REPORT OF THE BOARD OF DIRECTORS OF FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A. ON THE DISTRIBUTION OF THE SCRIP DIVIDEND, THROUGH (I) A SHARE CAPITAL INCREASE FOR A DETERMINABLE AMOUNT BY ISSUING NEW ORDINARY SHARES EACH HAVING A PAR VALUE OF 1 EURO, WITH NO ISSUE PREMIUM, ALL OF THE SAME CLASS AND SERIES AS THOSE CURRENTLY OUTSTANDING, CHARGED AGAINST RESERVES; AND (II) THE OFFER TO ACQUIRE FREE ALLOCATION RIGHTS AT A GUARANTEED PRICE (0.50 EUROS PER RIGHT). EXPRESS PROVISION FOR THE POSSIBILITY OF INCOMPLETE ALLOCATION. DELEGATION OF POWERS.

This report is issued by the Board of Directors of Fomento de Construcciones y Contratas, S.A. (the "**Company**" or "**FCC**") in compliance with the provisions of articles 286 and 296 of the consolidated text of the Corporate Enterprises Act, approved by Royal Legislative Decree 1/2010 of 2 July (the "**Corporate Enterprises Act**"), by virtue of which the Board of Directors must prepare a report justifying the proposal to be submitted to the General Shareholders' Meeting, all to the extent that the approval of the aforementioned proposed resolution necessarily entails the amendment of article 5 of the Company's bylaws relating to share capital.

In this respect, it is proposed to implement a flexible dividend (*scrip dividend*) for a maximum value of €219,172,491.50 (dividend equivalent to 0.50 euros per share), by offering all the Company's shareholders newly issued bonus shares or, as the case may be, obtaining cash by means of the transfer of the free allocation rights they receive for the shares they hold.

Therefore, FCC shareholders will have the option, at their own discretion, to:

a) Not transfer their free allocation rights. In such case, at the end of the trading period, the shareholder will receive the corresponding number of bonus shares based on the proportion described below.

b) Transferring all or part of their free allocation rights to FCC under the Purchase Commitment (as defined below) at a guaranteed fixed price of 0.50 euros per right. In this regard, the shareholder may choose to monetise their rights and receive a cash amount instead of receiving shares.

c) Transfer all or part of their free allocation rights in the market In this case, the shareholder may also choose to monetise the corresponding rights, although in this case the shareholder would receive no guaranteed fixed price; rather the consideration for the rights would depend on market conditions in general, and on the quoted price of those rights in particular.

Shareholders of the Company who opt, partially or totally, to receive new shares will also receive a compensatory dividend in cash, such that the options to transfer their free allocation rights to FCC under the Purchase Commitment or to receive that amount in bonus shares are equivalent, i.e. without favouring or penalising either option in the form of their economic terms.

1. Justification for the proposal

The purpose of the proposed capital increase submitted to the Annual General Meeting is to allow the relevant remuneration to be paid in the form of a dividend by offering shareholders an alternative that allows them to receive additional bonus shares.

Therefore, the purpose of the proposed share capital increase submitted to the General Shareholders' Meeting, which is the subject of this report, is to offer all the Company's shareholders newly issued bonus shares or, if applicable, by means of the transfer of the free allotment rights they receive for the shares they hold, to obtain a value equivalent to the payment of dividends.

The operation provides a flexible system whereby the Company may distribute a dividend by issuing bonus shares, while also giving shareholders the option to obtain the equivalent amount in cash.

2. Structure of the capital increase and shareholder options

The proposal, which consists of offering the Company's shareholders the option to receive, at their choice, FCC bonus shares or an equivalent cash amount (the "**Option**"), has been structured by means of a share capital increase charged to reserves (the "**Capital Increase**"), which is submitted for approval at the General Shareholders' Meeting. At the time the Board of Directors decides to effect the Capital Increase:

i) Company shareholders will receive one (1) free allocation right for each share of FCC they hold at that time. These rights may be traded and, therefore, transferred on the same terms as the underlying shares on the stock exchanges of Madrid, Barcelona, Bilbao and Valencia for a period of at least 14 calendar days, whereupon the rights will automatically be converted into newly issued shares of the Company, which will be allocated to shareholders who hold free allocation rights at that time. The number of rights required for the allocation of a new share will depend on the quoted price of the FCC share over the five (5) trading sessions prior to the date on which the Capital Increase is agreed, in accordance with the procedure described in this report (the "**Quoted Price**").

