

# **Fomento de Construcciones y Contratas, S.A.**

Financial Statements for the year ended 31  
December 2018 and Directors' Report,  
together with Independent Auditor's Report

*Translation of a report originally issued in Spanish based on  
our work performed in accordance with the audit regulations  
in force in Spain. In the event of a discrepancy, the Spanish-  
language version prevails.*

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## **INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS**

To the Shareholders of Fomento de Construcciones y Contratas, S.A.,

### **Report on the Financial Statements**

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#### **Opinion**

We have audited the financial statements of Fomento de Construcciones y Contratas, S.A. (the Company), which comprise the balance sheet as at 31 December 2018, and the statement of profit or loss, statement of changes in equity, statement of cash flows and notes to the financial statements for the year then ended.

In our opinion, the accompanying financial statements present fairly, in all material respects, the equity and financial position of the Company as at 31 December 2018, and its results and its cash flows for the year then ended in accordance with the regulatory financial reporting framework applicable to the Company (identified in Note 2 to the financial statements) and, in particular, with the accounting principles and rules contained therein.

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#### **Basis for Opinion**

We conducted our audit in accordance with the audit regulations in force in Spain. Our responsibilities under those regulations are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We are independent of the Company in accordance with the ethical requirements, including those pertaining to independence, that are relevant to our audit of the financial statements in Spain pursuant to the audit regulations in force. In this regard, we have not provided any services other than those relating to the audit of financial statements and there have not been any situations or circumstances that, in accordance with the aforementioned audit regulations, might have affected the requisite independence in such a way as to compromise our independence.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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#### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

## Impairment of ownership interests in Group companies and associates

| Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | Procedures applied in the audit                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>The Company has ownership interests in the share capital of Group companies and associates, most of which are not listed on regulated markets, as detailed in Note 10 to the financial statements.</p> <p>Determination of the recoverable amount of those ownership interests requires the use of significant judgements and estimates by management, with regard to both the valuation method and the consideration of the key assumptions established for each method in question (use of correction factors to adapt the comparable data considered, use of discount rates in determining the value by discounting future cash flows, etc.).</p> <p>As a result of the foregoing, as well as the significance of the investments held, which amounted to EUR 5,761 million at year-end and for which an accumulated impairment loss of EUR 3,002 million has been recognised, we considered the situation described to be a key matter in our audit.</p> | <p>Our audit procedures included, among others, obtaining and analysing the recoverability tests conducted by Company management on the main ownership interests, and verifying the clerical accuracy thereof and the appropriateness of the valuation method used in relation to the investment held. To this end, we analysed the recovery assumptions used by management and the ability of the investees to pay dividends, where appropriate, the value of the business of the investees on the basis of the Company's percentage of ownership and the sensitivity analyses of the key assumptions identified.</p> <p>Lastly, we focused our work on reviewing the disclosures made by the Company in relation to these investments. Notes 4-e.1 and 10 to the financial statements contain the disclosures relating to these matters required by the applicable accounting regulations.</p> |

## Recoverability of deferred tax assets

| Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Procedures applied in the audit                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>The Company's balance sheet as at 31 December 2018 includes deferred tax assets of EUR 72 million, and the Company forms part of the tax group headed by it as the parent of the FCC Group.</p> <p>At year-end, Company management prepares financial models to assess the recoverability of the deferred tax assets, taking into account new legislation and the most recent business plans approved for the various divisions and geographical areas of the businesses forming part of the consolidated tax group, in addition to the estimated reversal periods for the temporary differences recognised in the balance sheet.</p> | <p>Our audit procedures included, among others, obtaining the financial models prepared by the Company to assess the recoverability of the deferred tax assets and the supporting documentation used as the basis for their preparation. We reviewed the financial models obtained, including the coherence of the pre-tax profits projected for the coming years and their consistency with the data for the current year. Also, we analysed the estimated reversal periods for the temporary differences recognised in the balance sheet and involved our internal tax experts in analysing the estimate of income tax for the current year.</p> |

| Recoverability of deferred tax assets                                                                                                                                                                                                                                                                                                                                                                                    |                                                                                                                                    |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------|
| Description                                                                                                                                                                                                                                                                                                                                                                                                              | Procedures applied in the audit                                                                                                    |
| <p>We identified this matter as key in our audit, since the preparation of these models requires a significant level of judgement, basically in connection with the projections of business performance and the estimation of the reversal periods for the temporary differences recognised, which affect the assessment of the recoverability of the deferred and other tax assets recognised in the balance sheet.</p> | <p>Notes 4-h and 18 to the accompanying financial statements contain the disclosures relating to the Company's deferred taxes.</p> |

| Provisions and contingent liabilities relating to Alpine                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | Procedures applied in the audit                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| <p>As a result of the process of liquidating the Alpine Group that started in 2013, a series of lawsuits were initiated against the FCC Group, of which the Company is the parent, some of which are for a significant amount. Company management must assess whether these claims constitute contingent liabilities or whether, on the other hand, a provision should be recognised in the balance sheet. This was a key matter in our audit, since this assessment requires Company management to make significant judgements, especially regarding the probability of there being an outflow of resources in the future or the possibility of measuring the amount of the obligation reliably. These judgements and estimates are made by Company management based on the opinions of the internal legal advisory department and its external legal counsel, and are submitted to controls designed to ensure the consistency and reasonableness of the criteria applied.</p> | <p>Our audit procedures included, among others, the review of the evolution of each of the lawsuits which, resulting from the liquidation of the Alpine Group, affect the FCC Group of which the Company is the parent. To this end, we obtained confirmations from its external legal counsel in order to analyse the current status of the proceedings in progress and discussed with Company management its assessment of the related risk, classifying the risk as "remote", "possible" or "probable". Also, we assessed whether the Company's disclosures in the financial statements in relation to the claims currently in progress are adequate, in accordance with the applicable regulatory framework, and checked whether the details thereof were consistent with the evidence gathered in the course of our tests.</p> <p>Notes 14 and 19 to the accompanying financial statements contain the detail of the provisions and disclosures regarding the contingent liabilities relating to the claims associated with Alpine.</p> |

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## **Other Information: Directors' Report**

The other information comprises only the directors' report for 2018, the preparation of which is the responsibility of the Company's directors and which does not form part of the financial statements.

Our audit opinion on the financial statements does not cover the directors' report. Our responsibility relating to the information contained in the directors' report is defined in the audit regulations in force, which establish two distinct levels of responsibility in this regard:

a) A specific level that applies to the non-financial information statement, as well as to certain information included in the Annual Corporate Governance Report (ACGR), as defined in Article 35.2.b) of Spanish Audit Law 22/2015, which consists solely of checking that the aforementioned information has been provided in the directors' report, or, as the case may be, that the directors' report contains the corresponding reference to the separate report on non-financial information as provided for in the applicable legislation and, if this is not the case, reporting this fact.

b) A general level applicable to the other information included in the directors' report, which consists of evaluating and reporting on whether the aforementioned information is consistent with the financial statements, based on the knowledge of the entity obtained in the audit of those financial statements and excluding any information other than that obtained as evidence during the audit, as well as evaluating and reporting on whether the content and presentation of this section of the directors' report are in conformity with the applicable regulations. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report that fact.

Based on the work performed, as described above, we have checked that the directors' report includes a reference to the fact that the non-financial information described in section a) above is presented in the consolidated directors' report of the FCC Group to which the Company belongs, that the information in the ACGR mentioned in that section is included in the directors' report, and that the other information in the directors' report is consistent with that contained in the financial statements for 2018 and its content and presentation are in conformity with the applicable regulations.

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## **Responsibilities of the Directors and of the Audit and Control Committee for the Financial Statements**

The directors are responsible for preparing the accompanying financial statements so that they present fairly the Company's equity, financial position and results in accordance with the regulatory financial reporting framework applicable to the Company in Spain, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The audit and control committee is responsible for overseeing the process involved in the preparation and presentation of the financial statements.

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## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the audit regulations in force in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is included in Appendix I to this auditor's report. This description, which is on pages 7 and 8 below, forms part of our auditor's report.

## **Report on Other Legal and Regulatory Requirements**

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### **Additional Report to the Audit and Control Committee**

The opinion expressed in this report is consistent with the content of our additional report to the Company's audit and control committee dated 26 February 2019.

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### **Engagement Period**

The Annual General Meeting held on 28 June 2017 appointed us as auditors for a period of one year from the year ended 31 December 2017.

Previously, we were designated pursuant to a resolution of the General Meeting for the period of one year and have been auditing the financial statements uninterruptedly since the year ended 31 December 1990, taking into account the content of Article 17.8 of Regulation (EU) No 537/2014 on specific requirements regarding statutory audit of public-interest entities.

DELOITTE, S.L.  
Registered in ROAC under no. S0692

Raquel Martínez Armendáriz  
Registered in ROAC under no. 20755

26 February 2019

## Appendix I to our auditor's report

Further to the information contained in our auditor's report, in this Appendix we include our responsibilities in relation to the audit of the financial statements.

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### Auditor's Responsibilities for the Audit of the Financial Statements

As part of an audit in accordance with the audit regulations in force in Spain, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the use by the directors of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the entity's audit and control committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the entity's audit and control committee with a statement that we have complied with relevant ethical requirements, including those regarding independence, and we have communicated with it to report on all matters that may reasonably be thought to jeopardise our independence, and where applicable, on the related safeguards.

From the matters communicated with the entity's audit and control committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.



FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A.

# **2018 Financial Statements and Directors' Report**



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FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A.

# Financial Statements

## BALANCE SHEET AT 2018 YEAR-END

(in thousands of euros)

| ASSETS                                                                          | 31/12/2018       | 31/12/2017       |
|---------------------------------------------------------------------------------|------------------|------------------|
| <b>NON-CURRENT ASSETS</b>                                                       | <b>3,886,375</b> | <b>3,939,189</b> |
| Intangible assets (Notes 5 and 8)                                               | 107,342          | 96,501           |
| Property, plant and equipment (Note 6)                                          | 381,460          | 390,254          |
| Land and buildings                                                              | 51,232           | 51,953           |
| Other property, plant and equipment                                             | 330,228          | 338,301          |
| Non-current investments in Group companies and associates (Notes 10.a and 21.b) | 3,261,214        | 3,292,380        |
| Equity instruments                                                              | 2,759,746        | 2,872,561        |
| Loans to companies                                                              | 501,468          | 419,819          |
| Non-current financial assets (Note 9.a)                                         | 42,577           | 47,657           |
| Deferred tax assets (Note 18)                                                   | 72,431           | 87,907           |
| Non-current trade receivables (Note 8)                                          | 21,351           | 24,490           |
| <b>CURRENT ASSETS</b>                                                           | <b>795,099</b>   | <b>707,691</b>   |
| Inventories                                                                     | 7,271            | 6,122            |
| Trade and other receivables                                                     | 479,467          | 441,075          |
| Trade receivables for sales and services (Note 11)                              | 368,827          | 347,137          |
| Trade receivables from Group companies and associates (Note 10.b)               | 47,255           | 47,275           |
| Accounts receivable from public authorities (Note 18)                           | 49,713           | 29,132           |
| Other receivables                                                               | 13,672           | 17,531           |
| Investments in Group companies and associates (Notes 10.b and 21.b)             | 231,061          | 188,447          |
| Current financial assets (Note 9.b)                                             | 7,614            | 8,876            |
| Cash and cash equivalents                                                       | 69,686           | 63,171           |
| <b>TOTAL ASSETS</b>                                                             | <b>4,681,474</b> | <b>4,646,880</b> |

The accompanying Notes 1 to 24 and Appendices I to III are an integral part of these financial statements, forming together with them the financial statements for 2018.

| EQUITY AND LIABILITIES                                                          | 31/12/2018       | 31/12/2017       |
|---------------------------------------------------------------------------------|------------------|------------------|
| <b>EQUITY (Note 13)</b>                                                         | <b>1,627,680</b> | <b>805,277</b>   |
| <b>Shareholders' equity</b>                                                     | <b>1,620,313</b> | <b>795,885</b>   |
| <b>Share capital</b>                                                            | <b>378,826</b>   | <b>378,826</b>   |
| Issued capital                                                                  | 378,826          | 378,826          |
| <b>Share premium</b>                                                            | <b>1,673,477</b> | <b>1,673,477</b> |
| <b>Reserves</b>                                                                 | <b>1,140,784</b> | <b>953,856</b>   |
| Own shares and equity holdings                                                  | (11,723)         | (4,427)          |
| Prior years' losses                                                             | (2,392,774)      | (2,392,774)      |
| Profit/(loss) for the year                                                      | 831,723          | 184,337          |
| Other equity instruments                                                        | —                | 2,590            |
| <b>Valuation adjustments</b>                                                    | <b>6,843</b>     | <b>8,775</b>     |
| <b>Grants, donations and bequests received</b>                                  | <b>524</b>       | <b>617</b>       |
| <b>NON-CURRENT LIABILITIES</b>                                                  | <b>2,367,820</b> | <b>2,699,415</b> |
| <b>Non-current provisions (Note 14)</b>                                         | <b>262,914</b>   | <b>291,813</b>   |
| <b>Non-current payables (Note 15)</b>                                           | <b>1,249,960</b> | <b>1,834,788</b> |
| Bank borrowings                                                                 | 1,219,453        | 1,797,420        |
| Other financial liabilities                                                     | 30,507           | 37,368           |
| <b>Non-current payables to Group companies and associates (Note 10.c)</b>       | <b>823,052</b>   | <b>538,877</b>   |
| <b>Deferred tax liabilities (Note 18)</b>                                       | <b>27,723</b>    | <b>29,309</b>    |
| <b>Non-current trade and other payables (Note 16)</b>                           | <b>4,171</b>     | <b>4,628</b>     |
| <b>CURRENT LIABILITIES</b>                                                      | <b>685,974</b>   | <b>1,142,188</b> |
| <b>Current provisions</b>                                                       | <b>3,476</b>     | <b>4,043</b>     |
| <b>Current payables (Note 15)</b>                                               | <b>141,533</b>   | <b>324,001</b>   |
| Bonds and other marketable debt securities                                      | —                | 30,578           |
| Bank borrowings                                                                 | 106,410          | 264,318          |
| Other financial liabilities                                                     | 35,123           | 29,105           |
| <b>Current payables to Group companies and associates (Notes 10.d and 21.b)</b> | <b>283,335</b>   | <b>532,381</b>   |
| <b>Trade and other payables</b>                                                 | <b>257,630</b>   | <b>281,763</b>   |
| Payables to suppliers                                                           | 67,279           | 72,377           |
| Suppliers, Group companies and associates (Note 21.b)                           | 8,231            | 9,852            |
| Other accounts payables to public authorities (Notes 16 and 18)                 | 38,623           | 65,972           |
| Other payables                                                                  | 143,497          | 133,562          |
| <b>TOTAL EQUITY AND LIABILITIES</b>                                             | <b>4,681,474</b> | <b>4,646,880</b> |

The accompanying Notes 1 to 24 and Appendices I to III are an integral part of these financial statements, forming together with them the financial statements for 2018.

# INCOME STATEMENT FOR THE YEAR ENDED

## 31 DECEMBER 2018

(in thousands of euros)

|                                                                                                                                        | 31/12/2018       | 31/12/2017       |
|----------------------------------------------------------------------------------------------------------------------------------------|------------------|------------------|
| <b>CONTINUING OPERATIONS</b>                                                                                                           |                  |                  |
| <b>Revenue</b> (Note 20)                                                                                                               | <b>1,247,461</b> | <b>1,666,399</b> |
| Sales and services                                                                                                                     | 1,214,288        | 1,216,370        |
| Income from investments in Group companies and associates<br>(Notes 20 and 21.a)                                                       | 11,111           | 418,582          |
| Finance income from marketable securities and other financial instruments<br>of Group companies and associates (Notes 10, 20 and 21.a) | 22,062           | 31,447           |
| <b>Procurements</b>                                                                                                                    | <b>(158,154)</b> | <b>(158,547)</b> |
| <b>Other operating income</b>                                                                                                          | <b>87,745</b>    | <b>94,037</b>    |
| <b>Staff costs</b> (Note 20)                                                                                                           | <b>(792,548)</b> | <b>(782,591)</b> |
| <b>Other operating expenses</b>                                                                                                        | <b>(179,348)</b> | <b>(196,457)</b> |
| <b>Depreciation and amortisation charge and grants released to<br/>income</b> (Notes 5, 6 and 13.f)                                    | <b>(85,735)</b>  | <b>(74,542)</b>  |
| <b>Overprovisions</b>                                                                                                                  | <b>5,055</b>     | <b>8,113</b>     |
| <b>Impairment and losses on disposal of assets and other<br/>results</b>                                                               | <b>(10,588)</b>  | <b>(18,699)</b>  |
| <b>OPERATING PROFIT</b>                                                                                                                | <b>113,888</b>   | <b>537,713</b>   |
| <b>Finance income</b> (Note 20)                                                                                                        | <b>4,483</b>     | <b>3,517</b>     |
| From investments in equity instruments of third parties                                                                                | 3,381            | 2,518            |
| From marketable securities and other financial instruments of third parties                                                            | 1,102            | 999              |
| <b>Finance costs</b>                                                                                                                   | <b>(84,347)</b>  | <b>(182,883)</b> |
| On payables to Group companies and associates (Note 21.a)                                                                              | (28,462)         | (25,748)         |
| On payables to third parties                                                                                                           | (51,383)         | (152,635)        |
| Interest cost relating to provisions                                                                                                   | (4,502)          | (4,500)          |
| <b>Change in fair value of financial instruments</b> (Note 20)                                                                         | <b>(986)</b>     | <b>15,363</b>    |
| <b>Exchange differences</b> (Note 20)                                                                                                  | <b>(1,812)</b>   | <b>(4,297)</b>   |
| <b>Impairment and gains or losses on disposals of financial<br/>instruments</b> (Note 10)                                              | <b>813,590</b>   | <b>(189,238)</b> |
| <b>FINANCIAL PROFIT/(LOSS)</b>                                                                                                         | <b>730,928</b>   | <b>(357,538)</b> |
| <b>PROFIT BEFORE TAX</b>                                                                                                               | <b>844,816</b>   | <b>180,175</b>   |
| <b>INCOME TAX</b> (Note 18)                                                                                                            | <b>(13,093)</b>  | <b>4,162</b>     |
| <b>PROFIT FOR THE YEAR FROM<br/>CONTINUING OPERATIONS</b>                                                                              | <b>831,723</b>   | <b>184,337</b>   |
| <b>PROFIT/(LOSS) FOR THE YEAR</b>                                                                                                      | <b>831,723</b>   | <b>184,337</b>   |

The accompanying Notes 1 to 24 and Appendices I to III are an integral part of these financial statements, forming together with them the financial statements for 2018.

## STATEMENT OF CHANGES IN TOTAL EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018

### A) STATEMENT OF RECOGNISED INCOME AND EXPENSE (in thousands of euros)

|                                                          | 31/12/2018     | 31/12/2017     |
|----------------------------------------------------------|----------------|----------------|
| <b>Profit per income statement</b>                       | <b>831,723</b> | <b>184,337</b> |
| <b>Income and expense recognised directly in equity</b>  |                |                |
| Available-for-sale financial assets                      | (2,052)        | –              |
| Arising from cash flow hedges                            | 161            | 997            |
| Grants, donations and bequests received                  | 23             | 55             |
| Tax effect                                               | (46)           | (263)          |
| <b>Income and expenses recognised directly in equity</b> | <b>(1,914)</b> | <b>789</b>     |
| <b>Transfers to profit or loss</b>                       |                |                |
| Grants, donations and bequests received                  | (116)          | (163)          |
| Tax effect                                               | 13             | 25             |
| <b>Total amounts transferred to income statement</b>     | <b>(103)</b>   | <b>(138)</b>   |
| <b>TOTAL RECOGNISED INCOME AND EXPENSE</b>               | <b>829,706</b> | <b>184,988</b> |

The accompanying Notes 1 to 24 and Appendices I to III are an integral part of these financial statements, forming together with them the financial statements for 2018.

## B) STATEMENT OF TOTAL CHANGES IN EQUITY

(in thousands of euros)

|                                                                 | Share capital<br>(Note 13.a) | Share<br>premium<br>(Note 13.b) | Reserves<br>(Note 13.c) | Own shares<br>(Note 13.d) | Prior years'<br>losses | Profit for<br>the year | Other equity<br>instruments | Valuation<br>adjustments<br>(Notes 12 and<br>13.e)) | Grants<br>(Note 13.f) | Equity    |
|-----------------------------------------------------------------|------------------------------|---------------------------------|-------------------------|---------------------------|------------------------|------------------------|-----------------------------|-----------------------------------------------------|-----------------------|-----------|
| <b>Equity at 31 December 2016</b>                               | 378,826                      | 1,673,477                       | 953,167                 | (5,503)                   | (2,093,413)            | (299,362)              | 2,590                       | 8,027                                               | 714                   | 618,523   |
| <b>Total recognised income and expense</b>                      |                              |                                 |                         |                           |                        | 184,337                |                             | 748                                                 | (97)                  | 184,988   |
| <b>Transactions with shareholders and owners</b>                |                              |                                 | 689                     | 1,076                     |                        |                        |                             |                                                     |                       | 1,765     |
| Transactions with own shares or own equity<br>investments (net) |                              |                                 | 689                     | 1,076                     |                        |                        |                             |                                                     |                       |           |
| <b>Other changes in equity</b>                                  |                              |                                 |                         |                           | (299,362)              | 299,362                |                             |                                                     |                       |           |
| <b>Equity at 31 December 2017</b>                               | 378,826                      | 1,673,477                       | 953,856                 | (4,427)                   | (2,392,774)            | 184,337                | 2,590                       | 8,775                                               | 617                   | 805,277   |
| <b>Total recognised income and expense</b>                      |                              |                                 |                         |                           |                        | 831,723                |                             | (1,932)                                             | (85)                  | 829,706   |
| <b>Transactions with shareholders and owners</b>                |                              |                                 |                         | (7,296)                   |                        |                        |                             |                                                     |                       | (7,296)   |
| Transactions with own shares or own equity<br>investments (net) |                              |                                 |                         | (7,296)                   |                        |                        |                             |                                                     |                       | (7,296)   |
| <b>Other changes in equity</b>                                  |                              |                                 | 186,928                 |                           |                        | (184,337)              | (2,590)                     |                                                     | (8)                   | (7)       |
| <b>Equity at 31 December 2018</b>                               | 378,826                      | 1,673,477                       | 1,140,784               | (11,723)                  | (2,392,774)            | 831,723                |                             | 6,843                                               | 524                   | 1,627,680 |

The accompanying Notes 1 to 24 and Appendices I to III are an integral part of these financial statements, forming together with them the financial statements for 2018. In particular, Note 13 "Equity" develops this statement.

# STATEMENT OF CASH FLOWS FOR THE YEAR ENDED

## 31 DECEMBER 2018

(in thousands of euros)

|                                                                                 | 31/12/2018       | 31/12/2017       |
|---------------------------------------------------------------------------------|------------------|------------------|
| <b>Profit for the year before tax</b>                                           | <b>844,816</b>   | <b>180,175</b>   |
| <b>Adjustments to profit</b>                                                    | <b>(661,410)</b> | <b>20,616</b>    |
| Depreciation and amortisation charge (Notes 5 and 6)                            | 85,850           | 74,705           |
| Impairment loss allowances (Note 10)                                            | 98,835           | 194,515          |
| Change in provisions (Note 14)                                                  | 17,721           | 33,237           |
| Losses on derecognition and disposal of non-current assets (Note 20)            | (44)             | (34)             |
| Gains/(losses) on derecognition and disposal of financial instruments (Note 10) | (913,146)        | -                |
| Finance income (Note 20)                                                        | (37,656)         | (453,547)        |
| Finance cost                                                                    | 84,347           | 182,883          |
| Exchange gains/(losses)                                                         | 1,812            | 4,297            |
| Change in fair value of financial instruments                                   | 986              | (15,363)         |
| Other income and costs                                                          | (115)            | (77)             |
| <b>Changes in working capital</b>                                               | <b>(20,351)</b>  | <b>21,688</b>    |
| Trade and other receivables                                                     | (25,780)         | 11,068           |
| Trade and other payables                                                        | 1,712            | 18,689           |
| Other current assets and liabilities                                            | 3,717            | (8,069)          |
| <b>Other cash flows from operating activities</b>                               | <b>(155,783)</b> | <b>305,948</b>   |
| Interest paid                                                                   | (82,775)         | (142,978)        |
| Interest and dividends received                                                 | 29,196           | 448,344          |
| Income tax receipts (payments) (Note 18)                                        | (92,603)         | 9,123            |
| Other proceeds/(payments)                                                       | (9,601)          | (8,541)          |
| <b>TOTAL CASH FLOWS FROM OPERATING ACTIVITIES</b>                               | <b>7,272</b>     | <b>528,427</b>   |
| <b>Payments for investments</b>                                                 | <b>(541,130)</b> | <b>(591,556)</b> |
| Group companies and associates (Note 10)                                        | (448,156)        | (524,638)        |
| Intangible assets and property, plant and equipment (Notes 5 and 6)             | (84,091)         | (58,583)         |
| Other financial assets                                                          | (8,883)          | (8,335)          |
| <b>Proceeds from disposals</b>                                                  | <b>1,283,654</b> | <b>984,241</b>   |
| Group companies and associates (Note 10)                                        | 1,256,698        | 821,630          |
| Intangible assets and property, plant and equipment (Notes 5 and 6)             | 15,088           | 2,148            |
| Non-current assets held for sale (Note 9.b)                                     | -                | 106,444          |
| Other financial assets                                                          | 11,868           | 54,019           |
| <b>TOTAL CASH FLOWS FROM INVESTING ACTIVITIES</b>                               | <b>742,524</b>   | <b>392,685</b>   |
| <b>Proceeds from and payments for equity instruments</b>                        | <b>(7,273)</b>   | <b>1,815</b>     |
| Disposal of own equity instruments (Note 13.d)                                  | -                | 1,940            |
| Acquisition of own equity instruments (Note 13.d)                               | (7,296)          | (180)            |
| Grants, donations and bequests received                                         | 23               | 55               |
| <b>Proceeds from and payments for financial liability instruments</b>           | <b>(736,081)</b> | <b>(954,110)</b> |
| (Note 15)                                                                       |                  |                  |
| Issue of:                                                                       |                  |                  |
| Bank borrowings                                                                 | 1,333,312        | 64,669           |
| Borrowings from Group companies and associates                                  | 1,529,579        | 2,024,287        |
| Other payables                                                                  | 3,250            | 659              |
| Repayments and redemptions of:                                                  |                  |                  |
| Bonds and other marketable debt securities                                      | (30,250)         | (1,950)          |
| Bank borrowings                                                                 | (2,072,566)      | (1,359,087)      |
| Borrowings from Group companies and associates                                  | (1,498,125)      | (1,572,951)      |
| Other payables                                                                  | (1,281)          | (109,737)        |
| <b>TOTAL CASH FLOWS FROM FINANCING ACTIVITIES</b>                               | <b>(743,354)</b> | <b>(952,295)</b> |
| <b>Effect of foreign exchange rate changes</b>                                  | <b>73</b>        | <b>54</b>        |
| <b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>                     | <b>6,515</b>     | <b>(31,129)</b>  |
| <b>Cash and cash equivalents at 1 January</b>                                   | <b>63,171</b>    | <b>94,300</b>    |
| <b>Cash and cash equivalents at 31 December</b>                                 | <b>69,686</b>    | <b>63,171</b>    |

The accompanying Notes 1 to 24 and Appendices I to III are an integral part of these financial statements, forming together with them the financial statements for 2018.

## NOTES TO THE FINANCIAL STATEMENTS AT 2018 YEAR-END

| C O N T E N T S                                                          | P A G E |
|--------------------------------------------------------------------------|---------|
| 1. Company activity                                                      | 1       |
| 2. Basis of presentation of the financial statements                     | 2       |
| 3. Distribution of profit                                                | 4       |
| 4. Recognition and measurement standards                                 | 4       |
| 5. Intangible assets                                                     | 14      |
| 6. Property, plant and equipment                                         | 15      |
| 7. Leases                                                                | 17      |
| 8. Service concession arrangements                                       | 19      |
| 9. Current and non-current financial assets                              | 20      |
| 10. Investments and payables to Group companies and associates           | 21      |
| 11. Trade receivables for sales and services                             | 28      |
| 12. Derivative financial instruments                                     | 29      |
| 13. Equity                                                               | 31      |
| 14. Long-term provisions                                                 | 34      |
| 15. Non-current and current payables                                     | 38      |
| 16. Non-current and current trade and other payables                     | 40      |
| 17. Information on the nature and level of risk of financial instruments | 42      |
| 18. Deferred taxes and tax matters                                       | 46      |
| 19. Third-party guarantees and other contingent liabilities              | 52      |
| 20. Revenue and expenses                                                 | 53      |
| 21. Related-party transactions and balances                              | 55      |
| 22. Environmental information                                            | 59      |
| 23. Other information                                                    | 60      |
| 24. Events after the reporting period                                    | 62      |
| Appendix I — Group companies                                             |         |
| Appendix II — Joint ventures                                             |         |
| Appendix III — Associates and jointly controlled entities                |         |

## 1. COMPANY ACTIVITY

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Fomento de Construcciones y Contratas, S.A. is a company formed in Spain in accordance with the Spanish Limited Liability Companies Law. It engages mainly in environmental services, which include, among others, the provision of collection services, the treatment of solid waste and the cleaning of public roads and of sewage networks,. Its registered office is at c/ Balmes, 36, Barcelona, and it basically carries on its activities in Spain.

Fomento de Construcciones y Contratas, S.A., in turn, is the Parent of the FCC Group, which is formed by a wide group of Spanish and foreign subsidiaries and associates, which carry on the different business activities, grouped into the following areas:

- Environmental services. Services related with urban sanitation, the treatment of industrial waste and waste recycling.
- End-to-end water management. Services related with the end-to-end water cycle: capturing, drinkability and distribution of water for human consumption; capturing, filtration and purification of wastewater; design, construction, operation and maintenance of water infrastructures for municipal, industrial, agricultural services, etc.
- Construction. Specialised in infrastructure works, building construction and similar sectors: motorways, highways, roads, tunnels, bridges, hydraulic works, ports, airports, residential complexes, homes, non-residential building constructions, lighting, industrial hot and cold facilities, environmental restoration, etc.
- Cement. It engages in the operation of mines and mineral sites, the manufacture of cement, limestone, plaster and derivate pre-manufactured products and the production of concrete.

Also, the FCC Group is present in the real estate sector, both through FC y C, S.L., and through its direct and indirect holding of 37.05% in Realia Business, S.A., whose main activity focuses on the development of homes and the office rental market, both in Spain and abroad.

On 28 September 2018, the agreement was signed to sell to the Australian fund IFM Global Infrastructure Fund (through its investee Global Infracore Spain, S.L.U. "IFM") a minority interest of 49% in the share capital of the subsidiary, head of FCC Aqualia, S.A.'s End-to End Water Management area, FCC Aqualia, S.A. (Aqualia). The price paid by IFM was 1,024 million euros, which was collected on that same date, and the funds received were mainly used to reduce financial debt. The FCC Group maintains control over Aqualia, holding most of its voting rights in the different decision-making bodies and the capacity to manage its significant activities (Note 10.a). The amount received, together with the implementation of new financing, enabled the cancellation of the previous syndicated loan. The main characteristics of the new loan are detailed in Note 15.b.

## 2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS

These financial statements were prepared from the accounting records of Fomento de Construcciones y Contratas, S.A. and of the joint ventures in which it participates, pursuant to the Code of Commerce, the Legislative Royal Decree 1/2010, of 2 July, approving the Consolidated Spanish Limited Liability Companies Law and the amendments introduced by Law 31/2014, of 3 December, and Royal Decree 1514/2007, which introduces the Spanish General Chart of Accounts, together with its amendment, incorporated by Royal Decree 602/2016, of 2 December. Likewise, all the accounting policies and standards contained in the regulatory amendments of Royal Decree 1159/2010, of 17 September, that of the sectoral plans, among others, Order EHA/3362/2010, which enacts the accounting plan of public infrastructure concessionaires, and the applicable obligatory standards, resolutions and recommendations of the Spanish Accounting and Audit Institute (ICAC) have been included; accordingly, they present fairly the Company's equity, financial position, results and cash flows in the corresponding year. In particular, it must be highlighted that, following the publication by the ICAC in 2009 of an enquiry relating to the accounting recognition of income from holding companies, "Income from investments in Group companies and associates" and "Finance income from marketable securities and other financial instruments of Group companies and associates" were recognised under "Revenue" in the accompanying income statement.

These financial statements were prepared by the Company's directors for approval at the General Shareholders' Meeting and are expected to be approved without any modification. The financial statements for 2017 were approved by shareholders at the Annual General Meeting held on 28 June 2018.

The financial statements are expressed in thousands of euros.

### Joint ventures and similar entities

The balance sheets, income statements, statements of changes in equity and cash flow statements of the joint ventures in which the Company participates were incorporated by the proportional consolidation method, based on the percentage of ownership in each of them.

The joint ventures were included through adjustments to unify the accounting period and the valuation methods, together with the reconciliations and reclassifications required and the appropriate eliminations, both of the asset and liability balances and of the reciprocal revenue and expenses. In the notes to the financial statements, the amounts corresponding thereto were broken down when they were of significance.

The balance sheet and income statement include the balance sheet aggregates at the percentage of ownership in the joint ventures shown below:

|                         | 2018    | 2017    |
|-------------------------|---------|---------|
| Revenue                 | 172,542 | 197,172 |
| Operating profit        | 17,221  | 25,216  |
| Non-current assets      | 101,929 | 106,234 |
| Current assets          | 217,498 | 215,739 |
| Non-current liabilities | 33,794  | 35,012  |
| Current liabilities     | 272,036 | 266,685 |

The contribution of the joint ventures is lower than in the previous year, basically due to the fact that in 2018 holdings in various joint ventures were transferred, mainly from the Environmental Services business line to the subsidiary FCC Medio Ambiente, S.A.

Appendix II lists the joint ventures, indicating the share in profit/(loss).

### Grouping of headings

Certain balance sheet, income statement and cash flow statement headings have been grouped together so that they may be more easily understood; in any event, all significant information is broken down separately in the corresponding notes to the financial statements.

### Consolidated financial statements

Under current legislation, Fomento de Construcciones y Contratas, S.A. is the head of a group of companies forming the FCC Group, so its directors are obliged to prepare separate consolidated financial statements. These consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS-EU), set forth by Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002, and by all their enacting provisions and interpretations. These 2018 consolidated financial statements of the FCC Group, prepared by its directors will likewise be submitted for approval at the General Shareholders' Meeting.

The consolidated financial statements of Fomento de Construcciones y Contratas, S.A., prepared in accordance with International Financial Reporting Standards (IFRS) have a total volume of assets amounting to 10,658 million euros (10,567 million euros at 31 December 2017) and equity attributable to the Company's shareholders of 1,684 million euros (864 million euros at 31 December 2017). Likewise, consolidated sales amount to 5,990 million euros (5,802 million euros at 31 December 2017). Lastly, attributable consolidated profit was 252 million euros (118 million euros at 31 December 2017).

### Restatements

No restatements were made in the current financial statements.

### 3. DISTRIBUTION OF PROFIT

The Board of Directors of Fomento de Construcciones y Contratas, S.A. decided to allocate 2018 profit to Retained earnings; accordingly, it was not proposed to distribute or apply such profit to any other account.

In 2017, the Company obtained profit of 184,337 thousand euros, which was applied to:

|                                                               | 2017           |
|---------------------------------------------------------------|----------------|
| <b>Undistributed profit for the year</b> (thousands of euros) | <b>184,337</b> |
| <b>Distribution</b>                                           |                |
| <b>To the legal reserve</b>                                   | <b>49,651</b>  |
| <b>To voluntary reserves</b>                                  | <b>134,686</b> |

### 4. RECOGNITION AND MEASUREMENT STANDARDS

The main recognition and measurement bases used by the Company in the preparation of the 2018 financial statements, in accordance with the Spanish General Chart of Accounts, were as follows:

#### a) Intangible assets

##### a.1) Concession arrangements

The concession arrangements that meet the conditions detailed below are recognised pursuant to Order EHA/3362/2010, approving the rules for adapting the Spanish General Chart of Accounts to public infrastructure concessionaires. In general, two clearly differentiated phases exist:

- In the first phase, the concessionaire renders construction or upgrade services, which are recognised in conformity with registration and measurement base no. 14 Income from sales and services of the Spanish General Chart of Accounts and the rules on the percentage of completion method, contained in measurement base no. 18 Sales, income from work performed and other income of the rules for the adaptation of the Spanish General Chart of Accounts to construction firms, with a balancing entry as an intangible or financial asset.
- The second phase consists of a series of services for the maintenance or operation of such infrastructure, which are recognised in line with registration and measurement base no. 14 Income from sales and services of the Spanish General Chart of Accounts.

An intangible asset is recognised when the demand risk is borne by the concessionaire and a financial asset is recognised when the demand risk is borne by the concession grantor, since the concessionaire has an unconditional contractual right to receive the proceeds of the construction or upgrade services. There may also be mixed arrangements in which demand risk is shared between the concessionaire and the grantor, although this is virtually non-existent at the Company.

For concessions classified as intangible assets, provisions for dismantling, removal or rehabilitation and any steps to improve and increase capacity, the revenue from which is envisaged in the initial contract, are capitalised at the start of the concession and the amortisation of these assets and the discounting of such

provisions are recognised in profit or loss. Also, provisions to replace and repair the infrastructure are systematically recognised in profit or loss as the obligation is incurred.

The initial measurement of intangible assets also includes the borrowing costs attributable to infrastructure financing accrued during the construction phase and until the related infrastructure is put to use. From the date on which the infrastructure is in an operative state, the aforementioned expenses will be capitalised, provided that they comply with the regulatory requirements, when there is reasonable evidence that future income will enable the capitalised amount to be recovered.

These intangible assets are amortised in accordance with the demand or use of the infrastructure, understood to be the performance and best estimate of the production units of each activity.

Concession arrangements recognised as financial assets are measured at the fair value of the construction or upgrade services rendered. Under the amortised cost method, the corresponding finance income is allocated to profit or loss as Revenue, in accordance with the effective interest rate arising from the expected flow of receipts and payments from the concession. Finance costs arising from the financing of these assets are classified under "Finance costs" in the income statement. As mentioned previously, with regard to maintenance or operation services, income and costs are allocated to income in line with registration and measurement base no. 14 Income from sales and services of the Spanish General Chart of Accounts.

#### a.2) Other intangible assets

The remaining intangible assets, concessions and computer software, among others, are recognised at their acquisition or production cost, and subsequently at cost less any accumulated amortisation and any accumulated impairment losses. At year-end, no signs of losses in value were identified in any of the Company's intangible assets related with this heading.

Maintenance costs are recognised in the income statement for the period in which they are incurred.

Generally, intangible assets are amortised over their useful lives on a straight-line basis.

