholders' Meeting, and decisions regarding appointments made by the Board of Directors using its legally-conferred powers of co-option must be preceded by the relevant report from the Appointments and Remuneration Committee.

When the Board's actions differ from the recommendations of the Appointments and Remuneration Committee, the Board must explain the reasons for this, and record them in the minutes.

- The Board of Directors and the Appointments and Remuneration Committee must endeavour, within their powers, to ensure that candidates for the post of external director are individuals of known solvency, ability, and experience.
- Board members shall hold their posts for a maximum of five years, which may be extended for one or more further five-year periods.
- Co-opted directors shall hold their posts until the date of the next General Shareholders' Meeting, to which their appointment shall be submitted for ratification, if appropriate.



- Board members whose mandate expires, or who cease to hold their posts for any other reason, may not offer their services to any other organisation whose corporate purpose is similar to that of the Company, for two years, if the Board of Directors reasonably considers that this would jeopardise the Company's interests.

2. Dismissal or removal:

- Board members shall cease to hold their posts upon expiry of the period for which they were appointed, when they submit their resignation to the Company, or when the General Shareholders' Meeting so decides according to the powers granted to it by law or the company bylaws.

- Board members must renounce their posts, and submit their resignation if the Board considers this appropriate, in the following cases:

a) on reaching the age of 65 for executive directors. Such executive directors may, if appropriate, remain as non-executive directors;

b) on resigning from the executive posts to which they were appointed as directors;

c) if affected by any of the legally-established incompatibilities or prohibitions;

d) if seriously reprimanded by the Audit Committee for failure to comply with their duties as directors; and

e) if remaining on the Board may jeopardise Company interests or adversely affect the Company's credit or reputation, or if the reasons for which they were appointed no longer apply (e.g. if a nominee director sells his/her Company shareholding).

- Amendments to bylaws.-

The bylaw amendment procedure is governed by article 144 of the Public Limited Companies Act. This is common to all public limited companies, and stipulates approval by the General Shareholders' Meeting, with the majorities stated in article 103 of the same Act.

Bylaw amendment is expressly included in the powers of the General Shareholders' Meeting as stated in article 19 of the bylaws, and article 3 of the General Shareholders' Meeting regulations. Bylaw amendment is not subject to any majorities other than those stipulated by law.

g) The powers of the members of the Board of Directors, and in particular those on issuing or buying back shares, are as follows:

All powers of the Board of Directors have been delegated to the Chairman and the Managing Director of SACYR VALLEHERMOSO SA, except for those which law or the bylaws state may not be delegated, and those which the Board retains with no possibility of delegation, pursuant to article 38.3 of the bylaws.

The General Shareholders' Meeting of 29 June 2007 delegated to the Board the power to buy back shares in the capital of Sacyr Vallehermoso SA, as established in article 75 and the first additional regulation of the Public Limited Companies Act. Purchases can be made directly by Sacyr Vallehermoso SA or indirectly through subsidiaries. The purchases can be made by contract of sale, exchange, or any other legally recognised method.

The purchased shares must be fully paid up.



The face value of the shares purchased when added to the value of the shares already owned, directly or indirectly, cannot exceed five per cent of the share capital existing at the time.

The minimum price of each purchased share will be the face value – and the maximum price will be the price quoted on the continuous trading system of the Spanish stock market on the day of purchase. This authorisation to buy back shares is valid for eighteen months.

The General Shareholders' Meeting of 29 June 2007 delegated the power to increase share capital to the Board. The share capital is currently set at 284,636,213 euros, and will be increased by a face value of 149,126,600 euros to 433,762,813 euros via the issue of 149,126,600 shares with a face value of one (1) euro each, of the same class and series as those currently in circulation and registered through the accounting records, in order to satisfy the terms of the takeover bid (hereinafter the "Bid") to purchase up to 62,136,083 ordinary shares in the French company EIFFAGE. At the date of writing, this agreement has not yet been implemented by the Board of Directors.

The General Shareholders' Meeting of 5 May 2006 granted the Board of Directors the power to issue fixed-income securities, both simple and those which can be exchanged for company shares in circulation and/or which can be converted into newly-issued company shares, as well as promissory notes, preferential shareholdings or warrants (options to subscribe new shares or to acquire company shares in circulation).

Shares may be issued on one or several occasions, at any time, within a maximum period of five years from the adoption of this agreement.

The General Shareholders' Meeting of 25 June 2004 granted the Board of Directors the power to increase share capital, pursuant to article 153.1 b) of the Spanish Public Limited Companies Act, and the power to exclude the right to preferential subscription, pursuant to article 159.2 of the same Act, thereby rendering ineffective, as to the unused parts, the authorisation given by the General Shareholders' Meeting of 10 May 2001.

The share capital may be increased on one or several occasions, at any time, within a maximum period of five years from the date of this General Shareholders' Meeting.

- h) Major agreements entered into by the Company which come into force, are altered or expire if control of the Company changes due to a takeover bid and its effects, except when divulging this would seriously damage the Company's interests. This exception shall not apply when the Company is legally obliged to divulge this information:

There are no major agreements entered into by the Company which come into force, are altered or expire if control of the Company changes due to a takeover bid.

- i) Agreements between the Company and its directors or employees entitling them to compensation if they resign or are wrongfully dismissed, or if the employment relationship ends, due to a takeover bid:

There are no agreements between the Company and its directors or employees entitling them to compensation if they resign or are wrongfully dismissed due to a takeover bid."