<u>REPORT OF THE BOARD OF DIRECTORS OF FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A. ON THE DISTRIBUTION OF A FLEXIBLE DIVIDEND (*SCRIP DIVIDEND*) INSTRUMENTED THROUGH (I) AN INCREASE IN SHARE CAPITAL, FOR A DETERMINABLE AMOUNT, THROUGH THE ISSUE OF NEW ORDINARY SHARES OF 1 EURO PAR VALUE EACH, WITHOUT SHARE PREMIUM, OF THE SAME CLASS AND SERIES AS THOSE CURRENTLY IN CIRCULATION, CHARGED TO RESERVES; AND (II) THE OFFER TO ACQUIRE FREE ALLOCATION RIGHTS AT A GUARANTEED PRICE (0.65 EUROS PER RIGHT). EXPRESS PROVISION FOR THE POSSIBILITY OF INCOMPLETE ALLOTMENT. DELEGATION OF POWERS.</u>

I. INTRODUCTION

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 revised text of the Capital Companies Act, approved by Royal Legislative Decree 1/2010, of 2 July (the "**Capital Companies 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 insofar as the approval of the aforementioned proposed resolution could necessarily entail the amendment of article 5 of the Company's Articles of Association relating to share capital.

In this respect, it is proposed to implement a flexible dividend (*scrip dividend*) for a maximum value of 283,469,496.05 euros (dividend equivalent to 0.65 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 that they receive for the shares they hold.

Therefore, FCC shareholders will have the option, at their free choice, to:

(i) Not to transfer their free allotment rights. In such case, at the end of the trading period, the shareholder will receive the number of new shares to which he is entitled, based on the proportion described below, fully paid up.

(ii) Transfer all or part of its free-of-charge allocation rights to FCC under the Purchase Commitment (as defined below) at a guaranteed fixed price of 0.65 euros per right. In this way, the shareholder would opt to monetise its rights and receive a cash amount instead of receiving shares.

(iii) Transfer all or part of their free-of-charge allocation rights on the market. In this case, the shareholder would also choose to monetise his rights, although in this case he would not receive a guaranteed fixed price, but the consideration for the rights would depend on market conditions in general, and the listing price of the rights in particular.

Those shareholders of the Company who opt, in whole or in part, to receive new shares will also receive a compensatory dividend in cash, in such a way that the options to transfer their free-of-charge allocation rights to FCC under the Purchase Commitment and to receive such amount in paid-up shares of the Company are equivalent, i.e. without favouring or penalising either of these options in economic terms.

II. JUSTIFICATION FOR THE PROPOSAL

The purpose of the proposed capital increase to be submitted to the Annual General Meeting of Shareholders is to make it possible to implement, in whole or in part, the remuneration corresponding to a dividend by offering its shareholders an alternative that allows them to receive bonus shares in the Company.

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

In this respect, this operation would allow the Company to distribute the dividend in a flexible manner, through an issue of bonus shares, while maintaining the possibility for the shareholder to obtain an equivalent amount in cash, at his or her choice.

III. STRUCTURE OF THE CAPITAL INCREASE AND SHAREHOLDER OPTIONS

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

i) The Company's shareholders will receive 1 free-of-charge allocation right for each FCC share they hold at that time. These rights will be negotiable and, therefore, may be transferred under the same conditions as the shares from which they derive on the Madrid, Barcelona, Bilbao and Valencia Stock Exchanges (the "**Spanish Stock Exchanges**") for a period of at least 14 calendar days, after which the rights will be automatically converted into newly issued shares of the Company, which will be allocated to those who, at that time, hold free-of-charge allocation rights. The number of rights required for the allotment of one new share will depend on the listed price of the FCC share in the 5 trading sessions prior to the date on which it is resolved to implement the Capital Increase in accordance with the procedure described in this report (the "**Listing Price**").