#### **b) Property, plant and equipment**

Items of property, plant and equipment are measured initially at acquisition or production cost when the Company has performed in-house work on its non-current assets, and are subsequently carried net of accumulated depreciation and any impairment losses. At year-end, no signs of significant losses in value were identified in any of the Company's PP&E, and the recoverable amount of the assets is higher than their carrying amount.

Upkeep and maintenance costs relating to property, plant and equipment are taken to the income statement in the year in which they are incurred. However, the costs of improvements leading to increased capacity or efficiency or to a lengthening of the useful lives of the assets are capitalised.

For PP&E that necessarily takes a period of more than twelve months to get ready for their intended use, the capitalised costs include such borrowing costs as might have been incurred before the assets are ready for their intended use and which have been charged by the supplier or relate to loans or other specific-purpose or general purpose borrowings directly attributable to the acquisition or manufacturing of the assets.

The Company's in-house work on property, plant and equipment is recorded at the accumulated cost (external costs, in-house costs determined on the basis of the warehouse materials consumed in-house, direct labour costs and general manufacturing overheads).

The Company depreciates its property, plant and equipment on a straight-line basis, using annual rates based on the years of estimated useful life of the assets, as follows:

|                                          | Years of estimated useful life |
|------------------------------------------|--------------------------------|
| Buildings and other structures           | 25 - 50                        |
| Technical installations and machinery    | 5 - 15                         |
| Other installations, tools and furniture | 8 - 12                         |
| Other property, plant and equipment      | 4 - 10                         |

However, certain contracts have terms shorter than the useful life of the related PP&E, in which case they are depreciated over such contract terms.

### c) Impairment of intangible assets and property, plant and equipment

Whenever there are indications of impairment of assets with a finite useful life (all intangible assets and PP&E), the Company performs impairment tests to estimate the possible existence of losses that cause their recoverable amount to fall below their carrying amount.

Recoverable amount is the higher of fair value less costs to sell and value in use. To calculate the recoverable amount of the assets subject to impairment tests, the present value of the net cash flows originating from the Cash Generating Units (CGUs) associated therewith is estimated, and in order to discount cash flows, a pre-tax discount rate is used, which includes the current market assessments of the time value of money and the risks specific to each Cash Generating Unit.

Where an impairment loss on the assets is subsequently reversed, the carrying amount of the asset or Cash-Generating Unit is increased to the revised estimate of its recoverable amount, up to the limit of the carrying amount that would have been determined had no impairment loss been recognised in prior years. The reversal of impairment losses is recognised as income in the income statement.

### d) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the leased asset to the lessee. Other leases are classified as operating leases.

#### d.1) Finance leases

For finance leases in which the Company acts as lessee, the cost of leased assets is recognised in the balance sheet by the nature of the leased asset and, simultaneously, a liability is booked for the same amount. This amount will be the lower of the fair value of the leased asset and the present value at inception of the minimum amounts agreed, including the purchase option, when there are no reasonable doubts that the purchase option will be exercised. The calculation does not include contingent rent, the service cost or the taxes that can be passed on by the lessor. The total finance charge on the lease is taken to the income statement for the year in which it is incurred, using the effective interest method. Contingent instalments are recognised as an expense for the year in which they are incurred.

On expiry of the finance lease, the Company exercises the purchase option and the lease arrangements do not impose any restrictions regarding the exercise of this option. Also, the lease agreements do not contain any renewal, review or escalation clauses.

Assets recognised under this type of arrangement are depreciated using the same methods applied to property, plant and equipment, as a whole, taking their nature and useful lives into account.

The Company did not have any finance leases in which it acts as lessor.

#### d.2) Operating leases

When the Company acts as lessee, it recognises the expenses from operating leases in profit or loss in the year in which they accrue.

When the Company acts as lessor, revenue and expenses from operating leases are recognised in profit or loss in the year in which they accrue. The acquisition cost of the leased asset is presented in the balance sheet in accordance with the nature of the asset, increased by the amount of the investments arising from the directly attributable lease arrangements, which are expensed over the term of such arrangements, using the same method as that applied for lease income.

Any collection or payment that might be made when arranging an operating lease will be treated as a prepaid lease collection or payment, which will be allocated to profit or loss over the lease term, in accordance with the time pattern in which the benefits of the leased asset are provided or received.

### **e) Financial instruments**

#### e.1) Financial assets

##### Classification

The financial assets held by the Company are classified in the following categories:

- Loans and receivables: financial assets originating from the sale of goods or the rendering of services in the course of the Company's trade operations, or financial assets that are neither equity instruments nor derivatives, nor arise on trade transactions, with fixed or determinable payments, which are not traded in an active market.
- Investments in Group companies, associates and jointly controlled entities: Group companies are deemed to be those related to the Company as a result of a control relationship and associates are companies over which the Company exercises significant influence. Jointly controlled entities include companies over which, by virtue of an agreement, joint control is exercised with one or more partners.
- Financial assets available for sale: debt securities and equity instruments of other companies that are not classified in any of the previous categories.

### Initial recognition

Financial assets are initially recognised at the fair value of consideration given, plus the directly attributable transaction costs, except in the case of assets held for trading and investments in Group companies granting the control, whose costs are taken directly to the income statement.

### Subsequent measurement

- Loans, receivables and investments held to maturity are measured at amortised cost.
- Investments in Group companies, associates and jointly controlled entities are measured at cost net, where appropriate, of any accumulated impairment losses. The impairment loss is measured as the difference between the carrying amount and the recoverable amount. The recoverable amount is the higher of fair value less costs to sell and the present value of the future cash flows from the investment. The investee's equity is taken into consideration, consolidated where appropriate, corrected for any unrealised gains at the measurement date (including any goodwill), unless better evidence of the recoverable amount of the investment is available.
- Available-for-sale financial assets are measured at fair value. Fair value net gains and losses are recognised in equity until the asset is disposed of, at which point the cumulative gains or losses previously recognised in equity are taken to the income statement, or until it is determined that they have become impaired, in which case, once the pre-existing profit previously recognised in equity has been written off, such assets are taken to profit or loss.

At least at the end of each reporting period, the Company books the related impairment loss allowances for financial assets that are not carried at fair value when there is objective evidence of impairment if such value is lower than its carrying amount, in which case, such impairment is recognised in the income statement. In particular, the Company calculates impairment loss allowances for trade and other receivables by carrying out a case-by-case analysis of the insolvency risk of each account receivable.

The Company derecognises a financial asset when it expires or when the rights to the cash flows from the financial asset have been transferred, and substantially all the risks and rewards of ownership of the financial asset have also been transferred, as in the case of firm asset sales and the assignment of trade receivables in factoring arrangements, in which the Company does not retain any credit or interest rate risk, or provide any type of guarantee or assume any other type of risk. These transactions accrue interest on an arm's length basis, and the concessionaire assumes the insolvency and late payment risk of the debtor. Fomento de Construcciones y Contratas, S.A. continues to perform collection management.

### e.2) Financial liabilities

Financial liabilities include accounts payable by the Company that have arisen from the purchase of goods or services in the normal course of the Company's business and those which, while not having commercial substance, cannot be classed as derivative financial instruments.

Accounts payable are initially measured at the fair value of the consideration received. These financial liabilities are subsequently measured at amortised cost.

Borrowing costs are recognised on an accrual basis in the income statement using the effective interest method and are added to the amount of the instrument to the extent that they are not settled in the year in which they arise.

Bank borrowings and other current and non-current financial liabilities maturing within no more than twelve months from the balance sheet date are classified as current liabilities and those maturing within more than twelve months as non-current liabilities.

The Company derecognises financial liabilities when the obligations giving rise to them are extinguished.

### e.3) Equity instruments

An equity instrument represents a residual interest in the Company's equity after deducting all of its liabilities from its assets, and the securities issued are recognised in equity at the amount received, after deducting the issue charges, net of taxes.

Own shares acquired by the Company during the year are recognised at the value of the consideration paid and are deducted directly from equity. Any gains or losses on the purchase, sale, issue or redemption of own equity instruments are recognised directly in equity and never in the income statement.

### e.4) Derivative financial instruments

The Company uses derivative financial instruments to hedge the risks to which its activities, transactions and future cash flows are exposed. These risks relate mainly to changes in interest rates and in the market listings of certain financial instruments. Among the various transactions, the Company arranges financial instruments as hedges (Note 12).

For financial instruments to qualify for hedge accounting, they are initially designated as hedges and the hedge relationship is documented. The Company also verifies the effectiveness of the hedge initially and on an on-going basis during the term of the hedge. A hedge is effective if it is expected, prospectively, that the changes in fair value or in the cash flows from the hedged item (attributable to the hedged risk) are almost entirely offset by those of the hedging instrument and that, retrospectively, the gains or losses on the hedge have fluctuated within a range of 80% to 125% of the gains or losses on the hedged item.

The Company arranges cash flow hedges. The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised temporarily in equity and taken to profit or loss in the same period during which the hedged item affects profit or loss, unless the hedge relates to a forecast transaction that results in the recognition of a financial asset or liability, in which case, the amounts recognised in equity are included in the cost of the asset acquired or liability assumed.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised or no longer meets the criteria for hedge accounting. Any cumulative gain or loss corresponding to the hedging instrument deferred in equity at that time remains in equity until the forecast transaction occurs. If the hedged transaction is no longer expected to occur, the net cumulative gains or losses recognised in equity are transferred to net profit or loss for the period.

Although certain derivative instruments cannot be classified as hedges, it is only for accounting purposes since for financial and management purposes all the derivatives arranged by the Company have, at inception, an underlying financial transaction and the sole purpose of hedging such transaction.

Derivatives are not considered for the purposes of hedge accounting if they fail the effectiveness test, which requires the changes in the fair value or in the cash flows of the hedged item directly attributable to the risk of the instrument to be offset by changes in the fair value or in the cash flows of the derivative hedging instrument. When this is not the case, changes in the value of the instruments not catalogued as hedges are taken to the income statement.

The financial derivatives are measured by experts on the subject using generally accepted methods and techniques. These experts are independent from the Company and the entities financing it.

## **f) Commercial**

Inventories are stated at the lower of acquisition or production cost or net realisable value. Trade discounts, rebates, other similar items and interest included in the nominal amount of the payables are deducted in determining the acquisition cost.

Assets awarded for the collection of receivables are measured at the amount at which the receivable corresponding to the asset received was recognised or at the lower of production cost or net realisable value.

Production cost includes the costs of direct materials and, where applicable, direct labour costs and manufacturing overheads incurred.

Net realisable value represents the estimated selling price less all estimated costs of completion and the costs to be incurred in the marketing, sale and distribution of the product.

The Company posts the appropriate impairment loss allowances, recognising an expense in the income statement when the purchase price or production cost of inventories exceeds the net realisable value..

#### **g) Foreign currency transactions**

The Company's functional currency is the euro. Consequently, transactions in other currencies are considered to be denominated in foreign currency and are translated at the exchange rates prevailing at the transaction date.

At each reporting date, monetary assets and liabilities denominated in foreign currencies are translated to euros at the closing exchange rate. Exchange gains or losses are recognised directly in the income statement for the year in which they occur..

#### **h) Income tax**

The expense for income tax is calculated on the basis of profit before tax, increased or decreased, as appropriate, by the permanent differences between taxable profit and accounting profit. The corresponding tax rate based on the applicable legislation is applied to this adjusted accounting profit. The tax relief and tax credits earned in the year are deducted and the positive or negative differences between the estimated tax charge calculated for the prior year's accounting close and the subsequent tax settlement at the payment date are added to or deducted from the resulting tax charge. Additionally, the adjustment of the deferred tax assets and liabilities due to changes in the prevailing tax rate is recognised as an income tax expense.

The temporary differences between the accounting profit and the taxable profit for income tax purposes, together with the differences between the carrying amounts of assets and liabilities recognised in the balance sheet and their tax bases give rise to deferred taxes that are recognised as non-current assets and liabilities. These amounts are measured at the tax rates that are expected to apply in the years in which they will foreseeably be reversed without, at any time, performing financial discounting

The Company capitalises deferred tax assets corresponding to temporary differences and tax losses pending offset, except in the cases in which reasonable doubts exist regarding their future recovery or such recovery extends over a period exceeding ten years.

#### **i) Revenue and expenses**

Revenue and expenses are recognised on an accrual basis, i.e. when the actual flow of the related goods and services occurs, regardless of when the resulting monetary or financial flow arises. Revenue is measured at the fair value of the consideration received, less discounts and tax.

The Company recognises as revenue from its contracts in each year the difference between output for the year (valued at the selling price of the services provided during the period, as set out in the principal contract and in the approved reviews, and other services for which, although not yet approved, there is reasonable certainty regarding their collection) and the costs incurred. Late payment interest is recognised as revenue when definitively approved or received.

The difference between the output amount and the amount billed until the reporting date is booked as "Output pending invoicing" under "Trade receivables for sales and services". In turn, the amounts billed in advance for certain items are included under Current liabilities as "Customer advances" under "Trade and other payables".

Interest received on financial assets is recognised using the effective interest method, while dividends are recognised when the shareholder's right to receive payment has been established. In any event, interest and dividends on financial assets accruing after the date of acquisition are recognised as revenue in the income statement.

In keeping with the accounting principle of prudence, the Company only recognises realised income at year-end, whereas foreseeable contingencies and losses, including possible losses, are booked as soon as they become known, through the posting of the appropriate provisions.

#### **j) Provisions and contingencies**

The Company recognises provisions on the liability side of the accompanying balance sheet for present obligations arising from past events for which the Company considers it probable that there will be an outflow of resources embodying economic benefits to settle them on maturity.

These provisions are recognised when the related obligation arises and the amount recognised is the best estimate, at the date of the accompanying financial statements, of the present value of the future expenditure required to settle the obligation. The change in the year relating to the discount to present value has an impact on financial profit/(loss).

Provisions for dismantling, removal or rehabilitation and environmental provisions are recognised by increasing the value of the related asset by the present value of the expenses that will be incurred when operation of the asset ceases. Profit or loss is affected when the asset concerned is depreciated as described in previous sections of this Note and by the discounted present value as described in the preceding paragraph.

Provisions are classified as current or non-current in the accompanying balance sheet on the basis of the estimated maturity date of the obligation covered by them, and non-current provisions are considered to be those whose estimated maturity date exceeds the average cycle of the activity giving rise to the provision.

In relation to the contingent liabilities, as a result of the possible obligations that might arise from past events, whose existence will be confirmed only by the occurrence or non-occurrence of one or more future events not wholly within the control of the Company, it is necessary to indicate that they are not recognised in the financial statements, since the probability that such obligation must be met is remote.

#### **k) Environmental assets**

As indicated in Note 1, the Company engages mainly in Environmental Services which, due their very nature and development, devote special attention to the control of the environmental impact, for example, in the concession and operation of landfill sites, at which, in general, it is necessary to perform the sealing and control thereof and forestry regeneration upon completion of operations. Likewise, the Company has non-current assets aimed at protecting and defending the environment, and it meets those costs required for such purpose in its scope of activity.

The acquisition of these non-current assets aimed at preserving the environment are recognised under “Property, plant and equipment” and “Intangible assets”, in line with the nature of the investment, depreciating or amortising them over their useful life or in line with the demand for or use of the infrastructure in the service concession arrangements. Likewise, the Company recognises the expenses and provisions inherent to the environmental commitments acquired in line with the prevailing accounting legislation.

The Company implements an environmental policy based not only on strict compliance with the prevailing legislation in the area of environmental improvement and defence, rather it goes beyond it, through the establishment of preventive planning and an analysis and the minimisation of the environmental impact of the activities that it carries on.

Company management considers that the possible contingencies related with environmental protection and improvement at 31 December 2018 would not have a significant impact on the accompanying financial statements, which include provisions to cover the probable environmental risks that may arise.

### **l) Pension and similar obligations**

The Company has not established any pension plans to supplement the social security pension benefits. Under the Consolidated Pension Plans and Pension Funds Law, in those specific cases in which similar obligations exist, the Company externalises commitments to its employees in this area.

Also, the Company, upon prior authorisation from the Executive Committee, previously took out and paid for an insurance premium to settle payment of the contingencies related to death, permanent employment disability, retirement bonuses and pensions and further concepts for, among others, some of the executive directors and company officers. In particular, the contingencies that give rise to compensation contemplate the termination of the employment relationship for any of the following reasons:

- Unilateral decision of the company.
- Dissolution or disappearance of the Parent for any reason, including merger or demergers.
- Death or permanent disability.
- Other causes of physical or legal incapacitation.
- Substantial modification of professional conditions.
- Termination after reaching the age of 60, at the request of the officer and in agreement with the company.
- Termination after reaching the age of 65 at the officer's sole discretion.

Contributions made by the Company are recognised under “Staff costs” in the income statement.

### **m) Grants**

The Company applies the following criteria when accounting for grants received:

#### **m.1) Non-repayable grants**

They are measured at the amount received or at the fair value of the asset awarded, depending on whether they are monetary or non-monetary. They are then recognised in profit or loss over the same period and in the proportions in which depreciation on those assets is charged or when, where appropriate, the assets are disposed of or impaired, except for those received from equity holders or owners, which are recognised directly in equity.

#### **m.2) Operating grants**

These grants are recognised in profit or loss when they are awarded, except if they are granted to finance operating losses in future periods, in which case they are recognised in those periods. Grants awarded to finance specific expenses are recognised as income when the financed expenses are accrued.

#### **n) Use of estimates**

In the preparation of these financial statements, estimates were made by the Company's directors to measure certain of the assets, liabilities, income, expenses and obligations reported herein. These estimates relate basically to the following:

- The recoverability of deferred tax assets (Note 18).
- The recoverability of the investments in Group companies, associates and loans and accounts receivable therefrom (Note 10).
- The measurement of possible impairment losses on certain assets (Note 4.c).
- The useful life of property, plant and equipment and intangible assets (Notes 4.a and 4.b).
- The market value of certain financial instruments (Note 12).
- The calculation of certain provisions (Notes 4.j and 14).
- The recognition of income pending invoicing, mainly due to price reviews (Notes 4.i and 11).

Although these estimates were made on the basis of the best information available at 31 December 2018, future events may make it necessary to change these estimates in subsequent reporting periods. Any changes in accounting estimates are recognised prospectively.

#### **ñ) Related party transactions**

The Company carries out all transactions with related parties at arm's length.

Note 21 "Related party transactions and balances" to these financial statements details the main transactions with the Company's significant shareholders, its directors and senior executives and between Group companies or entities.

#### **o) Statement of cash flows**

The following terms are used in the statement of cash flows with the meanings specified:

- Cash flows: inflows and outflows of cash and cash equivalents.
- Cash flows from operating activities: payments and collections of the Company's principal revenue-producing activities and other activities that are not investing or financing activities.
- Cash flows from investing activities: payments and collections arising from acquisitions and disposals of non-current assets.
- Cash flows from financing activities: payments and collections from the placement and cancellation of financial liabilities, equity instruments or dividends.

### **5. INTANGIBLE ASSETS**

Changes in this heading in the accompanying balance sheet in 2018 and 2017 were as follows:

|                                         | Concession arrangements | Concessions   | Computer software | Other intangible assets | Accumulated amortisation | Impairment     | Total          |
|-----------------------------------------|-------------------------|---------------|-------------------|-------------------------|--------------------------|----------------|----------------|
| <b>Balance at 31.12.16</b>              | <b>88,121</b>           | <b>7,243</b>  | <b>45,482</b>     | <b>23,165</b>           | <b>(83,502)</b>          | <b>(3,707)</b> | <b>76,802</b>  |
| Additions or allocations                | 27,885                  | 2,914         | 1,946             | 1,381                   | (14,764)                 | —              | 19,362         |
| Derecognitions, disposals or reductions | —                       | —             | (79)              | (195)                   | 103                      | 112            | (59)           |
| Transfers                               | (351)                   | (119)         | —                 | 488                     | 378                      | —              | 396            |
| <b>Balance at 31.12.17</b>              | <b>115,655</b>          | <b>10,038</b> | <b>47,349</b>     | <b>24,839</b>           | <b>(97,785)</b>          | <b>(3,595)</b> | <b>96,501</b>  |
| Additions or allocations                | 707                     | 24            | 2,460             | 2,361                   | (14,422)                 | 56             | (8,814)        |
| Derecognitions, disposals or reductions | (7,817)                 | (581)         | (37)              | (955)                   | 3,476                    | 3,539          | (2,375)        |
| Transfers                               | 28,830                  | (1,108)       | —                 | 3,232                   | (8,924)                  | —              | 22,030         |
| <b>Balance at 31.12.18</b>              | <b>137,375</b>          | <b>8,373</b>  | <b>49,772</b>     | <b>29,477</b>           | <b>(117,655)</b>         | <b>—</b>       | <b>107,342</b> |

Noteworthy in the “Concession arrangements” heading for 2018 was the transfer from the Property, plant and equipment heading of the assets related with the operating activity of municipal sports centres and swimming pools, amounting to 28,830 thousand euros, with accumulated depreciation of 8,922 thousand euros, basically operated through joint ventures (Note 6). There were also derecognitions as a result of the transfer of assets used in the Water business line, in favour of the subsidiary FCC Aqualia, S.A., amounting to 6,745 thousand euros, with accumulated depreciation of 2,126 thousand euros. With respect to 2017, noteworthy was the increase of 27,885 thousand euros, basically related with the Waste Treatment Plant in the province of Granada (Note 8).

“Concessions”, which mainly relates to businesses operated through joint ventures, basically includes the amounts paid to obtain urban sanitation concessions and, to a lesser extent, water supply concessions. There were no significant changes in both years with respect to the foregoing.

“Computer software” relates mainly, on the one hand, to the costs of implementing, developing and improving the corporate information system and, on the other, to the costs related with the information technology infrastructure, without significant variations in both years with respect to the foregoing.

The detail of intangible assets and of the related accumulated amortisation at 31 December 2018 and 2017 is as follows:

|                                  | Cost           | Accumulated amortisation | Impairment     | Net            |
|----------------------------------|----------------|--------------------------|----------------|----------------|
| <b>2018</b>                      |                |                          |                |                |
| Concession arrangements (Note 8) | 137,375        | (53,581)                 | —              | 83,794         |
| Concessions                      | 8,373          | (4,243)                  | —              | 4,130          |
| Computer software                | 49,772         | (40,167)                 | —              | 9,605          |
| Other intangible assets          | 29,477         | (19,664)                 | —              | 9,813          |
|                                  | <b>224,997</b> | <b>(117,655)</b>         | <b>—</b>       | <b>107,342</b> |
| <b>2017</b>                      |                |                          |                |                |
| Concession arrangements (Note 8) | 115,655        | (41,480)                 | (3,595)        | 70,580         |
| Concessions                      | 10,038         | (4,167)                  | —              | 5,871          |
| Computer software                | 47,349         | (34,900)                 | —              | 12,449         |
| Other intangible assets          | 24,839         | (17,238)                 | —              | 7,601          |
|                                  | <b>197,881</b> | <b>(97,785)</b>          | <b>(3,595)</b> | <b>96,501</b>  |

With regard to net intangible assets, 26,910 thousand euros (15,466 thousand euros at 31 December 2017) relate to assets arising from arrangements operated jointly through joint ventures.

All intangible assets at year-end have been used in various production processes; however, part of such intangible assets, basically computer software, had been fully amortised, in the amount of 34,295 thousand euros (34,297 thousand euros at 31 December 2017), and the amount corresponding to joint ventures was insignificant.

At 31 December 2018, the Company did not own any significant intangible assets located outside of Spain, assets pledged as security or purchase commitments of a significant amount.

## 6. PROPERTY, PLANT AND EQUIPMENT

Changes in this heading in the accompanying balance sheet in 2018 and 2017 were as follows:

|                                         | Land and buildings | Other property, plant and equipment    |                                      | Accumulated amortisation | Impairment     | Total          |
|-----------------------------------------|--------------------|----------------------------------------|--------------------------------------|--------------------------|----------------|----------------|
|                                         |                    | Technical installations and other PP&E | Advances and PP&E under construction |                          |                |                |
| <b>Balance at 31.12.16</b>              | <b>101,244</b>     | <b>960,543</b>                         | <b>7,833</b>                         | <b>(695,478)</b>         | <b>—</b>       | <b>374,142</b> |
| Additions or allocations                | 37                 | 78,758                                 | 4,389                                | (59,778)                 | (5,145)        | 18,261         |
| Derecognitions, disposals or reductions | (1,979)            | (32,958)                               | (410)                                | 32,787                   | —              | (2,560)        |
| Transfers                               | 14                 | 6,030                                  | (3,872)                              | (1,761)                  | —              | 411            |
| <b>Balance at 31.12.17</b>              | <b>99,316</b>      | <b>1,012,373</b>                       | <b>7,940</b>                         | <b>(724,230)</b>         | <b>(5,145)</b> | <b>390,254</b> |
| Additions or allocations                | 2,277              | 79,915                                 | 16,534                               | (71,427)                 | —              | 27,299         |
| Derecognitions, disposals or reductions | (12)               | (58,119)                               | (226)                                | 42,182                   | —              | (16,175)       |
| Transfers                               | 14                 | (26,896)                               | (1,948)                              | 8,912                    | —              | (19,918)       |
| <b>Balance at 31.12.18</b>              | <b>101,595</b>     | <b>1,007,273</b>                       | <b>22,300</b>                        | <b>(744,563)</b>         | <b>(5,145)</b> | <b>381,460</b> |

The most significant additions in 2018 under the "Property, plant and equipment" heading related to assets associated with service arrangements operated by the Company, basically for vehicles and machinery used in street cleaning and waste collection contracts.

The "Disposals, derecognition or reductions" heading basically includes asset derecognitions that had mostly been depreciated in full.

Noteworthy in "Transfers" was the transfer to the "Intangible assets" heading of the assets related with the operating activity of municipal sports centres and swimming pools, amounting to 28,830 thousand euros, with accumulated depreciation of 8,922 thousand euros, basically operated through joint ventures (Note 5).

The detail of property, plant and equipment and of the related accumulated depreciation at 31 December 2018 and 2017 was as follows:

|                                        | Cost             | Accumulated amortisation | Impairment     | Net            |
|----------------------------------------|------------------|--------------------------|----------------|----------------|
| <u>2018</u>                            |                  |                          |                |                |
| Land and buildings                     | 101,595          | (45,275)                 | (5,088)        | 51,232         |
| Technical installations and other PP&E | 1,007,273        | (699,288)                | (57)           | 307,928        |
| Advances and PP&E under construction   | 22,300           |                          |                | 22,300         |
|                                        | <b>1,131,168</b> | <b>(744,563)</b>         | <b>(5,145)</b> | <b>381,460</b> |
| <u>2017</u>                            |                  |                          |                |                |
| Land and buildings                     | 99,316           | (42,275)                 | (5,088)        | 51,953         |
| Technical installations and other PP&E | 1,012,373        | (681,955)                | (57)           | 330,361        |
| Advances and PP&E under construction   | 7,940            | —                        | —              | 7,940          |
|                                        | <b>1,119,629</b> | <b>(724,230)</b>         | <b>—</b>       | <b>390,254</b> |

The Company owns buildings, whose value separated from the net depreciation of said buildings and the value of land, at year-end, was as follows:

|           | 2018          | 2017          |
|-----------|---------------|---------------|
| Land      | 20,442        | 18,326        |
| Buildings | 30,790        | 33,627        |
|           | <b>51,232</b> | <b>51,953</b> |

With regard to net property, plant and equipment, 48,975 thousand euros (61,237 thousand euros at 31 December 2017) relate to assets arising from arrangements operated jointly through joint ventures.

In 2016 and 2017, the Company won service arrangements for the treatment and marketing of recyclable waste and to collect urban solid waste in the USA (states of Florida and Texas). These arrangements form virtually all PP&E located abroad and total 65,624 thousand euros, net of accumulated depreciation (52,915 thousand euros at 31 December 2017), and investments made in PP&E in these arrangements in 2018 totalled 18,690 thousand euros (26,364 thousand euros at 31 December 2017).

In 2018 and 2017, the Company had not capitalised any finance costs under "Property, plant and equipment".

At 2018 year-end, the Company had entered into various finance lease arrangements relating to its property, plant and equipment (Note 7). It did not have any significant commitments to acquire property, plant and equipment.

Most PP&E at year-end had been used in various production processes; however, part of such PP&E, had been fully depreciated, in the amount of 413,220 thousand euros (388,111 thousand euros at 31 December 2017), of which 27,707 thousand euros were recognised under the Buildings heading (21,580 thousand euros at 31 December 2017), and the amount corresponding to joint ventures was insignificant.

PP&E whose ownership has been restricted by the Company basically relates to assets financed under finance leases.

The Company takes out insurance policies to cover the possible risks to which its property, plant and equipment is subject. At year-end, all items of property, plant and equipment had been fully insured against these risks.

## 7. LEASES

### a) Finance leases

The Company has recognised assets leased under arrangements that basically have a maximum duration of five years, payable in instalments in arrears in general; accordingly, their present value does not differ significantly from the nominal value thereof. Noteworthy among the leased assets were lorries and machinery used in waste collection and cleaning services provided by the Company.

The characteristics of the finance lease arrangements in force at the end of 2018 and 2017 were as follows:

|                                                                                                    | 2018          | 2017          |
|----------------------------------------------------------------------------------------------------|---------------|---------------|
| <b>Net carrying amount</b>                                                                         | <b>57,901</b> | <b>60,404</b> |
| Accumulated depreciation                                                                           | 15,644        | 16,434        |
| <b>Cost of the assets</b>                                                                          | <b>73,545</b> | <b>76,838</b> |
| Finance cost                                                                                       | 5,864         | 6,951         |
| <b>Cost of capitalised assets</b>                                                                  | <b>79,409</b> | <b>83,789</b> |
| Lease payments paid in the year                                                                    | (17,674)      | (14,013)      |
| Lease payments made in prior years                                                                 | (17,077)      | (21,439)      |
| <b>Lease payments outstanding, including the purchase option</b>                                   | <b>44,658</b> | <b>48,337</b> |
| Finance costs pending accrual                                                                      | (2,529)       | (2,938)       |
| <b>Present value of the lease instalments outstanding, including the purchase option (Note 15)</b> | <b>42,129</b> | <b>45,399</b> |
| Average term of leases (years)                                                                     | 3 to 5        | 3 to 5        |
| Value of purchase options                                                                          | 1,301         | 1,045         |

The maturity dates of the payments pending under the lease of the instalments committed are set forth in Note 15 to these financial statements.

The finance lease arrangements entered into by the Company do not include instalments whose amount must be determined based on future economic events or indexes; accordingly, no expenses were incurred in the year for the payment of contingent rent instalments.

## b) Operating leases

The Company pays operating leases basically for the use of buildings and structures housing Central Services offices, and for the lease of premises and industrial buildings used as offices, warehouses, changing rooms and garages in the performance of the Company's in-house activities.

The amount recognised in 2018 for the aforementioned leases totalled 32,926 thousand euros (35,063 thousand euros at 31 December 2017).

Noteworthy among the operating lease arrangements signed by Fomento de Construcciones y Contratas, S.A., due to their magnitude, were those relating to the FCC Group's corporate headquarters:

- Office building in las Tablas (Madrid).  
On 19 December 2010, the owner and the Company signed a lease agreement on such building, commenced a rental period, once such building had been constructed, on 23 November 2012. The aforementioned arrangement has an 18-year term, extendable at the Company's discretion, by 2 periods of 5 years each, with annual rent updateable yearly in line with the CPI.

On 21 September 2018, a non-extinguishing modifying Addendum was signed on the original agreement with the new owner, "Las Tablas 40 Madrid, S.L.U.". The modified terms and conditions mainly lead to a 5.6% reduction in rent and the possibility of sub-letting to third parties without the consent of the owner, provided that certain requirements are met.

- Office buildings at Federico Salmón, 13, Madrid and Balmes, 36, Barcelona.  
It must be highlighted that on 1 June 2016, the Company ceded its contractual position to Fedemes, S.L., wholly owned by it, which signed sub-lease agreements with the different FCC Group companies that occupied such buildings, among them, Fomento de Construcciones y Contratas, S.A., with the same duration conditions as the original arrangement. Beforehand, on 29 December 2011, the owners of such buildings and Fomento de Construcciones y Contratas, S.A. had signed two lease agreements thereon, for a minimum committed period of 30 years, extendable at the Company's discretion, by 2 periods of 5 years each, with initial annual rent updateable in line with the CPI. The aforementioned buildings were transferred by the Company to their current owners, through a sale and subsequent lease arrangement. The owners, in turn, granted a purchase option to Fomento de Construcciones y Contratas, S.A., which can only be exercised at the end of the lease period, at fair value or at the amount of the sale updated by the CPI if it was higher.

At year-end, there were non-cancellable future payment commitments amounting to 199,171 thousand euros (229,929 thousand euros in 2017). The detail, by maturity, of the non-cancellable future minimum payments at 31 December 2018 and 2017 were as follows:

|                                        | 2018           | 2017           |
|----------------------------------------|----------------|----------------|
| Within one year                        | 20,486         | 23,694         |
| In the second to fifth years inclusive | 67,525         | 79,701         |
| After five years                       | 111,160        | 126,534        |
|                                        | <b>199,171</b> | <b>229,929</b> |

As lessor, when it is the holder of the lease arrangements, the Company bills the FCC Group's investees based on the use they make of such arrangements, recognising such revenue as operating income.

## 8. SERVICE CONCESSION ARRANGEMENTS

This Note presents an overview of all the Company's investments in concession businesses, virtually all of which relate to Environmental Services, which are recognised in following headings in the accompanying balance sheet: intangible assets for concessions classified as intangible assets and non-current and current trade receivables for concessions classified as financial assets (Note 4.a to these financial statements).

The following table details all the Company's assets held under service concession arrangements, classified by type of asset.

|      | Intangible assets | Financial assets | Total   |
|------|-------------------|------------------|---------|
| 2018 | 83,794            | 24,051           | 107,845 |
| 2017 | 70,580            | 27,303           | 97,883  |

With respect to those classified as "Intangible assets", the most significant change was the transfer detailed in Notes 5 and 6.

Below is a detail of the Company's most significant service concession arrangements:

#### a) Intangible assets

- El Campello Urban Solid Waste Treatment plant (Environmental Services).  
Construction and operation of El Campello End-to-End Urban Solid Waste Treatment plant (Alicante). It was awarded to the Company in 2003, under the Valencia Autonomous Community's Consortium Plan Zone XV and the construction phase ended in November 2008, at which time, an initial operation phase of 20 years commenced, subsequently extended to 21 years and 9 months. The net assets related to this arrangement amounted to 32,333 thousand euros (34,981 thousand euros at 31 December 2017).
- Province of Granada Municipal Solid Waste Treatment plant (Environmental Services).  
Operation and improvements for the Public Service Management of the Province of Granada Municipal Waste Treatment plant, awarded by the Granada Provincial Government until 2040. The net assets related with this arrangement amounted to 24,421 thousand euros (25,548 thousand euros at 31 December 2017).

Both assets are classified as intangible assets, on calculating billings based on the tonnes treated and, consequently, the demand risk falls to the concessionaire.

#### b) Financial assets

- Manises Urban Solid Waste Treatment plant (Valencia). (Environmental Services).  
Award by Entidad Metropolitana para el Tratamiento de Residuos to the joint venture Gestión Instalación III (34.99% of the investment of Fomento de Construcciones y Contratas, S.A.) for the building and operation of the urban solid waste management system in certain areas in the province of Valencia. It was awarded in 2005 for an initial term of 20 years, commencing from the start-up of the plant (December 2012). Due to an amendment to the contract, such concession was transferred to Financial assets in 2013. The assets related to this arrangement amounted to 24,051 thousand euros (25,170 thousand euros at 31 December 2017). The collection was made as a result of a fixed amount, plus a variable per tonne treated. This second component was residual and, furthermore, the cost of the construction services was substantially covered through a fixed collection; these reasons justify the recognition of the entire concession as a financial asset.

## 9. CURRENT AND NON-CURRENT FINANCIAL ASSETS

### a) Long-term financial investments

The balance of "Non-current financial assets" at 2018 and 2017 year-end is as follows:

|                                                             | Equity<br>instruments | Loans to<br>third parties | Other<br>financial<br>assets | Total         |
|-------------------------------------------------------------|-----------------------|---------------------------|------------------------------|---------------|
| <b>2018</b>                                                 |                       |                           |                              |               |
| Loans and receivables                                       | —                     | 7,810                     | 25,886                       | 33,696        |
| Available-for-sale assets                                   | 8,881                 | —                         | —                            | 8,881         |
|                                                             | <b>8,881</b>          | <b>7,810</b>              | <b>25,886</b>                | <b>42,577</b> |
| <b>2017</b>                                                 |                       |                           |                              |               |
| Loans and receivables                                       | —                     | 8,098                     | 25,580                       | 33,678        |
| Available-for-sale assets                                   | 11,121                | —                         | —                            | 11,121        |
| Other financial assets at fair value through profit or loss | —                     | —                         | 2,858                        | 2,858         |
|                                                             | <b>11,121</b>         | <b>8,098</b>              | <b>28,438</b>                | <b>47,657</b> |

### Loans and receivables

The breakdown, by maturity, of loans and receivables is as follows:

|                       | 2020 | 2021 | 2022 | 2023 | 2024 and<br>beyond | Total  |
|-----------------------|------|------|------|------|--------------------|--------|
| Loans and receivables | 201  | 92   | 125  | 50   | 33,228             | 33,696 |

The most significant amount recognised under "Loans and receivables" was the escrow deposit for 17,555 thousand euros, related to the sale of Global Vía Infraestructuras, S.A., formalised in 2016, whose maturity was "2024 and subsequent" in view of its indeterminate nature, since it was tied to the release of the collateral provided by the aforementioned company to third parties to meet financial commitments. This heading also includes guarantees and deposits for legal or contractual obligations in the performance of the Company's in-house activities, together with the amounts granted to public entities for the performance of works and facilities.

### Available-for-sale assets

The details at 31 December 2018 and 2017 were as follows:

|                              | Effective ownership | Fair value    |
|------------------------------|---------------------|---------------|
| <u>2018</u>                  |                     |               |
| Vertederos de Residuos, S.A. | 16.03%              | 8,764         |
| Other                        |                     | 117           |
|                              |                     | <b>8,881</b>  |
| <u>2017</u>                  |                     |               |
| Vertederos de Residuos, S.A. | 16.03%              | 10,817        |
| Other                        |                     | 304           |
|                              |                     | <b>11,121</b> |

### **b) Current financial assets**

The amount reflected under this heading relates mainly to guarantees and deposits and to loans to public entities.

