



**REPORT PREPARED BY THE BOARD OF DIRECTORS OF FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A. (FCC) ON 28 JUNE 2023, IN ACCORDANCE WITH THE PROVISIONS OF ARTICLES 286 AND 318 OF THE CAPITAL COMPANIES ACT, IN RELATION TO THE PROPOSED RESOLUTION TO REDUCE THE SHARE CAPITAL REFERRED TO IN POINT ONE OF THE AGENDA OF THE EXTRAORDINARY GENERAL SHAREHOLDERS' MEETING TO BE HELD ON 19 JULY 2023, AT FIRST CALL, OR, IF APPROPRIATE, ON 20 JULY 2023, AT SECOND CALL.**

## **SUBJECT OF THE REPORT**

This report is 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 consolidated text of the Capital Companies Act, approved by Royal Legislative Decree 1/2010, of 2 July (the "**Capital Companies Act**"), in relation to the proposed resolution submitted for approval by the Extraordinary General Shareholders' Meeting of the Company under item one of the agenda, to reduce the share capital of FCC by a nominal amount of 854.854,234 euros, through the redemption of 854,234 treasury shares with a par value of 1 euro each, and the consequent amendment of article 5 of the Articles of Association.

The reduction of the share capital will be carried out through the redemption of treasury shares currently held by the Company.

The proposed resolution to reduce capital submitted to the General Meeting for approval would empower the Board of Directors of FCC to carry out the reduction from the adoption of the resolution to reduce capital until the date of the next Ordinary General Meeting of Shareholders, or even not to carry it out 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 applicable legislation and regulations.

## **APPLICABLE LEGISLATION**

Article 286 of the Capital Companies Act establishes, as a requirement for the amendment of the Articles of Association, that the directors must draw up a written report justifying the proposal. Article 318 of the Capital Companies Act provides that the reduction of share capital must be agreed by the general meeting with the requirements for amending the articles of association, 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 term of implementation and the amount to be paid to the shareholders, if any.

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

## **DESCRIPTION OF THE PROPOSED CAPITAL REDUCTION RESOLUTION**

It is proposed to the Extraordinary General Meeting of Shareholders of FCC to approve the reduction of the Company's share capital by a nominal amount of 854,234 euros, through the redemption of 854,234 treasury shares with a par value of 1 euro each, representing 0.19% of the share capital.

The number of FCC shares to be redeemed in the share capital reduction proposed to the General Meeting has been established taking into account the number of treasury shares held by the Company as at 27 June 2023 (854,234 shares).



The capital reduction does not entail the return of contributions to shareholders, as the Company itself is the owner of the shares to be redeemed, and 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 par value of the redeemed shares, which may only be drawn down under the same conditions as those required for the reduction of share capital, pursuant to the provisions of article 335.c) of the Capital Companies Act.

It is also proposed to empower the Board of Directors, in the broadest terms, without powers of substitution, to execute the share capital reduction within the established execution period, or even not to execute it 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, being able to set the terms and conditions of the reduction in all matters not provided for in the proposed resolution.

### **JUSTIFICATION OF THE PROPOSED CAPITAL REDUCTION RESOLUTION**

FCC's priority objective is the creation of value for shareholders, for which purpose the different options available at any given time are analysed on a recurring basis, depending on the prevailing circumstances.

Among the various actions identified, there is the possibility of reducing the share capital by redeeming treasury shares in order to increase the earnings per share of the remaining shares.

The Board therefore considers it appropriate that the treasury shares referred to above (854,234) be redeemed in the share capital reduction referred to in this report. This will further enhance shareholder value creation.

In the event of the implementation of the capital reduction resolution which is the subject of this report, the article of the Articles of Association 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.

### **NON-EXISTENCE OF THE RIGHT OF CREDITORS TO OBJECT**

The capital reduction shall be charged to unrestricted reserves by means of the allocation of a restricted reserve for amortised capital for an amount equal to the par value of the amortised shares, which may only be drawn down under the same conditions as those required for the reduction of share capital, in application of the provisions of article 335.c) of the Capital Companies Act, and therefore the Company's creditors shall not have the right to oppose the reduction referred to in article 334 of the Capital Companies Act.

For the purposes of the provisions of article 411.1 of the Capital Companies Act, it is stated for the record that the consent of bondholders would not be required as there are no outstanding issues of debentures of the Company.

28 June 2023