   In any event, as explained below, the total number of shares to be issued will be such that the reference market value of such shares, calculated at the Listing Price, will in no case exceed the Scrip Dividend Amount (as defined below) which may not exceed EUR 283,469,496.05.

ii) FCC, or an entity of its group, will assume, vis-à-vis the initial holders of free-of-charge allocation rights, an irrevocable commitment to purchase such rights at a fixed unit price of 0.65 euros, without the same extending to the allocation rights purchased or otherwise acquired on the market (the "**Purchase Commitment**").

In this way, the Company guarantees all shareholders the possibility to monetise their rights, allowing them to receive the dividend in cash.

Therefore, as indicated above, FCC shareholders will have the option, at their free choice, to:

i) Not to transfer their free allotment rights. In such case, at the end of the trading period, the shareholder will receive the number of new shares to which he is entitled, based on the proportion described below, fully paid up.

ii) Transfer all or part of its free-of-charge allocation rights to FCC under the Purchase Commitment at a guaranteed fixed price of 0.65 euros per right. In this way, the shareholder would opt to monetise its rights and receive a cash amount instead of receiving shares.

iii) Transfer all or part of their free-of-charge allocation rights on the market. In this case, the shareholder would also choose to monetise his rights, although in this case he would not receive a guaranteed fixed price, but the consideration for the rights would depend on market conditions in general, and the listing price of the rights in particular.

As indicated above, those shareholders of the Company who opt, in whole or in part, to receive new shares will also receive a compensatory cash dividend, in such a way that the options to transfer their free-of-charge allocation rights to FCC under the Purchase Commitment and to receive such amount in paid-up shares of the Company are equivalent, i.e. without favouring or penalising either of these options in economic terms.

IV. TOTAL AMOUNT OF THE DIVIDEND

The maximum aggregate market value of the bonus shares to be offered to FCC shareholders will be calculated by the Board of Directors on the basis of the Listing Price, with a limit of 283,469,496.05 euros (the "**Scrip Dividend Amount**").

Given that, as indicated above, the Purchase Commitment is intended to enable shareholders to monetise the Scrip Dividend Amount, and taking into account that in the Capital Increase each outstanding share will grant its holder one free allotment right, the gross price per right at which the Purchase Commitment will be formulated (i.e. EUR 0.65) would, after application of the compensatory mechanism described below, be equivalent to the amount per share of the Scrip Dividend Amount.

V. MAIN TERMS AND CONDITIONS OF THE CAPITAL INCREASE

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

Amount of the Capital Increase

The capital increase would be carried out for the amount resulting from multiplying (a) the nominal value of 1 euro per FCC share by (b) the number of new FCC shares resulting from the application of the formula set out in the following paragraphs (the "**New Shares**"), without the sum of the reference market value of the New Shares exceeding in total a maximum of 283,469,496.05 euros.

The New Shares would be issued at par, i.e. at their nominal value of 1 euro, without share premium, and will be allotted free of charge to the Company's shareholders.

New shares to be issued

The number of New Shares to be issued would be the number resulting from the application of the following formula, rounded down to the next lower whole number:

$$NAN = \frac{NTAcc}{Núm.\,derechos}$$

where,

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

"NTAcc" = Number of FCC shares outstanding on the date on which the Board of Directors resolves to implement the capital increase; and

"No. rights" = Number of free allotment rights required for the allotment of one New Share, which will be the result of the application of the following formula, rounded up to the highest whole number:

$$Núm.\,derechos = \frac{NTAcc}{Núm.\ provisional\ accs.}$$

where,

$$Núm.\,provisional\ accs. = \frac{Importe\ del\ scrip\ dividend}{Precio\ de\ Cotización}$$

To this end:

"Scrip dividend amount" = the maximum value of the *scrip dividend* to be distributed to the Company's shareholders; and

"Listing Price" = the arithmetic mean of the weighted average prices of the Company's shares on the Spanish Stock Exchanges in the 5 trading sessions prior to the date of the resolution of the Board of Directors to implement the Capital Increase, rounded to the nearest thousandth of a euro and, in the case of one half of a thousandth of a euro, to the next higher thousandth of a euro.