## **10. INVESTMENTS AND PAYABLES TO GROUP COMPANIES AND ASSOCIATES**

### **a) Non-current investments in Group companies and associates**

The breakdown of "Non-current investments in Group Companies and associates" at 31 December 2018 and 2017 is as follows:

|                                       | Cost             | Accumulated impairment | Total            |
|---------------------------------------|------------------|------------------------|------------------|
| <u>2018</u>                           |                  |                        |                  |
| Equity instruments in Group companies | 5,221,459        | (2,745,578)            | 2,475,881        |
| Equity instruments in associates      | 539,805          | (255,940)              | 283,865          |
| Loans to Group companies              | 552,112          | (50,672)               | 501,440          |
| Loans to associates                   | 841              | (813)                  | 28               |
|                                       | <b>6,314,217</b> | <b>(3,053,003)</b>     | <b>3,261,214</b> |
| <u>2017</u>                           |                  |                        |                  |
| Equity instruments in Group companies | 5,284,560        | (2,644,397)            | 2,640,163        |
| Equity instruments in associates      | 488,225          | (255,827)              | 232,398          |
| Loans to Group companies              | 473,269          | (54,291)               | 418,978          |
| Loans to associates                   | 841              | —                      | 841              |
|                                       | <b>6,246,895</b> | <b>(2,954,515)</b>     | <b>3,292,380</b> |

The detail of the changes in these headings was as follows:

|                            | Equity<br>instruments<br>Group<br>companies | Equity<br>instruments in<br>associates | Loans to<br>Group<br>companies | Loans to<br>associates | Impairment         | Total            |
|----------------------------|---------------------------------------------|----------------------------------------|--------------------------------|------------------------|--------------------|------------------|
| <b>Balance at 31.12.16</b> | <b>4,502,543</b>                            | <b>488,225</b>                         | <b>1,549,429</b>               | <b>841</b>             | <b>(2,775,839)</b> | <b>3,765,199</b> |
| Additions or allocations   | 396,050                                     | 1,364                                  | 62,082                         | —                      | (188,036)          | 271,460          |
| Disposals or reversals     | (37,321)                                    | (1,364)                                | (714,954)                      | —                      | 9,360              | (744,279)        |
| Transfers                  | 423,288                                     | —                                      | (423,288)                      | —                      | —                  | —                |
| <b>Balance at 31.12.17</b> | <b>5,284,560</b>                            | <b>488,225</b>                         | <b>473,269</b>                 | <b>841</b>             | <b>(2,954,515)</b> | <b>3,292,380</b> |
| Additions or allocations   | 28,516                                      | 51,580                                 | 149,523                        | —                      | (107,114)          | 122,505          |
| Disposals or reversals     | (108,893)                                   | —                                      | (54,806)                       | —                      | 8,626              | (155,073)        |
| Transfers                  | 17,276                                      | —                                      | (15,874)                       | —                      | —                  | 1,402            |
| <b>Balance at 31.12.18</b> | <b>5,221,459</b>                            | <b>539,805</b>                         | <b>552,112</b>                 | <b>841</b>             | <b>(3,053,003)</b> | <b>3,261,214</b> |

#### Equity instruments in Group companies

The most significant changes in 2018 related to:

- Acquisition of shares of Cementos Portland Valderrivas, S.A. (CPV) belonging to the FCC Group companies, Asesoría Financiera y de Gestión, S.A. and Per Gestora, S.L., totalling 23,878 thousand euros, and purchases from minority interests, amounting to 321 thousand euros.
- Acquisition of shares in Proyecto Front Maritim, S.L.U. (PFM) (298,500 shares from the Group company, Participaciones Teide, S.A.U., and 1,500 shares from third parties) with a total payment of 2,871 thousand euros, and the granting of a participating loan amounting to 17,276 thousand euros, subsequently capitalised at the aforementioned company. Next, the subscription of 20,147 equity interests amounting 20,147 thousand euros in the capital increase performed by F C y C, S.L., for the contribution of equity interests in PFM.
- Formation of the company Gipuzcoa Ingurumena BI, S.A. for 1,860 thousand euros, with 465 thousand euros still remaining to be paid.
- Formation of FCC Top Co, S.a.r.l. and its subsidiary FCC Midco, S.A. This latter company received a contribution of 10% of FCC Aqualia's shares with a value of 22,253 thousand euros, pledged in favour of Global Infracore Spain, S.L.U. (IFM) to secure certain obligations, mainly the non-payment of the loan granted by FCC Aqualia, S.A. to the Company, amounting to 806,479 thousand euros at 31 December 2018 (Note 10.c), in conformity with the agreements reached in the purchase and sale of 49% of the holding in FCC Aqualia, S.A. The Company does not consider that there is a risk of enforcing these pledges at the reporting date.
- The derecognitions relate in full to the reduction in the asset due to the sale of 49% of the shares of FCC Aqualia, S.A. to the IFM fund (Note 1). The sales price was 1,024,000 thousand euros and the result, reflected in the income statement under "Impairment and gains/(losses) on disposal of financial instruments", was 913,146 thousand euros, after discounting the expenses inherent to the sale.

The sales agreement includes a contingent price clause that could give rise to an additional collection by Fomento de Construcciones y Contratas, S.A. Its amount is tied, on the one hand, to the amount of interest effectively paid, that exceeds the interest that would result from applying a rate of 0.25% to the loan principal granted by FCC Aqualia, S.A. to the Parent of the Fomento de Construcciones y Contratas Group (806,479 thousand euros at 31 December 2018) for a 30-year period and, on the other hand, to the dividends distributed by Aqualia. For the contingent collection to be made, a series of conditions must be met, the most significant being that FCC Aqualia must distribute dividends, with a charge to profit or reserves. Given the extensive period of time covering the calculation of the contingent price, it is not possible to determine the amount and schedule of the possible collections, accordingly, no amount was recognised for the aforementioned asset in the financial statements at 31 December 2018.

In addition to the foregoing, the sales agreement stipulates certain variable prices to be paid, based on the resolution of certain contingent procedures relating to FCC Aqualia, without recognising assets associated thereto, since they are of a contingent nature at the current date, nor liabilities for the claims that may exist with respect to the Group's interests, given that it was not considered likely that such claims would generate significant losses, and that, in any case, their amounts were not material in relation to the price set in the operation.

The most significant changes in 2017 related to:

- The acquisition from FCC Construcción, S.A. of all the 26,997,530 equity interests of F C y C, S.L. Unipersonal, for 317,900 thousand euros. This company manages the Group's real estate assets.
- Capital increase in F C y C, S.L., with the issue of 1,381,381 new equity interests of 1 euro par value each and a share premium of 9 euros, through a non-monetary contribution of real estate assets (valued at 7,682 thousand euros) and equity interests corresponding to companies with real estate businesses (valued at 6,132 thousand euros). The total amount of the increase was 13,814 thousand euros.
- Acquisition of the equity interest in Costa Verde Hábitat, S.L., amounting to 4,768 thousand euros.
- Delisting takeover bid at Cementos Portland Valderrivas, S.A. (CPV) in which 9,356,605 securities were acquired. The Company's direct and indirect holding in CPV after the takeover bid was established at 97.45%. The cost of the transaction was 56,364 thousand euros.
- Certain purchases of CPV shares from minority shareholders that had not participated in the takeover bid; specifically, 91,708 shares were acquired for 550 thousand euros.
- Purchase of subscription rights in the capital increase performed at CPV, amounting to 2,643 thousand euros.
- With respect to disposals and reversals, noteworthy was the distribution of the share premium by FCC Aqualia, S.A. (32,538 thousand euros).
- Transfers related in full to the capital increase at Cementos Portland Valderrivas, S.A. (CPV), which ended on 23 July 2017, with the issue of 85,512,698 new shares, through the conversion of the subordinated loans granted by the Company in prior years. Following the increase, the effective holding reached 99.03% of CPV's share capital.

Within the framework of the restructuring of the financial debt of Azincourt Investments, S.L. Unipersonal and its subsidiaries, on 18 June 2018, the Company signed a pledge agreement on the shares that it held in the former company.

The detail, by company, of the "Investments in Group companies and associates" headings are presented in Appendices I and III, respectively, indicating the following details for each company in which direct

ownership interests are held: name, registered office, activity, fraction of capital directly or indirectly owned, amount of equity (capital, reserves and others), profit or loss, dividends received and whether the company is listed or otherwise on the stock market, together with its carrying amount.

### Equity instruments in associates

In 2018, the total changes in additions relate to the subscription of 60,681,850 new shares resulting from the capital increase performed at Realia Business, S.A.

With respect to 2017, changes in both the additions and the disposals corresponded to the acquisition and subsequent non-monetary contribution in the increase performed at FC y C, S.L., consisting of investments that the Group holds in companies engaging in real estate activities (see previous section).

### Long-term loans to Group companies

The most significant balances were as follows:

|                                      | 2018           | 2017           |
|--------------------------------------|----------------|----------------|
| FCC Medio Ambiente, S.A.             | 136,606        | 136,606        |
| Cementos Portland Valderrivas, S.A.  | 100,000        | —              |
| FCC Versia, S.A.                     | 74,075         | 74,075         |
| FCC PFI Holdings Limited             | 58,746         | 66,708         |
| FCC Ámbito, S.A. Unipersonal         | 48,202         | 44,646         |
| Enviropower Investments Limited      | 44,646         | 45,971         |
| Azincourt Investment, S.L.           | 29,066         | —              |
| Dédalo Patrimonial, S.L. Unipersonal | 18,410         | 18,410         |
| Kent Enviropower Limited             | —              | 46,056         |
| Other                                | 42,361         | 40,797         |
|                                      | <b>552,112</b> | <b>473,269</b> |
| Impairment:                          |                |                |
| FCC Versia, S.A.                     | (36,491)       | (40,214)       |
| Dédalo Patrimonial, S.L. Unipersonal | (14,181)       | (14,077)       |
|                                      | <b>501,440</b> | <b>433,055</b> |

The most significant changes in 2018 related to:

- Granting of a subordinated loan to Cementos Portland Valderrivas, S.A. (CPV) for 100,000 thousand euros, thereby complying with and concluding FCC's commitment to make a contingent contribution to CPV, envisaged in the Financial Support Agreement signed on 29 July 2016. At CPV's Extraordinary General Shareholders' Meeting, held on 19 December 2018, the Capital Increase Agreement was approved, amounting to 100,932,622.56 euros (issue of 18,725,904 shares of 1.5 euros par value each and a share premium of 3,89 euros per share), in the proportion of 27 new shares for each 197 former shares. The capital increase was made through monetary contributions and as a result of the offset of the subordinated loan granted by the Company amounting to 100,000 thousand euros, commented in this point (Note 24).
- Repayment of the loan granted in 2017 to Kent Enviropower Limited for 46,056 thousand euros.
- Granting of a loan to Azincourt Investments, S.L. for 29,066 thousand euros.
- Reversal of impairment on loans granted to FCC Versia, S.A., amounting to 3,723 thousand euros. Noteworthy regarding the balance at 31 December 2018 was:
- Loans arising from the refinancing process performed by the Company in 2014, in which the Group's financing was concentrated, with the exception of that incurred by certain excluded companies, with the following details:

|                          | 2018           | 2017           |
|--------------------------|----------------|----------------|
| FCC Medio Ambiente, S.A. | 136,606        | 136,606        |
| FCC Ámbito, S.A.         | 44,646         | 44,646         |
| FCC Versia, S.A.         | 29,075         | 29,075         |
| Other                    | 26,234         | 26,234         |
|                          | <b>236,561</b> | <b>236,561</b> |

The interest rate to be applied relates to the effective interest rate assumed by Fomento de Construcciones y Contratas, S.A. in its principal financing and the maturity date is the same as that contained in the Company's lending agreement (Note 15).

- Participating loan of 45,000 thousand euros to FCC Versia, S.A., for the transformation on 25 November 2015 of an ordinary loan. The initial maturity set, 31 January 2018, can be tacitly extended for successive additional periods of two years, provided that no complaint has been filed regarding the contract by any of the parties at least two months in advance. Since no complaint was made, its current maturity date is 31 January 2020 and, hence, it was classified in non-current assets in the accompanying balance sheet at 31 December 2018. The fixed interest rate is set at 1%. Additionally, the interest rate has a variable part calculated based on the profitability indicators of the borrower. The total maximum interest rate (fixed + variable) has a ceiling and will not exceed 10%. At year-end, interest of 450 thousand euros accrued (same amount at 31 December 2017). This loan suffered impairment of 36,491 thousand euros at 31 December 2018 (40,214 thousand euros at 31 December 2017)

- Subordinated loan of 100,000 thousand euros granted to CPV on 28 September 2018, in accordance with the financial support commitment signed on 29 July 2016, after which FCC's financial commitments were complied with and concluded in relation to this investee. The loan may be capitalised prior to the maturity date. The capital pending repayment will accrue variable interest, calculated based on the borrower's profitability indicators, in relation to those of the sector in which it operates. Such interest accrued in each reference period will be capitalised successively until the loan has been repaid in full. Based on the Capital Increase Agreement, approved at CPV's Extraordinary General Shareholder's Meeting, this loan will be capitalised at the beginning of 2019 (see previous section and Note 24)

The remaining loans relate to amounts granted to Group companies maturing at over one year and they accrue interest on an arm's length basis.

### Impairment

The most significant changes, aside from those explained in the previous heading, are as follows:

- Impairment of the investment in FCC Construcción, S.A., amounting to 101,932 thousand euros in 2018 (163,071 thousand euros at 31 December 2017). Impairment was calculated as the difference between the carrying amount of the investment in Fomento de Construcciones y Contratas, S.A.'s books and its recoverable amount, taking consolidated equity as the best evidence of such recoverable amount.
- Reversal of impairment of Per Gestora, S.L., amounting to 4,896 thousand euros in 2018 (in 2017, 5,244 thousand euros had been reversed).

### **b) Current investments in Group companies and associates**

This section includes mainly the loans and other non-trade credits granted to Group companies and associates, among others, in line with certain specific cash situations, as well as other temporary financial assets, measured at the lower of cost or market value, increased by interest earned at a market rate.

The most significant balances in this regard were as follows:

|                                          | 2018           | 2017           |
|------------------------------------------|----------------|----------------|
| Azincourt Investment, S.L. (Unipersonal) | 113,301        | 107,231        |
| FCC Environment (UK) Ltd.                | 29,216         | 28,515         |
| FC CyC, S.L.                             | 21,290         | 3,246          |
| FCC Group-PFI Holding                    | 20,785         | 18,561         |
| FCC Medio Ambiente, S.A.                 | 18,047         | 7,411          |
| FCC Construcción, S.A.                   | 9,845          | —              |
| Dédalo Patrimonial, S.L. Unipersonal     | 8,384          | 6,380          |
| Other                                    | 10,193         | 17,103         |
|                                          | <b>231,061</b> | <b>188,447</b> |

These loans mature annually and continue to earn interest at a market rate.

### **c) Non-current borrowings from Group companies and associates**

In 2018, the following changes were made to loans existing at 31 December 2017 (425,668 thousand euros and 90,174 thousand euros) with FCC Aqualia, as follows:

- On 28 September 2018, in accordance with the clauses of the Purchase and Sale Agreement on 49% of the equity interest in FCC Aqualia signed by Fomento de Construcciones y Contratas, S.A. (FCC) with the IFM fund, Asesoría Financiera y de Gestión, S.A (Afigesa) transferred to FCC the loan granted to it by FCC Aqualia in 2017 for an amount of 357,099 thousand euros. This loan was combined with the loan that FCC Aqualia had granted to FCC in the same year, amounting to 425,668 thousand euros, giving rise to a subordinated non-extinguishing modifying novation agreement between FCC Aqualia (lender) and FCC (borrower), for the aggregated pending amount of such loans, in which certain conditions were amended:
  - Loan amount: 806,479 thousand euros (367,917 thousand euros for the transfer by Afigesa and 438,562 thousand euros for the FCC loan), which includes principal, capitalised interest and interest at the date of the novation agreement.
  - Maturity: 28 September 2048.
  - Period of interest: first period until 30 November 2018 and then, from that moment onwards, annual periods until the last one, which will extend until 28 September 2048.
  - Interest rate: 3,55%.
  - Payment of annual interest when the following conditions are met: a) that the borrower and its subsidiaries, excluding the FCC Aqualia subgroup hold “available cash” at 30 September, which is not less than the amount of the accrued interest; b) the borrower has complied with the financial obligations of the syndicated loan. The amount of the unpaid matured interest, in line with any of the previous conditions, will be capitalised, accruing interest, as regulated in article 317 of the Code of Commerce.
  - Subordination: The collection rights of the lender regarding the receipt of any amounts under this Agreement and the correlative obligations of the borrower to pay these amounts to the lender will be fully subordinated to the obligations assumed by the lender under this syndicated lending agreement (Note 15), including the right of the lender to compensate with the payment to the borrower of the services arising from the Support Agreement.
  - Collateral: the guarantees mentioned in Notes 10.a and 19 continued to be granted.
- Repayment of the loan amounting to 90,174 thousand euros granted by FCC Aqualia to FCC in 2017.

The non-current loans related with FCC Aqualia, S.A. accrued interest in the year amounting to 16,365 thousand euros (5,990 thousand euros at 31 December 2017).

#### d) Current payables to Group companies and associates

Payables to Group companies and associates include the loans received by the Company, which earn interest at a market rate, and the trade payables to such companies, whose most significant balances are included on the liability side of the accompanying balance sheet, are as follows:

|                                               | 2018           | 2017           |
|-----------------------------------------------|----------------|----------------|
| Asesoría Financiera y de Gestión, S.A.        | 119,807        | 307,912        |
| Per Gestora Inmobiliaria, S.L.                | 50,398         | 49,675         |
| Ecoparque Mancomunidad del Este, S.A.         | 30,883         | 19,737         |
| Fedemes, S.L.                                 | 17,942         | 17,311         |
| FCC Medio Ambiente, S.A.                      | 16,570         | 53,957         |
| FCC Construcción, S.A.                        | 9,184          | 20,285         |
| Sistemas y Vehículos de Alta Tecnología, S.A. | 6,803          | 14,969         |
| Cementos Portland Valderrivas, S.A.           | 2,043          | 14,212         |
| Other                                         | 29,705         | 34,323         |
|                                               | <b>283,335</b> | <b>532,381</b> |

In 2018, the deduction of the balance with Asesoría Financiera y de Gestión, S.A. was due, among other things, to the assignment to the Company by the former company of the loan that it held with FCC Aqualia to be combined with that also held by the Company with FCC Aqualia, as detailed in Note 10.c above.

#### 11. TRADE RECEIVABLES FOR SALES AND SERVICES

The breakdown of this heading in the accompanying balance sheet includes the present value of the Company's sales and services.

|                                          | 2018           | 2017           |
|------------------------------------------|----------------|----------------|
| Output billed pending collection         | 216,158        | 203,301        |
| Output pending invoicing                 | 152,669        | 143,836        |
| Trade receivables for sales and services | 368,827        | 347,137        |
| Customer advances                        | (13,909)       | (12,287)       |
| <b>Total net trade receivables</b>       | <b>354,918</b> | <b>334,850</b> |

The total set forth corresponds to the net trade receivables balance, deducting the “Customer advances” item included under “Other payables” and “Non-current trade and other payables” on the liability side of the accompanying balance sheet which includes, pursuant to accounting standards, the amounts billed in advance for various items, received or otherwise, and the deliveries received on account, normally in cash.

“Output billed pending collection” comprise the amount pending on interest-free loans received.

“Output pending invoicing” includes the difference between the output recognised by the Company for each contract and the invoices issued to customers, basically to estimate work performed billed in arrears, amounting to 64,625 thousand euros (62,804 thousand euros at 31 December 2017), and the price reviews in line with the terms of the different contracts pending approval for which the Company considers that no doubts exist regarding their acceptance, to proceed at the time to invoicing, amounting to 63,530 thousand euros (58,232 thousand euros at 31 December 2017).

The Company has the ability to finance working capital requirements, where appropriate, through the assignment of trade receivables to financial entities, without recourse against Fomento de Construcciones y Contratas, S.A. in the event of non-payment. The amount at year-end reduced from the trade receivables balance amounted to 97,651 thousand euros (110,102 thousand euros at 31 December 2017).

Of the total net trade receivables balance, 61,058 thousand euros (59,500 thousand euros at 31 December 2017) relate to balances arising from arrangements operated jointly through joint ventures.

Also, the delinquent trade receivables not provisioned at the Company amounted to 176,758 thousand euros at 31 December 2018 (173,839 thousand euros at 31 December 2017). It must be indicated that they represent all the Company's delinquent assets, since significant delinquent financial receivables did not exist. All past due balances not paid by the counterparty are deemed to be delinquent receivables. However, it is necessary to take into account that, although certain assets are delinquent, there is no non-payment risk, since most of them are public customers with respect to which delays can only exist in the collections, having the right to claim the related late-payment interest. In general, except specific cases of payables to certain Spanish city councils, no significant balances exist over one year old that are not impaired.

## 12. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative assets and liabilities included in “Other non-current financial assets” and “Other financial liabilities” under “Non-current and current payables” in the accompanying balance sheet, and the impact on equity and the result thereof, are as follows:

|                     | Fair value |                          |                     |                             |
|---------------------|------------|--------------------------|---------------------|-----------------------------|
|                     | Assets     | Liabilities<br>(Note 15) | Impact on<br>equity | Impact on<br>profit or loss |
| <u>2018</u>         |            |                          |                     |                             |
| Hedging derivatives | -          | 1,204                    | (814)               | 19                          |
| Other derivatives   | -          | -                        | -                   | (5)                         |
|                     | -          | 1,204                    | (814)               | 14                          |
| <u>2017</u>         |            |                          |                     |                             |
| Hedging derivatives | -          | 1,384                    | (935)               | 12                          |
| Other derivatives   | 5          | -                        | -                   | (25)                        |
|                     | 5          | 1,384                    | (935)               | (13)                        |

### Hedging derivatives

Below are the derivative financial instruments arranged by the Company for 2018 and 2017, all from cash flows, subdivided according to the hedged transaction, detailed by type of derivative, notional or contracted amounts, envisaged maturity date, fair value at year-end, impact on equity of the tax effect and impact on the income statement due to the ineffective part.

2018

| Hedged transaction    | Type of derivative | Amount arranged | Maturity   | Fair value |              | Impact on equity | Impact on profit or loss |
|-----------------------|--------------------|-----------------|------------|------------|--------------|------------------|--------------------------|
|                       |                    |                 |            | Active     | Liabilities  |                  |                          |
| Other payables (Notes | IRS                | 10,090          | 02/04/2024 | —          | 1,159        | (799)            | 15                       |
|                       | IRS                | 3,843           | 02/04/2024 | —          | 45           | (15)             | 4                        |
| <b>Total</b>          |                    |                 |            |            | <b>1,204</b> | <b>(814)</b>     | <b>19</b>                |

2017

| Hedged transaction    | Type of derivative | Amount arranged | Maturity   | Fair value |              | Impact on equity | Impact on profit or loss |
|-----------------------|--------------------|-----------------|------------|------------|--------------|------------------|--------------------------|
|                       |                    |                 |            | Active     | Liabilities  |                  |                          |
| Other payables (Notes | IRS                | 10,931          | 02/04/2024 | —          | 1,367        | (942)            | 10                       |
|                       | IRS                | 4,156           | 02/04/2024 | —          | 17           | 7                | 2                        |
| <b>Total</b>          |                    |                 |            |            | <b>1,384</b> | <b>(935)</b>     | <b>12</b>                |

The maturity dates of the notional amount for the hedge transactions arranged at year-end are detailed below.

|                      | Notional maturity |       |       |       |                 |
|----------------------|-------------------|-------|-------|-------|-----------------|
|                      | 2019              | 2020  | 2021  | 2022  | 2023 and beyond |
| IRS (Other payables) | 1,166             | 1,109 | 1,154 | 1,217 | 9,287           |

### Other derivatives

Below are the derivative financial instruments for 2018 and 2017 that are not deemed to be accounting hedges, subdivided according to the hedged transaction, detailed by type of derivative, notional or contracted amounts, envisaged maturity dates, fair value at year-end and the impact on profit or loss in the "Change in the fair value of financial instruments" heading.

## 2018

|                               | Type of derivative | Amount arranged | Maturity   | Fair value |             | Impact on profit or loss |
|-------------------------------|--------------------|-----------------|------------|------------|-------------|--------------------------|
|                               |                    |                 |            | Active     | Liabilities |                          |
| Convertible bonds (Note 15.a) | TriggerCall        | 30,250          | 31/10/2018 | —          | —           | (5)                      |
|                               |                    |                 |            | —          | —           | (5)                      |

## 2017

|                               | Type of derivative | Amount arranged | Maturity   | Fair value |             | Impact on profit or loss |
|-------------------------------|--------------------|-----------------|------------|------------|-------------|--------------------------|
|                               |                    |                 |            | Active     | Liabilities |                          |
| Convertible bonds (Note 15.a) | TriggerCall        | 30,250          | 31/10/2018 | 5          | —           | (25)                     |
|                               |                    |                 |            | 5          | —           | (25)                     |

## 13. EQUITY

### a) Share capital

Fomento de Construcciones y Contratas, S.A.'s share capital is represented by 378,825,506 ordinary shares, represented by a book entry system, of 1 euro par value each.

All shares are fully subscribed and paid and carry the same rights.

The securities representing the share capital of Fomento de Construcciones y Contratas, S.A. are admitted to official listing on the four Spanish stock exchanges (Madrid, Barcelona, Bilbao and Valencia) via Spain's Continuous Market.

In relation to the part of the capital owned by other companies, directly or through its subsidiaries, when it is higher than 10%, according to the information provided, Inversora Carso S.A. de C.V., which is controlled by the Slim family, directly and indirectly owns 61.11% at the date of preparation of these financial statements. Furthermore, Samede Inversiones 2010, S.L. has an indirect holding of 15.44% of the share capital, mainly through Dominum Dirección y Gestión, S.A. (DDG) and Nueva Samede 2016 S.L.U. (Nueva Samede) has a direct holding of 4.53%; these two companies are controlled by Esther Koplowitz Romero de Juseu (100%).

Also, Esther Koplowitz Romero de Juseu holds 123,313 direct shares of Fomento de Construcciones y Contratas, S.A.

On 27 November 2014, the two main shareholders signed an agreement which was accompanied by a Modifying, Non-extinguishing Novation Agreement thereto on 5 February 2016.

On 17 May 2018, the controlling shareholder Carso acquired, from the financial entities, through its subsidiary Control Empresarial de Capitales, S.A. de C.V. (CEC), all of the debt of DDG, documented in DDG's Debt Purchase and Sale Options Agreement entered into between the financial entities and Carso and its successive novations, and which had been described in the explanatory prospectus for the mandatory

takeover bid involving the shares of Fomento de Construcciones y Contratas, S.A., prepared by CEC and approved by the Spanish National Securities Market Commission on 27 June 2016.

## b) Share premium

The Consolidated Spanish Limited Liability Companies Law expressly permits the use of the share premium account balance to increase capital and does not establish any specific restrictions as to its use for other purposes.

## c) Reserves

The detail of this heading in 2018 and 2017 is as follows:

|                | 2018             | 2017           |
|----------------|------------------|----------------|
| Legal reserve  | 75,766           | 26,114         |
| Other reserves | 1,065,018        | 927,742        |
|                | <b>1,140,784</b> | <b>953,856</b> |

In accordance with the Consolidated Spanish Limited Liability Companies Law, 10% of net profit for each year must be transferred to the legal reserve until the balance of this reserve reaches at least 20% of the share capital. The legal reserve cannot be distributed to shareholders except in the event of liquidation.

The legal reserve may be used to increase capital provided that the remaining reserve balance does not fall below 10% of the increased share capital amount.

Otherwise, until it exceeds 20% of share capital and provided there are no sufficient available reserves for this purpose, the legal reserve may only be used to offset losses.

At 31 December 2018, the Company's legal reserve had been fully provisioned.

Noteworthy under "Other reserves" were restricted reserves amounting to 6,034 thousand euros, equivalent to the par value of the own shares redeemed in 2002 and 2008 which, in line with that envisaged in article 335.c of the Spanish Limited Liability Companies Law, is restricted, except with the same requirements as those demanded for the capital reduction.

## d) Own shares

Movements in the "Own shares" heading in 2018 and 2017 were as follows:

|                                    |                 |
|------------------------------------|-----------------|
| <b>Balance at 31 December 2016</b> | <b>(5,503)</b>  |
| Sales                              | 1,256           |
| Acquisitions                       | (180)           |
| <b>Balance at 31 December 2017</b> | <b>(4,427)</b>  |
| Sales                              | —               |
| Acquisitions                       | (7,296)         |
| <b>Balance at 31 December 2018</b> | <b>(11,723)</b> |

Details of own shares at 31 December 2018 and 2017 were as follows:

| 2018             |          | 2017             |         |
|------------------|----------|------------------|---------|
| Number of shares | Amount   | Number of shares | Amount  |
| 823,430          | (11,723) | 230,100          | (4,427) |

At 31 December 2018, the Company's shares represented 0.22% of the share capital (0.06% at 31 December 2017).

#### e) Valuation adjustments

The detail, by item, of this heading was as follows:

|                                              | 2018         | 2017         |
|----------------------------------------------|--------------|--------------|
| Available-for-sale financial assets (Note 9) | 7,657        | 9,710        |
| Hedge transactions (Note 12)                 | (814)        | (935)        |
|                                              | <b>6,843</b> | <b>8,775</b> |

#### f) Grants

Movements in non-repayable grants related to assets were as follows:

|      | Balance at the beginning of the year | Net additions of the tax effect | Amounts transferred to income statement, net of the tax effect | Other changes | Balance at the end of the year |
|------|--------------------------------------|---------------------------------|----------------------------------------------------------------|---------------|--------------------------------|
| 2018 | 617                                  | 17                              | (102)                                                          | (8)           | 524                            |
| 2017 | 714                                  | 41                              | (138)                                                          | —             | 617                            |

This amount relates mainly to grants awarded to joint ventures through which the Company jointly executes contracts.

The decrease reflected in "Other changes" is due to the transfer of stakes in joint ventures to the investee FCC Aqualia, S.A. (Note 2).

## 14. NON-CURRENT PROVISIONS

The changes in the year were as follows:

|                            | Procedures<br>related to<br>infrastructure | Litigation    | Liability and<br>contingencies | Contractual<br>and legal<br>guarantees<br>and obligations | Other        | Total          |
|----------------------------|--------------------------------------------|---------------|--------------------------------|-----------------------------------------------------------|--------------|----------------|
| <b>Balance at 31.12.16</b> | <b>9,815</b>                               | <b>2,593</b>  | <b>208,729</b>                 | <b>76,523</b>                                             | <b>9,841</b> | <b>307,501</b> |
| Charges                    | 28,199                                     | 25            | 28,213                         | 8,738                                                     | 5,419        | 70,594         |
| Applications               | (2,666)                                    | (66)          | (71,494)                       | (3,798)                                                   | (714)        | (78,738)       |
| Reversals                  | —                                          | (5)           | (429)                          | (1,566)                                                   | (5,544)      | (7,544)        |
| Transfers                  | —                                          | 75,000        | (43,960)                       | (31,040)                                                  | —            | —              |
| <b>Balance at 31.12.17</b> | <b>35,348</b>                              | <b>77,547</b> | <b>121,059</b>                 | <b>48,857</b>                                             | <b>9,002</b> | <b>291,813</b> |
| Charges                    | 1,535                                      | 117           | 11,915                         | 7,685                                                     | 5,170        | 26,422         |
| Applications               | (1,473)                                    | (60)          | (38,201)                       | (5,831)                                                   | (891)        | (46,456)       |
| Reversals                  | —                                          | (183)         | —                              | (4,513)                                                   | (3,569)      | (8,265)        |
| Transfers                  | (27)                                       | 15,748        | (18,448)                       | 2,127                                                     | —            | (600)          |
| <b>Balance at 31.12.18</b> | <b>35,383</b>                              | <b>93,169</b> | <b>76,325</b>                  | <b>48,325</b>                                             | <b>9,712</b> | <b>262,914</b> |

### Provisions for procedures related to infrastructure

In the area of service concession arrangements, these provisions include the procedures required to revert the infrastructure at the end of the concession term, dismantling, withdrawal or refurbishment thereof, replacements and major repairs and procedures to upgrade and increase capacity. Provisions to replace and repair the infrastructures are systematically recognised in profit or loss as the obligation is incurred (Note 4.a). Worthy of mention in 2017 was the capitalisation of provisions for adaptation and improvements at the Province of Granada Municipal Solid Waste Treatment plant amounting to 25,548 thousand euros.

### Provisions for litigation

These provisions cover the Company's risks as defendant in certain disputes relating to the liability arising from the activities it carries on, mainly including 93,000 thousand euros which, in previous years, was classified as provisions for liability and contingencies and contractual and legal guarantees and obligations relating to the challenging of the sale of Alpine Energie. In relation to the bankruptcy process of the Alpine subgroup, legally answerable to FCC Construcción, S.A., it must be highlighted that there were no significant changes with respect to that notified in the 2017 financial statements. The following paragraphs set forth the situation in greater detail.

In 2006, the FCC Group acquired the absolute majority in Alpine Holding GmbH, hereinafter, AH, and, as a result, indirectly in its operating subsidiary Alpine Bau GmbH, hereinafter AB.

On 19 June 2013, AB filed insolvency proceedings before the Vienna mercantile court, with a proposed amelioration under receivership. After the court-appointed receiver evidenced the unviability of the bail-out proposal, it filed -and the court declared- the bankruptcy and closure of the company from 25 June 2013 and its court-ordered liquidation. As a result of the bankruptcy of AB, its Parent, AH, filed insolvency proceedings before the Mercantile Court, requesting that the former company be declared bankrupt on 28 June 2013, with such request being agreed to on 2 July 2003.

The direct consequence of both court-ordered liquidations of the subsidiaries of FCC Construcción, S.A., is that the latter loses control over the Alpine Group, interrupting its consolidation.

At the date of these financial statements, the insolvency administrators informed in the respective court-ordered liquidation processes of recognised liabilities of approximately 1,669 million euros in AB and 550 million euros in AH.

In September 2014, BDO Financial Advisory Services GmbH issued, at the request of the insolvency receivers of AH and AB, a report whereby AB had been in a situation of insolvency at least since October 2010.

In July 2015, the Court that was processing AB's bankruptcy agreed to the request of the Insolvency Receiver to be in charge of the preparation of a report to determine the date on which it must be understood that over-indebtedness would occur having bankruptcy significance for Bank AB. The appointed expert was Mr Schima who, based on the BDO report (the firm at which he is a partner), reached the same conclusions and indicated that AB had been in a bankruptcy situation since October 2010. With respect to these conclusions maintained by the bankruptcy trustees and used in several court proceedings, other reports exist, drafted by experts in the various proceedings, such as Mr Konecny for the Anti-Corruption Prosecutor, AKKT for the Banks, Rohatschek for Deloitte Audit Wirtschaftsprüfungs GmbH and E&Y for FCC, all of whose opinions differ from the conclusions reached by BDO/Schima. In particular, in October 2017, the Prosecutor's expert issued his fourth and final report; the reports from the accounting expert conclude that (i) fraud cannot be affirmed to exist in the individual financial statements of AB and AH or in the consolidated financial statements of AH and (ii) the date of the definitive bankruptcy of AB and AH is 18 June 2013.

In 2010, 2011 and 2012, AH carried out three bond issues for a joint nominal value of 290 million euros, and they were admitted for trading on the Luxembourg and Vienna stock exchanges. AH, as the bond issuer, as well as its directors and members of the supervisory board may be liable to bondholders for claims for damages if the final court judgement declares that the information in the relevant prospectus is incorrect or incomplete or is supported by false data.

The Central Financial Crimes and Corruption Prosecutor (Wirtschafts- und Korruptions-Staatsanwaltschaft) commenced criminal proceedings within the framework of the bankruptcy of the Alpine Group in July 2013, in which around 480 plaintiffs formed part of the private prosecution (Privatbeteiligte), alleging damages totalling 378 million euros, plus legal interest.

The Prosecutor was investigating more than 25 natural and legal persons up until 15 May 2018, with respect to crimes relating to the tenders issued by the Alpine Group, specifically alleged crimes of negligent insolvency and fraud through false accounting related to the Alpine Group's financial statements and, on that date, the Prosecutor decided to shelve the investigation.

In accordance with the provisions regarding the criminal liability of legal persons under Austrian criminal law (Verbandsverantwortlichkeitsgesetz), if a court issues a final judgement against the parents of AB and AH, criminally liable due to their consideration as de facto administrators, the former bondholders or other creditors adversely affected by these companies could make claims for damages against Fomento de Construcciones y Contratas, S.A. or FCC Construcción, S.A., under the aforementioned "Schutzgesetze" protection rules. The appreciation of criminal liability on the part of the Group companies would also be accompanied by a prohibition against participating in public contract tenders in Austria. It should be noted that during the first half of 2018, the Prosecutor shelved the criminal proceedings filed against FCC and others, although some parties to the private prosecution have requested that the proceedings be reopened. The Prosecutor has already issued a report for higher bodies with respect to those petitions, considering that none of the petitions to reopen the case are governed by the law, since their only result would be to seek an appreciation of the evidence that is more in line with their particular interests in the case.

As a result of the bankruptcy process, at 31 December 2018, the FCC Group had recognised provisions with respect to the Alpine subgroup, totalling 134,664 thousand euros (93,000 thousand euros recognised at the Company itself), to cover the risks and liabilities deriving from the bankruptcies of AH and AB. The detail of the aforementioned provisions is as follows:

|                                                         |                |
|---------------------------------------------------------|----------------|
| Challenge against the sale of Alpine Energie            | 93,000         |
| Guarantees and receivables for work performed by Alpine | 41,664         |
| <b>Total</b>                                            | <b>134,664</b> |

The provision to challenge of the sale of Alpine Energie Holding AG, in the amount of 93,000 thousand euros, covers the risk relating to the recovery action filed by the ABA bankruptcy trustee on 11 June 2014, against the Group's Parent Fomento de Construcciones y Contratas, S.A. and two of its subsidiaries: Asesoría Financiera y de Gestión, S.A. and Bveftdomintaena Beteiligungsgverwaltung GmbH.

We note that within the framework of the investigation of the alleged embezzlement relating to the sale of Alpine Energie Holding AG, the expert appointed by the Prosecutor concluded in October 2015, in essence, that the sale of Alpine Energie Holding AG (i) did not represent embezzlement and (ii) did not generate any damages for AB and (iii) that the sale conditions were in line with the market circumstances in place at that time. The Financial Crimes and Anti-corruption Prosecutor has fully assumed the criteria set out in the expert's report, agreeing to partially shelve the proceedings in November 2016 with respect to the alleged embezzlement.

FCC Construcción, S.A. granted corporate guarantees so that AB and certain operating subsidiaries could bid and/or obtain the award of works. Five years after the bankruptcy, the risk that those guarantees will be executed was attenuated. Furthermore, during the normal course of operations, the FCC Group generated receivables from the Alpine Group which, as a result of the bankruptcy proceedings, are unlikely to be collected. To cover both risks, the Group maintains provisions on the liability side of its balance sheet totalling 41,664 thousand euros.

Between the bankruptcy of AH and AB and the date on which these financial statements were authorised for issue, the following actions have been taken against the Group and the directors of AH and AB:

- **Preliminary proceedings 19 St 43/13y-1 processed by the Financial Crimes and Anti-corruption Prosecutor:**
  - In July 2013, the complaint filed by a bondholder against five directors of Alpine Holding GmbH (all of which were in office when the bonds were issued and filed insolvency proceedings) fuelled the investigations of the Financial Crimes and Anti-corruption Prosecutor.
  - In April 2014, a former director of Hypo Alpe Adria Bank filed a complaint against FCC Construcción, S.A., Alpine Holding GmbH, Alpine Bau GmbH and three of their directors as well as an employee of Fomento de Construcciones y Contratas, S.A. The proceedings opened by the Prosecutor have been merged into those indicated previously.
  - In November 2016, the Prosecutor agreed to shelve the investigations relating to the alleged embezzlement during the sale of Alpine Energie Holding AG, on considering that the proven facts did not constitute a crime.

