



FOMENTO DE CONTRUCCIONES Y CONTRATAS, S.A.

REPORT OF THE BOARD OF DIRECTORS OF FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A. ON THE DISTRIBUTION OF A FLEXIBLE DIVIDEND (SCRIP DIVIDEND), REFERRED TO IN ITEM 4 OF THE OF THE ORDINARY GENERAL SHAREHOLDERS' MEETING CALLED TO BE HELD ON JUNE 12, 2025, AT FIRST CALL OR, AS THE CASE MAY BE, ON JUNE 13, 2025, AT SECOND CALL.

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 Capital Companies Act, approved by Royal Legislative Decree 1/2010, of July 2, 2010 (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 Bylaws relating to the share capital.

227,415,611 (dividend equivalent to 0.50 euros per share), through the offering to all the Company's shareholders of newly issued bonus shares or, as the case may be, the obtaining of cash through the transfer of the free-of-charge 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 his or her free-of-charge allocation rights. In such a case, at the end of the trading period, the shareholder will receive the number of new shares corresponding to it, based on the proportion described below, fully paid up.
- (ii) To 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 0.50 euros per right. In this way, the shareholder would opt to monetize 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 monetize his rights, although in this case he would not receive a guaranteed fixed price, but rather the consideration for the rights would depend on market conditions in general, and on the listed price of the rights in particular.



Those shareholders of the Company who opt, partially or totally, 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 released shares of the Company are equivalent, that is, without favoring or penalizing any of such options in economic terms.

II. Justification of the proposal

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

Therefore, the purpose of the proposed capital increase submitted to the Ordinary 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, and through the transfer of the free-of-charge allocation rights they receive for the shares they own, to obtain a value equivalent to the payment of dividends.

In this regard, this transaction 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, which consists 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 capital increase charged to reserves (the "**Capital Increase**"), which is submitted for approval at the Ordinary 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 one (1) free-of-charge allocation right for each FCC share held 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, are holders of free-of-charge allocation rights. The number of rights necessary for the allocation of a new share will depend on the listed price of the FCC share in the five (5) trading sessions prior to the date on which it is resolved to carry out the Capital Increase in accordance with the procedure described in this report (the "**Listing Price**").



In any case, as explained below, the total number of shares to be issued shall be such that the reference market value of such shares, calculated at the Listing Price, shall in no case exceed the Scrip Dividend Amount (as defined below) which may not exceed 227,415,611 euros.

- 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 the aforementioned rights at a fixed unit price of 0.50 euros, without the same extending to the allocation rights purchased or otherwise acquired in the market (the "**Purchase Commitment**"). In this way, the Company guarantees all shareholders the possibility of monetizing 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 his or her free-of-charge allocation rights. In such a case, at the end of the trading period, the shareholder will receive the number of new shares corresponding to it, based on the proportion described below, fully paid up.
- ii) To transfer all or part of its free-of-charge allocation rights to FCC under the Purchase Commitment at a guaranteed fixed price of 0.50 euros per right. In this way, the shareholder would opt to monetize 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 monetize his rights, although in this case he would not receive a guaranteed fixed price, but rather the consideration for the rights would depend on market conditions in general, and on the listed price of the rights in particular.

As indicated above, those shareholders of the Company who opt, partially or totally, 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 released shares of the Company are equivalent, that is, without favoring or penalizing any of such options in economic terms.

The Company assumes no liability as a consequence of the elections made by the holders of the free-of-charge allocation rights (nor for the absence election, in the event that no express and valid communication is received from such holders).

Likewise, the Company declines any kind of liability as a consequence of the failure of the depositary entities to transmit in due time and form the election requests made by the holders of free-of-charge allocation rights. In this regard, it should be noted that, in the event that the elections of the holders of free-of-charge allocation rights are not processed in a timely manner by the depositary entities, the latter will be able to



receive New Shares by default. Therefore, any claim for this reason must be processed directly with the corresponding depositary entities.

IV. Total amount of 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 227,415,611 euros (the "**Scrip Dividend Amount**").

Given that, as indicated above, the Purchase Commitment is intended to allow shareholders to monetize the Scrip Dividend Amount, and taking into account that in Capital Increase each outstanding share will grant its holder one free-of-charge allocation right, the gross price per right at which the Purchase Commitment will be formulated (i.e., 0.50 euros) would be, after applying the compensatory mechanism described below, 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 Ordinary General Shareholders' Meeting 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 one (1) euro per FCC share by (b) the number of new FCC shares resulting from the application of the formula set forth 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 227,415,611 euros.

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

In accordance with the provisions of Articles 311 and 507 of the Capital Companies Law, it is proposed to provide for the possibility of incomplete allocation of the Capital Increase.

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-of-charge allocation rights necessary for the allocation of one New Share, which will be the result of the application of the following formula, rounded up to the highest whole number:

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

where,

$$\text{Núm. provisional} = \frac{\text{Importe del scrip dividendo}}{\text{Precio de Cotización.}}$$

For these purposes:

"Scrip dividend amount" = the maximum value of the flexible dividend (*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 five (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 one (1) free allotment right.

The number of free-of-charge allocation rights necessary to receive one New Share ("No. Rights") would be automatically determined 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-of-charge allocation rights as determined in accordance with the preceding paragraph.