   In any case, and as explained below, under no circumstances will the total number of shares to be issued be such that the reference market value of these shares, calculated at the Quoted Price, is greater than the amount of the scrip dividend (as defined below), which may not exceed 219,172,491.50 euros.

ii) FCC, or an entity belonging to its group, shall assume, vis-à-vis the initial holders of the free allocation rights, an irrevocable commitment to acquire those same rights at a fixed price of 0.50 euros (the "**Purchase Commitment**"). The Company thus guarantees all shareholders the possibility of monetising their rights, allowing them to receive the dividend in cash.

Therefore, as indicated above, FCC shareholders will have the option, at their own discretion, to:

a) Not transfer their free allocation rights. In such case, at the end of the trading period, the shareholder will receive the corresponding number of bonus shares based on the proportion described below.

b) Transfer all or part of their free allocation rights to FCC under the Purchase Commitment at a guaranteed fixed price of 0.50 euros per right. In this regard, the shareholder may choose to monetise their rights and receive a cash amount instead of receiving shares.

c) Transfer all or part of their free allocation rights in the market In this case, the shareholder may also choose to monetise the corresponding rights, although in this case the shareholder would receive no guaranteed fixed price; rather the consideration for the rights would depend on market conditions in general, and on the quoted price of those rights in particular.

As indicated above, shareholders of the Company who opt, partially or totally, to receive new shares will also receive a compensatory dividend in cash so that the options of transferring their free allocation rights to FCC under the Purchase Commitment or receiving this amount in bonus shares in the Company are equivalent, meaning that the economic terms neither favour nor penalise either option.

3. Total amount of the dividend

The maximum aggregate market value of the bonus shares that would be offered to the shareholders of FCC will be calculated by the Board of Directors on the basis of the Quoted Price, though capped at 219,172,491.50 euros (the "**Scrip Dividend Amount**").

Given that, as indicated above, the Purchase Commitment is intended to allow shareholders to monetise the Scrip Dividend Amount and each outstanding share in the Capital Increase will grant its holder a free allocation right, the gross price per right at which the Purchase Commitment will take place (i.e. 0.50 euros) would be, after applying the offsetting mechanism described below, equivalent to the amount per share of the Scrip Dividend Amount.

4. Main terms and conditions of the capital increase

The main terms and conditions of the Capital Increase proposed to the General Shareholders' Meeting are described below:

Amount of the Capital Increase

The capital increase would be made for the amount resulting from multiplying (a) the nominal value of 1 euro per share of FCC by (b) the number of new shares of FCC obtained by applying the formula described in the following sections (the "**New Shares**"). The sum of the reference market value of the New Shares may not exceed a maximum of 219,172,491.50 euros.

The New Shares would be issued at par, i.e. for their nominal value of 1 euro, with no issue premium, and would be assigned free of charge to the Company's shareholders.

New Shares to be issued

The number of New Shares to be issued would be calculated via the following formula, rounded to the next lower whole number:

$$NNS = \frac{NOS}{No. of\ rights}$$

where,

"NNS" = Number of New Shares to be issued;

"NOS" = Number of FCC shares outstanding at the date on which the Board of Directors agrees to carry out the capital increase; and

"No. of rights" = Number of free allocation rights necessary for the allocation of a New Share, which will be the number obtained by applying the following formula, rounded up to the next whole number:

$$No. of\ rights = \frac{NOS}{Provisional\ shares}$$

where,

$$Provisional\ shares = \frac{Scrip\ dividend\ amount}{Listed\ price}$$

For this purpose:

"Amount of the scrip dividend" = the maximum value of the scrip dividend to be distributed among shareholders of the Company; and

"*Quoted Price*" = the arithmetic mean of the weighted average prices of the Company's share on the Spanish stock exchanges during the five (5) trading sessions prior to the date of the Board resolution to carry out the Capital Increase, rounded to the nearest thousandth of a euro and, in the case of half a thousandth of a euro, to the nearest thousandth of a euro.

Free allocation rights

Each outstanding share of the Company would grant 1 free allotment right.