- In October 2017, the Prosecutor's expert issued his fourth and final report; the reports issued by the accounting expert conclude that (i) fraud cannot be affirmed to exist in the individual financial statements of AB and AH or in the consolidated financial statements of AH and (ii) the date of the definitive bankruptcy of AB and AH is 18 June 2013.
- During the first half of 2018, the Prosecutor shelved the criminal proceedings that have been opened against FCC and others, although some parties to the private prosecution have requested that the proceedings be reopened.
- The Prosecutor has already issued a report for higher bodies with respect to those petitions, considering that none of the petitions to reopen the case are governed by the law, since their only result would be to seek an appreciation of the evidence that is more in line with their particular interests in the case.

#### • Civil and commercial proceedings

- Recovery action filed by the Alpine Bau GmbH bankruptcy trustee on 11 June 2014 against FCC and two subsidiaries within the scope of consolidation, Asesoría Financiera y de Gestión, S.A. and BVEFDOMINTAENA Beteiligungsgverwaltung GmbH, as jointly and severally liable parties, challenging the sale of the shares in Alpine Energie Holding AG to the latter subsidiary. The bankruptcy trustee is not claiming the reincorporation of Alpine Energie Holding AG into the bankruptcy assets, but rather the payment of 75 million euros, plus interest. The proceedings are still in the evidentiary phase.
- During 2014, two bondholders filed two civil suits against FCC Construcción, S.A. and a director, claiming 12 thousand euros and 506 thousand euros. In October 2016, there was notification of another suit, filed by a bondholder three years previously, claiming 23 thousand euros. These three proceedings were suspended at the time, awaiting the results of the opinion to be issued by the Anti-corruption Prosecutor's expert. Once said opinion had been issued, the continuation of such proceedings was requested and approved. In one of these proceedings, specifically that in which the bondholder claimed 506 thousand euros, a judgement was issued in April 2018, imposing costs on the plaintiff. That judgement is final.
- In April 2015, the bankruptcy trustee of Alpine Holding GmbH filed a claim for 186 million euros against FCC Construcción, S.A., since it considered that this company must reimburse Alpine Holding GmbH for the amounts that it had collected through two bond issues in 2011 and 2012, which were lent by that company to its subsidiary Alpine Bau GmbH, allegedly without the necessary guarantees and supposedly ordered by FCC Construcción, S.A. A judgement denying the claim was issued on 31 July 2018 and costs were imposed on the plaintiff. The bankruptcy trustee filed an appeal in September 2018, which was challenged by FCC Construcción, S.A. in October 2018. Given the legal arguments and the absence of consolidated jurisprudence, it cannot be ruled out that the case will reach the Supreme Court, so it is unlikely that a final judgement will be reached before 2020.
- In April 2017, a Group company, Asesoría Financiera y de Gestión S.A., was notified of a suit in which the bankruptcy trustee made a joint and several claim against the former finance director at Alpine Bau GmbH and against Asesoría Financiera y de Gestión S.A. for the payment of 19 million euros for the alleged violation of corporate and bankruptcy law, on considering that Alpine Bau GmbH, on making a deposit at Asesoría Financiera y de Gestión S.A., allegedly made payments charged against equity, considered to be a capital refund, and therefore prohibited by law. The proceedings are currently in the evidentiary phase and a court expert has been appointed.
- Similarly, in April 2017 a former employee of FCC and ex-executive at AH and AB was notified of a suit filed by the bankruptcy trustee of Alpine Bau GmbH, claiming 72 million euros for alleged

damages caused to the bankruptcy assets, caused by a culpable delay in filing bankruptcy proceedings.

The FCC Group has recognised provisions for the probable risks related to each of these disputes. The FCC Group and its legal advisors do not consider that it is likely that the remaining litigation will give rise to future outflows of cash before the next report is issued and, therefore, no provision whatsoever has been recognised since the Group considers that the foregoing are contingent liabilities (Note 19).

#### Provision for third-party liability

Includes the risks arising for the Company in the performance of its activities, which are not included in other categories. Among others, the risks arising from international expansion, as well as tax risks. In 2018, the Company used provisions for tax returns, amounting to 38,130 thousand euros (34,484 thousand euros at 31 December 2017) (Note 18.g). Similarly, in 2017, 35,835 thousand euros of the provisions recognised were used in relation to the guarantees that continued to be granted.

#### Provisions for guarantees and contractual and legal obligations

This heading includes the provisions to cover the expenses arising from contractual and legal obligations of a non-environmental nature.

#### Other provisions

This heading includes the items not classified in the foregoing accounts, among others, the provisions to cover environmental risks and risks arising from its procedures as the insurer itself.

## 15. NON-CURRENT AND CURRENT PAYABLES

The balance of "Non-current payables" and "Current payables" was as follows:

|                                            | Long-term        | Short-term     |
|--------------------------------------------|------------------|----------------|
| <u>2018</u>                                |                  |                |
| Bank borrowings                            | 1,219,453        | 106,410        |
| Finance lease payables (Note 7)            | 24,488           | 17,641         |
| Derivatives (Note 12)                      | 1,086            | 118            |
| Other financial liabilities                | 4,933            | 17,364         |
|                                            | <b>1,249,960</b> | <b>141,533</b> |
| <u>2017</u>                                |                  |                |
| Bonds and other marketable debt securities | —                | 30,578         |
| Bank borrowings                            | 1,797,420        | 264,318        |
| Finance lease payables (Note 7)            | 30,640           | 14,759         |
| Derivatives (Note 12)                      | 1,247            | 137            |
| Other financial liabilities                | 5,481            | 14,209         |
|                                            | <b>1,834,788</b> | <b>324,001</b> |

Details of "Non-current payables", by maturity, are as follows:

|                             | Maturity       |                |                |                |                 |                  |
|-----------------------------|----------------|----------------|----------------|----------------|-----------------|------------------|
|                             | 2020           | 2021           | 2022           | 2023           | 2024 and beyond | Total            |
| Bank borrowings             | 125,247        | 182,503        | 180,916        | 721,010        | 9,777           | 1,219,453        |
| Finance lease payables      | 14,577         | 6,561          | 2,431          | 609            | 310             | 24,488           |
| Derivatives                 | 214            | 214            | 214            | 214            | 230             | 1,086            |
| Other financial liabilities | 758            | 706            | 706            | 706            | 2,057           | 4,933            |
|                             | <b>140,796</b> | <b>189,984</b> | <b>184,267</b> | <b>722,539</b> | <b>12,374</b>   | <b>1,249,960</b> |

#### a) Non-current and current bonds and debentures

On 30 October 2018, Fomento de Construcciones y Contratas, S.A. exercised its right to make early repayments of all the convertible bonds at their nominal amount (30,250 thousand euros) plus the interest accrued up until that date (983 thousand euros).

These bonds were issued on 30 October 2009, in the amount of 450,000 thousand euros, at an interest rate of 6.5%, with an initial maturity date of October 2014. Within the framework of the Group's overall financing in 2014, these convertible bonds were restructured and their maturity date was extended to October 2020, although a right to make early repayment two years before final maturity was included. This right has been exercised, as was previously mentioned.

The carrying amount for this item at 31 December 2017 that was recognised under the heading "Bonds and other marketable debt securities" in the accompanying balance sheet totalled 30,578 thousand euros and that figure includes 328 thousand euros in interest that had accrued but had not yet been paid.

#### b) Non-current and current bank borrowings

They primarily include the financing covered by the syndicated loan agreement, in the amount of 1,200 million euros. This agreement was signed on 27 July 2018 by Fomento de Construcciones y Contratas, S.A. and formally entered into force on 28 September of that same year after certain conditions precedent had been met.

The key aspects of such financing are as follows:

##### *Syndicated loan agreement*

The full and early repayment of 2,014 million euros of principal and accrued interest pending payment at that date took place on 28 September 2018, relating to the syndicated loan agreement in force since 26 June 2014, subject to novation in subsequent years, whose terms and conditions were extensively explained in Note 15.b to the financial statements for 2016 and 2017.

The repayment took place using part of the funds originating from the sale of a minority 49% interest in FCC Aqualia to the IFM fund for 1,024 million euros (Note 1), together with the funds originating from a new syndicated loan agreement, in the amount of 1,200 million euros, thereby completely repaying the preceding loan.

The principal characteristics of the new loan agreement are as follows:

- **Amount:** The total outstanding amount was 1,200 million euros at 31 December 2018, and the first payment of 120 million euros is due in 2020.

- **Tranches:** The new debt is distributed into 2 tranches. Tranche A is a commercial loan for an initial amount of 900 million euros and tranche B consists of a long-term revolving commercial credit facility in the amount of 300 million euros.
- **Maturity:** both tranches have a term of up to 5 years.
- **Interest rate:** the interest rate set for all tranches is the Euribor plus an average spread of 1.87%, which will change if certain contractual requirements are met.
- **Financial ratios and other borrower obligations.** The loan agreement is subject to compliance with certain annual financial ratios indexed to Fomento de Construcciones y Contratas, S.A.'s scope of financing. The ratios had been complied with at 31 December 2018 and they are also expected to be obtained in 2019.

In addition to the amounts owed under the new lending agreement, bilateral loans/credits and other lending facilities exist, amounting to 122,725 thousand euros (34,856 thousand euros at 31 December 2017).

At year-end, the limit on non-current and current loans granted to the Company by credit entities totalled 1,356,216 thousand euros (2,039,172 thousand euros at 31 December 2017), which had virtually been drawn down in full at the end of both years.

## 16. NON-CURRENT AND CURRENT TRADE AND OTHER PAYABLES

The breakdown of “Non-current trade and other payables” is as follows:

|                                                      | 2018         | 2017         |
|------------------------------------------------------|--------------|--------------|
| Non-current tax payables due to deferrals            | —            | 4,628        |
| Advances received on long-term rendering of services | 4,171        | —            |
|                                                      | <b>4,171</b> | <b>4,628</b> |

### a) Receivable from/payable to public authorities.

In 2017, the full amount of the “Non-current deferrals payable” and part of the “Other accounts payables to public authorities” under “Current trade and other payables” (Note 18.a) included payment deferrals with respect to income tax returns of the Tax Group 18/89 for the years 2010 to 2012, respectively authorised by the Office for Large Tax Payers of the Spanish tax authorities. This deferral, with an interest rate of, at most 3.75%, was refunded in 2018.

The total amount of the aforementioned deferrals is as follows:

|             | 2018     | 2017          |
|-------------|----------|---------------|
| Non-current | —        | 4,628         |
| Current     | —        | 22,989        |
|             | <b>—</b> | <b>27,617</b> |

### b) Payment deferrals to suppliers in commercial transactions

In relation to the Spanish Accounting and Audit Institute (ICAC) Resolution dated 29 January 2016, enacted in compliance with the Second final provision of Law 31/2014, of 3 December, which amends the Third

additional provision of Law 15/2010, of 5 July, stipulating measures to combat late payment in commercial transactions, it must be indicated with respect to 2018, that the Company operates in Spanish territory, mainly with public clients, such as the State, Autonomous Communities, local corporations and other public bodies, which settle their payment obligations in periods that exceed that laid down in Public Sector Contract legislation, and in Law 3/2004, of 29 December 2004, setting forth measures to combat late payment in commercial transactions.

It must be indicated that in the works and supply contracts with third parties, arising from agreements entered into by the Company with the different public authorities, that stipulated in section 5 of article 228 of the current Consolidated Public Sector Contracts Law (TRL CSP) applies.

Due to such circumstances and in order to adapt the Company's financial policy to reasonable efficiency levels, the usual payment periods to suppliers were maintained in 2018 in the sectors in which the Company operates.

The Company's payment policy to suppliers, indicated in the foregoing two paragraphs, hence finds support in: a) Payments to suppliers under agreements entered into by the Company with the public authorities, pursuant to article 228.5 of the TRL CSP, and b) Payments to remaining suppliers under the Second transitional provision of Law 15/2010, and, where appropriate, that provided for in article 9 of Law 3/2004, which excludes from the abusive nature the "deferral of the payment for objective reasons" taking into consideration, in both cases a) and b) the usual payment period in the sectors in which the Company operates.

Moreover, the Company acknowledges and pays suppliers, always by mutual agreement therewith, any late-payment interest arranged in the contracts, providing negotiable payment methods accompanied by exchange procedures. Such pacts, aside from being expressly envisaged, as we have indicated, in the TRL CSP, are admissible under Directive 2011/7/EU, of 16 February, of the European Parliament and the Council.

Also, the Company has entered into confirming facilities or similar agreements with financial entities, to facilitate early payment to suppliers. In accordance with these agreements, a supplier may exercise its collection right against the Company and obtain the invoiced amount, less the finance costs of the discount and fees applied by such financial entities. The total amount of the facilities arranged amounted to 2,642 thousand euros (2,549 thousand euros at 31 December 2017), which had been virtually drawn down in full at 31 December 2018. The aforementioned agreements do not amend the main payment conditions of such facilities (interest rate, period or amount) hence, they continue to be classified as trade payables.

In accordance with the aforementioned ICAC resolution, below is a table containing information on the average payment period to suppliers, for those commercial transactions accrued since the entry into force of Law 31/2014, that is, 24 December 2014:

|                                       | 2018    | 2017    |
|---------------------------------------|---------|---------|
|                                       | Days    | Days    |
| Average payment period to suppliers   | 94      | 94      |
| Ratio of transactions paid            | 91      | 99      |
| Ratio of transactions pending payment | 108     | 73      |
|                                       | Amount  | Amount  |
| Total payments made                   | 337,412 | 331,864 |
| Total payments outstanding            | 82,577  | 80,506  |

## 17. INFORMATION ON THE NATURE AND LEVEL OF RISK OF FINANCIAL INSTRUMENTS

The concept of financial risk refers to the changes in the financial instruments arranged by Fomento de Construcciones y Contratas, S.A., as a result of political, market and other factors and the repercussion thereof on the financial statements. The risk management philosophy of the Company and of the FCC Group is consistent with their business strategy, and seeks to achieve maximum efficiency and solvency at all times. To this end, strict financial risk management and control criteria have been established, consisting of identifying, measuring, analysing and controlling the risks incurred in the Group's operations, and the risk policy has been integrated into the Group's organisation in the appropriate manner.

In view of the Company's activities and the transactions through which it carries on its business, it is currently exposed to the following financial risks:

### a) Capital risk

To manage capital, the main objective of the Company and of the FCC Group is to reinforce its financial-equity structure, in order to improve the balance between borrowed funds and shareholders' equity, and the Group endeavours to reduce the cost of capital and, in turn, to preserve its solvency status, in order to continue managing its activities and to maximise shareholder value, not only at Group level, but also at the level of the Parent, Fomento de Construcciones y Contratas, S.A.

The essential base considered by the Company to be capital is recognised under "Equity" in the balance sheet which, for management and follow-up purposes, excludes "Changes in the fair value of financial instruments", since it was considered to be within interest rate management, as it was the outcome of measuring the instruments that transform the floating rate payables into fixed rate payables.

Given the sector in which they operate, the Company and the Group are not subject to external capital requirements, although this does not prevent the frequent monitoring of equity to guarantee a financial structure based on compliance with the prevailing regulations of the countries in which it operates, also analysing the capital structure of each of the subsidiaries to enable an adequate distribution between debt and capital.

Proof of the foregoing were the increases performed in 2014, amounting to 1,000,000 thousand euros and in 2016 for 709,519 thousand euros, both aimed at strengthening the Company's capital structure.

Furthermore, as we expound in Note 15.b "Non-current and current bank borrowings", on 28 September 2018, a minority interest of 49% of FCC Aqualia was sold to the IFM fund for 1,024 million euros. These funds were mainly used to reduce the financial debt existing at the Company, for over 800 million euros which, together with the entry into force of new financing, enabled the cancellation of the aforementioned syndicated loan. Furthermore, in October 2018, the convertible bond was repaid early. (Note 15.a). This cancellation enabled a substantial reduction of the annual borrowing cost of 6.5% associated with this issue.

With these transactions, the Company and the FCC Group have made significant progress in the process under way to consolidate and optimise the capital structure, which provides a solid financing platform, reinforcing operating capacity and flexibility.

The General Finance Department, which is responsible for the management of financial risks, periodically reviews the debt-equity ratio and compliance with the financing covenants, together with the capital structure of the subsidiaries.

### **b) Foreign currency risk**

A noteworthy consequence of the FCC Group's positioning in international markets is the exposure resulting from net positions in foreign currencies against the euro or in one foreign currency against another when the investment and financing of an activity cannot be arranged in the same currency.

Although the benchmark currency in which the Company and the FCC Group mainly operate is the euro, the Group also holds financial assets and liabilities accounted for in currencies other than the euro. Exchange rate risk is primarily located in borrowings denominated in foreign currencies, investments in international markets and payments received in currencies other than the euro.

The FCC Group's general policy is to mitigate the adverse effect on its financial statements of exposure to foreign currencies as much as possible, with regard to both transactional and purely equity-related movements. The Group therefore manages the effect that foreign currency risk can have on the balance sheet and the income statement.

### **c) Interest rate risk**

Fomento de Construcciones y Contratas, S.A. and the FCC Group are exposed to interest rate fluctuations due to the fact that the Group's financial policy aims to ensure that its current financial assets and debt are partially tied to variable interest rates. The benchmark interest rate for debt taken out with credit entities in euros is mainly the Euribor.

Any increase in interest rates could give rise to an increase in the financial costs associated with its borrowings at variable interest rates, and could also increase the cost of refinancing the borrowings and the issue of new debt.

In order to ensure a position that is in the best interests of the Company and of the FCC Group, an interest rate risk management policy is actively implemented, based on the on-going monitoring of markets and assuming different positions depending primarily on the asset financed.

The table below summarises the effect on the Company's income statement of the increases on the interest rate curve with respect to gross debt, excluding that debt associated with hedging arrangements:

|                          | +25 bp | +50 bp | +100 bp |
|--------------------------|--------|--------|---------|
| Impact on profit or loss | 4,725  | 9,450  | 18,899  |

#### d) Solvency risk

The most representative ratio to measure solvency and debt repayment ability is: Net debt/Ebitda.

In 2018, the Company improved its solvency with respect to 2017, as can be observed in the changes in net bank borrowings included in the accompanying balance sheet, as shown in the following table:

|                                                      | 2018             | 2017             |
|------------------------------------------------------|------------------|------------------|
| Bank borrowings                                      | 1,325,863        | 2,061,738        |
| Bonds and debentures                                 | —                | 30,578           |
| Financial payables to Group companies and associates | 1,087,743        | 1,049,992        |
| Other interest-bearing financial debt                | 45,726           | 49,824           |
| Financial loans with Group companies and associates  | (221,387)        | (178,997)        |
| Other current financial assets                       | (10,313)         | (11,689)         |
| Cash and cash equivalents                            | (69,686)         | (63,171)         |
|                                                      | <b>2,157,946</b> | <b>2,938,275</b> |

The most significant changes were due mainly to the following:

- Repayment of bank debt (Note 15.b).
- Redemption of bonds (Note 15.a)

#### e) Liquidity risk

Fomento de Construcciones y Contratas, S.A. performed its transactions in industrial sectors requiring a high level of financing, having obtained adequate financing to date to perform its transactions. However, the Company cannot guarantee that these circumstances relating to the obtainment of financing will continue in the future.

The ability of the Company and of the FCC Group to obtain financing depends on many factors, a lot of which are beyond their control, such as general economic conditions, the drawdown of funds at financial institutions and the monetary policy of the markets in which they operate. Adverse effects on debt and capital markets may hinder or prevent the obtainment of adequate financing to carry on the Company's activities.

Historically, the FCC Group has always been able to renew its loan arrangements, and it expects to continue doing so in the coming twelve months. However, the FCC Group's ability to renew loan arrangements depends on various factors, many of which do not depend on the FCC Group, such as general economic conditions, the drawdown of funds for loans on the part of private investors and financial institutions and the monetary policy of the markets in which it operates. Negative conditions for debt markets may hinder or prevent the FCC Group's capacity to renew its financing. Accordingly, the FCC Group cannot guarantee its ability to renew loan arrangements in economically attractive terms. The inability to renew such loans or to ensure adequate financing in acceptable terms may have a negative impact on the liquidity of Fomento de Construcciones y Contratas, S.A. and its Group companies and on its ability to cover its working capital needs.

To adequately manage this risk, the Group performs an exhaustive monitoring of the repayment dates of all loans and credit facilities of each Group company, in order to conclude all renewals in the best market conditions sufficiently in advance, performing a case-by-case analysis of the suitability of the lending and studying alternatives, where appropriate, if conditions are more unfavourable. Moreover, in order to mitigate the liquidity risk, the Group is present in different markets, to facilitate the obtainment of credit facilities.

#### f) Concentration risk

The risk arising from the concentration of lending transactions with common characteristics was broken down as follows:

- **Funding sources:** In order to diversify this risk, the Company and the FCC Group work with a large number of Spanish and foreign financial entities to obtain funds.
- **Markets/Geography (domestic, foreign):** The Company basically operates on the Spanish market; accordingly, its debt is mainly concentrated in euros.
- **Products:** The Company uses various financial products: loans, credit facilities, bonds, syndicated loans, assignments and discounts, etc.

The FCC Group's strategic planning process identifies the objectives to be attained in each of the areas of activity, based on the improvements to be implemented, on the market opportunities and on the level of risk deemed acceptable. The process serves as a base to prepare the operating plans that specify the goals to be reached each year.

#### g) Credit risk

The provision of services or the acceptance of customer engagements, whose financial solvency was not guaranteed at the acceptance date, situations not known or unable to be assessed and unforeseen circumstances during the provision of the service or the execution of the engagement that could affect such customer's financial position could generate a collection risk with respect to the amounts owed.

The Company and the FCC Group request commercial reports and assess the financial solvency of customers before doing business, and perform on-going follow-ups, providing a procedure to be adopted in the event of insolvency. In the case of public-sector customers, the Group does not accept engagements that do not have an assigned budget and economic approval. The offers that exceed a certain collection period must be authorised by the Finance Division. Likewise, on-going monitoring is performed of debt delinquency on various management committees.

With respect to the credit rating, the Company applies its best judgement to impair those financial assets in which it expects to incur credit losses over their entire lives. The Group frequently analyses the changes in the public rating of the entities to which it is exposed.

## h) Risk hedging financial derivatives

In general, the financial derivatives arranged by the Company are treated, for accounting purposes, according to the legislation on hedge accounting described in these notes to the financial statements. The main financial risk hedged by the Company through derivative instruments relates to the fluctuations in floating interest rates to which the project financing of Ute Gestión Instalación III is tied (Note 8.b). The financial derivatives are measured by experts on the subject using generally accepted methods and techniques. These experts are independent from the Company and the entities financing it.

Sensitivity analyses are frequently performed to observe the effect on the Company's accounts of possible fluctuating interest rates.

Accordingly, a simulation was performed envisaging three upward scenarios of the basic interest rate curve of the euro which, on average, are around 0.59% at medium/long term at 31 December 2018, representing an increase thereof of 25 bp, 50 bp and 100 bp.

|                   | +25 bp | +50 bp | +100bp |
|-------------------|--------|--------|--------|
| Impact on equity: | 104    | 214    | 441    |

## 18. DEFERRED TAXES AND TAX MATTERS

### a) Balances with public authorities and deferred taxes

#### a.1) Tax receivables

|                                               | 2018          | 2017          |
|-----------------------------------------------|---------------|---------------|
| <b>Non-current</b>                            |               |               |
| Deferred tax assets                           | 72,431        | 87,907        |
|                                               | <b>72,431</b> | <b>87,907</b> |
| <b>Current</b>                                |               |               |
| Current tax assets                            | 46,037        | 23,743        |
| Other receivables from the public authorities | 3,676         | 5,389         |
|                                               | <b>49,713</b> | <b>29,132</b> |

The breakdown of the "Deferred tax assets" heading is as follows:

|                              | 2018          | 2017          |
|------------------------------|---------------|---------------|
| Non-deductible finance costs | 38,396        | 53,650        |
| Provisions                   | 21,753        | 23,167        |
| Other                        | 12,282        | 11,090        |
|                              | <b>72,431</b> | <b>87,907</b> |

The "Remainder" heading includes, among others, the amortisation/depreciation differences and deferred losses contributed by joint ventures included in taxable profit/(tax losses) of the following year.

Management of Fomento de Construcciones y Contratas, S.A., Parent of the Tax Group 18/89 (Note 18.h), assessed the recoverability of the deferred tax assets, by estimating future tax bases relating to the aforementioned Group, concluding that no doubts exist with respect to their recovery in a period not exceeding ten years. The projections used are based on the Group's estimated "Consolidated accounting profit for the year before tax from continuing operations", adjusting the related permanent and temporary differences expected to arise each year. The projections show increased profit, as a result of the conservation of the measures taken to reduce costs, and the greater reinforcement of the Group's financial structure, which enabled a reduction of financial debt and of interest rates, which will represent a significant reduction in finance costs.

#### a.2) Payable balances

|                                                   | 2018          | 2017          |
|---------------------------------------------------|---------------|---------------|
| <b>Non-current</b>                                |               |               |
| Deferred tax liabilities                          | 27,723        | 29,309        |
| Payment deferrals to public authorities (Note 16) | -             | 4,628         |
|                                                   | <b>27,723</b> | <b>33,937</b> |
| <b>Current</b>                                    |               |               |
| Other accounts payables to public authorities:    | 38,623        | 65,972        |
| Withholdings                                      | 9,905         | 8,839         |
| VAT and other indirect taxes                      | 19,101        | 23,751        |
| Accrued social security taxes payable             | 8,199         | 8,597         |
| Payment deferrals to public authorities (Note 16) | -             | 22,989        |
| Other items                                       | 1,418         | 1,796         |
|                                                   | <b>38,623</b> | <b>65,972</b> |

The breakdown, by item, of the "Deferred tax liabilities" heading is as follows:

|                                           | 2018          | 2017          |
|-------------------------------------------|---------------|---------------|
| Tax impairment of goodwill                | 11,559        | 10,114        |
| Finance leases                            | 4,501         | 4,220         |
| Accelerated amortisation and depreciation | 3,739         | 6,801         |
| Other                                     | 7,924         | 8,174         |
|                                           | <b>27,723</b> | <b>29,309</b> |

The "Remainder" heading includes, among others, the deferral of gains contributed by joint ventures included in taxable profit/(tax losses) of the following year.

### a,3) Changes in deferred tax assets and liabilities

Movements in 2018 and 2017 in deferred tax assets and liabilities were as follows:

|                                                                  | Deferred tax<br>assets | Deferred tax<br>liabilities |
|------------------------------------------------------------------|------------------------|-----------------------------|
| <b><u>Taxable temporary differences</u></b>                      |                        |                             |
| <b>Balance at 31.12.16</b>                                       | <b>102,670</b>         | <b>43,375</b>               |
| Arising in the year                                              | -                      | -                           |
| Arising in prior years                                           | (13,864)               | (4,600)                     |
| Other adjustments                                                | (1,238)                | (9,579)                     |
| <b>Balance at 31.12.17</b>                                       | <b>87,568</b>          | <b>29,196</b>               |
| Arising in the year                                              | -                      | 723                         |
| Arising in prior years                                           | (6,400)                | (3,625)                     |
| Other adjustments                                                | (9,008)                | 1,326                       |
| <b>Balance at 31.12.18</b>                                       | <b>72,160</b>          | <b>27,620</b>               |
| <b><u>Temporary differences arising in the balance sheet</u></b> |                        |                             |
| <b>Balance at 31.12.16</b>                                       | <b>592</b>             | <b>124</b>                  |
| Arising in the year                                              | -                      | 14                          |
| Arising in prior years                                           | (253)                  | (25)                        |
| Other adjustments                                                | -                      | -                           |
| <b>Balance at 31.12.17</b>                                       | <b>339</b>             | <b>113</b>                  |
| Arising in the year                                              | (40)                   | 6                           |
| Arising in prior years                                           | -                      | (13)                        |
| Other adjustments                                                | (28)                   | (3)                         |
| <b>Balance at 31.12.18</b>                                       | <b>271</b>             | <b>103</b>                  |
| <b>Total balance at 31.12.18</b>                                 | <b>72,431</b>          | <b>27,723</b>               |

"Other adjustments" arise from the positive or negative differences between the estimated tax charge calculated at the accounting close and the subsequent tax settlement at the payment date, together with the reversal of deferred tax assets recognised in prior years.

## b) Reconciliation of accounting profit to taxable profit

The reconciliation of the accounting profit to the taxable profit for income tax purposes was as follows:

|                                                         | 2018             |                  | 2017             |                  |
|---------------------------------------------------------|------------------|------------------|------------------|------------------|
| <b>Accounting profit/(loss) before tax for the year</b> |                  | <b>844,816</b>   |                  | <b>180,175</b>   |
|                                                         | <u>Increases</u> | <u>Decreases</u> | <u>Increases</u> | <u>Decreases</u> |
| Permanent differences                                   | 121,672          | (980,952)        | (859,280)        | 258,820          |
| Adjusted accounting profit/(loss)                       |                  |                  | (14,464)         | (195,774)        |
| Temporary differences                                   |                  |                  |                  |                  |
| - Arising in the year                                   | -                | (2,890)          | (2,890)          | -                |
| - Arising in prior years                                | 14,499           | (25,598)         | (11,099)         | 18,400           |
| <b>Taxable profit</b>                                   |                  | <b>(28,453)</b>  |                  | <b>(52,656)</b>  |

Noteworthy in the table above were the permanent differences relating to both years. These differences basically arise from:

- The exemption of gains/losses in the sale of investments in Group companies.
- Impairment on investments of the Tax Group 18/89 and reversal of impairment loss allowances on investments at the remaining investees.
- Exemption to avoid the double taxation of dividends. Corporate Income Tax Law 27/2014, of 27 November, to be applied from 2015, eliminated the tax credit for the double taxation of dividends, substituting it with the aforementioned exemption.

## c) Tax recognised in equity

The taxes recognised in equity at year-end 2018 and 2017 were of an insignificant amount.

## d) Reconciliation of accounting profit to the income tax expense.

The reconciliation of accounting profit to income tax expense was as follows:

|                                    | 2018          | 2017           |
|------------------------------------|---------------|----------------|
| Adjusted accounting profit/(loss)  | (14,465)      | (15,599)       |
| Income tax charge                  | (3,616)       | (3,900)        |
| Other adjustments                  | 16,709        | (262)          |
| <b>Income tax expense/(income)</b> | <b>13,093</b> | <b>(4,162)</b> |

“Other adjustments” in 2018 basically include the adjustment made to reverse deferred tax assets in prior years, together with the non-capitalisation of prepaid taxes in the year.

### e) Detail of income tax expense

The breakdown of “Income tax expense” for 2018 and 2017 is as follows:

|                          | 2018          | 2017           |
|--------------------------|---------------|----------------|
| Current tax              | (797)         | (2,326)        |
| Deferred taxes           | 13,890        | (1,836)        |
| <b>Total tax expense</b> | <b>13,093</b> | <b>(4,162)</b> |

### f) Tax loss carryforwards and unused tax credits

At year-end, the Company had tax loss carryforwards from prior years pending offset, amounting to 106,249 thousand euros, as a member of Tax Group 18/89, detailed as follows, by year:

|              | Amount         |
|--------------|----------------|
| 2014         | 47,860         |
| 2016         | 58,389         |
| <b>Total</b> | <b>106,249</b> |

The Company did not recognise deferred tax assets in this regard.

Also, it must be noted that the Company has unused tax credits from prior years, totalling 16,709 thousand euros. The Company recognised the deferred tax asset for the unused tax credits from 2013, totalling 2,176 thousand euros. Details are as follows:

| Tax credit                      | Amount        | Deadline for use |
|---------------------------------|---------------|------------------|
| Reinvestment                    | 4,688         | 15 years         |
| R&D&i activities                | 5,375         | 18 years         |
| FA Canary Islands               | 3,218         | 15 years         |
| Job creation for the disabled   | 1,012         | 15 years         |
| Internal double taxation relief | 1,371         | Indefinite       |
| Other                           | 1,045         | 15 years         |
|                                 | <b>16,709</b> |                  |

Also, the Company has an uncapitalised tax asset, totalling 333 million euros, corresponding to the impairment test performed in prior years, due to its holding in Azincourt, S.L., holding company of the shares of the British company FCC Environment (UK). Impairment, which was not deemed to be deductible from the income tax base, amounted to 1,333 million euros. This amount may be tax deductible in the future if Azincourt Investment, S.L. is extinguished.

### g) Years open for review and tax audits

Fomento de Construcciones y Contratas, S.A. has all the years not yet statute-barred open for review by the tax authorities for the taxes applicable to them. On 8 June 2015, the Tax and Customs Control Department, answerable to the tax authorities, provided a "Notification of the commencement of review and investigation procedures" with respect to the income tax of the Tax Group 18/89 headed by the Company (periods from 01/2010 to 12/2013), and with respect to Value Added Tax (periods from 01/2012 to 12/2013) and the personal income tax withholdings made (periods from 04/2011 to 12/2013) of certain Group companies. In the third quarter of 2018, an income tax return was filed for the Tax Group headed by Fomento de Construcciones y Contratas, S.A., which did not generate any outflow of cash, although certain tax assets recognised by the FCC Group were adjusted. This tax adjustment did not have an impact on the Company's income statement, since the corresponding risks have been adequately provisioned in the financial statements. With the filing of the aforementioned return, the verification was completed of Tax Group 18/89, headed by Fomento de Construcciones y Contratas, S.A., commenced in June 2015.

In June 2017, the tax authorities commenced a procedure to recover State aid, arising from the European Commission Decision 2015/314/EU, of 15 October 2014, relating to the tax amortisation of financial goodwill for the indirect acquisition of foreign holdings. This procedure aims to adjust the tax incentives applied by the Company and the FCC Group in prior years, as a result of the acquisition of the Alpine Groups, FCC Environment (formerly the WRG Group) and FCC CEE (formerly the ASA Group). The Group, backed by the opinion of its legal advisers, considers that the adjustment of such tax incentives could generate a cash outflow of 25 million euros, which would not have a significant impact on equity.

In relation to the remaining years and taxes open for review, as a result of the criteria that the tax authorities may adopt in the interpretation of the tax regulations, the outcome of the inspections currently under way, or those that may be performed in the future for the years open for review, could generate contingent tax liabilities whose amount cannot currently be quantified objectively. However, Group management considers that the liabilities resulting from this situation would not have a significant effect on the Group's equity.

### h) Tax Group

In accordance with file 18/89, as Parent, Fomento de Construcciones y Contratas, S.A., files consolidated income tax returns, including in this system all the Group companies that comply with the requirements of the tax legislation.

### i) Other tax information

The table includes the details of the “Income tax refunded/(paid)” heading in the statement of cash flows for 2018 and 2017.

|                                                                                                                | 2018            | 2017         |
|----------------------------------------------------------------------------------------------------------------|-----------------|--------------|
| Collections from/payments to Group companies for prior years' income tax charge and IT prepayments in the year | (39,899)        | 39,854       |
| Tax deferrals                                                                                                  | (27,617)        | (6,897)      |
| Payments on account                                                                                            | (27,559)        | (28,014)     |
| Prior years' income tax                                                                                        | 2,806           | 4,364        |
| Withholdings and other                                                                                         | (334)           | (184)        |
|                                                                                                                | <b>(92,603)</b> | <b>9,123</b> |

## 19. GUARANTEE COMMITMENTS TO THIRD PARTIES AND OTHER CONTINGENT LIABILITIES

At 31 December 2018, Fomento de Construcciones y Contratas, S.A. provided guarantees vis-à-vis public bodies and private clients, mainly to secure the sound performance of the urban sanitation services contracts, for 464,905 thousand euros (474,662 thousand euros at 31 December 2017).

Also, at year-end, the Company had provided securities and guarantees to third parties with respect to certain Group companies, totalling 360,673 thousand euros (320,659 thousand euros at 31 December 2017), mainly companies belonging to the Environmental Services division.

Fomento de Construcciones y Contratas, S.A. and the joint ventures in which it has a stake, have appeared as respondents in certain lawsuits in relation to the liability inherent to the various business activities carried on by the Company in the performance of the contracts awarded, for which the related provisions have been recognised (Notes 14 and 4.j). Accordingly, the liabilities resulting from this situation would not have a significant effect on the Company's equity.

In relation to the sale of a 49% stake in FCC Aqualia, S.A. (Notes 1 and 10.a), it must be highlighted that the sales agreement envisages certain variable prices that depend on the resolution of contingent procedures. Accordingly, the Company did not recognise any assets due to their contingent nature, nor did it recognise liabilities for claims that may arise against their interests, since it was not considered probable that material losses would occur and given their insignificant amount with respect to the transaction price.

The aforementioned sale led to the formation of FCC Topco, s.a.r.l. and its subsidiary FCC Midco, S.A. (Note 10.a) and the latter received securities representing 10% of the shares of FCC Aqualia, owned by the Company. These shares are pledged to secure certain obligations to FCC Aqualia, primarily the repayment of the loan that the latter has granted to Fomento de Construcciones y Contratas, S.A., in the amount of 806,479 thousand euros. At the date of authorisation for issue of these financial statements, the Company believes that there is no risk that these guarantees will be enforced.

In relation to the main contingent liabilities arising from the bankruptcy process of the Alpine subgroup, it must be indicated that their possible financial effects would be the outflow of cash indicated in the respective complaints detailed in Note 14 to these financial statements.

In addition to the disputes related with Alpine, it must be indicated that, on 15 January 2015, the Competition Chamber of the Spanish National Commission on Markets and Competition handed down a ruling with respect to proceedings S/0429/12, for an alleged breach of article 1 of Anti-trust Law 15/2007. This ruling affects various companies and associations of the waste sector, which includes Fomento de Construcciones y Contratas, S.A. and other companies that also belong to the FCC Group. The Group filed an administrative appeal before the Spanish National Appellate Court. At the end of January 2018, notification was received of the decisions handed down by the Spanish National Appellate Court, upholding the administrative appeals filed by Gestión y Valorización Integral del Centro S.L. and BETEARTE, both investees of the FCC Group, against the CNMV Ruling imposing various penalties for alleged collusive practices. In both decisions, the argument put forward by these companies that no single, on-going breach existed was upheld. In April, we were notified of the agreement initiating new disciplinary proceedings for the same conduct investigated in the previous proceedings forming the scope of the upholding decision, commencing an 18-month examining period.

The Company is involved in other lawsuits and legal procedures aside from those described above; therefore, it is considered that no significant cash outflows will be generated.

The Company's stake in joint operations managed through joint ventures, joint ownership, participation accounts and other entities of similar characteristics means that participants must share joint and several liability with respect to the activity carried on.