In the event that the number of free-of-charge allocation rights required for the allocation of a share ("No. Rights") multiplied by the New Shares ("NAN") results in a number lower than the number of outstanding shares ("NTAcc"), FCC will waive a number of free-of-charge allocation rights equal to the difference between both figures, for the sole purpose of the number of New Shares being a whole number.

The free-of-charge allocation rights would be assigned 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") at



the corresponding date in accordance with the applicable securities clearing and settlement rules.

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

Irrevocable commitment to acquire the free-of-charge allocation rights

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

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

The purchase price of each free-of-charge allocation right will be equal to 0.50 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, that is, without favoring or penalizing either of such options in economic terms, the Company will pay, in turn, to those shareholders of the Company who opt, partially or totally, 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 of the New Shares, in part or in full, to receive New Shares, a compensatory dividend in cash, 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 will be equal to the result of the following formula, rounded down to the nearest thousandth of a euro:

$$DDD = (0.50 - \frac{V_{\text{rights}}}{V_{\text{share}}}) \times \frac{V_{\text{share}}}{V_{\text{rights}}} \times \text{No. of rights} \times \text{No. of rights} + 1$$

where,

$$\text{"Vallor teórico del derecho"} = \text{Price} - \frac{(\text{Quotation price} \times \text{No. of rights})}{(\text{No. of rights} + 1)}$$

The "*Theoretical Value of the Right*" shall be rounded down to the 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 transaction and reserve against which the increase is made

The balance sheet that would serve as the basis for the transaction is the duly audited balance sheet as of December 31, 2024, which is submitted for the approval of the Ordinary General Shareholders' Meeting 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 Law. On the occasion of the implementation of the Capital 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 used as the basis for the transaction.

Representation of New Shares

The shares to be issued would be represented by book entries, the accounting records of which are attributed to Iberclear and its participating entities.

Rights of New Shares

The New Shares would grant their holders the same voting and economic rights as the currently outstanding shares of FCC common stock as from the date on which they are registered in their names in the corresponding 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. Tax regime applicable in Spain

The tax regime applicable in Spain to the shareholders will generally be the regime described, without prejudice to any special provisions applicable to non-resident shareholders or shareholders subject to taxation in the territories of the Basque Country or the 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 result in the acquisition of income. However, for the purpose future transfers, the acquisition value, both of the shares delivered and of the shares paid in, will not be considered as income.



The acquisition date of the fully paid-up shares and of the shares from which they derive shall be the result of dividing the total cost to the shareholder by the number of shares, both old and vested, as appropriate. The acquisition date of the fully paid-up shares shall be that corresponding to the shares from which they originate.

With respect to 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 March 5, 2019. In accordance with the new accounting criteria established by the ICAC in this resolution, as from January 1, 2020, the delivery of the free-of-charge allocation rights will determine the recognition, in any case, of a collection right and the corresponding financial income to be included in the IS or IRNR taxable income of the shareholder. On the other hand, investors should take into account the special valuation rules contemplated in the tax regulations, for the purpose of determining the taxable income, which may be applicable in view of the nature of the reserves against which the Company carried out the capital increase. In particular, the rule provided for in Article 17.6 of the Corporate Income Tax Law will apply in cases where the reserve used for the share issue was the share premium reserve. Likewise, the income obtained by the investors could be exempt from taxation (95%), if the requirements set forth in 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 of Taxes in various binding consultations, FCC will not be required to withhold or pay 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 in 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 in 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, they will be subject to withholding on account of the appropriate tax and to the corresponding taxation according to the tax applicable in accordance with the nature of the recipient (IS, IRPF or IRNR).



Thus, in the event that the dividends are subject to IS, the applicable withholding tax will be 19% (unless the exemption provided for in the IS Regulations applies in those cases in which the requirements of article 21.1 of IS Law are met, in which case they will not be subject to withholding tax). On the other hand, dividends will be taxed at the shareholder's place of business at the applicable tax rate (normally at the general rate of 25%), and may, if applicable, be exempt at 95% if the requirements of article 21.1 of the Corporate Income Tax Law are met. The same regime will be applicable in the case of dividends subject to IRNR when the nonresident shareholder operates through a permanent establishment in Spain.

In the case of IRPF or IRNR taxpayers without a permanent establishment in Spain, the dividend will be considered as income from movable capital. In both cases, the applicable withholding is 19%, without prejudice to the possible application in certain cases provided for in domestic regulations or in corresponding agreement to avoid double taxation that has been signed between Spain and the taxpayer's country of residence.

(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 in the , the amount obtained from 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 in the market transfer of the free-of-charge allocation rights will be considered as a capital gain for the transferor. For shareholders subject to IRPF tax, in general, such capital gain will be subject to withholding on account of IRPF at the corresponding tax rate (currently 19%). This withholding will be made by the corresponding depository entity and, in its absence, by the financial intermediary or the notary public who has intervened in the transfer. For shareholders subject to IRNR tax without a permanent establishment in Spain, gain will be subject to IRNR tax (currently 19%), without prejudice to the possible application of the exemption contained in the domestic regulations or, if applicable, in the corresponding agreement to avoid double taxation that has been signed between Spain and the taxpayer's country of tax residence.

For 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 such taxes.

It should be noted that this summary does not explain all the possible tax consequences of the different options related 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 applicable, of the application of an agreement to avoid double taxation that Spain may have entered into with the shareholder's country of residence for tax purposes.



Therefore, it is 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 at the date of this report and in its interpretation criteria.

Madrid, April 29, 2025