Free allocation rights

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

The number of free-of-charge allocation rights required to receive one New Share ("*No. Rights*") would be determined automatically according to the ratio between the number of New Shares ("*NAN*") and the number of outstanding shares ("*NTAcc*"). Specifically, FCC shareholders would be entitled to receive one New Share for each number of free allotment rights as determined in accordance with the preceding section.

In the event that the number of free allotment rights required for the allotment of one share ("*No.* Rights") multiplied by the New Shares ("*NAN*") results in a number less than the number of outstanding shares ("*NTAcc*"), FCC will waive a number of free allotment rights equal to the difference between the two figures, for the sole purpose of making the number of New Shares a whole number.

The free-of-charge allocation rights will be allocated to FCC shareholders 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 the applicable securities clearing and settlement rules.

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

Irrevocable commitment to acquire the free allotment rights

The Company or, with its guarantee, such company of its group as may be determined, shall enter into an irrevocable commitment to purchase, at the price indicated below, the rights received free of charge by the shareholders, without extending the same to the allocation rights purchased or otherwise acquired on the market.

The Purchase Commitment will be in force and may be accepted for such period, within the trading period of the rights, as may be determined by the Board of Directors (with express powers of substitution). For this purpose, it is proposed to authorise the Company, or the relevant company of its group, to acquire such free-of-charge allocation rights (as well as the shares corresponding thereto), up to the maximum limit of the total number of rights to be issued, subject in all cases to compliance with the legal limitations.

The "***Purchase Price***" of each free allotment right will be equal to 0.65 euros.

Compensatory mechanism

In order to make the options of (i) transferring the free-of-charge allocation rights to FCC under the Purchase Commitment and (ii) receiving such amount in New Shares economically equivalent, i.e. without favouring or penalising either of such options in economic terms, the Company will in turn pay to those shareholders of the Company who opt, in part or in full, to receive New Shares, a compensatory cash dividend for the purpose of offsetting the lower economic value that, as a result of the application of the above exchange formulas, such New Shares would have with respect to such New Shares, in part or in full, to receive New Shares, a compensatory cash dividend, for the purpose of offsetting the lower economic value that, as a result 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*") to be paid by the Company to its shareholders through this equity mechanism shall be equal to the result of the following formula, rounded down to the nearest thousandth of a euro:

$$DC = (0{,}65 - Valor\ teórico\ del\ derecho)\ x\ (Núm.\ derechos\ ejercidos + NAN\ suscritas)\ x\ (Núm.\ derechos\ ejercidos + NAN\ suscritas)$$

where,

$$"Valor\ teórico\ del\ derecho" = \text{Precio de cotización} - \frac{(\text{Precio de cotización x Núm. de derechos})}{(\text{Núm. de derechos} + 1)}$$

The "*Theoretical Value of Entitlement*" shall be rounded down to the nearest thousandth of a euro.

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

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

Balance sheet for the operation and reserve against which the increase is being made

The balance sheet that would serve as the basis for the transaction is the duly audited balance sheet as at 31 December 2023, which is submitted for the approval of the Ordinary General Meeting of Shareholders under item 1.1 of the agenda.

The capital increase would be carried out entirely with a charge to the reserves provided for in article 303.1 of the Capital Companies Act. On the occasion of the implementation 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 on which the transaction is based.

Representation of New Shares

The shares to be issued would be represented by book entries, the accounting record of which 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 New Shares

The New Shares would confer on their holders the same voting and dividend rights as the ordinary shares of FCC currently outstanding as from the date on which they are registered in their names in the relevant accounting records.

Request for admission to negotiation

Application would be made for the New Shares to be admitted to trading on the Madrid, Barcelona, Bilbao and Valencia Stock Exchanges, through the Stock Exchange

Interconnection System (SIBE) and, for such purposes, the necessary or appropriate procedures and actions would be carried out before the competent bodies.