With regard to the guarantees enforced or released, it must be indicated that the Company has not obtained significant assets as a result of the guarantees enforced in its favour.

## 20. INCOME AND EXPENSES

Revenue, aside from sales and services, include dividends and accrued interest arising from lending granted to investees (Note 2).

The breakdown, by activity, of the "Sales and services" heading was as follows:

|                        | 2018             | 2017             |
|------------------------|------------------|------------------|
| Environmental Services | 1,202,985        | 1,200,821        |
| Other                  | 11,303           | 15,549           |
|                        | <b>1,214,288</b> | <b>1,216,370</b> |

Of the total, 25,914 thousand euros related to contracts located abroad, specifically in the United States (17,823 thousand euros at 31 December 2017).

In 2017, "Income from investments in Group companies and associates" included the dividend distributed by FCC Aqualia, S.A., amounting to 413,462 thousand euros.

The detail of "Staff costs" was as follows:

|                        | 2018           | 2017           |
|------------------------|----------------|----------------|
| Wages and salaries     | 585,698        | 580,347        |
| Employee welfare costs | 206,850        | 202,244        |
|                        | <b>792,548</b> | <b>782,591</b> |

"Finance income from marketable securities and other financial instruments of Group companies and associates" includes the accrued interest arising from the financing granted to investees (Note 10), including most notably:

|                                         | 2018          | 2017          |
|-----------------------------------------|---------------|---------------|
| Azincourt Investments, S.L. Unipersonal | 6,070         | 6,070         |
| FCC Medio Ambiente, S.A.                | 4,204         | 6,045         |
| Enviropower Investments Limited         | 2,618         | 2,661         |
| FCC Group-PFI Holding                   | 2,418         | 2,615         |
| FCC Environment (UK) Group              | 1,801         | 1,149         |
| Dédalo Patrimonial, S.L. Unipersonal    | 1,516         | 980           |
| FCC Ámbito, S.A. Unipersonal            | 1,153         | 1,784         |
| FCC Versia, S.A.                        | 751           | 1,670         |
| FCC Aqualia, S.A.                       | —             | 3,992         |
| FCC Construcción, S.A.                  | —             | 1,617         |
| Other                                   | 1,531         | 2,864         |
|                                         | <b>22,062</b> | <b>31,447</b> |

Also, in 2017, noteworthy under "Changes in fair value of financial instruments" was a gain of 16,000 thousand euros for the collection of arbitration with Veolia, relating to the sale of the Proactiva Group in 2013.

Lastly, "Exchange differences" basically includes those arising from loans in pounds sterling granted to FCC PFI Holdings Limited, Enviropower Investment Ltd. and FCC Environment (UK) Ltd.

## 21. RELATED PARTY TRANSACTIONS AND BALANCES

### a) Related party transactions

Details of transactions with related parties in 2018 and 2017 are as follows:

|                     | Group companies | Joint ventures | Associates | Total   |
|---------------------|-----------------|----------------|------------|---------|
| <b>2018</b>         |                 |                |            |         |
| Services rendered   | 69,023          | 11,215         | 1,501      | 81,739  |
| Receipt of services | 28,245          | 127            | 264        | 28,636  |
| Dividends           | 9,784           | 1,327          | —          | 11,111  |
| Finance cost        | 28,462          | —              | —          | 28,462  |
| Finance income      | 22,062          | —              | —          | 22,062  |
| <b>2017</b>         |                 |                |            |         |
| Services rendered   | 74,113          | 9,825          | 1,567      | 85,505  |
| Receipt of services | 23,372          | 158            | 309        | 23,839  |
| Dividends           | 416,280         | 787            | 1,515      | 418,582 |
| Finance cost        | 25,748          | —              | —          | 25,748  |
| Finance income      | 31,447          | —              | —          | 31,447  |

### b) Balances with related parties

The detail of the balances with related parties at year-end was as follows:

|                                               | Group companies | Joint ventures | Associates | Total     |
|-----------------------------------------------|-----------------|----------------|------------|-----------|
| <b>2018</b>                                   |                 |                |            |           |
| Current financial assets (Note 10)            | 230,551         | 98             | 412        | 231,061   |
| Non-current financial assets (Note 10)        | 2,977,322       | 16,146         | 267,746    | 3,261,214 |
| Current payables (Note 10)                    | 278,284         | 6,896          | 245        | 285,425   |
| Non-current payables (Note 10)                | 823,052         | —              | —          | 823,052   |
| Trade receivables                             | 44,428          | 2,651          | 176        | 47,255    |
| Trade payables                                | 8,029           | 166            | 36         | 8,231     |
| <b>2017</b>                                   |                 |                |            |           |
| Current financial assets (Note 10)            | 186,736         | 1,299          | 412        | 188,447   |
| Non-current financial assets (Notes 2 and 10) | 3,059,142       | 16,960         | 216,278    | 3,292,380 |
| Current payables (Note 10)                    | 528,322         | 4,059          | —          | 532,381   |
| Non-current payables (Note 10)                | 538,877         | —              | —          | 538,877   |
| Trade receivables                             | 42,280          | 4,522          | 473        | 47,275    |
| Trade payables                                | 7,453           | 2,332          | 67         | 9,852     |

The details of trade receivables from and trade payables to Group companies and associates are as follows:

| Company                                                                                           | 2018          |              | 2017          |              |
|---------------------------------------------------------------------------------------------------|---------------|--------------|---------------|--------------|
|                                                                                                   | Receivable    | Payable      | Receivable    | Payable      |
| FCC Construcción, S.A.                                                                            | 13,977        | 800          | 17,556        | —            |
| FCC Medio Ambiente, S.A.                                                                          | 6,892         | 96           | 1,132         | 260          |
| Serveis Municipals de Neteja de Girona, S.A.                                                      | 3,957         | —            | 4,182         | —            |
| FCC Aqualia, S.A.                                                                                 | 3,538         | 59           | 1,182         | 93           |
| Societat Municipal Medioambiental d'Igualada, S.L.                                                | 2,529         | —            | 1,818         | —            |
| ASA Group                                                                                         | 1,532         | 1,450        | 1,626         | 910          |
| Hidrotec Tecnología del Agua, S.L. Unipersonal                                                    | 1,233         | 14           | 939           | 27           |
| Servicio de Recogida y Gestión de Resíduos Sólidos Urbanos del Consorcio Vega Sierra Elvira, S.A. | 1,199         | 630          | 1,055         | 628          |
| FCC Environment Services (UK) Limited                                                             | 1,038         | —            | 530           | —            |
| Servicios Urbanos de Málaga, S.A.                                                                 | 998           | —            | 668           | —            |
| Valoración y Tratamiento de Resíduos Sólidos Urbanos, S.A.                                        | 970           | —            | 1,062         | —            |
| FCC Environment (UK) Group                                                                        | 805           | —            | 710           | 334          |
| Azincourt Investments, S.L.                                                                       | 713           | —            | 403           | —            |
| Servicios Especiales de Limpieza, S.A.                                                            | 674           | 588          | 826           | 607          |
| Alfonso Benítez, S.A.                                                                             | 655           | 42           | 728           | 32           |
| Cementos Portland Valderrivas, S.A.                                                               | 558           | 21           | 1,324         | 42           |
| Ecoparc del Besós, S.A.                                                                           | 537           | —            | 736           | —            |
| Fedemes, S.L.                                                                                     | 511           | 867          | 469           | 886          |
| Empresa Comarcal de Serveis Mediambientals del Baix Penedés ECOBP, S.L.                           | 506           | —            | 1,013         | —            |
| Empresa Mixta de Medio Ambiente Rincón de la Victoria,                                            | 459           | 52           | 353           | 52           |
| Palacio de Exposiciones y Congresos de Granada, S.A.                                              | 418           | —            | 274           | —            |
| FCC Ámbito, S.A. Unipersonal                                                                      | 386           | 73           | 395           | 164          |
| Sistemas y Vehículos de Alta Tecnología, S.A.                                                     | 283           | 657          | 325           | 288          |
| Manipulación y Recuperación MAREPA, S.A.                                                          | 216           | 6            | 388           | 13           |
| Gandia Serveis Urbans, S.A.                                                                       | 116           | —            | 553           | —            |
| FCC Environmental Services (USA) Llc.                                                             | 76            | 711          | 3             | 52           |
| FCC Industrial e Infraestructuras Energéticas, S.A.                                               | 53            | 63           | 735           | 188          |
| Fast Consortium Limited LLC                                                                       | 36            | —            | 2,199         | 2,166        |
| FC CyC, S.L.                                                                                      | 27            | —            | 1,164         | —            |
| Gestió i Recuperació de Terrenys, S.A. Unipersonal                                                | 1             | 1,338        | 13            | 1,371        |
| Other                                                                                             | 2,362         | 764          | 2,914         | 1,739        |
|                                                                                                   | <b>47,255</b> | <b>8,231</b> | <b>47,275</b> | <b>9,852</b> |

### c) Transactions with directors of the Company and senior executives of the FCC Group

The directors of Fomento de Construcciones y Contratas, S.A. accrued the following amounts at the Company, in thousands of euros:

|                        | 2018     | 2017         |
|------------------------|----------|--------------|
| Fixed remuneration     |          | 1,066        |
| Other remuneration (*) |          | 1,864        |
|                        | <b>0</b> | <b>2,930</b> |

(\*) Includes the services agreement with Alejandro Aboumrad, amounting to 338 thousand euros a year. In 2017, it also included the compensation for contract termination, including a non-competition agreement entered into by the former CEO, in the amount of 708 thousand euros.

The senior executives listed below, which are not members of the Board of Directors, received total remuneration of 4,164 thousand euros (3,168 thousand euros in 2017).

### **2018**

|                          |                                               |
|--------------------------|-----------------------------------------------|
| Marcos Bada Gutiérrez    | General Manager of Internal Audit             |
| Felipe B. García Pérez   | General Secretary                             |
| Miguel A. Martínez Parra | General Manager of Administration and Finance |
| Félix Parra Mediavilla   | General Manager of FCC Aqualia                |

The total remuneration figure includes that received by the Chairman of Environmental Services, Agustín García Gila, until the end of his employment relationship with the Group, on 18 December 2018. Likewise, it included the amount corresponding to the compensation for the termination of this senior manager's contract.

### **2017**

|                         |                                    |
|-------------------------|------------------------------------|
| Marcos Bada Gutiérrez   | General Manager of Internal Audit  |
| Agustín García Gila     | Chairman of Environmental Services |
| Felipe B. García Pérez  | General Secretary                  |
| Miguel Jurado Fernández | FCC Construcción General Manager   |
| Félix Parra Mediavilla  | General Manager of FCC Aqualia     |

The total remuneration figure for 2017 includes the amounts received by Pablo Colio in the period from 16 January 2017 (date of his appointment as General Manager of FCC Construcción) to 12 September of the same year (date of appointment as CEO). Also includes the amounts corresponding to the compensation received for the termination of a senior executive contract in 2017.

The Company had previously taken out and paid for an insurance premium to settle payment of the contingencies related to death, permanent employment disability, retirement bonuses or other items of certain executive directors and officers of Fomento de Construcciones y Contratas, S.A. (Note 4.I). No contributions or income were paid in this regard in 2018 or in 2017.

Under article 38.5 of the Articles of Association, the Company has taken out a third-party liability insurance policy covering directors and executives. This was a collective policy covering all the Group's executives, and in 2018 a premium was paid, amounting to 475 thousand euros.

The Company has taken out an accident insurance policy for its directors, encompassing both the exercise of their functions and their private life, comprising coverage in the event of death, total and absolute permanent incapacity and severe disability. The premium paid in the year amounted to 7 thousand euros.

Except that indicated in the foregoing paragraphs, no remuneration, advances, loans or guarantees were granted to the Board of Directors, nor were any obligations assumed in terms of pensions and life insurance policies by current and former members of the Board of Directors.

The details of the Board members that hold posts at companies in which Fomento de Construcciones y Contratas, S.A. has a direct or indirect ownership interest were as follows:

| Name or corporate name of director                      | Corporate name of the group entity  | Position                                        |
|---------------------------------------------------------|-------------------------------------|-------------------------------------------------|
| EAC INVERSIONES CORPORATIVAS, S.L.                      | CEMENTOS PORTLAND VALDERRIVAS, S.A. | CHAIRMAN                                        |
|                                                         | REALIA BUSINESS, S.A.               | DIRECTOR                                        |
| INMOBILIARIA AEG, S.A. DE C.V.<br>GERARDO KURI KAUFMANN | CEMENTOS PORTLAND VALDERRIVAS, S.A. | DIRECTOR                                        |
|                                                         | CEMENTOS PORTLAND VALDERRIVAS, S.A. | CHIEF EXECUTIVE OFFICER                         |
| CARLOS MANUEL JARQUE URIBE                              | REALIA BUSINESS, S.A.               | CHIEF EXECUTIVE OFFICER                         |
|                                                         | CEMENTOS PORTLAND VALDERRIVAS, S.A. | DIRECTOR                                        |
| JUAN RODRÍGUEZ TORRES                                   | REALIA BUSINESS, S.A.               | DIRECTOR                                        |
|                                                         | CEMENTOS PORTLAND VALDERRIVAS, S.A. | DIRECTOR                                        |
| ALVARO VÁZQUEZ DE LAPUERTA                              | FCC AQUALIA, S.A.                   | DIRECTOR                                        |
|                                                         | REALIA BUSINESS, S.A.               | NON-EXECUTIVE CHAIRMAN                          |
| DON ALEJANDRO ABOUMRAD GONZÁLEZ                         | CEMENTOS PORTLAND VALDERRIVAS, S.A. | DIRECTOR                                        |
|                                                         | CEMENTOS PORTLAND VALDERRIVAS, S.A. | REPRESENTATIVE OF THE DIRECTOR                  |
| DON ANTONIO GOMEZ GARCÍA                                | FCC AQUALIA, S.A.                   | INMOBILIARIA AEG, S.A. DE C.V.                  |
|                                                         |                                     | DIRECTOR AND CHAIRMAN OF THE BOARD OF DIRECTORS |
| PABLO COLIO ABRIL                                       | FCC AMÉRICAS, S.A. DE C.V.          | ALTERNATE DIRECTOR                              |
|                                                         | FCC INDUSTRIAL PERÚ, S.A.           | MEMBER OF THE BOARD OF DIRECTORS                |
|                                                         | FCC MEDIO AMBIENTE, S.A.            | CHAIRMAN                                        |
|                                                         | FCC AQUALIA, S.A.                   | DIRECTOR                                        |
|                                                         | FCC CONSTRUCCIÓN, S.A.              | CHAIRMAN                                        |

These directors hold posts or exercise functions and/or hold ownership interests of less than 0.01% in any case in other FCC Group companies, in which Fomento de Construcciones y Contratas, S.A., directly or indirectly holds the majority of the voting rights.

#### d) Situations of conflicts of interest

No direct or indirect conflicts of interest arose in respect of the Company's activities, under the applicable regulations (article 229 of the Spanish Limited Liability Companies Law), without affecting the Company's transactions with its related parties, posted in these notes to the financial statements or, where appropriate, the agreements related with remuneration matters or the appointment of positions. In this regard, when specific conflicts of interest have taken place with certain directors, they have been resolved in accordance with the procedure stipulated in the Board of Directors' Rules, having abstained from the corresponding debates and voting sessions.

#### e) Transactions with other related parties

In 2018, various transactions were performed with companies in which shareholders of Fomento de Construcciones y Contratas, S.A. own equity interests, the most significant of which were as follows:

- Authorisation to FCC Industrial e Infraestructuras Energéticas, S.A. Unipersonal to carry out phase II construction work on the Salvador Maradiaga building, owned by Hermanos Revilla, S.A. (investee of Realía), amounting to 2,209 thousand euros.
- Continuation of the provision by FCC Industrial e Infraestructuras Energéticas, S.A. of lighting maintenance services at the Ferial Plaza de Guadalajara shopping centre, owned by Realía. Unipersonal, for 50 thousand euros.
- Performance by FCC Industrial e Infraestructuras Energéticas, S.A. Unipersonal of works to update the

Realia's building's management system at Avda. Bruselas, núm. 36 in Alcobendas, amounting to 55 thousand euros.

- Authorisation to FCC Construcción, S.A. to sign the Phase I Construction Works Project contracts for 73 homes, garages, box rooms and U.A residential complex. 78 of the Sabadell General Urban Development Plan (PGOUM); and for the project to develop 72 homes, 114 car parks, 62 box rooms and a swimming pool in Palma de Mallorca, with FCC Construcción, S.A. being the contractor and Realia, S.A. the customer in both cases, for an aggregate amount of 20,924 thousand euros.
- Authorisation to FCC, S.A. to lease two floors of Torre Realia (Plaza de Castilla, Madrid) from Realia for a corporate event, amounting to 15 thousand euros.
- Sale of FC y C, S.L. Unipersonal to Valaise SLU, wholly owned by Realia Business, S.A. for 85 homes, 85 box rooms and 132 garage spaces, all under construction for a sales price of 9,084 thousand euros.
- Factoring line against which a balance of 121,986 thousand euros had been drawn down at 31 December 2018 by the financial group Inbursa to Fomento de Construcciones y Contratas, S.A.
- In the framework of the debt refinancing associated with the Spanish activities of the Cementos Portland Valderrivas Group in 2016, a subordinated loan agreement was entered into with Banco Inbursa, S.A., Institución de Banca Múltiple, with carrying amount at 31 December 2018 of 69,877 thousand euros. The finance costs incurred in 2018 totalled 2,070 thousand euros.
- Financing provided by the financial group Inbursa to FCC Construcción, S.A., for line 2 of the Panama underground, through the acquisition of construction certificates, amounting to 486,331 thousand dollars (424,742 thousand euros) in 2018.

Also, other operations were performed on an arm's length basis, mainly telephony services and internet access, with related parties linked to the majority shareholder, of an insignificant amount.

#### **f) Mechanisms established to detect, determine and resolve possible conflicts of interests between the Parent and/or its Group and its directors, executives or significant shareholders.**

The FCC Group has established specific mechanisms to detect, determine and resolve any possible conflicts of interest between the Group companies and their directors, executives and significant shareholders, as indicated in article 20 and thereafter of the Board of Directors' Rules.

## **22. ENVIRONMENTAL INFORMATION**

In accordance with Note 1, the very nature of the Environmental Services activities performed by the Company aims to protect and conserve the environment, not only due to the production activities themselves: rubbish collection, operation and control of landfills, cleaning of sewers, treatment and elimination of industrial waste, purification of wastewater, etc., but also as a result of the performance of such activities through the use of production techniques and systems aimed at reducing the environmental impact, in accordance with the legal limits.

The performance of the production activities described requires the use of structures, technical facilities and specialised machinery that efficiently protects and conserves the environment. At 31 December 2018, the acquisition cost of the production assets used in these activities amounted to 1,189,825 thousand euros (1,190,468 thousand euros at 31 December 2017), with accumulated depreciation of 777,490 thousand euros (748,144 thousand euros at 31 December 2017).

Company management considers that the possible contingencies in relation to the protection and improvement of the environment, with respect to the Company at 31 December 2018, would not have a material impact on the accompanying financial statements.

As indicated in Note 1 to these financial statements, Fomento de Construcciones y Contratas, S.A. is the Parent of the FCC Group, which carries on diverse activities that, due to their characteristics, specifically focus on control of the environmental impact, whose aspects are significantly expounded in the “Corporate Social Responsibility” document published annually by the Group on, among other channels, the [www.fcc.es](http://www.fcc.es), web page; accordingly, it is advisable to refer the reader to this information, as the best representation of this Note.

## 23. OTHER INFORMATION

### a) Headcount

The average number of people employed by the Company in 2018 and 2017 was as follows:

|                                                           | 2018          | 2017          |
|-----------------------------------------------------------|---------------|---------------|
| Managers and university graduates                         | 216           | 225           |
| Line personnel (holding further education qualifications) | 461           | 485           |
| Clerical and similar staff                                | 608           | 613           |
| Rest of employees                                         | 23,726        | 23,796        |
|                                                           | <b>25,011</b> | <b>25,119</b> |

Also, under Royal Decree 602/2016, of 2 December, adding new disclosure requirements in the financial statements of the companies, the table below details the average number of people with a disability of 33% or more in 2018 and 2017.

|                                                           | 2018       | 2017       |
|-----------------------------------------------------------|------------|------------|
| Managers and university graduates                         | 2          | 2          |
| Line personnel (holding further education qualifications) | 11         | 11         |
| Clerical and similar staff                                | 9          | 9          |
| Rest of employees                                         | 618        | 573        |
|                                                           | <b>640</b> | <b>595</b> |

The number of Company employees, directors and senior executives, at 31 December 2018 and 2017, broken down by gender, were as follows:

|                                                           | Men           | Women        | Total         |
|-----------------------------------------------------------|---------------|--------------|---------------|
| <b>2018</b>                                               |               |              |               |
| Directors                                                 | 11            | 4            | 15            |
| Senior executives                                         | 6             | —            | 6             |
| Managers and university graduates                         | 170           | 30           | 200           |
| Line personnel (holding further education qualifications) | 333           | 110          | 443           |
| Clerical and similar staff                                | 229           | 365          | 594           |
| Rest of employees                                         | 17,595        | 5,227        | 22,822        |
|                                                           | <b>18,344</b> | <b>5,736</b> | <b>24,080</b> |
|                                                           |               |              |               |
|                                                           | Men           | Women        | Total         |
| <b>2017</b>                                               |               |              |               |
| Directors                                                 | 11            | 4            | 15            |
| Senior executives                                         | 5             | —            | 5             |
| Managers and university graduates                         | 180           | 31           | 211           |
| Line personnel (holding further education qualifications) | 365           | 106          | 471           |
| Clerical and similar staff                                | 251           | 363          | 614           |
| Rest of employees                                         | 18,063        | 5,196        | 23,259        |
|                                                           | <b>18,875</b> | <b>5,700</b> | <b>24,575</b> |

#### b) Fees paid to auditors

Fees incurred for auditing and other professional services in 2018 and 2017, provided to the Company by the principal auditor, Deloitte, S.L. and other participating auditors, are set forth below:

|                                         | 2018              |                |              | 2017              |                |              |
|-----------------------------------------|-------------------|----------------|--------------|-------------------|----------------|--------------|
|                                         | Principle auditor | Other auditors | Total        | Principle auditor | Other auditors | Total        |
| Audit services                          | 229               | 16             | 245          | 271               | 21             | 292          |
| Other assurance services                | 180               | 183            | 363          | 203               | 53             | 256          |
| <b>Total audit and related services</b> | <b>409</b>        | <b>199</b>     | <b>608</b>   | <b>474</b>        | <b>74</b>      | <b>548</b>   |
| Tax advisory services                   | -                 | 27             | 27           | -                 | 82             | 82           |
| Other services                          | 124               | 316            | 440          | 306               | 408            | 714          |
| <b>Total professional services</b>      | <b>124</b>        | <b>343</b>     | <b>467</b>   | <b>306</b>        | <b>490</b>     | <b>796</b>   |
| <b>TOTAL</b>                            | <b>533</b>        | <b>542</b>     | <b>1,075</b> | <b>780</b>        | <b>564</b>     | <b>1,344</b> |

## 24. EVENTS AFTER THE REPORTING PERIOD

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The FCC Group's Parent, Fomento de Construcciones y Contratas, S.A., issued 3-month promissory notes amounting to 244 million euros in January 2019, for the use of the programme formalised on the Irish Stock Exchange in November 2018. The programme has a maximum maturity of one year, for an amount of up to 300 million euros, which allows promissory notes to be issued with maturities of between 1 and 364 days from the date of issue. This financial facility allows for greater diversification of the Company's financing resources, at more attractive interest rates providing more efficient management of available liquidity.

On 28 January 2019, the subscription period ended for the capital increase performed by Cementos Portland Valderrivas, S.A., through non-monetary contributions and through the offset of the loan, amounting to 100,000 thousand euros, granted to it by the Company; such capital increase was executed in a public deed on 5 February. Under such arrangement, Fomento de Construcciones y Contratas, S.A. will receive 18,552,834 new shares (Note 10.a.).

## GROUP COMPANIES

## APPENDIX I

| C o m p a n y                                                                                             | Carrying amount |            | % of interest            | Dividends received | Share capital | Reserves | Other equity items | Profit/(loss) for the year 2018 |                       |
|-----------------------------------------------------------------------------------------------------------|-----------------|------------|--------------------------|--------------------|---------------|----------|--------------------|---------------------------------|-----------------------|
|                                                                                                           | Active          | Impairment |                          |                    |               |          |                    | Operation                       | Continuing operations |
| Aparcamientos Concertados, S.A.<br>Arquitecto Gaudí, 4 - Madrid<br>-Car parks-                            | 2.500           | —          | 100                      | 346                | 630           | 204      | —                  | 161                             | 123                   |
| Armigesa, S.A.<br>Pza. Constitución, s/n - Armilla (Granada)<br>-Urban sanitation-                        | 612             | —          | 51                       | 183                | 1,200         | 122      | —                  | 269                             | 201                   |
| Asesoría Financiera y de Gestión, S.A.<br>Federico Salmón, 13 - Madrid<br>-Holding company-               | 3.008           | —          | dir. 43.84<br>ind. 56,16 | —                  | 6,843         | (5,142)  | —                  | 702                             | 5,931                 |
| Azincourt Investment, S.L. Unipersonal<br>Federico Salmón, 13 - Madrid<br>-Holding company-               | 1.545.686       | 1,300,110  | 100                      | —                  | 4             | 54,415   | 61,804             | (59)                            | (18,953)              |
| Bvefdomintaena Beteiligungsverwaltung<br>GmbH Nottendorfer, 11 – Vienna (Austria)<br>-SPV-                | 180             | 170        | 100                      | —                  | 35            | (792)    | —                  | —                               | (396)                 |
| Cementos Portland Valderrivas, S.A.<br>Dormilateria, 72 – Pamplona<br>-Cement-                            | 916,680         | 187,560    | 98.52                    | —                  | 206,112       | 337,654  | 2,282              | (26,853)                        | (31,295)              |
| Compañía General de Servicios Empresariales,<br>S.A. Unipersonal Federico Salmón, 13 –<br>Madrid<br>-SPV- | 60              | —          | 100                      | —                  | 60            | 17       | —                  | —                               | —                     |
| Corporación Española de Servicios, S.A.<br>Federico Salmón, 13 – Madrid<br>-SPV-                          | 44              | —          | dir. 99.99<br>ind. 0,01  | —                  | 60            | 13       | —                  | (1)                             | —                     |
| Dédalo Patrimonial, S.L. Unipersonal<br>Federico Salmón, 13 - Madrid<br>-Holding company-                 | 85.863          | 85,863     | 100                      | —                  | 61            | (14,138) | —                  | 835                             | (104)                 |
| Ecoparque Mancomunidad del Este, S.A.<br>Federico Salmón, 13 – Madrid<br>-Urban sanitation-               | 16.803          | —          | dir. 99.99<br>ind. 0,01  | —                  | 16,805        | 16,549   | —                  | 4,739                           | 3,501                 |

## GROUP COMPANIES

## APPENDIX 1/2

| C o m p a n y                                                                                                                                      | Carrying amount |            | % of interest            | Dividends<br>received | Share capital      | Reserves          | Other equity<br>items | Profit/(loss) for the year 2018 |                          |
|----------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|------------|--------------------------|-----------------------|--------------------|-------------------|-----------------------|---------------------------------|--------------------------|
|                                                                                                                                                    | Active          | Impairment |                          |                       |                    |                   |                       | Operation                       | Continuing<br>operations |
| Egypt Environment Services SAE<br>El Cairo – Egypt<br>-Urban sanitation-                                                                           | 7.760           | 2,469      | dir. 97.00<br>ind. 3,00  | 384                   | 36,400<br>(Egp)(*) | 9,576<br>(Egp)(*) | —                     | 8,501<br>(Egp)(*)               | 3,384<br>(Egp)(*)        |
| Empresa Comarcal de Serveis Mediambientals<br>del Baix Penedés, ECOBP, S.L.<br>Plaça del Centre, 3 – El Vendrell (Tarragona)<br>-Urban sanitation- | 200             | —          | 66.6                     | 294                   | 540                | 109               | 60                    | 634                             | 471                      |
| Europea de Gestión, S.A. Unipersonal<br>Federico Salmón, 13 – Madrid<br>-SPV-                                                                      | 63              | —          | 100                      | —                     | 60                 | 19                | —                     | —                               | —                        |
| FCC Aqualia, S.A.<br>Federico Salmón, 13 - Madrid<br>-Water management-                                                                            | 91,125          | —          | dir. 41.00<br>ind. 10,00 | —                     | 145,000            | 215,957           | 4,225                 | 82,612                          | 116,644                  |
| FCC Austria A.S.A. Abfall Service AG<br>Hans-Hruschka-Gasse, 9 - Himberg (Austria)<br>-Urban sanitation-                                           | 226.784         | —          | dir. 99.98<br>ind. 0,02  | 7,440                 | 5,000              | 39,094            | —                     | (5,568)                         | 11,606                   |
| FCC Concesiones de Infraestructuras, S.L.<br>Avenida Camino de Santiago, 40 – Madrid<br>-Concessions-                                              | 3               | —          | 100                      | —                     | 3                  | —                 | —                     | —                               | —                        |
| FCC Construcción, S.A.<br>Balmes, 36 – Barcelona<br>-Construction-                                                                                 | 1.728.051       | 1,081,027  | 100                      | —                     | 220,000            | 329,675           | —                     | 54,743                          | 13,328                   |
| FCC Equal CEE, S.L.<br>Federico Salmón, 13 – Madrid<br>-Social services-                                                                           | 3               | —          | dir. 99.97<br>ind. 0,03  | —                     | 3                  | 168               | —                     | 128                             | 96                       |
| FCC Equal CEE Andalucía S.L.<br>Avda.Moliere, 36 Edif.Cristal 9/1 P - Málaga<br>-Social services-                                                  | 3               | —          | dir. 99.97<br>ind. 0,03  | —                     | 3                  | (8)               | —                     | 10                              | 8                        |
| FCC Equal CEE Comunidad Valenciana S.L.<br>Riu Magre, 6 P.I. Patada<br>Quart de Poblet (Valencia)<br>-Social services-                             | 3               | —          | dir. 99.97<br>ind. 0,03  | —                     | 3                  | (5)               | —                     | 54                              | 41                       |

## GROUP COMPANIES

### APPENDIX I/3

| C o m p a n y                                                                                                   | Carrying amount |            | % of interest            | Dividends received | Share capital | Reserves | Other equity items | Profit/(loss) for the year 2018 |                       |
|-----------------------------------------------------------------------------------------------------------------|-----------------|------------|--------------------------|--------------------|---------------|----------|--------------------|---------------------------------|-----------------------|
|                                                                                                                 | Active          | Impairment |                          |                    |               |          |                    | Operation                       | Continuing operations |
| FCC Equal CEE Murcia S.L.<br>Luis Pasteur, 8 - Cartagena (Murcia)<br>-Social services-                          | 3               | 2          | dir. 99.97<br>ind. 0,03  | —                  | 3             | (2)      | —                  | 3                               | 2                     |
| FCC Medio Ambiente, S.A.<br>Federico Salmón, 13 – Madrid<br>-Urban sanitation-                                  | 35.102          | —          | dir. 98.98<br>ind. 1,02  | —                  | 43,273        | 84,317   | —                  | 7,134                           | 15,318                |
| FCC TopCo S.à.r.l 48, Boulevard Grande-Duchesse Charlotte Luxembourg<br>-Holding company-                       | 22,253          | 33         | 100                      | —                  | 50            | 22,213   | —                  | (33)                            | —                     |
| FCC Versia, S.A.<br>Avenida Camino de Santiago, 40 – Madrid<br>-Management company-                             | 62.624          | 62,624     | 100                      | —                  | 120           | (40,344) | —                  | 2,968                           | 3,723                 |
| FCCyC, S.L. Unipersonal<br>Federico Salmón, 13 – Madrid<br>-Real estate-                                        | 351,867         | —          | dir. 99.86<br>ind. 0,14  | —                  | 28,379        | 317,373  | —                  | 1,870                           | 1,786                 |
| Fedemes, S.L.<br>Federico Salmón, 13 – Madrid<br>-Real estate-                                                  | 10.764          | —          | dir. 92.67<br>ind. 7,33  | —                  | 10,301        | 7,136    | —                  | 3,704                           | 2817                  |
| Gandia Serveis Urbans, S.A.<br>Llanterners, 6 – Gandia (Valencia)<br>-Urban sanitation-                         | 78              | —          | 95                       | 686                | 120           | 1,882    | —                  | 1,150                           | 550                   |
| Geneus Canarias, S.L.<br>Electricista, 2 Urb. Ind. De Salinetas<br>Telde (Las Palmas)<br>-Waste treatment -     | 1.762           | —          | 100                      | —                  | 1,714         | 1350     | 320                | 674                             | 550                   |
| Gipuzcoa Ingurumena Bi, S.A.<br>P.I. Zubiondo Parc.A 5 Hernani (Guipúzcoa)<br>-Waste treatment-                 | 1,395           | —          | dir. 60.00<br>ind. 17,00 | —                  | 2275          | —        | —                  | —                               | —                     |
| Limpiezas Urbanas de Mallorca, S.A.<br>Crt. Can Picafort, s/n – Santa Margalida (Balears)<br>-Urban sanitation- | 5.097           | —          | dir. 99.92<br>ind. 0,08  | —                  | 308           | 6,904    | —                  | 441                             | 293                   |

## GROUP COMPANIES

APPENDIX 1 / 4

| C o m p a n y                                                                                                                                                         | Carrying amount  |                  | % of interest           | Dividends received | Share capital | Reserves | Other equity items | Profit/(loss) for the year 2018 |                       |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|------------------|-------------------------|--------------------|---------------|----------|--------------------|---------------------------------|-----------------------|
|                                                                                                                                                                       | Active           | Impairment       |                         |                    |               |          |                    | Operation                       | Continuing operations |
| Per Gestora, S.L.<br>Federico Salmón, 13 – Madrid<br>-SPV-                                                                                                            | 71.552           | 7,493            | dir. 99.00<br>ind. 1,00 | —                  | 60            | 59,619   | —                  | (2)                             | 4,937                 |
| Serveis Municipals de Neteja de Girona, S.A.<br>Pza. del vi, 1– Girona<br>-Urban sanitation-                                                                          | 45               | 45               | 75                      | —                  | 60            | (797)    | —                  | (244)                           | (220)                 |
| Servicio de Recogida y Gestión de Residuos Sólidos Urbanos del Consorcio Vega Sierra Elvira, S.A.<br>Doctor Jiménez Rueda, 10– Atarfe (Granada)<br>-Waste treatment - | 1.334            | 365              | 60                      | —                  | 2,224         | (521)    | —                  | (78)                            | (87)                  |
| Sistemas y Vehículos de Alta Tecnología, S.A.<br>Federico Salmón, 13 - Madrid<br>-Marketing of high technology equipment -                                            | 5.828            | —                | dir. 99.99<br>ind. 0,01 | —                  | 180           | 9,355    | —                  | 1,599                           | 1,147                 |
| Societat Municipal Medioambiental d'Igualada, S.L.<br>Pza. del Ajuntament, 1 – Igualada (Barcelona)<br>-Urban sanitation-                                             | 870              | —                | 65.91                   | —                  | 1,320         | —        | —                  | (26)                            | (54)                  |
| Tratamientos y Recuperaciones Industriales, S.A.<br>Rambla Catalunya, 2-4 – Barcelona<br>-Waste treatment-                                                            | 21.455           | 17,817           | dir. 74.92<br>ind. 0,08 | 450                | 72            | 3,257    | —                  | 510                             | 377                   |
| Valoración y Tratamiento de Residuos Urbanos, S.A.<br>Riu Magre, 6 – Pol. Ind. Patada del Cid–<br>Quart de Poblet (Valencia)<br>-Waste treatment-                     | 4.000            | —                | 80                      | —                  | 5,000         | 3,724    | —                  | 2,612                           | 1,829                 |
| <b>T O T A L</b>                                                                                                                                                      | <b>5,221,459</b> | <b>2,745,578</b> |                         | <b>9,783</b>       |               |          |                    |                                 |                       |

(\*) (Egp): Egyptian pounds.

## NOTE:

- In the year, the Company served the notifications required under article 155 of the Consolidated Spanish Limited Liability Companies Law to the acquired companies in which it directly or indirectly owns more than 10% of its share capital.

