REPORT ISSUED BY THE BOARD OF DIRECTORS OF FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A. ON 21 APRIL 2023, IN ACCORDANCE WITH THE PROVISIONS OF ARTICLES 286 AND 318 OF THE CORPORATE ENTERPRISES ACT, IN RELATION TO THE PROPOSED RESOLUTION TO REDUCE THE SHARE CAPITAL REFERRED TO IN POINT 8 OF THE AGENDA OF THE ORDINARY GENERAL SHAREHOLDERS' MEETING CALLED FOR 14 JUNE 2023, ON FIRST CALL, OR, IF APPROPRIATE, FOR 15 JUNE 2023, ON SECOND CALL.

1. Subject of the report

This report has been drawn up by the Board of Directors of Fomento de Construcciones y Contratas, S.A. ("**FCC**" or the "**Company**") in compliance with the provisions of articles 286 and 318 of the revised text of the Corporate Enterprises Act, approved by Royal Legislative Decree 1/2010, of 2 July (the "**Corporate Enterprises Act**"), in relation to the proposed resolution submitted for approval by the Ordinary General Shareholders' Meeting of FCC under item 8 of the agenda, to reduce the share capital of the Company by a maximum nominal amount of 3. 3,725,383.00 euros, through the redemption of up to 3,725,383 treasury shares of 1 euro par value each, and the consequent amendment of article 5 of the bylaws.

The reduction of the share capital will be carried out through the cancellation of: (i) treasury shares that have been acquired by FCC under the treasury share buyback programme, the purpose of which is to reduce capital by redeeming the treasury shares acquired under the programme (the "**Programme**"), which was established by resolution of the Board of Directors of the Company on 14 June 2022 in accordance with Regulation (EU) 596/2014 of the Parliament and of the Council of 16 April 2014 on market abuse (Market Abuse Regulation) and with Commission Delegated Regulation (EU) 2016/1052 of 8 March 2016, and published the following day on the websites of the National Securities Market Commission ("**CNMV**") and of the Company by means of the corresponding communication to the market; and (ii) own shares currently held by the Company in treasury shares acquired or allotted to the Company outside the Programme. For further information, see sections 3 and 4 below.

The proposed resolution to reduce capital submitted for the approval of the General Shareholders' Meeting would empower the Board of Directors of FCC to execute the reduction in whole or in part from the adoption of the resolution to reduce capital until the date of the next Ordinary General Shareholders' Meeting, or even not to carry it out if the Programme has not reached its maturity date or if market conditions, the Company or any event of social or economic importance makes it advisable for reasons of corporate interest or prevents its execution, all in accordance with the provisions of the applicable legislation and regulations.

2. Applicable law and regulations

Article 286 of the Corporate Enterprises Act stipulates, as a requirement for amending the bylaws, that the directors must draw up a written report justifying the proposal. Article 318 of the Corporate Enterprises Act provides that the reduction of share capital must be agreed by the general meeting with the requirements for amending the bylaws, and the resolution of the meeting must state at least the amount of the capital reduction, the purpose of the reduction and the procedure by which the company is to carry it out, as well as the deadline for implementation and the amount to be paid, if any, to the shareholders.

Insofar as the reduction of the share capital must be agreed with the requirements of the amendment of the bylaws and necessarily entails the amendment of the article of the Bylaws regulating the share capital, the Board of Directors of FCC issues this report in compliance with the aforementioned provisions.

3. Description of the proposal

It is proposed to the General Shareholders' Meeting of FCC to approve the reduction of the Company's share capital by a maximum nominal amount of up to €3,725,383.00, through the redemption of up to 3,725,383 treasury shares, all in accordance with the provisions of the applicable legislation and regulations.

The maximum number of FCC shares to be redeemed in the share capital reduction proposed to the General Shareholders' Meeting has been established taking into account the maximum number of shares that may be acquired under the Programme (2,000,000 shares) and the number of treasury shares of the Company as at 20 April 2023 acquired or allotted to the Company outside the Programme (1,725,383 shares).

The capital reduction does not entail the return of contributions to the shareholders, as it is the Company that owns the shares to be redeemed. The capital reduction will be charged to freely distributable reserves by means of the allocation of a restricted reserve for redeemed capital for an amount equal to the nominal value of the redeemed shares. This reserve may only be drawn down subject to the same requirements as those required for the reduction of capital stock, in accordance with Article 335. c) of the Corporate Enterprises Act.

It is also proposed to empower the Board of Directors, in the broadest terms, without powers of substitution, to execute all or part of the share capital reduction within the established execution period, or even not to execute it in the event that the Programme has not been completed before the holding of the next Ordinary General Meeting of the Company or if market conditions, of the Company or some event of social or economic importance makes it advisable for reasons of corporate interest or prevents its execution, and may set the terms and conditions of the reduction in all matters not provided for in the proposed resolution.

4. Justification for the proposal

FCC's priority objective is the creation of value for shareholders. It therefore analyses all options available at any given time in response to the prevailing circumstances.

The actions to have been identified include the possibility of implementing a shareholder remuneration formula – complementary to traditional cash payouts – through the implementation of a share buyback programme for the subsequent redemption of treasury shares.

As previously indicated, the Company's Board of Directors agreed, at a meeting held on 14 June 2022, to set up the Programme in order to reduce share capital by redeeming the treasury shares acquired under the Programme. At the same time, the purpose of this capital reduction is to contribute to FCC's shareholder remuneration by increasing earnings per share.

The achievement of the purpose of the Programme (capital reduction through the redemption of treasury shares), insofar as the Programme is intended to run until 15 June 2023, requires a resolution to redeem the acquired treasury shares, for which it is necessary for the General Shareholders' Meeting to adopt a capital reduction resolution such as the one proposed.

This resolution envisions a reduction in capital stock through the redemption of the treasury stock that has been acquired by the Company under the Programme, so as to enable the full and timely execution of the Programme. The Board of Directors is authorised to fully or partially effect the capital reduction within the established execution period, with authority also to set the terms and conditions of the reduction in relation to any matters that have not been provided for in the motion.

In addition, the Company considers it appropriate that the shares currently held as treasury shares of FCC that have been acquired or assigned to the Company outside the Programme are also subject to redemption in the share capital reduction referred to in this report. This will further enhance the creation of shareholder value referred to above and will also allow the Company to reduce the costs associated with implementing a further reduction of share capital in the future.

Consequently, this proposed resolution is justified by the convenience for the Company to have all the mechanisms necessary to fully implement the Programme and its purpose, which is to redeem the treasury shares acquired under the Programme through the corresponding reduction of share capital, at the same time using this mechanism to redeem the remaining treasury shares held by FCC, all in an agile and flexible manner, without the need to call and hold an additional General Shareholders' Meeting, albeit always within the limits, terms and conditions established by the Corporate Enterprises Act and those specified in the corresponding proposed resolution. In the event of the implementation of the capital reduction resolution which is the subject of this report, the article of the bylaws relating to share capital and shares (article 5) will be amended to reflect the new capital figure and the new number of shares in circulation.

5. No right of creditors to lodge objections

The capital reduction will be charged to freely distributable reserves by allocating a reserve for redeemed capital for an amount equal to the nominal value of the redeemed shares. Use of this reserve will be subject to the same requirements as those for the reduction of capital stock, in accordance with Article 335 c) of the Corporate Enterprises Act. Therefore, the Company's creditors will not have the right to object provided for in Article 334 of the Corporate Enterprises Act.

For the purposes of Article 411.1 of the Corporate Enterprises Act, it is hereby stated for the record that the consent of bondholders will not be required as there are no outstanding issues of Company bonds.

21 April 2023