The number of free allocation rights needed to receive one New Share ("*No. rights*") would be determined automatically according to the proportion existing between the Number of New Shares ("*NNS*") and the Number of Outstanding Shares ("*NOS*"). Specifically, FCC shareholders would be entitled to receive one New Share for every so many free allocation rights they hold, as determined in accordance with the provisions of the previous section.

If the number of free allocation rights required for the allocation of an action ("*No. of rights*") multiplied by the Number of New Shares ("*NNS*") results in a number lower than the Number of Outstanding Shares ("*NOS*"), FCC (or an entity of its group that, as the case may be, owns shares in FCC), would renounce a number of free allocation rights equal to the difference between both figures, for the exclusive purposes that the NNS is a whole number.

The free allocation rights will be allocated to the shareholders of FCC who appear as such in the accounting records of Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U. (Iberclear) on the corresponding date, in accordance with applicable rules and regulations on securities clearing and settlement.

The free allocation rights may be traded in the market during the term determined by the Board of Directors (with express powers of substitution), with a minimum of 14 calendar days. During the trading period of the free allocation rights, sufficient free allocation rights may be acquired in the market in the necessary proportion to subscribe New Shares.

Irrevocable commitment to acquire the free allocation rights

The Company or, with its guarantee, the designated group company, shall assume an irrevocable commitment to purchase, at the price indicated below, the rights received free of charge by the shareholders, without this extending to the allocation rights purchased or otherwise acquired in the market.

The Purchase Commitment will be valid and may be accepted during the term (within the period for trading the rights) determined by the Board of Directors (with express powers of sub-delegation). For this purpose, it is proposed to authorise the Company, or the corresponding company belonging to its group, to acquire such free allocation rights (and their corresponding shares), subject to the maximum limit of the total rights ultimately issued, and subject also to any applicable legal restrictions.

The "***Purchase Price***" of each free allocation right will be 0.50 **euros.**

Offsetting mechanism

To ensure the economic equivalence of the options for (i) transferring the free allocation rights to FCC under the Purchase Commitment and (ii) receiving that amount in New Shares, i.e., without favouring or penalising any options in economic terms, the Company shall in turn pay shareholders of the Company who choose to receive New Shares, whether partially or totally, a compensatory dividend in cash to offset the lower economic value that, as a consequence of the application of the above exchange formulas, such New Shares would have with respect to the amount received in cash by the shareholders under the Purchase Commitment.

The compensatory dividend ("*Compensatory dividend*" or "*CD*") that the Company will pay to its shareholders through this equity mechanism will be equal to the results of the following formula, rounded to the lowest thousandth of a euro:

$$CD = (0.50 - Theoretical\ value\ of\ the\ right)\ x\ (No. of\ rights\ exercised + NNS\ subscribed)$$

where,

$$"Theoretical\ value\ of\ the\ right" = \text{Listed price} - \frac{(\text{Listed price x No. of rights})}{(\text{No. of rights} + 1)}$$

The "*Theoretical Value of the Right*" will be rounded to the lowest thousandth of a euro.

"No. of exercised rights" = Total number of free allocation rights exercised by the shareholder.

"NNS subscribed" = Total number of New Shares received by the shareholder.

Balance for the operation and reserve with charge to which the increase is made

The balance sheet on which the transaction is based is the duly audited balance sheet as at 31 December 2022, which is submitted for approval at this General Shareholders' Meeting under agenda item 1.1.

The capital increase would be made entirely charged to reserves pursuant to article 303.1 of the Corporate Enterprises Act. On the occasion of the execution of the increase, the Board of Directors (with express powers of substitution) will determine the reserve or reserves to be used and the amount in accordance with the balance sheet that serves as the basis for the operation.

Representation of the New Shares

The shares that are issued would be represented by book entries, whose accounting record is attributed to Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U. (Iberclear) and its participating entities.

Rights of the New Shares

New Shares would give their holders the same political and economic rights as ordinary shares of FCC currently in circulation as of the date they are registered in their name in the corresponding accounting records.

Application for admission to trading

Admission to trading of the New Shares would be requested on the Stock Exchanges of Madrid, Barcelona, Bilbao and Valencia through the Stock Exchange Interconnection System (Continuous Market) and, for this purpose, the necessary or advisable steps, procedures and actions would be carried before the competent bodies.