## APPENDIX II

## JOINT VENTURES

|                                          | % interest |
|------------------------------------------|------------|
| AGARBI                                   | 60,00      |
| AGARBI BI                                | 60,00      |
| AGARBI INTERIORES                        | 20,00      |
| AIZMENDI                                 | 60,00      |
| AKEI                                     | 60,00      |
| ALCANTARILLADO ALCOY                     | 50,00      |
| ALCANTARILLADO BURGOS                    | 60,00      |
| ALCANTARILLADO MELILLA                   | 50,00      |
| ALELLA                                   | 50,00      |
| ALUMBRADO BAZA                           | 100,00     |
| ALUMBRADO GELVES                         | 50,00      |
| ALUMBRADO LEPE                           | 50,00      |
| ALUMBRADO MONT-ROIG DEL CAMP             | 50,00      |
| ALUMBRADO TIAS                           | 33,50      |
| ARAZURI 2016                             | 50,00      |
| ARCOS                                    | 51,00      |
| ARTIGAS                                  | 20,00      |
| ARUCAS II                                | 70,00      |
| BAIX EBRE-MONTSIÀ                        | 60,00      |
| BARBERA SERVEIS AMBIENTALS               | 50,00      |
| BERANGO                                  | 20,00      |
| BILBOKO LORATEGIAK                       | 60,00      |
| BILBOKO SANEAMENDU                       | 50,00      |
| BILBOKO SANEAMENDU BI                    | 50,00      |
| BILKETA 2017                             | 20,00      |
| BIOCOMPOST DE ÁLAVA                      | 50,00      |
| BIZKAIAKO HONDARTZAK                     | 25,00      |
| BOADILLA                                 | 50,00      |
| BOMBEO ZONA SUR                          | 1,00       |
| CABRERA DE MAR                           | 50,00      |
| CANA PUTXA                               | 20,00      |
| CANGAS                                   | 50,00      |
| CASTELLAR DEL VALLÈS                     | 50,00      |
| CENTRO DEPORTIVO GRANADILLA DE ABONA     | 1,00       |
| CGR GUIPUZCOA                            | 35,14      |
| CHIPIONA                                 | 50,00      |
| CLAUSURA SAN MARCOS                      | 40,00      |
| CONSERVACION GETAFE                      | 1,00       |
| CONTENEDORES LAS PALMAS                  | 30,00      |
| CTR DE L'ALT EMPORDÀ                     | 45,00      |
| CTR-VALLÈS                               | 20,00      |
| CUA                                      | 50,00      |
| DOS AGUAS                                | 35,00      |
| ECOGONDOMAR                              | 70,00      |
| ECOPARQUE CÁCERES                        | 50,00      |
| ECOURENSE                                | 50,00      |
| EDAR CUERVA                              | 5,00       |
| EDAR REINOSA                             | 1,00       |
| EDAR SAN VICENTE DE LA BARQUERA          | 1,00       |
| EDIFICIO ARGANZUELA                      | 99,99      |
| EFICIENCIA ENERGÉTICA PUERTO DEL ROSARIO | 60,00      |
| ELEMENTOS TEMÁTICOS                      | 100,00     |
| EMANKUDE                                 | 20,00      |
| ENERGÍA SOLAR ONDA                       | 25,00      |
| ENLLUMENAT SABADELL                      | 50,00      |
| ENVASES LIGEROS MALAGA                   | 50,00      |
| EPELEKO KONPOSTA                         | 60,00      |
| EPELEKO PLANTA                           | 35,00      |
| EPREMESA PROVINCIAL                      | 55,00      |
| ERETZA                                   | 70,00      |
| ES VEDRA                                 | 25,00      |
| ETXEBARRI                                | 20,00      |
| F.L.F. LA PLANA                          | 47,00      |
| F.S.S.                                   | 99,00      |
| FCC PERICA I                             | 60,00      |
| FCC SANEAMIENTO LOTE D                   | 100,00     |
| FCC, S.A. LUMSA                          | 50,00      |
| FCC – ACISA - AUDING                     | 45,00      |

## APPENDIX II/2

|                                      | % interest |
|--------------------------------------|------------|
| FCC-ERS LOS PALACIOS                 | 50,00      |
| FCC-FCCMA ALCOY                      | 20,00      |
| FCC-FCCMA SEGRIA                     | 20,00      |
| FCC – HIJOS DE MORENO, S.A.          | 50,00      |
| FCC-MCC SANTIAGO DEL TEIDE           | 80,00      |
| FCC – PALAFRUGEL                     | 20,00      |
| FCC – PERICA                         | 60,00      |
| FCCSA – GIRSA                        | 80,00      |
| FCC-SUFI MAJADAHONDA                 | 50,00      |
| GESTIÓ INTEGRAL DE RUNES DEL PAPIOL  | 40,00      |
| GESTIÓN INSTALACIÓN III              | 34,99      |
| GESTION SERVICIOS DEPORTES CATARROJA | 100,00     |
| GIREF                                | 20,00      |
| GOIERRI GARBIA                       | 60,00      |
| ICAT LOTE 11                         | 50,00      |
| ICAT LOTE 15                         | 50,00      |
| ICAT LOTE 20 Y 22                    | 70,00      |
| ICAT LOTE 7                          | 50,00      |
| INTERIORES BILBAO                    | 80,00      |
| INTERIORES BILBAO II                 | 30,00      |
| INTERIORES ORDUÑA                    | 20,00      |
| JARD. UNIVERSITAT JAUME I            | 50,00      |
| JARDINES MOGAN                       | 51,00      |
| JARDINES PROTECCIÓN ESPECIAL         | 50,00      |
| JARDINES PUERTO DEL ROSARIO          | 78,00      |
| JARDINES TELDE                       | 100,00     |
| JARDINS SANTA COLOMA                 | 50,00      |
| JUNDIZ II                            | 51,00      |
| KIMAKETAK                            | 50,00      |
| LA LLOMA DEL BIRLET                  | 80,00      |
| LAS CALDAS GOLF                      | 50,00      |
| LEGIO VII                            | 50,00      |
| LEKEITIOKO MANTENIMENDUA             | 60,00      |
| LEZO GARBIKETA 2018                  | 55,00      |
| LIMPIEZA Y RSU LEZO                  | 55,00      |
| LODOS ARAZURI                        | 50,00      |
| LOGROÑO LIMPIO                       | 50,00      |
| LUZE VIGO                            | 20,00      |
| LV ARRASATE                          | 60,00      |
| LV ORDUÑA                            | 20,00      |
| LV RSU VITORIA-GASTEIZ               | 60,00      |
| LV Y RSU ARUCAS                      | 70,00      |
| LV ZUMAIA                            | 60,00      |
| LV ZUMARRAGA                         | 60,00      |
| MANACOR                              | 30,00      |
| MANCOMUNIDAD DE ORBIGO               | 1,00       |
| MANT. EDIFICIOS VALENCIA             | 27,50      |
| MANTENIMENT HABITATGE B1             | 100,00     |
| MANTENIMENT REG DE CORNELLÀ          | 60,00      |
| MANTENIMIENTO BREÑA ALTA             | 50,00      |
| MANTENIMIENTO DE COLEGIOS III        | 60,00      |
| MELILLA                              | 50,00      |
| MNTO. EDIFICI MOSSOS ESQUADRA        | 70,00      |
| MNTO. MEDITERRANEA FCC               | 50,00      |
| MURO                                 | 20,00      |
| MUZKIZ                               | 20,00      |
| NERBIOI IBAIZABAL 5º CONTENEDOR      | 60,00      |
| NIGRÁN                               | 1,00       |
| OBRAS JARDINES                       | 100,00     |
| ONDA EXPLOTACIÓN                     | 33,33      |
| PÁJARA                               | 70,00      |
| PAMPLONA                             | 80,00      |
| PARLA                                | 50,00      |
| PARQUES INFANTILES LP                | 50,00      |
| PASAIA                               | 70,00      |
| PASAIKO PORTUA BI                    | 55,00      |
| PERIFÉRICO LOTE 3                    | 50,00      |
| PISCINA CUB. MUN. ALBATERA           | 100,00     |
| PISCINA CUB. MUN. L'ELIANA           | 100,00     |
| PISCINA CUBIERTA BENICARLÓ           | 100,00     |
| PISCINA CUBIERTA C. DEP. ALBORAYA    | 100,00     |

|                               | % interest |
|-------------------------------|------------|
| PISCINA CUBIERTA MANISES      | 100,00     |
| PISCINA CUBIERTA PAIPORTA     | 90,00      |
| PLANTA TR. FUERTEVENTURA      | 70,00      |
| PLANTA TRATAMIENTO VALLADOLID | 90,00      |
| PLATGES VINAROS               | 50,00      |
| PLAYAS GIPUZKOA III           | 55,00      |
| PLAYAS GIPUZKOA               | 55,00      |
| PLAYAS GIPUZKOA II            | 55,00      |
| PORTMANY                      | 50,00      |
| PUERTO                        | 50,00      |
| PUERTO DE PASAIA              | 55,00      |
| PUERTO DE PTO. DEL ROSARIO    | 70,00      |
| PUERTO II                     | 70,00      |
| R.S.U. CHIPIONA               | 50,00      |
| RBV VILLA-REAL                | 47,00      |
| RBV. ELS PORTS                | 50,00      |
| RECOLLIDA SEGRÌA              | 60,00      |
| REDONDELA                     | 0,01       |
| REG CORNELLA                  | 60,00      |
| RESIDENCIA                    | 50,00      |
| RESIDUOS 3 ZONAS NAVARRA      | 60,00      |
| RSU BILBAO II                 | 20,00      |
| RSU LVS. BME TIRAJANA         | 50,00      |
| RSU MALAGA                    | 50,00      |
| RSU SESTAO                    | 60,00      |
| RSU TOLOSALDEA                | 60,00      |
| RTVE                          | 50,00      |
| S.U. BENICASSIM               | 35,00      |
| S.U. BILBAO                   | 60,00      |
| S.U. OROPESA DEL MAR          | 35,00      |
| SAN FERNANDO                  | 20,00      |
| SANEAMIENTO URBANO CASTELLÓN  | 65,00      |
| SANEAMIENTO VITORIA-GASTEIZ   | 60,00      |
| SANEJAMENT CELLERA DE TER     | 50,00      |
| SANEJAMENT MANRESA            | 80,00      |
| SANTOMERA                     | 60,00      |
| SASIETA                       | 75,00      |
| SAV - FCC TRATAMIENTOS        | 35,00      |
| SEGURETAT URBICSA             | 60,00      |
| SELEC. UROLA KOSTA II 2017    | 60,00      |
| SELECTIVA LAS PALMAS          | 55,00      |
| SELECTIVA SAN MARCOS          | 65,00      |
| SELECTIVA SAN MARCOS II       | 63,00      |
| SELECTIVA SANLUCAR            | 50,00      |
| SELECTIVA UROLA-KOSTA         | 60,00      |
| SELLADO VERTEDERO LOGROÑO     | 50,00      |
| SERAGUA-FCC-VIGO              | 0,01       |
| SOLARES CEUTA                 | 50,00      |
| S.U. ALICANTE                 | 33,33      |
| SU MURO                       | 20,00      |
| TOLOSAKO GARBIKETA            | 40,00      |
| TOLOSALDEA RSU 2018           | 60,00      |
| TORREJÓN                      | 25,00      |
| TRANSP. Y ELIM. RSU           | 33,33      |
| TRANSPORTE RSU                | 33,33      |
| TRANSPORTE SAN MARCOS         | 80,00      |
| TÚNEL PUERTO ALGECIRAS        | 30,00      |
| UROLA ERDIA                   | 60,00      |
| URRETXU Y ZUMARRAGA           | 65,00      |
| URTETA                        | 50,00      |
| VALDEMORO                     | 100,00     |
| VALDEMORO 2                   | 100,00     |
| VERTEDERO GARDELEGUI III      | 70,00      |
| VERTRESA                      | 10,00      |
| VIDRIO MELILLA                | 50,00      |
| VIGO RECICLA                  | 70,00      |
| VINAROS                       | 50,00      |
| ZAMORA LIMPIA                 | 30,00      |
| ZARAGOZA DELICIAS             | 51,00      |
| ZARAUZKO GARBIETA             | 60,00      |
| ZUMAIA                        | 60,00      |
| ZURITA                        | 50,00      |
| ZURITA II                     | 50,00      |

# ASSOCIATES AND JOINTLY CONTROLLED ENTITIES

## APPENDIX III

| C o m p a n y                                                                                                                           | Carrying amount |            | % of interest            | Dividends received | Share capital | Reserves | Other equity items | Profit/(loss) for the year 2018 |                       |
|-----------------------------------------------------------------------------------------------------------------------------------------|-----------------|------------|--------------------------|--------------------|---------------|----------|--------------------|---------------------------------|-----------------------|
|                                                                                                                                         | Active          | Impairment |                          |                    |               |          |                    | Operation                       | Continuing operations |
| Ecoparc del Besós, S.A.<br>Rambla Cataluña, 91-93 – Barcelona<br>-Urban sanitation-                                                     | 2.621           | —          | dir. 31.00<br>ind. 54,00 | 758                | 7,710         | 2,382    | 10,285             | 6,082                           | 3,447                 |
| Ecoserveis Urbans Figueres, S.L.<br>Avda. Alegries, s/n – Lloret de Mar (Girona)<br>-Urban sanitation-                                  | 301             | —          | 50                       | 87                 | 601           | 120      | —                  | 142                             | 116                   |
| Empresa Mixta de Limpieza de la Villa de Torrox, S.A.<br>Pz. de la Constitución, 1 – Torrox (Malaga)<br>-Urban sanitation-              | 300             | —          | 50                       | 433                | 600           | 280      | —                  | 236                             | 179                   |
| Empresa Mixta de Medio Ambiente de Rincón de la Victoria, S.A. Avda. Zorreras, 1 – Rincón de la Victoria (Malaga)<br>-Urban sanitation- | 301             | —          | 50                       | —                  | 601           | 159      | —                  | (42)                            | (79)                  |
| FM Green Power Investments, S.L.<br>Federico Salmón, 13 – Madrid<br>-Energy -                                                           | 257.089         | 249,861    | 49                       | —                  | 62,885        | (32)     | —                  | (58)                            | 3,649                 |
| Gestión Integral de Residuos Sólidos, S.A.<br>Profesor Beltrán Ibaquena, 4 – Valencia<br>-Urban sanitation-                             | 10.781          | 5,824      | 49                       | —                  | 13,124        | (2,646)  | 222                | (192)                           | (288)                 |
| Ingeniería Urbana, S.A.<br>Pol. Industrial Pla de Vallonga, s/n – Alicante<br>-Urban sanitation-                                        | 3.786           | —          | 35                       | 50                 | 6,010         | 5,995    | —                  | 260                             | 254                   |
| Palacio de Exposiciones y Congresos de Granada, S.A.<br>Ps. del Violón, s/n – Granada<br>-Equipment management -                        | 255             | 255        | 50                       | —                  | 510           | (3,589)  | —                  | (500)                           | (532)                 |

## ASSOCIATES AND JOINTLY CONTROLLED ENTITIES

## APPENDIX III/2

| C o m p a n y                                                                                         | Carrying amount |            | % of interest           | Dividends received | Share capital      | Reserves           | Other equity items | Profit/(loss) for the year 2018 |                       |
|-------------------------------------------------------------------------------------------------------|-----------------|------------|-------------------------|--------------------|--------------------|--------------------|--------------------|---------------------------------|-----------------------|
|                                                                                                       | Active          | Impairment |                         |                    |                    |                    |                    | Operation                       | Continuing operations |
| Realia Business, S.A.<br>Paseo de la Castellana, 216 – Madrid<br>-Real estate -                       | 258,394         | —          | dir. 34.40<br>ind. 2,65 | —                  | 196,864            | 383,235            | —                  | (576)                           | 5,110                 |
| Servicios Urbanos de Málaga, S.A.<br>Ulises, 18 – Madrid<br>-Urban sanitation-                        | 1.610           | —          | 51                      | —                  | 3,156              | 594                | —                  | (7)                             | (7)                   |
| Suministros de Agua de Queretaro S.A. de C.V.<br>Santiago de Queretaro (Mexico)<br>-Water management- | 4.367           | —          | dir. 24.00<br>ind. 2,00 | 1,515              | 347,214<br>(Mp)(*) | 418,735<br>(Mp)(*) | —                  | 236,763<br>(Mp)(*)              | 98,587<br>(Mp)(*)     |
| <b>T O T A L</b>                                                                                      | 539,805         | 255,940    |                         | 2,302              |                    |                    |                    |                                 |                       |

(\*) (Mp): Mexican pesos.

## NOTE:

- Of the related parties, only Bolsa Realia Business, S.A. trades on the stock exchange, with its listed price being 0.91 at the reporting date. The average listed price for the last quarter of the year was 0.93 euros
- In the year, the Company served the notifications required under article 155 of the Consolidated Spanish Limited Liability Companies Law to the acquired companies in which it directly or indirectly owns more than 10% of its share capital.

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FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A.

# Financial Statements

| C O N T E N T S                                                                         | PAGE |
|-----------------------------------------------------------------------------------------|------|
| 1. SITUATION OF THE COMPANY                                                             | 1    |
| 2. BUSINESS PERFORMANCE AND RESULTS                                                     | 5    |
| 3. LIQUIDITY AND CAPITAL RESOURCES                                                      | 7    |
| 4. MAIN RISKS AND UNCERTAINTIES                                                         | 8    |
| 5. ACQUISITION AND DISPOSAL OF OWN SHARES                                               | 9    |
| 6. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD                                        | 10   |
| 7. INFORMATION ON THE COMPANY'S OUTLOOK                                                 | 10   |
| 8. R&D&I ACTIVITIES                                                                     | 14   |
| 9. OTHER RELEVANT INFORMATION. STOCK MARKET PERFORMANCE AND OTHER INFORMATION           | 21   |
| 10. DEFINITION OF ALTERNATIVE PERFORMANCE MEASURES UNDER ESMA REGULATIONS (2015/1415es) | 22   |
| 11. ANNUAL CORPORATE GOVERNANCE REPORT                                                  | 23   |
| 12. NON-FINANCIAL REPORT                                                                | 23   |

## 1. SITUATION OF THE COMPANY

Fomento de Construcciones y Contratas, S.A. is the Parent of the FCC Group and has direct and indirect ownership interests in the Group's businesses and areas of activities. Accordingly, in order to provide information on the economic, financial social and environmental events in the year and to situate them in their appropriate context, below is the Consolidated Directors' Report of the FCC Group, which includes the Consolidated Non-Financial Statement. The Company's non-financial information is contained within this report.

### 1.1. Situation of the company: Organisational structure and management decision-making process

The FCC Group's organisational structure is based on a first level made up by Areas, which are divided into two large groups: operational and functional.

The operating areas include all activities related to the production line. The FCC Group has the following operating areas, as discussed in greater detail in Note 1 to the consolidated financial statements and in section 1.2. of the Non-Financial Report:

- **Environmental Services**
- **End-to-End Water Management**
- **Construction**
- **Cement**

Each of these operating areas is headed by one or more Specialised Companies which, depending on FCC, encompass the activities inherent to the Group.

On the other hand, the Functional Areas that provide support to the operating areas are:

- **Administration and Finance:** The General Administration and Finance Department consists of the areas of Administration, IT Systems, Finance, Investor Relations and Management Control, Corporate Marketing and Branding, Procurement and Human Resources units.

The Administration unit runs the administrative management of the FCC Group. Its duties regarding the Information Systems and Internal Control include the following:

- General accounting
  - Accounts standardisation
  - Consolidation
  - Tax consulting
  - Tax procedures
  - Tax compliance
  - Administrative procedures
- **Internal Audit and Risk Management:** its purpose is to provide the Board of Directors, via the Audit and Control Committee, and the FCC's Group's senior management, with support for their responsibilities to supervise the Internal Control System, by exercising a function of single, independent governance aligned with professional standards, to contribute towards good corporate governance, verify due compliance with applicable regulations, both internal and external, and reduce to reasonable levels, the possible impact of risks on the FCC Group achievement of its objectives.

To do this, it is structured into two independent functions: Internal Audit and Risk and Compliance Management.

**General Secretary's Office:** depending directly on the Group's Chief Executive, its main duty is to support the Chief Executive's management and that of the heads of FCC's other divisions, by providing all the services detailed in the corresponding sections on FCC's divisions and departments, whose performance and supervision is the responsibility of the General Secretary.

The office is made up of these units: Legal Department, Quality Assurance, Corporate Security and General Services and Corporate Responsibility.

On a secondary level, the Areas may be divided into Sectors –operating Sectors- and Divisions - functional Divisions-, creating spheres permitting greater specialisation when required.

The structure of the main decision-making bodies is as follows:

- **Board of Directors:** This is the body with the widest-reaching, unrestricted powers, except for those expressly reserved by the Spanish Limited Liability Companies Law or the Bylaws to the powers of the General Shareholders' Meeting.
- **Audit and Control Committee:** Its main function is to support the Board of Directors in its supervisory tasks, through the periodic review of the process for preparing economic and financial information, its internal controls and independence of the external auditor.
- **Appointments and Remuneration Committee:** This supports the Board of Directors in relation to the proposals for the nomination, re-election, ratification and termination of Directors, establishes and controls the remuneration policy of the Company's Directors and Senior Executives and the fulfilment by the Directors of their duties, particularly in relation to situations of conflicts of interest and related party transactions.
- **Management Committee:** Each of the business units has its own Management Committee or other Committee with similar duties.

Further information on the functions of the FCC Group's decision-making bodies is provided in section 1 of the Internal Control over Financial Reporting system (ICFR) report, as well as in section 2.2 of the Non-Financial Report.

## 1.2. Company situation: Company business model and strategy

FCC is one of Europe's leading groups specialising in environmental services, water, infrastructure development and management, with a presence in more than 30 countries around the world and more than 45% of its billing sourced from international markets, mainly Europe, the Middle East, Latin America and the United States.

### Environmental Services

The Environmental Services Area has a solid presence in Spain, maintaining a position of leadership in the provision of environmental urban services for over 100 years.

In Spain FCC provides environmental services in around 3,600 municipal districts, serving a population of more than 28 million. Among the different activities in this sector, those of rubbish collection and street cleaning should be highlighted, which represent 36% and 33% respectively of the turnover obtained in this market in 2018. This is followed in order of importance by waste

treatment and elimination, cleaning and maintenance of buildings, parks and gardens and, to a lesser extent, sewerage. Together they cover nearly 96% of the domestic business, with the remainder corresponding to other services.

In turn, the international business is mainly undertaken in the United Kingdom, Central Europe, the United States and, to a lesser extent, in other countries. FCC holds a leading position in the United Kingdom and Central Europe for integral urban solid waste management as well as providing a wide range of environmental services. The different services provided in this sector include waste treatment and recycling, elimination, waste collection and generation of renewable energies, with an increasing weight in activities for the waste treatment, recycling and generation of renewable energies and a progressive reduction for elimination activities in controlled landfills. The different services provided in this sector include waste treatment, elimination and collection, which accounted for 55% and 20%, respectively, of the total turnover in 2018. Also noteworthy is the growth in the US, where urban and industrial solid waste management and collection activities are carried out. This was the first full year of collection services in Polk County (Florida) and Rowlett (Texas). The waste recycling plant in Houston (Texas) was also built and will be operational from the first quarter of 2019.

In addition, the Environmental Services area specialises in the integrated handling of industrial and commercial waste, recovery of by-products and soil decontamination, through FCC Ámbito, which encompasses a group of companies with a wide network of management and recovery facilities, which means that waste can be handled correctly, thereby ensuring the protection of the environment and people's health.

The strategy in Spain will focus on staying competitive through quality and innovation, extending the efficiency and quality of services based on innovation and accumulated know-how, as well as continuing to make progress in providing smarter services for more sustainable and responsible cities.

This year we will continue to focus on the efficiency of operations and growing our business. In this regard, the inclusion of new technologies will enable us to further consolidate our strength in the markets for waste recycling and valuation in Europe and position ourselves as key players in the circular economy. With regard to the United States, the business will continue to be developed in the years to come.

### **End-to-end Water Management**

FCC Aqualia serves more than 23 million users and provides services in more than 1,100 municipal districts in 21 countries, offering the market full solutions for the needs of public and private entities and organisations at every stage of the integrated water cycle and for all uses: human, agricultural or industrial.

FCC Aqualia's business focuses on concessions and services, covering concessions for distribution networks, BOT, O&M and irrigation services, as well as technology and network tasks covering EPC contracts and industrial water-treatment activities.

Mention should also be made that in September 2018 the sale was completed of a 49% minority stake of the area's head, FCC Aqualia, to the IFM Global Infrastructure Fund was. IFM's entry allows FCC Aqualia's strategy to be reinforced regarding its growth objectives and to be able to face greater challenges in the world water market, whilst FCC Aqualia maintains its operating structure and management team.

In 2018 the market in Spain represented 71.5% of turnover. In 2018 the trend, which had begun in 2015. for the recovery of turnover volumes was interrupted, with a fall in consumption, especially in the inland regions. This was due to a particularly rainy first half of the year compared to a markedly dry previous year. The reduction in the volume of consumption was partially offset by an

improvement in Operation and Maintenance (O&M) activities, efficiency improvements in operations and a greater volume of execution of various works linked to concession contracts.

In the public sphere, there is still a low level of bidding for hydraulic infrastructure concessions, which increases the deficit in renovation and expansion of existing infrastructures. In spite of this, tenders have been won and extensions have been secured for existing contracts for integrated water-cycle concessions, with a very high level of loyalty (more than 90%) by those municipal districts in which it operates. Aqualia has also made considerable efforts to expand its presence in the facilities O&M market (WWTPs, DWTPs, desalination plants and network management).

The international market achieved a turnover of 28.5%. FCC Aqualia focuses its business in Europe, North Africa, the Middle East and America, currently holding contracts in more than 15 countries.

FCC Aqualia seeks to maintain its competitive position in those markets for integrated management of the water cycle in which it has a consolidated presence (Europe) and to take advantage of the opportunities that arise in this business. In other expanding markets, in addition to integral cycle management, plans are underway to boost growth via BOT and O&M (North Africa, Latin America and the Middle East), while continuing to study options in others (such as the US). In addition, FCC Aqualia will take advantage of its extensive experience in the integrated management of the water cycle with business opportunities in countries where the political and social climate is stable.

## Construction

FCC Construcción focuses its activity on the design, development and construction of large civil engineering, industrial and building infrastructure projects. It is worth highlighting its presence in public works of special complexity such as railways, tunnels and bridges, which, together with industrial installation and maintenance projects, account for a large part of its activity.

Its teams have the experience, technical training and innovation to participate in the entire value chain of projects, from definition and design, to full execution and subsequent operation.

In 2018, 63.2% of total earnings came from abroad, with the execution of major infrastructure works such as Riyadh Metro lines 4, 5 and 6, Lima Metro line 2, Doha metro, the Gerald Desmond bridge (US), Panama Metro line 2 and the Gurasoada-Simeria railway line (sectors 2a, 2b and 3) in Romania, the latter being in the initial phase of execution. During 2018, mention should be made of the contracts awarded in the Corredor de las Playas Sections I and II (Panama) for 419.2 million and 270.2 million euros respectively, the penitentiary complex in Haren (Belgium) for 158 million euros, and the construction and maintenance of two buildings of the University of Grangegorman (Ireland) for 109.7 million euros.

The unit's strategy focuses on the development and construction of major, technically complex infrastructure projects, with secured financing and in countries where the group has stable presence, in order to optimise the profitability of the experience and the technical skills of its work teams.

## Cement

The FCC Group carries out its cement activity through the Cementos Portland Valderrivas (CPV) group. Its activity is focused on the manufacture of cement, whose sales in 2018 accounted for more than 90% of the business' total earnings. The remaining percentage is mainly provided by the sale of concrete, mortar and aggregates. The activity is based in the various cement production sites in Spain (7) and Tunisia (1).

In terms of geographical diversification, 60% of revenue come from Spain and 40% from international markets. In addition to Spain and Tunisia, CPV is also present in other regions such as the United

Kingdom. In addition to local sales, the company exports to different countries in West Africa and others in Europe.

The Cement unit holds a leadership position both in its most important market, Spain, and in the Tunisian market.

CPV's main objective is to maintain competitive pressure, in both operational and commercial costs in the markets in which it operates, in order to remain a reference in the sector in all the countries where it is present.

## 2. BUSINESS PERFORMANCE AND RESULTS

### 2.1. Operating performance

#### 2.1.1. Significant Events

##### **FCC sells a minority stake in FCC Aqualia for €1,024 million**

The sale of a 49% stake in FCC Aqualia, the parent company of the water division, to IFM Investors for €1,024 million was completed in September. The funds were used mainly to reduce interest-bearing debt at the Group parent company by over €800 million; this, combined with new funding, made it possible to cancel the pre-existing syndicated loan arranged by FCC, S.A. The other funds from the sale were allocated to other corporate purposes.

Following the transaction, FCC Aqualia maintained its operational structure and management team. The entry of a new shareholder strengthens the company's capacity to grow and ratifies the company's track record.

##### **FCC Environment advanced with commissioning a number of waste treatment and abatement plants**

In December, the UK subsidiary of FCC Medio Ambiente commenced testing the Edinburgh and Midlothian energy-from-waste plant. Having cost over £140 million, the plant will operate for 25 years, processing over 150,000 tons of waste per year and generating enough electricity to power over 32,000 homes. It is expected to come into service in 2019. Additionally, in the fourth quarter of 2018, a consortium headed by FCC Environment was awarded phase 2 of the Guipúzcoa Environmental Complex, which involves building the facility, at a cost of over €32 million, and operating it for 20 years, representing an estimated backlog of €92 million. The facility will comprise a biomethanisation plant and a plant for recycling slag produced by the energy-from-waste plant in phase 1 of the complex. It is expected to come into operation in the second half of this year.

##### **FCC Construction ended 2018 with a 5% year-on-year increase in its backlog**

Order intake in the Group's construction area in 2018 totalled over €2,000 million, which boosted the backlog by 5% to €4,516.4 million at end-December 2018, the first year it has increased since 2014. Contracts for landmark buildings and industrial construction were the main contributors to this increase.

Notable contracts not yet in the backlog include the contract to expand Lima (Peru) international airport, awarded to a consortium in which FCC Construction is a member. The client, Lima Airport Partners, awarded the contract in September following an exhaustive pre-qualification phase in which companies that are acknowledged world leaders in airport construction participated. The infrastructure will triple the size of the airport's facilities.

##### **FCC Environmental Services attains a backlog of \$550 million in the US**

In November, US subsidiary FCC Environmental Services obtained three new contracts in Texas (Garland and Lewisville), with the result that it now has ten contracts in that state and its US backlog reached \$550 million at year-end.

FCC Aqualia obtained new contracts worth close to €600 million in the year

The company that heads the Water division obtained a range of end-to-end concessions, BOT, execution and operation contracts for water infrastructure, particularly at an international level. In Panama, it was awarded a contract to design, build, operate and maintain the Arraiján Este waste water treatment plant, worth €75 million, which is the Water division's first contract in that country. In Mexico, it has a BOT contract for the Guaymas desalination plant in Sonora, including operation and maintenance for 20 years. The project represents a backlog of close to €75 million. In the first quarter, SAOC, a joint venture of Aqualia and Majis Industrial Services, obtained a contract to develop, operate and maintain, for 20 years, all water-related services (capture, desalination, distribution and waste water treatment) in the Sohar port area, the most important district in northern Oman. This contract is expected to provide close to €120 million in revenues.

### **New electric mobility platform for municipal environmental services unveiled**

For the last four years, FCC Medioambiente has led a consortium developing a platform for highly versatile electric environmental services vehicles by combining all-electric technology with a backup CNG-fired system. The resulting solution is adaptable to a range of needs and provides up to a 50% reduction in energy use and emissions compared with conventional vehicles.

## **2.1.2. EXECUTIVE SUMMARY**

◊Net attributable income in 2018 amounted to €251.6 million, 113.2% more than the €118 million reported in 2017. This outstanding increase is due to better performance by the various businesses: a higher contribution from operating activities; a reduction in interest expenses associated with a lower and more competitive level of debt; and a larger contribution from subsidiaries and associated companies.

◊Group revenues amounted to €5,989.8 million, a 3.2% increase year-on-year. The growth was driven mainly by good performance by the Environment and Water divisions, coupled with higher demand in the Cement area, which together more than offset the effect of the euro's appreciation against the Group's other currencies, which resulted in lower activity in the Construction division. At constant exchange rates, Group revenues would have increased by 4.4%.

◊EBITDA increased by 5.6% to €861.2 million. This resulted in a 0.3 percentage point increase in the EBITDA margin to 14.4%. This achievement is attributable to measures to enhance efficiency (structural expenses were cut by -6.1% year-on-year), additional synergies and steps to increase productivity.

◊Consolidated net interest-bearing debt amounted to €2,691.4 million at the end of September, a notable 24.8% reduction on December 2017, mainly as a result of the completion in September of the sale of a minority stake in the parent company of the Water division for €1,024 million.

◊Group equity more than doubled with respect to December 2017, to €1,958.8 million.

## KEY FIGURES

| (M€)                                                        | Dec. 18      | Dec. 17      | Chg. (%)        |
|-------------------------------------------------------------|--------------|--------------|-----------------|
| Net sales                                                   | 5,989.8      | 5,802.0      | 3.2%            |
| EBITDA                                                      | 861.2        | 815.4        | 5.6%            |
| <i>EBITDA margin</i>                                        | <i>14.4%</i> | <i>14.1%</i> | <i>0.3 p.p.</i> |
| EBIT                                                        | 485.9        | 435.9        | 11.5%           |
| <i>EBIT margin</i>                                          | <i>8.1%</i>  | <i>7.5%</i>  | <i>0.6 p.p.</i> |
| Income attributable to equity holders of the parent company | 251.6        | 118.0        | 113.2%          |
| Net equity                                                  | 1,958.8      | 938.5        | 108.7%          |
| Net financial debt                                          | 2,691.4      | 3,579.5      | -24.8%          |
| Backlog                                                     | 28,971.9     | 29,377.4     | -1.4%           |

## 2.1.3. SUMMARY BY BUSINESS AREA

| Area                               | Dec. 18        | Dec. 17        | Chg. (%)    | % of 2018 total | % of 2017 total |
|------------------------------------|----------------|----------------|-------------|-----------------|-----------------|
| (M€)                               |                |                |             |                 |                 |
| <b>REVENUES BY BUSINESS AREA</b>   |                |                |             |                 |                 |
| Environment                        | 2,822.4        | 2,736.0        | 3.2%        | 47.1%           | 47.2%           |
| Water                              | 1,115.2        | 1,025.9        | 8.7%        | 18.6%           | 17.7%           |
| Construction                       | 1,655.1        | 1,681.5        | -1.6%       | 27.6%           | 29.0%           |
| Cement                             | 372.8          | 340.4          | 9.5%        | 6.2%            | 5.9%            |
| Corp. services & other             | 24.3           | 18.2           | 33.5%       | 0.4%            | 0.3%            |
| <b>Total</b>                       | <b>5,989.8</b> | <b>5,802.0</b> | <b>3.2%</b> | <b>100.0%</b>   | <b>100.0%</b>   |
| <b>REVENUES BY GEOGRAPHIC AREA</b> |                |                |             |                 |                 |
| Spain                              | 3,259.6        | 3,185.2        | 2.3%        | 54.4%           | 54.9%           |
| United Kingdom                     | 752.8          | 755.1          | -0.3%       | 12.6%           | 13.0%           |
| Middle East and Africa             | 632.2          | 653.9          | -3.3%       | 10.6%           | 11.3%           |
| Rest of Europe & Others            | 565.2          | 463.1          | 22.0%       | 9.4%            | 8.0%            |
| Latin America                      | 425.5          | 414.5          | 2.7%        | 7.1%            | 7.1%            |
| Czech Republic                     | 278.9          | 264.4          | 5.5%        | 4.7%            | 4.6%            |
| US and Canada                      | 75.6           | 65.8           | 14.9%       | 1.3%            | 1.1%            |
| <b>Total</b>                       | <b>5,989.8</b> | <b>5,802.0</b> | <b>3.2%</b> | <b>100.0%</b>   | <b>100.0%</b>   |
| <b>EBITDA*</b>                     |                |                |             |                 |                 |
| Environment                        | 441.4          | 425.8          | 3.7%        | 51.3%           | 52.2%           |
| Water                              | 247.5          | 241.5          | 2.5%        | 28.7%           | 29.6%           |
| Construction                       | 65.0           | 70.3           | -7.6%       | 7.5%            | 8.6%            |
| Cement                             | 70.9           | 57.8           | 22.7%       | 8.2%            | 7.1%            |
| Corp. services & other             | 36.4           | 20.0           | 82.2%       | 4.3%            | 2.5%            |
| <b>Total</b>                       | <b>861.2</b>   | <b>815.4</b>   | <b>5.6%</b> | <b>100.0%</b>   | <b>100.0%</b>   |
| <b>EBIT</b>                        |                |                |             |                 |                 |
| Environment                        | 225.1          | 203.4          | 10.7%       | 46.3%           | 46.7%           |
| Water                              | 157.1          | 153.2          | 2.5%        | 32.3%           | 35.1%           |

|                        |              |              |              |               |               |
|------------------------|--------------|--------------|--------------|---------------|---------------|
| Construction           | 49.6         | 84.8         | -41.5%       | 10.2%         | 19.5%         |
| Cement                 | 36.7         | 26.1         | 40.6%        | 7.6%          | 6.0%          |
| Corp. services & other | 17.4         | (31.6)       | -155.1%      | 3.6%          | -7.2%         |
| <b>Total</b>           | <b>485.9</b> | <b>435.9</b> | <b>11.5%</b> | <b>100.0%</b> | <b>100.0%</b> |

| NET FINANCIAL DEBT* |                |                |               |               |               |
|---------------------|----------------|----------------|---------------|---------------|---------------|
| With recourse       | 741.4          | 1,283.1        | -42.2%        | 27.5%         | 35.8%         |
| Without recourse    |                |                |               |               |               |
| Environment         | 361.8          | 374.4          | -3.4%         | 13.4%         | 10.5%         |
| Water               | 1,197.6        | 1,383.8        | -13.5%        | 44.5%         | 38.7%         |
| Construction        | 0.0            | 0.0            | N/A           | 0.0%          | 0.0%          |
| Cement              | 337.9          | 475.6          | -29.0%        | 12.6%         | 13.3%         |
| Corporate           | 52.7           | 62.6           | -15.8%        | 2.0%          | 1.7%          |
| <b>Total</b>        | <b>2,691.4</b> | <b>3,579.5</b> | <b>-24.8%</b> | <b>100.0%</b> | <b>100.0%</b> |

| BACKLOG*     |                 |                 |              |               |               |
|--------------|-----------------|-----------------|--------------|---------------|---------------|
| Environment  | 9,804.1         | 10,285.9        | -4.7%        | 33.8%         | 35.0%         |
| Water        | 14,651.4        | 14,791.6        | -0.9%        | 50.6%         | 50.4%         |
| Construction | 4,516.4         | 4,299.9         | 5.0%         | 15.6%         | 14.6%         |
| <b>Total</b> | <b>28,971.9</b> | <b>29,377.4</b> | <b>-1.4%</b> | <b>100.0%</b> | <b>100.0%</b> |

\* See page 24 for a definition of the calculation in accordance with ESMA rules (2015/1415en).

#### 2.1.4. INCOME STATEMENT

| (M€)                                                               | Dec. 18        | Dec. 17        | Chg. (%)        |
|--------------------------------------------------------------------|----------------|----------------|-----------------|
| <b>Net sales</b>                                                   | <b>5,989.8</b> | <b>5,802.0</b> | <b>3.2%</b>     |
| <b>EBITDA</b>                                                      | <b>861.2</b>   | <b>815.4</b>   | <b>5.6%</b>     |
| <i>EBITDA margin</i>                                               | <i>14.4%</i>   | <i>14.1%</i>   | <i>0.3 p.p.</i> |
| Depreciation and amortisation                                      | (386.2)        | (370.8)        | 4.2%            |
| Other operating income                                             | 11.0           | (8.7)          | N/A             |
| <b>EBIT</b>                                                        | <b>485.9</b>   | <b>435.9</b>   | <b>11.5%</b>    |
| <i>EBIT margin</i>                                                 | <i>8.1%</i>    | <i>7.5%</i>    | <i>0.6 p.p.</i> |
| Financial income                                                   | (209.1)        | (257.7)        | -18.9%          |
| Other financial results                                            | 14.8           | (28.9)         | N/A             |
| Equity-accounted affiliates                                        | 66.9           | 33.9           | 97.3%           |
| <b>Earnings before taxes (EBT) from continuing operations</b>      | <b>358.5</b>   | <b>183.2</b>   | <b>95.7%</b>    |
| Corporate income tax expense                                       | (78.8)         | (59.6)         | 32.2%           |
| <b>Income from continuing operations</b>                           | <b>279.7</b>   | <b>123.6</b>   | <b>126.3%</b>   |
| <b>Net income</b>                                                  | <b>279.7</b>   | <b>123.6</b>   | <b>126.3%</b>   |
| Non-controlling interests                                          | (28.2)         | (5.5)          | 412.7%          |
| <b>Income attributable to equity holders of the parent company</b> | <b>251.6</b>   | <b>118.0</b>   | <b>113.2%</b>   |

#### 2.1.4.1. Net sales

Consolidated group revenues increased by 3.2% in 2018, to €5,989.8 million, due to higher activity in the Group's utility-type areas — Environmental and Water — and in the Cement division. Conversely, the Construction area experienced a slight decline during the year, particularly in the international area, due to the depreciation of certain currencies against the euro, mainly the US dollar, which depreciated by 4.4% in year-on-year terms. At constant exchange rates, consolidated revenues increased by 4.4% in the period.