VI. THE TAX REGIME APPLICABLE IN SPAIN

The tax regime applicable in Spain to shareholders will generally be as follows (without prejudice to any special provisions applicable to shareholders who are non-resident or subject to taxation in the territories of the Basque Country or the Autonomous Community of Navarre, as well as any potential future regulatory changes that may affect the applicable tax regime):

(i) Receive new fully paid-up shares

For shareholders who are taxpayers for Personal Income Tax (the "**IRPF**") or Non-Resident Income Tax (the "**IRNR**") purposes without a permanent establishment in Spain, the delivery of the fully paid-up shares will not give rise to income. However, for the purposes of future transfers, the acquisition value, both of the shares delivered and of the shares from which they derive, will be that resulting from dividing the total cost by the corresponding number of securities, both old and released. The acquisition date of the fully paid-up shares shall be that of the shares from which they were issued.

In the case of shareholders who are taxpayers for corporate income tax (the "**IS**") or non-resident income tax (the "**IRNR"**) purposes and who act through a permanent establishment in Spain, closing a complete business cycle, given that the applicable tax legislation does not contain a specific criterion for this purpose, the criterion established by the accounting standard will be applicable. 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 the free-of-charge allocation rights will determine, in the shareholder's case, the recognition of a collection right and the corresponding financial income that can be included in the taxable base of the IS or IRNR. In addition, investors should take into account the special valuation rules provided for in tax legislation, for the purpose of determining the tax base, which may be applicable in view of the nature of the reserves against which the Company carried out the capital increase. In addition, the income obtained by the investors could be exempt from taxation (95%), if the requirements of the applicable regulations are met and, in particular, those set forth in article 21 of the Corporate Income Tax Law.

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 prepayments on account in the delivery of 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 (v) of this report, the following provisions shall apply to the amount obtained on the transfer of rights to the Company under the Purchase Commitment.

(ii) Transfer all or part of its free-of-charge allocation rights to the Company pursuant to the Purchase Commitment.

In the event that the holders of the free-of-charge allocation rights decide to use the Purchase Commitment, the tax regime applicable to the amount obtained on the transfer to FCC or its subsidiary of the free-of-charge allocation rights held in their capacity as shareholders will be equivalent to the regime applicable to dividends distributed directly in cash and, therefore, will be subject to withholding of the appropriate tax on account and to the corresponding taxation.

(iii) Transfer all or part of its free-of-charge allocation rights on the market

In the event that shareholders sell their free-of-charge allocation rights on the market, the amount obtained on the transfer of such rights to the market will be subject to the tax regime indicated below:

For IRPF or IRNR taxpayers without a permanent establishment in Spain, the amount obtained on the transfer on the market of the free-of-charge allocation rights will be considered a capital gain for the transferor. For shareholders subject to IRPF tax, this capital gain will be subject to withholding on account of IRPF at the corresponding tax rate. This withholding shall be made by the corresponding depository institution or, failing that, by the financial intermediary or notary public who has intervened in the transfer. For shareholders subject to IRNR tax without a permanent establishment in Spain, the gain will be subject to IRNR tax, without prejudice to the possible application of the exemption provided for in domestic legislation or, where applicable, in the corresponding Double Taxation Avoidance Agreement signed between Spain and the taxpayer's country of tax residence.

In the case of IS and IRNR with a permanent establishment in Spain, to the extent that a complete business cycle is closed, taxation will be in accordance with the applicable accounting regulations and the regulations applicable to these taxes.

It should be noted that this summary does not explain all of the possible tax consequences of the various options relating to the dividend and the Capital Increase. In particular, it does not detail the consequences that may arise in their countries of residence for those shareholders who are not resident in Spain for tax purposes, nor the variations that may result as a consequence, if any, of the application of a double taxation avoidance treaty that Spain may have entered into with the state of tax residence of the shareholder.

It is therefore recommended that shareholders consult with their tax advisors regarding the specific tax impact of the proposed remuneration system, taking into account the particular circumstances of each shareholder or holder of free-of-charge allocation rights, and that they pay attention to any changes that may occur, both in the legislation in force as of the date of this report and in its interpretation criteria.

Madrid, 16 May 2024