5. The applicable tax regime in Spain

The Spanish tax regime applicable to shareholders will be the following in general (notwithstanding the specialities applying to non-resident shareholders or those subject to taxation in the Basque Country's provincial territories or in the Autonomous Community of Navarre, and potential future regulatory developments that could also affect the applicable tax regime):

a) Receive new fully released shares

For shareholders, taxpayers for the purposes of the Personal Income Tax ("**IRPF**") or the Non-Resident Income Tax ("**IRNR**") without a permanent establishment in Spain, the delivery of the fully released shares will not constitute income. However, for the purposes of future transfers, the acquisition value, both of the delivered shares and the shares from which they come, will be the amount resulting from dividing the total cost by the number of corresponding securities, both old and released. The acquisition date of the fully released shares will correspond to the date for their pertinent shares.

Regarding shareholders who are taxpayers for the purposes of the Corporate Income Tax ("**CIT**") or Non-Resident Income Tax ("**NRIT**") and who act through a permanent establishment in Spain, accounting law and regulations will govern matters since applicable tax law and regulations contain no specific criterion for this purpose. For these purposes, the accounting treatment of these transactions is set out in the ICAC Resolution of 5 March 2019. In accordance with the new accounting criteria established by the ICAC in this resolution, as from 1 January 2020 the delivery of free-of-charge allocation rights will require the recipient shareholder to recognise a receivable and allocate the relevant amount to financial income in their tax base for CIT or NRIT. Investors should also be aware of the special valuation rules provided for in tax legislation when it comes to determining the tax base. These rules may or may not apply, depending on the reserves against which the Company carries out the capital increase. In addition, the income obtained by investors could be tax exempt (up to 95%) if the relevant requirements are met, most notably those set out in Article 21 of the Corporate Income Tax Act.

In accordance with the administrative criteria established by the Directorate General for Taxation in various binding consultations, FCC will not be required to make withholdings or payments on account when delivering bonus shares or free-of-charge allocation rights.

As regards the amount received by the Company's shareholders in the form of the compensatory Dividend detailed in section 4 of this report, the provisions set forth below shall apply to the amount obtained in the transfer of rights to the Company under the Purchase Commitment.

b) *Transfer all or part of their free allocation rights to the Company under the Purchase Commitment*

If the holders of the free allocation rights opt for the Purchase Commitment, the amount obtained on the transfer to FCC or its subsidiary of the free allocation rights held in their capacity as shareholders will be taxed under the same regime as that used for dividends distributed directly in cash. It will, therefore, be subject to the relevant tax withholding and tax treatment.

c) *Transfer all or part of their free allocation rights in the market*

Should shareholders sell their free allocation rights in the market, the amount obtained in the transfer to the market of said rights will be subject to the tax regime indicated below:

For the purpose of income tax for resident or non-resident taxpayers without a permanent establishment in Spain, the amount obtained in the market transfer of the free allocation rights will be considered as a capital gain for the transferor. For shareholders subject to personal income tax for Spanish residents (IRPF), this capital gain will be subject to withholding on account of the income tax at the corresponding tax rate. This withholding will be carried out by the corresponding depository entity, or otherwise by the financial intermediary or notary public who witnesses the transfer. For shareholders subject to non-resident income tax (IRNR) without a permanent establishment in Spain, the gain will be subject to that tax, although they may be able to avail themselves of the exemption provided for in domestic legislation or, where applicable, in the corresponding double taxation agreement signed between Spain and the taxpayer's country of tax residence.

As regards corporate income tax and personal income tax for those who have a permanent establishment in Spain, to the extent that a full business cycle has been completed, the gain will be taxed in accordance with applicable accounting and tax regulations.

Note that this summary does not explain all the possible tax-related consequences of the various options related to the dividend or Capital Increase. In particular, it does not explain any possible tax implications in their countries of residence for shareholders who are not resident in Spain for tax purposes, nor any variations that may result from the effectiveness of any double taxation treaty that Spain may have signed with the shareholder's country of residence. It is therefore recommended that shareholders consult with their tax advisors on the specific tax impact of the proposed remuneration system, considering the particular circumstances of each shareholder or holder of free allocation rights. They should also check for any recent changes or developments in the legislation in force at the date of this report and in the criteria for interpreting such legislation.

21 April 2023