Environmental Services, the division that makes the largest contribution, increased revenues by 3.2%, due to slow-but-steady growth in municipal services in Spain and a sharper 3.9% increase in other geographies, notably Central Europe and the United States, while there was a more moderate 2.8% increase in the United Kingdom, tempered by the exchange rate effect (-0.9%), while the municipal services and waste treatment businesses improved.

The Water business, which increased revenues by 8.7%, logged a substantial increase in Technology and Networks business (design, engineering and equipment of water infrastructure) related to the development of plants for subsequent operation, particularly in the international arena, together with stable revenues in the end-to-end water business.

As for the 'infrastructure-type' areas, the pace of decline in the Construction division's revenues slowed to

-1.6%. This reduction was attributable to two factors: (i) the impact of the dollar's depreciation on a number of international contracts tied to that currency; and (ii) the fact that certain large projects outside Spain were completed or nearing completion and have not yet been fully offset by new projects. The Cement area expanded revenues by 9.5%, mainly as a result of growth in demand in Spain and a recovery in export revenues.

| Revenue breakdown, by region |                |                |             |
|------------------------------|----------------|----------------|-------------|
| (M€)                         | Dec. 18        | Dec. 17        | Chg. (%)    |
| Spain                        | 3,259.6        | 3,185.2        | 2.3%        |
| United Kingdom               | 752.8          | 755.1          | -0.3%       |
| Middle East and Africa       | 632.2          | 653.9          | -3.3%       |
| Rest of Europe and Others    | 565.2          | 463.1          | 22.0%       |
| Latin America                | 425.5          | 414.5          | 2.7%        |
| Czech Republic               | 278.9          | 264.4          | 5.5%        |
| US and Canada                | 75.6           | 65.8           | 14.9%       |
| <b>Total</b>                 | <b>5,989.8</b> | <b>5,802.0</b> | <b>3.2%</b> |

Revenues in Spain increased by 2.3% to €3,259.6 million. Environmental Services obtained a sustained 2.6% increase as a result of a number of extensions and new contracts in municipal waste treatment and street cleaning. Water revenues increased by close to 1% as a result of the combination of stability in the concessions and services business and an increase in network and technology work related to operational concessions. The Cement area reported a strong 10.8% increase due to sustained growth in demand for construction, particularly from private sector customers.

The Construction area registered a slight 0.1% decline, mainly as a result of the completion of major projects in 2017 that were not fully offset by the order intake in the year.

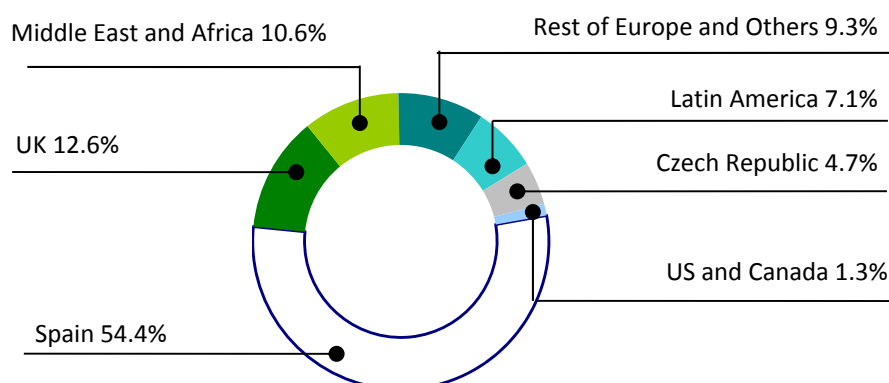
There was a 0.3% decline in revenues in the UK, basically as a result of completion of the Mersey Gateway Bridge by the Construction division in the second half of 2017. In the Environmental area,

higher activity in recycling and waste abatement and completion of a new waste-to-energy plant amply offset the decline in landfill tax receipts, which are collected on behalf of the authorities. Elsewhere in the EU, revenues increased by 22% in the Rest of Europe-Other area due to the faster pace of progress with contracts in Ireland and Romania in the Construction areas, plus good demand performance in the Environmental Services in most of the countries where the Group operates. Revenues in the Czech Republic increased by 5.5%, supported by 2.7% year-on-year appreciation of the Czech koruna, by strong performance in Environmental Services in the region, and by growth in the Water division.

Outside the EU, one of the largest areas in terms of volume is the Middle East and Africa, where revenues eased by 3.3% due to a number of factors. The positive contribution by Egypt was due to growth in development activity in connection with the new water treatment plants; In contrast, the decline in revenues was due to conclusion of the railway contract in Qatar, in the Construction division, the lower contribution by construction projects in Tunisia as the related contracts are now operational, and the performance of the main currencies against the euro.

Latin America increased revenues by 2.7% in the year, mostly as a result of the commencement of a Technology and Networks project in the Water area in Colombia. That offset Construction projects that were completed in Mexico and Chile. Revenues in the United States and Canada increased sharply, by 14.9%, despite negative exchange rate performance in the year, mainly as a result of the startup of a number of waste collection and treatment contracts (Environmental Services area) in Florida and Texas.

**% Revenues by region**



#### 2.1.4.2 EBITDA

EBITDA amounted to €861.2 million in the year, a 5.6% increase with respect to the previous year. The increase was supported by most of the Group's areas, coupled with synergies achieved and a 6.1% year-on-year reduction in structural and administration expenses throughout the Group.

Performance in the business areas was as follows:

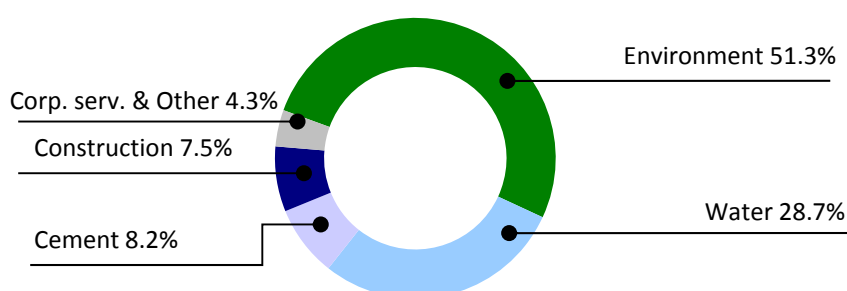
Environmental Services increased EBITDA by 3.7% to €441.4 million. This increase and the sustained EBITDA margin are attributable mainly to the combination of a larger contribution from international activities, particularly recycling and incineration, tempered by the higher contribution to revenues from treatment plants under development, a stage when their profit margin is much lower than when they become operational.

The Water area registered €247.5 million in EBITDA, 2.5% more, supported by higher returns on concessions. The substantial increase in activity in the Technology and Networks business, whose EBITDA margin is lower, explains the overall reduction in the EBITDA margin to 22.2%.

The Construction area reported €65 million in EBITDA, 7.6% less than in 2017, and an EBITDA margin of 3.9%, shaped by performance of contracts under execution.

EBITDA in the Cement area increased by 22.7% to €70.9 million, supported by the higher contribution by the business in Spain and growth in revenues and exports from Tunisia, despite the depreciation (-12.4%) by the Tunisian dinar.

**% EBITDA by Business Area**



The "utility" businesses — Environmental Services and Water — continued to account for a large percentage of total EBITDA — 80% in 2018 — contrasting with 15.7% from infrastructure construction and building. The other 4.3% relates to the parent company and other lesser businesses (basically transport concessions).

#### 2.1.4.3 EBIT

EBIT totalled €485.9 million, 11.5% more than the €435.9 million reported in 2017. The interyear increase reflects the rise in operating profitability referred to earlier under EBITDA, plus the impact in 2017 of certain extraordinary expenses deriving from a claim in connection with the sale of assets in the US in 2014.

Additionally, the 4.2% increase in depreciation and amortisation was concentrated in the Environmental Services area.

#### 2.1.4.4 Earnings before taxes (EBT) from continuing operations

Earnings before taxes from continuing operations amounted to €358.5 million, 95.7% more than the €183.2 million reported in 2017, due to EBIT performance and the effect of the following items:

##### 2.1.4.4.1 Financial income

Net financial income amounted to €-209.1 million, i.e. 18.9% less than in 2017. This reduction was the result of two opposing factors:

The reduction in interest-bearing debt, and in the cost of debt. A charge amounting to €-59.3 booked in the third quarter due to the non-cash impact of repaying the the parent company's pre-existing syndicated loan. That repayment was considered to be a non-substantial change (IFRS 9, which came into force on 1 January) such that the discounted value of its future cash flows was lower than its effective value and, consequently, the difference was presented as a reduction in the net carrying amount. That adjustment was eliminated last September when the debt was repaid in full; the accounting standard requires that this be recognised through profit or loss.

Besides, the 2018 results only partly reflect the effect of the substantial reduction in debt as a result of the sale of a minority stake in Aqualia on 28 September.

#### 2.1.4.4.2 Other financial results

This item amounted to €14.8 million, sharply contrasting with the €-28.9 million reported in 2017. This difference is due to such factors as translation differences (€14.1 million in 2018, vs. €-47.3 million in the 2017) caused by the Euro's performance with respect to most of the other currencies in which the Group operates.

#### 2.1.4.4.3 Equity-accounted affiliates

This item amounted to €66.9 million, a sharp increase from the €33.9 million reported in 2017. The main recurring items include investees in the Environmental Services and Transport concessions areas, plus €13.5 million from Construction, mainly as a result of completion of projects by investees in this area. The US Cement business (Giant Cement) made the only negative contribution.

#### 2.1.4.5 Income attributable to the parent company

Net attributable income amounted to €251.6 million in 2018, 113.2% more than the €118 million reported in the same period of 2017, and was due to the items referred to above plus the following factors:

##### 2.1.4.5.1 Corporate income tax

The corporate income tax expense amounted to €78.8 million, contrasting with €59.6 million in 2017. This variation, and the lower effective tax rate, were due to higher profits this year and the effect in 2017 of recognising tax credits and the double taxation of certain Construction area activities in other countries.

##### 2.1.4.5.2 Non-controlling interests

Non-controlling interests were attributed €28.2 million in profit in 2018, compared with €5.5 million in 2017. This increase is attributable broadly to the increase in minority interests in the Water division as from September.

#### 2.1.4.6 Key figures from the Income Statement following the proportional criteria

The key figures from the Income Statement calculated following the effective stake of the company in each of the subsidiaries, joint ventures and associates is as follows.

|                                                                    | Dec. 18        | Dec. 17        | Chg. (%)       |
|--------------------------------------------------------------------|----------------|----------------|----------------|
| <b>Net sales</b>                                                   | <b>6,516.4</b> | <b>6,441.6</b> | <b>1.2%</b>    |
| <b>EBITDA</b>                                                      | <b>1,077.8</b> | <b>1,027.9</b> | <b>4.9%</b>    |
| <i>EBITDA margin</i>                                               | <i>16.5%</i>   | <i>16.0%</i>   | <i>0.6 p.p</i> |
| <b>EBIT</b>                                                        | <b>642.6</b>   | <b>577.5</b>   | <b>11.3%</b>   |
| <i>EBIT margin</i>                                                 | <i>9.8%</i>    | <i>9.0%</i>    | <i>0.8 p.p</i> |
| <b>Income attributable to equity holders of the parent company</b> | <b>251.6</b>   | <b>118.0</b>   | <b>113.2%</b>  |

## 2.1.5. BALANCE SHEET

| (M€)                                                        | Dec. 18         | Dec. 17         | Change<br>(M€) |
|-------------------------------------------------------------|-----------------|-----------------|----------------|
| Intangible assets                                           | 2,426.4         | 2,485.2         | (58.8)         |
| Property, plant and equipment                               | 2,426.8         | 2,459.0         | (32.2)         |
| Equity-accounted affiliates                                 | 763.0           | 650.6           | 112.4          |
| Non-current financial assets                                | 380.6           | 328.4           | 52.2           |
| Deferred tax assets and other non-current assets            | 610.4           | 653.9           | (43.5)         |
| <b>Non-current assets</b>                                   | <b>6,607.2</b>  | <b>6,577.1</b>  | <b>30.1</b>    |
| Non-current assets available for sale                       | 0.0             | 41.4            | (41.4)         |
| Inventories                                                 | 691.0           | 569.6           | 121.4          |
| Trade and other accounts receivable                         | 1,780.8         | 1,798.3         | (17.5)         |
| Other current financial assets                              | 178.8           | 158.6           | 20.2           |
| Cash and cash equivalents                                   | 1,266.2         | 1,238.3         | 27.9           |
| <b>Current assets</b>                                       | <b>3,916.8</b>  | <b>3,806.2</b>  | <b>110.6</b>   |
| <b>TOTAL ASSETS</b>                                         | <b>10,524.0</b> | <b>10,383.3</b> | <b>140.7</b>   |
| Equity attributable to equity holders of parent company     | 1,684.0         | 863.9           | 820.1          |
| Non-controlling interests                                   | 274.8           | 74.6            | 200.2          |
| <b>Net equity</b>                                           | <b>1,958.8</b>  | <b>938.5</b>    | <b>1,020.3</b> |
| Grants                                                      | 211.3           | 215.4           | (4.1)          |
| Non-current provisions                                      | 1,162.0         | 1,141.0         | 21.0           |
| Long-term interest-bearing debt                             | 3,839.1         | 4,224.6         | (385.5)        |
| Other non-current financial liabilities                     | 61.3            | 55.0            | 6.3            |
| Deferred tax liabilities and other non-current liabilities  | 301.0           | 293.2           | 7.8            |
| <b>Non-current liabilities</b>                              | <b>5,574.7</b>  | <b>5,929.2</b>  | <b>(354.5)</b> |
| Liabilities linked to non-current assets available for sale | 0.0             | 14.2            | (14.2)         |
| Non-current provisions                                      | 209.3           | 165.8           | 43.5           |
| Short-term interest-bearing debt                            | 297.3           | 751.7           | (454.4)        |
| Other current financial liabilities                         | 83.6            | 75.8            | 7.8            |
| Trade and other accounts payable                            | 2,400.3         | 2,508.1         | (107.8)        |
| <b>Current liabilities</b>                                  | <b>2,990.5</b>  | <b>3,515.6</b>  | <b>(525.1)</b> |
| <b>TOTAL LIABILITIES</b>                                    | <b>10,524.0</b> | <b>10,383.3</b> | <b>140.7</b>   |

### 2.1.5.1 Equity-accounted affiliates

Equity-accounted affiliates contributed €763 million in the year, 17.3% more than in 2017, due to the combination of the following:

- 1)€272.5 million from the 36.9% holding in Realia, a substantial increase after subscribing for the equity issue by this investee in December.
- 2)€81.4 million from investments in companies in the Water area, mainly service concession companies in other countries (North Africa and Mexico).
- 3)€84.6 million from holdings in companies in the Environmental Services area (recycling and municipal services, mainly in Spain and the UK).
- 4)€24.2 million from the 44.6% stake in Giant Cement Holding, the parent company of the Cement division in the US, and €22.5 million from other companies in which the Cement area's parent company has a stake.
- 5)€277.8 million from other holdings (mainly transport infrastructure concessions and renewable energy companies) and loans to affiliated companies.

#### 2.1.5.2 Cash and cash equivalents

Cash and cash equivalents amounted to €1,266.2 million at year-end, in line with the figure at 2017 year-end. Of that amount, 49.6% corresponds to the parent company and consolidated subsidiaries, and the other 50.4% to other undertakings without recourse.

#### 2.1.5.3 Net equity

Equity amounted to €1,958.8 million as of 31 December 2018, more than double the figure at the end of the previous year. This increase is due to a number of factors, including notably €799.9 million in equity attributable to the parent company that were generated on the sale of a minority stake in FCC Aqualia in September.

#### 2.1.5.4 Net interest-bearing debt

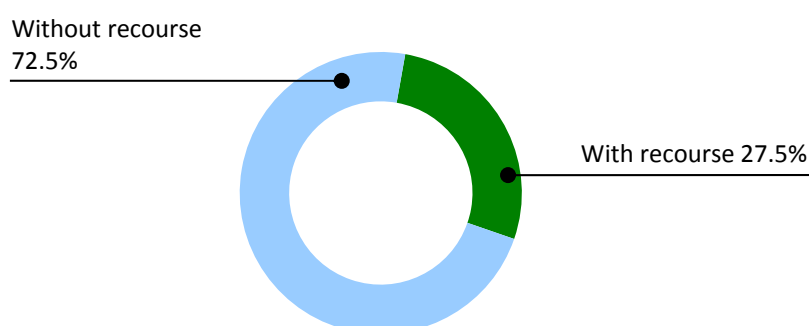
| (M€)                                        | Dec. 18        | Dec. 17        | Change (M€)    |
|---------------------------------------------|----------------|----------------|----------------|
| Bank borrowings                             | 2,200.0        | 3,157.2        | (957.2)        |
| Debt instruments and other loans            | 1,726.0        | 1,609.2        | 116.8          |
| Accounts payable due to financial leases    | 51.5           | 59.8           | (8.3)          |
| Derivatives and other financial liabilities | 158.9          | 150.1          | 8.8            |
| <b>Gross interest-bearing debt</b>          | <b>4,136.4</b> | <b>4,976.3</b> | <b>(839.9)</b> |
| Cash and other current financial assets     | (1,445.0)      | (1,396.8)      | (48.2)         |
| <b>Net interest-bearing debt</b>            | <b>2,691.4</b> | <b>3,579.5</b> | <b>(888.1)</b> |
| <i>With recourse</i>                        | <i>741.4</i>   | <i>1,283.1</i> | <i>(541.7)</i> |
| <i>Without recourse</i>                     | <i>1,950.0</i> | <i>2,296.4</i> | <i>(346.4)</i> |

Net interest-bearing debt amounted to €2,691.4 million at year-end, 24.8% less than at the end of December 2017. The change is attributable to the receipt of €1,024 million for the sale of a minority stake in FCC Aqualia, as well as working capital performance, the payment of €92.5 million in January to buy out the entire stake of the non-controlling shareholder in the parent company of the Water business in the Czech Republic, and the investment of €55.5 million in the Realia equity issue, in proportion to the existing stake, in December.

The balance of gross interest-bearing debt was reduced by 16.9% to €4,136.4 million due mainly to the repayment in September of the parent company's pre-existing syndicated loan and the

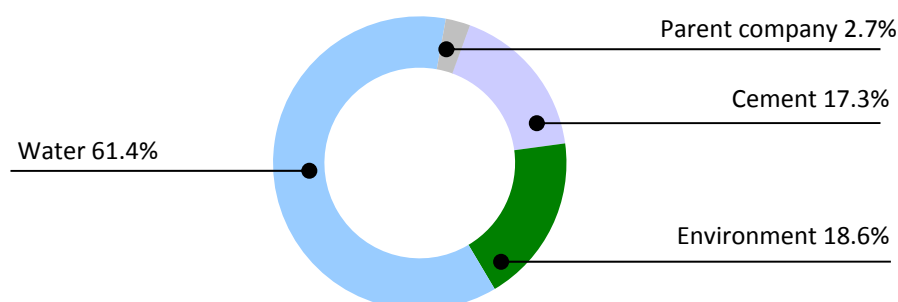
arrangement of a new facility amounting to €800 million less and with more efficient and favourable conditions.

### Net debt with and without recourse



Parent company interest-bearing debt had been reduced substantially at year-end, to €741.4 million, 27.5% of the total, whereas 72.5% of the total is without recourse to the parent company. Net debt with recourse, which represents a minority proportion of the Group's debt, is related mainly to Environmental Services contracts. It is structured as a syndicated loan arranged by FCC, S.A. that came into force last September.

### Net debt without recourse, by area



Net interest-bearing debt without recourse to the Group parent company amounted to €1,950 million at year-end. Water is the division with the largest amount of non-recourse net debt (€1,197.6 million), which includes not only the bonds issued by the area's parent company but also €190.3 million attributable to the business in the Czech Republic and the remainder to end-to-end water concessions, mainly in Spain. The Cement area accounts for €337.9 million, and Environmental Services for €361.8 million (€300.1 million in connection with UK activities, €41.2 million with Central Europe, and the remainder with two waste treatment and recycling plants in Spain). The €52.7 million at parent company level is the project debt of the Coatzacoalcos tunnel concession company in Mexico and the Conquense highway concession company in Spain.

#### 2.1.5.5 Other current and non-current financial liabilities

Other current and non-current financial liabilities amounted to €144.9 million, and includes other liabilities not classified as interest-bearing debt, such as those linked to hedging derivatives, suppliers of property, plant and equipment, and deposits and guarantees received.

#### 2.1.6. CASH FLOW

| (M€)                                                      | Dec. 18        | Dec. 17        | Chg. (%)      |
|-----------------------------------------------------------|----------------|----------------|---------------|
| <b>EBITDA</b>                                             | <b>861.2</b>   | <b>815.4</b>   | <b>5.6%</b>   |
| (Increase)/decrease in working capital                    | (316.8)        | 31.1           | N/A           |
| Income tax (paid)/received                                | (111.9)        | (83.7)         | 33.7%         |
| Other operating cash flow                                 | 56.9           | 6.1            | N/A           |
| <b>Operating cash flow</b>                                | <b>489.4</b>   | <b>768.9</b>   | <b>-36.4%</b> |
| Investment payments                                       | (434.7)        | (333.1)        | 30.5%         |
| Divestment receipts                                       | 42.0           | 173.6          | -75.8%        |
| Other investing cash flow                                 | 8.0            | 8.6            | -7.0%         |
| <b>Investing cash flow</b>                                | <b>(384.7)</b> | <b>(150.9)</b> | <b>154.9%</b> |
| Interest paid                                             | (142.4)        | (185.6)        | -23.3%        |
| (Payment)/receipt of financial liabilities                | (851.2)        | (244.8)        | N/A           |
| Other financing cash flow                                 | 912.5          | (43.3)         | N/A           |
| <b>Financing cash flow</b>                                | <b>(81.1)</b>  | <b>(473.7)</b> | <b>-82.9%</b> |
| Exchange differences, change in consolidation scope, etc. | 4.3            | (52.1)         | -108.3%       |
| <b>Increase/(decrease) in cash and cash equivalents</b>   | <b>27.9</b>    | <b>92.2</b>    | <b>-69.7%</b> |

##### 2.1.6.1 Operating cash flow

Operating cash flow amounted to €489.4 million, 36.4% less than in the previous year. This trend was due to the combination of two main factors that drove operating cash flow up €316.8 million euro: a €76 million reduction in the balance of non-recourse factoring at year-end, which reduced the associated interest expenses, and the steady reduction (€133.9 million in the year) in the balance of advances from customers in the Construction area, in line with progress with project execution. Additionally, the pace of execution of certain projects that are at an early or intermediate stage of development, in line with their schedule, results in the temporary need for additional capital.

Other operating cash flow amounted to €56.9 million, mainly from greater conversion of EBITDA into funds from operations, and from the year-on-year reduction in the application of provisions in all areas, particularly Construction.

##### 2.1.6.2 Investing cash flow

Investing cash flow registered an outflow of €384.7 million, a sharp increase from €150.9 million the previous year. This was due mainly to payments for investments concentrated in the Environmental Services area, amounting to €254.2 million in the year. Of that figure, €92.3 million relate to growth capex, including notably €55 million in connection with the completion of the Edinburgh recycling and energy-from-waste plant. The parent company invested €55.4 million in the Realia capital increase in December 2018.

Other investments were related to maintaining the ability to compete in a number of areas, and there was a notable effort to contain capital expenditure, particularly in the most capital-intensive areas.

Divestment receipts declined to €42 million, from €173.6 million in 2017. Receipts under this heading in 2018 include notably €19.5 million in Construction, €7.7 million in Environmental Services and €7.3 in the Concessions area. Some of the main items in 2017 were €106.4 from the sale of GVI and €29.1 million from the sale of a minority stake in Xfera.

The breakdown of investments by area, in terms of net investment payments and divestment receipts, is as follows:

| <i>(M€)</i>                                  | <b>Dec. 18</b> | <b>Dec. 17</b> | <b>Change<br/>(M€)</b> |
|----------------------------------------------|----------------|----------------|------------------------|
| Environment                                  | (246.5)        | (201.8)        | (44.7)                 |
| Water                                        | (69.5)         | (67.1)         | (2.4)                  |
| Construction                                 | (4.0)          | (10.7)         | 6.7                    |
| Cement                                       | (6.7)          | 2.2            | (8.9)                  |
| Corporate serv., etc. & adjustments          | (66.0)         | 117.9          | (183.9)                |
| <b>Net investments (Payments - Receipts)</b> | <b>(392.7)</b> | <b>(159.5)</b> | <b>(233.2)</b>         |

Other investing cash flow, amounting to €8 million, reflects €16.6 million in interest revenues as well as changes in loans to third parties and investees.

#### 2.1.6.3 Financing cash flow

Consolidated financing cash flow amounted to €81.1 million in 2018, compared with €473.7 million the previous year. Interest payments declined by 23.3% year-on-year due to the measures adopted to optimise the funding structure.

Payments and receipts of financial liabilities reflected a reduction of €851.2 million, including mainly a reduction in parent company debt of about €800 million due to cancellation of the pre-existing syndicated loan at FCC, S.A., which was replaced with new arrangements in more advantageous and competitive conditions.

Other financing cash flow includes the receipt of €1,024 million from the sale of a minority stake in Aqualia to IFM Investors in the third quarter and the payment of €92.5 million in January 2018 to buy out all the minority shareholders in the Water business in the Czech Republic.

#### 2.1.6.4 Exchange differences, change in consolidation scope, etc.

This item was positive in the amount of €4.3 million in 2018, contrasting with a negative €52.1 million in 2017. The difference in sign between years periods is due to the effect of exchange rate variations on cash as a result of the euro's correction; this effect was concentrated in the Construction area.

#### 2.1.6.5 Variation in cash and cash equivalents

As a result of performance by the various components of cash flow, the Group's cash position increased by €27.9 million with respect to 2017 year-end, to €1,266.2 million at 31 December 2018.

## 2.1.7 BUSINESS PERFORMANCE

### 2.1.7.1. Environment

The Environmental Services area accounted for 51.3% of Group EBITDA in the period. A total of 95.9% of its activities involve municipal solid waste collection, treatment and disposal, along with other environmental services such as street cleaning and green area upkeep for municipalities. The other 4.1% corresponds to industrial waste collection and management.

FCC's business in Spain focuses on municipal waste management and street cleaning; in the UK, it is involved principally in municipal waste treatment, recovery and disposal; in Central and Eastern Europe, mainly Austria and the Czech Republic, FCC is present throughout the waste management chain (collection, processing and disposal). In Portugal and other countries, such as the US, FCC is involved in both industrial and municipal waste management.

#### 2.1.7.1.1. Results

| (M€)                    | Dec. 18 | Dec. 17 | Chg. (%) |
|-------------------------|---------|---------|----------|
| Revenues                | 2,822.4 | 2,736.0 | 3.2%     |
| <i>Municipal waste</i>  | 2,705.5 | 2,622.5 | 3.2%     |
| <i>Industrial waste</i> | 116.9   | 113.5   | 3.0%     |
| EBITDA                  | 441.4   | 425.8   | 3.7%     |
| <i>EBITDA margin</i>    | 15.6%   | 15.6%   | 0.1 p.p  |
| EBIT                    | 225.1   | 203.4   | 10.7%    |
| <i>EBIT margin</i>      | 8.0%    | 7.4%    | 0.5 p.p  |

This area's revenues amounted to €2,822.4 million in 2018, 3.2% more than the previous year, due to improvements in all areas, the impact of new contracts, and the expansion of some existing contracts.

| Revenue breakdown, by region |         |         |          |
|------------------------------|---------|---------|----------|
| (M€)                         | Dec. 18 | Dec. 17 | Chg. (%) |
| Spain                        | 1,609.1 | 1,568.5 | 2.6%     |
| United Kingdom               | 718.1   | 698.3   | 2.8%     |
| Central Europe               | 441.7   | 418.6   | 5.5%     |

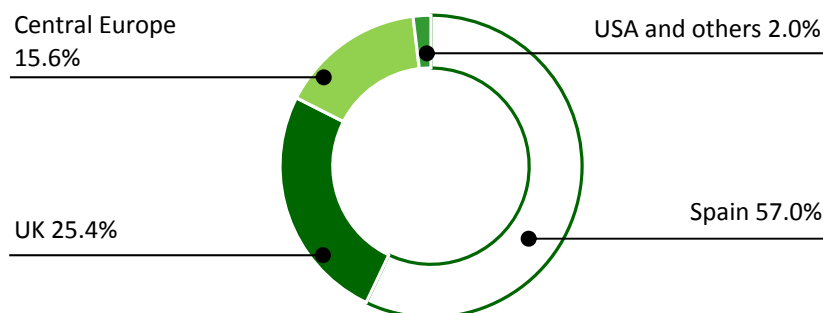
|                |                |                |             |
|----------------|----------------|----------------|-------------|
| USA and others | 53.5           | 50.6           | 5.7%        |
| <b>Total</b>   | <b>2,822.4</b> | <b>2,736.0</b> | <b>3.2%</b> |

Revenues in Spain increased by 2.6% to €1,609.1 million, as the impact of new contracts and some service expansions exceeded the impact of the termination of other contracts, even though the volume of tenders for new contracts and renewals remains low.

Revenues in the UK increased by 2.8% to €718.1 million due to higher performance by the incineration plants, boosted by the completion of the Edinburgh recycling and waste-to-energy plant. This offset the lower landfill revenues and sterling's depreciation (-0.9%) in the year.

Revenues in Central Europe increased by 5.5% to €441.7 million, due to new decontamination projects in the Czech Republic and Slovakia, higher landfill tax revenues and appreciation by the Czech koruna (2.7%). Revenues in the USA and other markets increased by 5.7% due to the contribution from new waste management contracts in Polk County (Florida) and Rowlett (Texas), which amply offset the lower sale prices of recycled byproducts.

#### Revenue breakdown, by region



EBITDA rose to €441.4 million, a 3.7% increase year-on-year, due to higher returns in the recycling business and better performance by the incineration plans in the UK (mainly Allington), which offset such factors as higher fuel costs and the negative trend in the price of recycled byproducts. The EBITDA margin remained stable at 15.6% despite the increase in revenues from new treatment plants under development, since the EBITDA margin at that stage is lower than when the plants become operational.

EBIT rose 10.7% year-on-year to €225.1 million, driven by EBITDA performance and the improvement in other operating income, which was negative in 2017 due to divestments in previous years.

#### Backlog breakdown, by region

| (M€)          | Dec. 18        | Dec. 17         | Chg. (%)     |
|---------------|----------------|-----------------|--------------|
| Spain         | 5,606.5        | 6,129.9         | -8.5%        |
| International | 4,197.6        | 4,156.0         | 1.0%         |
| <b>Total</b>  | <b>9,804.1</b> | <b>10,285.9</b> | <b>-4.7%</b> |

The area's backlog declined by 4.7%, with respect to 2017 year-end, to €9,804.1 million, due to the low level of public tenders in Spain, with extensions of expiring contracts predominating over renewals. The international backlog increased by 1%, concentrated in the US, where the backlog rose to €480.4 million.

#### 2.1.7.1.2. Financial debt

| (M€)             | Dec. 18 | Dec. 17 | Change (M€) |
|------------------|---------|---------|-------------|
| Without recourse | 361.8   | 374.4   | (12.6)      |

Net interest-bearing debt without recourse to the parent company declined by €12.6 million to €361.8 million at year-end. The United Kingdom accounts for the bulk of that debt (€300.1 million), having recently optimised the conditions and term. Another €41.2 million are at the parent company of the business in Central Europe, and the other €20.5 million relate to two waste treatment and recycling plants in Spain.

#### 2.1.7.2. End-to-End Water Management

The Water area accounted for 28.7% of FCC Group EBITDA in the year. Public end-to-end water management concessions (capture, potabilisation, distribution and sanitation) accounted for 83.7% of total revenues, and the other 16.3% was in Technology and Networks, which handles water infrastructure design, engineering and equipment, mainly for the development of new concessions or ancillary work at operational concessions.

This area serves more than 13 million people in over 850 municipalities in Spain. In Central Europe, it serves 1.3 million users, mainly in the Czech Republic, and it also operates in Italy and Portugal. FCC designs, equips and operates water treatment plants in Latin America, the Middle East and Africa. Overall, the Water division supplies water and/or sewage treatment services to over 23.6 million people.

##### 2.1.7.2.1 Earnings

| (M€)                            | Dec. 18 | Dec. 17 | Chg. (%)  |
|---------------------------------|---------|---------|-----------|
| Revenues                        | 1,115.2 | 1,025.9 | 8.7%      |
| <i>Concessions and services</i> | 933.1   | 923.8   | 1.0%      |
| <i>Technology and networks</i>  | 182.1   | 102.1   | 78.4%     |
| EBITDA                          | 247.5   | 241.5   | 2.5%      |
| <i>EBITDA margin</i>            | 22.2%   | 23.5%   | -1.3 p.p  |
| EBIT                            | 157.1   | 153.2   | 2.5%      |
| <i>EBIT margin</i>              | 14.1%   | 14.9%   | -0.8 p.p. |

This area's revenues increased by 8.7% year-on-year to €1,115.2 million, mainly as a result of strong growth in the technology and networks business in the international arena, linked to development of plants that will be under operation and maintenance contracts in the future. There was also a slight increase in concession revenues, mainly in other countries.

| Revenue breakdown, by region        |         |         |          |
|-------------------------------------|---------|---------|----------|
| (M€)                                | Dec. 18 | Dec. 17 | Chg. (%) |
| Spain                               | 797.7   | 790.9   | 0.9%     |
| Central Europe                      | 108.1   | 103.0   | 5.0%     |
| Rest of Europe (Portugal and Italy) | 56.1    | 55.8    | 0.5%     |

|                                |                |                |             |
|--------------------------------|----------------|----------------|-------------|
| Latin America                  | 46.9           | 14.5           | N/A         |
| Middle East, Africa and Others | 106.4          | 61.7           | 72.4%       |
| <b>Total</b>                   | <b>1,115.2</b> | <b>1,025.9</b> | <b>8.7%</b> |

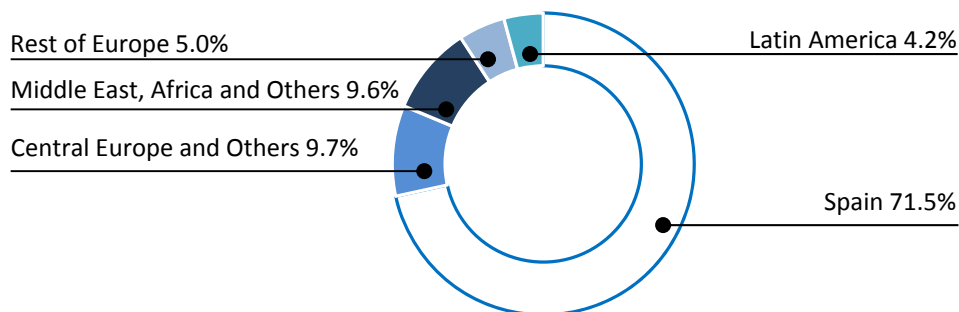
Revenues in Spain increased by close to 1% to €797.7 million. New contracts, notably including network and treatment plant maintenance, plus tariff trends, offset the decline in demand for water caused by adverse weather conditions in mid-year throughout practically all of Spain (heavy rains and lower average temperatures).

Revenues in Central Europe increased by 5% to €108.1 million due to the higher contribution by the business in the Czech Republic, which was the result of tariff reviews, an increase in work related to service delivery, and 2.7% appreciation by the Czech koruna.

Revenues in Portugal and Italy, which are linked to operational contracts, increased slightly, by 0.5%, for reasons similar to those observed in Spain (lower consumption due to weather conditions). Revenues in the Middle East, Africa and Others increased by 72.4% because of the addition of treatment plant construction contracts, principally the El Alamein desalination plant in Egypt, which offset such factors as the falling contribution from the Djerba desalination plant in Tunisia, whose construction was completed in 2018.

In Latin America, revenues amounted to €46.9 million, also due to the addition of new technology and networks contracts, mainly in Colombia and Ecuador.

#### Revenue breakdown, by region



EBITDA increased by 2.5% in year-on-year terms to €247.5 million. This was due to the combined contribution of revenues from concessions and services and the increase in development contracts in the technology and networks business, where the profit margin is lower, with the result that EBITDA overall increased by 22.2% in the year.

#### Backlog breakdown, by region

| (M€)          | Dec. 18         | Dec. 17         | Chg. (%)     |
|---------------|-----------------|-----------------|--------------|
| Spain         | 8,078.8         | 8,274.9         | -2.4%        |
| International | 6,572.6         | 6,516.7         | 0.9%         |
| <b>Total</b>  | <b>14,651.4</b> | <b>14,791.6</b> | <b>-0.9%</b> |

The backlog declined by 0.9% to end the year at €14,651.4 million. The backlog in Spain declined slightly because of the persisting low level of contract renewal tenders, while the international backlog increased slightly due to the addition of treatment plant development contracts which will be followed by O&M contracts, such as Arraiján (Panama) and the Guaymas desalination plant (Mexico).

### 2.1.7.2.2. Financial debt

| (M€)             | Dec. 18 | Dec. 17 | Change (M€) |
|------------------|---------|---------|-------------|
| Without recourse | 1,197.6 | 1,383.8 | (186.2)     |

Net interest-bearing debt, all of which is without recourse to the Group parent company, declined by €186.2 million with respect to 2017 year-end, to €1,197.6 million. Part of that decrease was due to early repayment of €92.9 million under the loan arranged with the Group parent company in June 2017. The bulk of the debt relates to long-term bonds issued by the division parent company, with a gross balance of €1,365.2 million at 2018 year-end.

### 2.1.7.3. Construction

The Construction area contributed 7.5% of FCC Group EBITDA in the year. This area designs and constructs large civil engineering projects and complex building projects. In particular, highly complex public works, such as railways, tunnels and bridges, account for the bulk of its activity.

| (M€)                 | Dec. 18 | Dec. 17 | Chg. (%)  |
|----------------------|---------|---------|-----------|
| Revenues             | 1,655.1 | 1,681.5 | -1.6%     |
| EBITDA               | 65.0    | 70.3    | -7.6%     |
| <i>EBITDA margin</i> | 3.9%    | 4.2%    | -0.3 p.p. |
| EBIT                 | 49.6    | 84.8    | -41.5%    |
| <i>EBIT margin</i>   | 3.0%    | 5.0%    | -2.0 p.p. |

This area's revenues declined by 1.6% in 2018, to €1,655.1 million, mainly as a result of the effect of advancing with and concluding a number of projects that were awarded in previous years which failed to be offset by other projects as they were still at early stages. Additionally, the negative impact of the dollar exchange rate on certain international projects persisted in 2018. At constant exchange rates, the area's revenues would have increased by 1.2%.

| Revenue breakdown, by region |                |                |              |
|------------------------------|----------------|----------------|--------------|
| (M€)                         | Dec. 18        | Dec. 17        | Chg. (%)     |
| Spain                        | 609.2          | 609.6          | -0.1%        |
| Middle East and Africa       | 444.3          | 507.9          | -12.5%       |
| Latin America                | 372.9          | 384.8          | -3.1%        |
| Europe, US, etc.             | 228.7          | 179.2          | 27.6%        |
| <b>Total</b>                 | <b>1,655.1</b> | <b>1,681.5</b> | <b>-1.6%</b> |

Performance in the geographies was as follows:

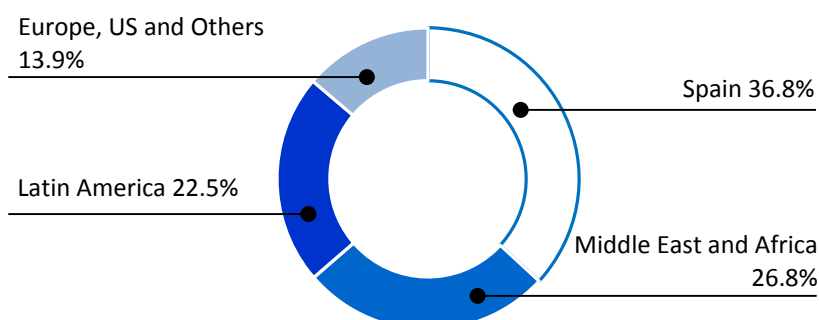
Revenues in Spain recovered steadily during the year, ending the year down just 0.1% year-on-year. This was the result of concluding major projects in 2017, such as the new Atlético de Madrid stadium, an effect that is beginning to be offset by new contracts, despite the fact that public works spending remains low.

Revenues in the Middle East and Africa fell 12.5% because of the absence of a contribution from large projects that concluded in the second half of the year, such as the Doha Metro, plus the negative impact of the dollar exchange rate (-4.4% in the year).

Latin America registered a 3.1% decline in revenues to €372.9 million, as the progress with and conclusion of certain projects (Chile, Dominican Republic and Colombia) were partly offset by a faster pace in other projects, such as Panama Metro line 2.

Revenues in Europe, the US and other countries surged by 27.6% as a result of new projects in the EU, particularly Romania, Ireland and Belgium, which amply offset the conclusion or slower pace of execution of contracts in other geographies.

#### Revenue breakdown, by region



EBITDA declined by 7.6% year-on-year to €65 million as a result of performance by projects under execution.

EBIT amounted to €49.6 million, a sharp reduction year-on-year that was due to the sale in 2017 of real estate subsidiary FCyC to the Group parent company, with a book impact of €40 million; this internal transaction had no impact at consolidated group level.

#### Backlog breakdown, by region

| (M€)          | Dec. 18        | Dec. 17        | Chg. (%)    |
|---------------|----------------|----------------|-------------|
| Spain         | 1,075.8        | 998.2          | 7.8%        |
| International | 3,440.6        | 3,301.7        | 4.2%        |
| <b>Total</b>  | <b>4,516.4</b> | <b>4,299.9</b> | <b>5.0%</b> |

This area's backlog increased by 5% in 2018 to €4,516.4 million, due to new contracts both in Spain and overseas, including notably sections I and II of Corredor de las Playas in Panama, an additional component added to the Riyadh Metro contract, the Haren prison in Belgium, and the Grangegorman campus in Ireland.

#### Backlog breakdown, by business segment

| (M€)              | Dec. 18 | Dec. 17 | Chg. (%) |
|-------------------|---------|---------|----------|
| Civil engineering | 3,218.0 | 3,366.7 | -4.4%    |
| Building          | 888.6   | 574.6   | 54.6%    |

|                     |                |                |             |
|---------------------|----------------|----------------|-------------|
| Industrial projects | 409.9          | 358.7          | 14.3%       |
| <b>Total</b>        | <b>4,516.4</b> | <b>4,299.9</b> | <b>5.0%</b> |

Civil engineering continued to be the dominant activity, accounting for over 71% of the total, although order intake was higher in the building and industrial areas, whose backlog increased sharply in 2018.

#### 2.1.7.4. Cement

The Cement area accounted for 8.2% of FCC Group EBITDA in the period. It operates through the CPV Group, in which FCC effectively owns 99%. This area produces mainly cement and aggregates; it has seven factories in Spain and one in Tunisia, as well as a minority (44.6%) stake in Giant Cement, which has three cement factories on the east coast of the United States.

##### 2.1.7.4.1. Results

| (M€)                 | Dec. 18 | Dec. 17 | Chg. (%) |
|----------------------|---------|---------|----------|
| Revenues             | 372.8   | 340.4   | 9.5%     |
| <i>Cement</i>        | 341.3   | 309.6   | 10.2%    |
| <i>Other</i>         | 31.5    | 30.8    | 2.4%     |
| EBITDA               | 70.9    | 57.8    | 22.7%    |
| <i>EBITDA margin</i> | 19.0%   | 17.0%   | 2.0 p.p  |
| EBIT                 | 36.7    | 26.1    | 40.6%    |
| <i>EBIT margin</i>   | 9.8%    | 7.7%    | 2.2 p.p. |

This area's revenues increased by 9.5% year-on-year to €372.8 million due mainly to growth in Spain and to higher exports from Tunisia.

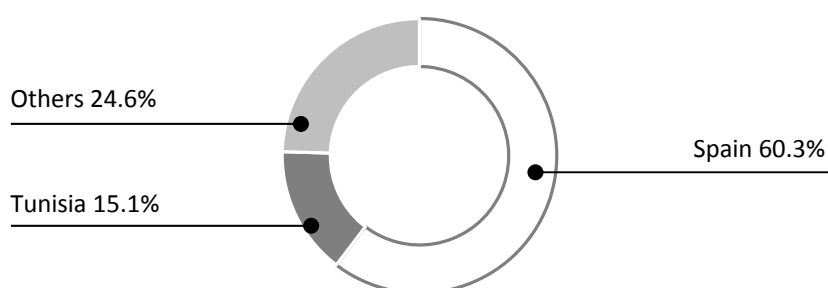
| Revenue breakdown, by region |              |              |             |
|------------------------------|--------------|--------------|-------------|
| (M€)                         | Dec. 18      | Dec. 17      | Chg. (%)    |
| Spain                        | 224.9        | 202.9        | 10.8%       |
| Tunisia                      | 56.4         | 56.3         | 0.2%        |
| Other                        | 91.5         | 81.2         | 12.7%       |
| <b>Total</b>                 | <b>372.8</b> | <b>340.4</b> | <b>9.5%</b> |

Revenues in Spain increased by 10.8% to €224.9 million, driven by higher cement volumes and a more moderate increase in sale prices, all sustained by good demand performance in the domestic construction market, concentrated mainly in private sector projects.

Domestic revenues in Tunisia increased slightly, by 0.2%, as price increases amply offset the decline in domestic demand and the depreciation by the Tunisian dinar (12.4% in the year); revenues increased by 14.6% in local currency terms.

Revenues from exports, mainly to Europe and Africa, increased by 12.7% due to higher exports from Tunisia, contrasting with a slight decline in exports from Spain.

**Revenue breakdown, by region**



EBITDA increased by 22.7% to €70.9 million, from €57.8 million in 2017. The increase was due to the improvement in Spain, which offset higher energy prices in the period, and to good price performance in Tunisia. Moreover, CO2 emission rights sales amounted to €9.4 million in 2018, compared with €3.2 million in 2017.

EBIT improved by 40.6% to €36.7 million due to the aforementioned increase in EBITDA.

#### 2.1.7.4.2. Interest-bearing debt

| (M€)             | Dec. 18 | Dec. 17 | Change (M€) |
|------------------|---------|---------|-------------|
| Without recourse | 337.9   | 475.6   | (137.7)     |

Net interest-bearing debt, which is entirely without recourse to the Group parent company, decreased by €137.7 million with respect to 2017 year-end, to €337.9 million. Much of this reduction was due to the recognition of €100 million in cash by the area parent company, offsetting the €100 million loan granted by FCC, S.A. in connection with the maximum amount of contingent capital set out in the financial support contract signed in 2016 between the Group parent company and the Cement area parent company. The remainder of the reduction in debt was due to repayment of the syndicated loan to the division's parent company.

## 2.2. Business performance. Environmental information

The information concerning FCC Group's environmental policy is set out in greater detail in note 29 to the consolidated financial statements and in section 4 of the Non-Financial Report.

The FCC Group carries on its business activities in accordance with its business commitment and responsibility, complying with applicable legal requirements, respect for its relationship with its stakeholders, and its desire to generate wealth and well-being in the community.

Aware of the importance for the FCC Group of the preservation of the environment and the responsible use of available resources, and in line with the vocation to serve through activities with a clear environmental focus, the FCC Group encourages and stimulates the following principles throughout the group, on which its contribution to sustainable development is based:

- Continuous improvement: to promote environmental excellence by setting targets to achieve continuous improvement in the performance of activities, while minimising the negative impacts of the FCC Group's processes, products and services and strengthening the positive impacts.
- Control and monitoring: To establish environmental indicator management systems for the operational control of processes, which provide the necessary information for monitoring, assessing, taking decisions and communicating the FCC Group's environmental efforts, and ensure compliance with the commitments acquired.
- - Climate change and prevention of pollution: To lead the battle against climate change by implementing processes involving reduced emission of greenhouse gases and by promoting energy efficiency and the use of renewable energies. To prevent pollution and protect the natural environment through responsible management and consumption of natural resources, as well as by minimising the impact of emissions, discharges and waste generated and managed as a result of the FCC Group's activities.
  - Care for the environment and innovation: To identify the risks and opportunities pertaining to the activities with respect to the changing natural environment in order to promote innovation and the use of new technology and generate synergies among the FCC Group's various activities.
  - Life cycle of the products and services: To make environmental considerations a priority in the planning of activities, purchase of materials and equipment and in relationships with suppliers and contractors.
  - Ensure the participation of all: To promote awareness and application of the environmental principles among employees and other stakeholders. To share the experience in the most excellent practices with the different social agents in order to promote alternative solutions to those currently consolidated, which contribute to achieving a sustainable environment.

### 2.3. Business performance. Headcount

Attached is a breakdown, by business area, of the FCC Group's workforce at year-end:

| AREAS            | SPAIN  | ABROAD | TOTAL  | %s/Total | %Chg.<br>2017 |
|------------------|--------|--------|--------|----------|---------------|
| Environment      | 31,707 | 7,680  | 39,387 | 68%      | -2.12%        |
| Water Management | 6,276  | 1,862  | 8,138  | 14%      | 3.31%         |
| Construction     | 3,599  | 5,710  | 9,309  | 16%      | 17.75%        |
| Cement           | 770    | 288    | 1,058  | 2%       | -1.95%        |

|                            |               |               |               |             |              |
|----------------------------|---------------|---------------|---------------|-------------|--------------|
| Central Services and Other | 310           | 1             | 311           | 1%          | 2.30%        |
| <b>TOTAL</b>               | <b>42,662</b> | <b>15,541</b> | <b>58,203</b> | <b>100%</b> | <b>1.39%</b> |

### 3. LIQUIDITY AND CAPITAL RESOURCES

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#### **Liquidity**

In order to optimise its financial position, the FCC Group maintains a proactive liquidity risk management policy by monitoring cash and its projections on a daily basis.

The FCC Group meets its liquidity requirements through the cash flows generated by the businesses and through the financial agreements reached.

In order to improve its liquidity position, the Group actively manages collection from its customers to ensure they meet their payment obligations.

In order to ensure liquidity and to be able to meet all the payment obligations arising from the activity, the Group has the cash disclosed in the balance sheet (note 17 to the consolidated Financial Statements) and the detailed financing (note 20 to the consolidated Financial Statements).

Note 30 to the consolidated financial statements describes the policy implemented by the FCC Group to manage its liquidity risk and associated mitigating factors.

#### **Capital resources**

The Group manages its capital to ensure that the group companies will be able to continue as profitable and solvent businesses.

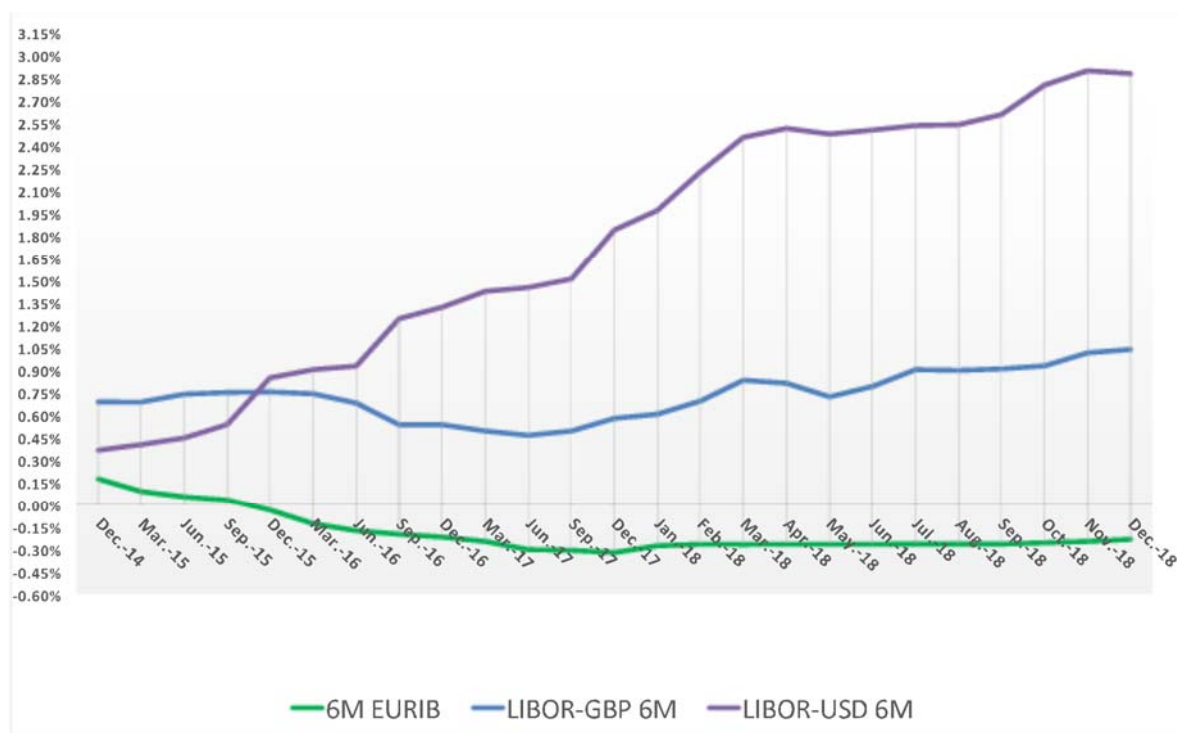
As part of its capital management operations, the Group obtains financing through a wide range of financial products from more than 40 Spanish and international financial institutions.

In 2018 FCC SA repaid the syndicated financing agreement in force since 26 June 2014 and refinanced on 28 February 2017 early and in full, using part of the proceeds from the sale of a 49% minority stake in FCC Aqualia to the IFM Global Infrastructure Fund, and with the proceeds from the entry into force on 28 September 2018 of a new syndicated financing agreement amounting to 1,200 million euros. The main features of this new financing agreement are described in Note 20 on non-current and current financial liabilities in the Notes to the Consolidated Financial Statements 2018.

In 2018, several agreements were also reached to refinance limited recourse debt (note 20 to the consolidated financial statements).

In order to optimise the cost of capital resources, the FCC Group maintains an active interest rate risk management policy that includes ongoing monitoring of the market and assumes various positions based mainly on the financed asset.

The evolution of interest rates in recent years is shown below.



This section is discussed in greater detail in Note 30 to the Consolidated Financial Statements.

## 4. MAIN RISKS AND UNCERTAINTIES

### 4.1. Risk Management System and Policy

The FCC Group has a risk-management policy and system approved by the Board of Directors, designed to identify and assess potential risks that could affect business and build mechanisms into the organisation's processes to enable risks to be managed within acceptable levels, giving the FCC Board of Directors and management a reasonable degree of assurance that targets can be met. Its scope of application covers all the companies that make up the Group, as well as the investees in which FCC has effective control and the acquired companies, from the date on which the acquisition becomes effective.

It also covers employees of the FCC Group who are attached to consortia, JVs and mixed companies.

FCC's risk management activity is governed, among other principles, by integrating the risk/opportunity vision and allocating responsibilities, which, together with segregating duties, allow for continuous monitoring and control of risks, consolidating an appropriate control environment.

The system covers the risk scenarios considered have been classified into five groups: Strategic Risks, Operational Risks, Compliance Risks, Financial Risks and Reporting Risks.

Among the activities included within the scope of the FCC Group's Risk Management System include risk assessment in terms of impact and likelihood of occurring, resulting in risk maps by unit and/or role and a consolidated risk map for the group as a whole, subsequently devising prevention and

control actions to mitigate the effect of the risks identified. The System also establishes reporting flows and communication mechanisms at different levels to streamline continuous review and improvement.

The risk management duties and responsibilities at the different levels of the organisation are detailed in Section E on Risk Control and Management Systems of the Annual Corporate Governance Report.

#### **4.2. Main risks and uncertainties**

The FCC Group operates on a global scale and in different sectors and, therefore, its activities are subject to diverse socioeconomic environments and regulatory frameworks, as well as to different risks inherent to its operations and risks arising from the complexity of the projects it is involved in, which could affect how its goals are accomplished.

Details of the main strategic, operational and compliance risks that could affect the Group's business, as well as the description of the systems used for their management and monitoring, can be found in section E of the Annual Corporate Governance Report, as well as in section 1.2. of the Non-Financial Report.

With regard to financial risks, considered as the variation in the financial instruments contracted by the FCC Group due to political, market-related and other factors and their impact on the financial statements, the risk management philosophy is consistent with the business strategy, seeking maximum efficiency and solvency at all times, for which there are strict criteria established for the control and management of financial risks, consisting of identifying, measuring, analysing and controlling the risks incurred by the Group's operations, with the risk policy being correctly integrated into the Group's organisation. The financial risks to which the Group is exposed are discussed in greater detail in note 30 of the consolidated financial statements and the aforementioned section E of the Annual Corporate Governance Report.

In addition, the FCC Group is also subject to certain risks related to environmental and social issues, the management of which is detailed in sections 4 and 5 of the Non-Financial Report.

## **5. ACQUISITION AND DISPOSAL OF OWN SHARES**

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At 31 December 2018, the FCC Group directly and indirectly held a total of 823,430 treasury shares, representing only 0.217% of the share capital.

The acquisitions and disposals of treasury shares carried out during the year are itemised in Note 18 to the consolidated financial statements.

## 6. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

The Group's Parent issued 3-month promissory notes amounting to 244 million euros in January for the use of the programme formalised on the Irish Stock Exchange in November 2018. The programme has a maximum maturity of one year, for an amount of up to 300 million euros, which allows promissory notes to be issued with maturities between 1 and 364 days from the date of issue. This financial facility allows for greater diversification of the company's financing resources at more attractive interest rates providing more efficient management of available liquidity.

## 7. INFORMATION ON THE COMPANY'S OUTLOOK

The outlook on the prospects for 2019 for the main business areas of composing the FCC Group is set out below.

In the **Environmental Services** area, in the countries where it operates, the sector is undergoing a process of profound transformation due to the environmental requirements of national governments, driven by European directives and by being subject to a consolidation process, with an increase in concentration and the entry of new competitors.

In Spain, moderate growth in activity is expected as a result of the combination of the awarding of new contracts offered to the market together with the start of the development phase of waste treatment and elimination facilities already in the portfolio in 2018. In general, no major changes are expected in the conditions of the municipal services market, although it should be noted that in the second half of the year municipal governments will be constituted, arising from the elections next May. However, as already occurred with the changes in the previous electoral cycle in 2015, the Environmental area demonstrated its capacity to adapt based on a reinforced strategy based on competitiveness and supported by research and innovation, accompanied by greater efficiency and high quality in the level of provision of services.

In the United Kingdom, economic activity is expected to slow down in 2019 due to general government budget cuts and uncertainties stemming from Brexit.

In Central Europe, more significant growth is expected, taking into account the need to develop environmental projects required by many of these countries in order to adapt to the legislative changes involved in the implementation of European waste directives, policies to combat climate change and the circular economy.

As far as the US is concerned, this represents a market with high development potential for FCC, given FCC's know-how, experience and use of the most advanced and efficient technologies in the provision of quality environmental services and adaptation to the needs of each customer.

In Portugal, there are major business opportunities related to decontamination actions on environmental liabilities.

In the **End-to-end water management** area in Spain, it is worth highlighting that in 2019 concessions rates are expected to be maintained that are similar to those of 2018, higher than 90%-although many new contracting opportunities are not expected due to the slowdown that usually occurs during electoral processes in local councils.

Currently, the Spanish state is paying a six-monthly fine to the EU of 15 million euros for insufficient wastewater treatment in cities of more than 15,000 inhabitants, and is undergoing a process of inspection in the nuclei of more than 2,000 inhabitants where non-compliance is 25% among more than 2,000 existing municipal districts. This fact, which reflects the lack of investment in infrastructures together with the fiscal consolidation process, may lead to an increase in the opportunities for infrastructure concessions in the near future, both from the central Government and from the Autonomous Communities, and thus advantage could be taken of the financing capacity provided by private operators.

Specifically, in 2019 the so-called "Castilla-La Mancha Purification Programme" is expected to be tendered in Castilla-La Mancha, with 10 lots to execute or remodel 556 WWTPs; its objective being their design, execution, financing and operation for 25 years. The estimated value of the contracts exceeds 1,700 million euros. It is foreseeable that other Communities will undertake similar initiatives in the future.

Moreover, despite various initiatives, there has been no progress in creating a regulator at state level, despite strong demand from all actors involved.

The recovery of the economic cycle is offering opportunities in the industrial sphere, such as the industrial estates of Tarragona, where FCC Aqualia has been awarded a project to design, build and operate an industrial effluent treatment plant.

In the international market the forecast is as follows:

- Within Europe:
  - In Portugal, the concession business is expected to reactivate after the 2019 legislative elections, marked by the budget deficit of the local authorities and the need to invest in infrastructures.
  - In Italy, finally, it is anticipated that the concession tenders that were expected in the north of the country (Piacenza and Rimini), as well as the processes for concentration of water management in the rest of the country will end up being started up. However, the political situation makes it difficult to foresee their final outcome until new elections take place.
  - In the Czech Republic, the regulation has recovered for 2019 the tariff incentives for investments that were applied until 2016.
  - In Romania, the monitoring of contracts to improve the efficiency of networks that will be tendered during the next year is maintained; where the Administration has resumed the idea of tendering PPP contracts for the concession of sanitation and purification services.
  - In Ireland, opportunities will be examined, generated by the national operator, Irish Water, which needs to execute a significant level of investments in water infrastructures. Given the size of certain projects, the Administration is going to tender them as BOD, as in the case of Greater Dublin Drainage (design, construction and 15-year operation of Dublin's second sewage treatment plant).

- o In the United Kingdom in 2018, Aqualia successfully carried out a pilot phase for Thames Water, for the advanced treatment of sludge in one of its plants. After this phase, it is expected that the installation of this treatment be included in its next asset plan for other similar ones that it manages. In addition, this technology may be of interest to other *utilities* to which this has already been presented.
  - o In Serbia, the Vrsac plant was delivered in 2018, which, together with the plants completed previously, represents a good guarantee for Aqualia before the Administration, as a relevant operator in the sector. In this way, tenders are being prepared for purification activities, which can be launched under PPP in the cities of Nis, Belgrade and Novi Sad. In Montenegro and Kosovo, progress has been made in the implementation of contracts under development, and in Macedonia, the Skopje wastewater treatment plant project could be resumed under a concession model.
- In North Africa and the Middle East, seawater desalination and wastewater treatment are presented as business opportunities in the countries in which Aqualia already has a presence:
  - o In Algeria, once the works on the Mostaganem desalination plant are completed this will increase its capacity and operational recurrence.
  - o In Egypt, the start-up of the El Alamein desalination plant began in December, after which its operating period will begin. As for the execution of the Abu Rawash WWTP, this progresses after almost completing the basic engineering phase in 2018.
  - o In Tunisia, Djerba's EDAM, after the execution phase of the installation and a successful start-up, will continue to operate until May 2019.
  - o In Saudi Arabia, progress will continue to be made on the affected-services contract for the Riyadh Metro. During 2018, various BOT projects for desalination plants and wastewater treatment plants were tendered for the Water & Electricity Company. At the date this report was prepared, the successful bidders were still not known.
  - o Oman will also continue to develop its desalination plan through public-private initiatives, where the end-to-end water cycle management is provided in the port area of Sohar for a 20-year period.
  - o In the UAE, the operating contracts have been renewed together with the new contracts for the operation and maintenance of the collector networks, pumping stations and wastewater treatment plants in the eastern area and the area of the island of Abu Dhabi, thus obtaining a first-line reference in the country's capital.
  - o In Qatar, although the geopolitical situation has led to a slowdown in investment projects, the Al Dhakhira wastewater treatment plant is expected to start operations in 2019. The plant will be operated by Aqualia for the next 10 years.
- In the Americas, FCC Aqualia has begun the execution phase of the infrastructure concession project in Mexico for the Guaymas desalination plant in the state of Sonora. This first desalination project executed by FCC Aqualia in its entirety, together with the experience gained in other supply projects already operating in the country, will be used to develop similar projects, where the most demanding technical and financial capacities have made Aqualia a benchmark:

- o In Colombia, work will continue on the construction of the El Salitre WWTP (Bogota). In addition, opportunities in integrated management will be pursued through municipal concessions and hydraulic infrastructures for purification or drinking water supply.
- o In Peru, the State is assessing the efficiency of its “utilities” with a view to shifting to private initiatives for those presenting the worst management indicators. In addition, FCC Aqualia has promoted five private initiatives in the drinking water treatment and purification area, which were initially accepted by the Proinversión body, which manages this type of initiative.
- o In Chile, the mining sector continues to offer business opportunities for the production of desalinated water, where Aqualia works with long-established customers in this sector. There are also opportunities linked to the rotating assets of some of the entities managing the urban water cycle.
- o In Panama, the engineering, construction and 10-year operation of the Arraiján WWTP will continue, as well as the management of the awarding of the assistance and advisory tender for the operational and commercial management of the IDAAN, the country's water-management body.
- o Finally, in the US, Aqualia has reinforced its study of opportunities in various states in 2018. The scarcity of water, the obsolescence of hydraulic infrastructures and the low penetration of private operators in the sector are the main opportunities for growth.

In the **Construction** area, although the Spanish economy has begun to show signs of an increase in investment in infrastructure, it is not estimated that this improvement will mean a significant growth in the volume of activity, which continues to show much lower amounts than those recorded prior to the start of the 2008/2013 recession. Faced with this situation, FCC maintains its competitive position in other markets.

In the international market, FCC focuses on countries and markets with a stable presence and on the execution of projects with secured financing. In this context, the search for contracting, with greater international emphasis, will be an objective in 2019, with demanding risk management that should give access to a selective portfolio of projects that combine profitability and cash generation.

However, it is estimated that in 2019 the turnover obtained in Spain will remain similar to that obtained in 2018, mainly due to limitations pointed out in the public sector. In foreign markets, it is estimated that turnover in 2019 will be similar to that obtained in 2018, with the development of major infrastructure works obtained between previous years and with a special contribution from projects in America (Central America, Peru, Colombia and the US), the Middle East (Saudi Arabia) and Europe (Ireland and Romania).

In the **Cement**, area in Spain, according to Seopan, an association of construction companies and infrastructure concessionaires, investment in public works has grown in the area during 2018

by 4%. This improvement has been transferred to cement consumption, provisional data point to a cumulative consumption of 13.2 million tons, more than a 7% increase according to estimates in October 2018 by the sector's employer, Oficemen. Similarly, the construction sector's activity in 2018 has been characterised by a continuing process of recovery in building and a slowing-down in the decline in public investment, although much of this was directed towards areas other than transport infrastructures; with all the growth in public works closing at around 4%.

Meanwhile, the Bank of Spain places the growth forecast for Spain in 2019 at 2.2%, in which public investment is expected to grow, with sustained positive figures in building. In line with these forecasts, Oficemen expects, according to last October's estimate, an 8% higher growth in cement consumption by 2019, reaching 14.4M tons.

In Tunisia in 2018, the Tunisian market remained at around 7.2 million tons of consumption, down 6% on the previous year. In addition, cement exports to Libya have been resumed in the second half of the year and the export of clinker to third countries has begun.

In this context, in 2019 the CPV group will continue to develop its policies for containing expenses and optimising investments, as well as adapting all the organisational structures to the evolution of the different markets in which it operates, with the aim of obtaining a new improvement in the generation of resources.

## 8. R&D&I ACTIVITIES

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The FCC Group's R&D&I activity in 2018 has resulted in more than 35 projects.

These projects seek to respond to the challenges of each business area while attempting to maintain global coordination between the different business areas of the FCC Group.

The activities of the different business areas and the main projects carried out in 2018 are detailed below.

### SERVICES

In the environmental services activity, in addition to continuing the research work on several projects that began in previous years, two new projects stand out.

A new project called **H2020 SCALABLE TECHNOLOGIES FOR BIO-URBAN WASTE RECOVERY (SCALIBUR)** the final objective of the project is the production of biodegradable plastics from the organic matter of MSW, as well as in the bio-electrochemical treatment of biogas for the production of high added value alcohols for the chemical industry. This project is being carried out in consortium with other specialised companies. The FCC Group participates through FCC Medio Ambiente and FCC Aqualia, both of which have complementary activities in Spain and the Czech Republic to convert organic matter into by-products and bioenergy.

On the other hand, the project called **LIFE FILM**, has also been started, in which FCC Medio Ambiente acts as coordinator and its main objective is to avoid sending the plastic film (LDEP) present in urban solid waste to landfill or to energy recovery, through the implementation of an innovative recycling process on a semi-industrial scale by means of a specific recovery line for that purpose, manufacturing bags for collection and garden cleaning services.

Other major projects in 2018 are listed below:

- o **METHAMORPHOSIS:** The objective is to obtain biogas upgrading to biomethane for vehicles, with tests on SEAT vehicles and FCC collection trucks, as well as anaerobic effluent treatment of effluents.
- o **ADVANCED SOLUTION FOR THE GLOBAL MANAGEMENT OF ALL PROCESSES AND PLAYERS IN ENVIRONMENTAL CONTRACTS,** a project that encompasses several objectives such as process improvement, swiftness of response to new needs arising in business, global access to more favourable functionalities, management of geo-referenced information, etc

No research project was carried out during 2018 in industrial waste activities.

## END-TO-END WATER MANAGEMENT

FCC Aqualia's innovation activity is in line with the company's strategic approach, focused on achieving the United Nations' Sustainable Development Goals (SDG), supporting the other departments and their operations in developing new intelligent management tools, improving their energy balance (SDG 7) and reducing their carbon footprint (SDG 13).

The projects developed in the Innovation and Technology Department in 2018 to strengthen FCC Aqualia's technological proposal are organised into four lines of work: Sustainability, Eco-efficiency, Quality and Intelligent Management, each of which is related to a relevant SDG.

The major projects in 2018 are listed below:

- o **LIFE MEMORY:** the project has demonstrated, in a 50 m<sup>3</sup> reactor in Alcázar de San Juan (Ciudad Real), the technical and economic feasibility of an innovative technology, an Anaerobic Membrane Bioreactor (AnMBR). This new technology enables the organic matter contained in wastewater to be converted directly into biogas, skipping the conventional primary decanting and secondary aerobic treatment stages. What is obtained is disinfected, fertiliser-rich water for reuse, with a reduction in energy consumption and CO<sub>2</sub> emissions of up to 80%, reducing the space required by about 25% and silt production by approximately 50%.
- o **BIOWAMET BESTF2:** supported by the Universities of Southampton (United Kingdom) and Delft (Netherlands), and in synergy with the Life Memory project on AnMBR reactors, has transformed a small real WWTP of the Baix Ebre (Bitem in Tortosa, 20 m<sup>3</sup>/d) to obtain bioenergy and reuse water.

- o **CONECTA PEME MEDRAR:** co-funded by the European Regional Development Fund (ERDF), combines FCC Aqualia with two Galician SMEs under the leadership of the University of Santiago de Compostela (USC). Compact and automated modules have been developed for wastewater treatment, integrated into the rural environment. The conversion of a small WWTP in Mos (Pontevedra) into a granular sludge reactor demonstrates the low cost of installation and maintenance, with a minimum environmental impact.
- o **SMART GREEN GAS:** supported by the CDTI, FCC Aqualia leads a consortium formed by four other companies (Gas Natural Fenosa (now Naturgy), Naturgas/EDP, Diagnostika, Dimasa Grupo) to implement new methodologies that increase the quantity and quality of biomethane. In the WWTPs managed by FCC Aqualia (Seville, Jerez (Cadiz), Aranda de Duero (Burgos), Lleida and Huesca), the operation of the digesters has been improved. In two of these plants, biomethane vehicles have also been purchased, supported by the Ministry of the Environment's CLIMA programme, which rewards the reduction of emissions.
- o **PIONEER:** (in the European ERA-NET Cofund Water Works programme within the [WATER JPI Initiative](#)): led by the USC, in a network of prestigious Universities (Verona/Italy, DTU/Denmark and KTH/Sweden) the project develops processes that improve the elimination of micro-pollutants. FCC Aqualia's activity demonstrates ELAN (Autotrophic Nitrogen Removal) technology on a water line in a treatment plant on the Canal de Isabel II (Valdebebas, in Madrid). This in-line sludge technology has also been completed, combining it with struvite precipitation in the Guillarei WWTP (Pontevedra), to achieve a lower environmental impact in the purification process.
- o **LIFE BIOSOL (BIOSOLAR WATER REUSE AND ENERGY RECOVERY):** Project led by the French SME Heliopur has obtained a one year extension, until the end of 2019, to demonstrate solar disinfection of water for reuse combined with biological processes (algae crops). In addition to the initial demonstration stage at the CENTA Foundation facilities (Seville), a larger scale facility (3000 m<sup>2</sup> of cultivation) has been built at the El Toyo WWTP in Almería, where biomass recovery is also demonstrated.
- o **ALL-GAS:** after the construction of two hectares of algae crops and a 2,700 m<sup>3</sup> digester, the world's first algae biofuel plant is operated with a capacity of up to 2,000 m<sup>3</sup>/day for tertiary treatment of municipal effluent. It produces water for reuse and algae biomass, generating biomethane to power up to 20 vehicles/ha with a positive energy balance. The biofuel supplies three test vehicles, which have already travelled 20,000 km each, and also drives three other municipal service vehicles.
- o **LIFE ANSWER:** this project led by Mahou, installs the microbial treatment cell technology (fluidised CFM - developed by FCC Aqualia in partnership with the University of Alcalá de Henares in a previous project) at the consortium leader's brewery in Guadalajara. The main objective of the project is to save energy in the process, and to recycle the aluminium found in the flow treated by combining the process with pre-treatment based on electro-coagulation.

- o **H2020 INCOVER:** is a project led by the Aimen technology centre with FCC Aqualia as the largest company in a consortium of eighteen entities from seven different countries, based on knowledge acquired in the All-gas project. FCC Aqualia's activities are divided between the Chiclana and Almería WWTPs, including, in addition to washing biogas with algae to adsorb CO<sub>2</sub>, various options for treatment with vegetable filters, solar disinfection and intelligent irrigation.
- o **LIFE METHAMORPHOSIS:** is a project run by a consortium made up of six entities (Greater Barcelona, FCC SA, Naturgy, Icaen and Seat) and led by FCC Aqualia, which is completing the construction of a large demonstration plant at the Besós Ecopark, managed by the FCC Group. The process uses three technologies recently developed by FCC Aqualia (AnMBR, ELAN and biogas washing) to convert urban-waste leachate into biomethane. In the second one, Naturgy works on the conversion of slurry into biofuel. In both cases the biomethane is tested for injection into the natural gas network and use for cars.
- o **LIFE ICIRBUS (INNOVATIVE CIRCULAR BUSINESSES):** the project, led by the Intromac technology centre, brings together eight companies to demonstrate the reuse of treatment plant waste for building materials and the generation of bio-fertilisers at a plant managed by FCC Aqualia in Extremadura.
- o **H2020 MIDES:** through a new technology, the microbial desalination cell (MDC), was developed between FCC Aqualia and IMDEA Water, reduces the energy cost of desalination tenfold compared to traditional reverse osmosis. Residual organic matter from effluents is used to activate bacteria that displace salts through membranes without external energy sources. The project mobilises eleven partners from seven countries to implement the technology and set up three demonstration units. The Denia Water Service plant managed by FCC Aqualia is already up and running, and there is another implementation planned in the Canary Islands.
- o **SABANA,** led by the University of Almeria, has FCC Aqualia as its main industrial partner, together with Westfalia (Germany) and the Italian food group Veronesi in a consortium of 11 entities from 5 countries (including the Czech Republic and Hungary). The project aims to build a facility on one hectare of land to grow microalgae and test the production of new biofertilisers and biopesticides, and then going on to build a biorefinery on five hectares of land to enable alternative products to be obtained from microalgae, as an environment-friendly model that is safer for consumers.
- o **H2020 RUN4LIFE:** led by FCC Aqualia, is the result of a consortium of fourteen partners from seven different countries. The project implements, in four locations (Sneek/Netherlands, Ghent/Belgium, Helsingborg/Sweden and Vigo/Spain), new concepts for nutrient recovery from the separation of grey and black water. The Sneek and Vigo facilities are already in service, the first with new vacuum toilets with minimum water consumption, and the second with an AnMBR to produce bioenergy and water for irrigation. The project includes dialogue with users of new services and by-products, and optimisation of water and energy consumption through decentralised management of these systems.

- o **RIS3 VALORASTUR:** is part of the RIS-3 programme of the Department of Employment, Industry and Tourism of the Principality of Asturias, and brings together FCC Aqualia with two large public companies and an SME, with the aim of achieving eco-efficient treatment in which energy consumption and waste production are reduced while new resources are generated.
- o **H2020 SCALABLE TECHNOLOGIES FOR BIO-URBAN WASTE RECOVERY (SCALIBUR):** made up of twenty-one partners from ten countries under the leadership of Itene Technology Centre. The project will cover waste reduction and recovery pilot plants in the regions of Madrid, Lund (Sweden) and Rome (Italy). The FCC Group participates through FCC Aqualia and FCC Medio Ambiente, both of which have complementary activities in Spain and the Czech Republic to convert organic matter into by-products and bioenergy.

In addition, there are two projects that do not involve the implementation of pilots and developments of new processes, but are oriented towards the training of personnel, with an industrial doctorate supported by the Generalitat of Catalonia, Virtual CSIC, and the H2020 Marie Skłodowska Curie programme of doctorates in European networks, Rewatergy.

During 2018, two new European patents have been applied for and arguments continue with the European Patent Office (EPO) on five applications filed in previous years.

## CONSTRUCTION

FCC Construcción promotes an active policy of technological development, permanently applying innovation to its construction projects, with a firm commitment to research and development, sustainability and contributing to quality of life in Society as competitiveness factors. This innovation policy is coordinated with the rest of the FCC Group's business areas.

The development and use of innovative technologies to carry out construction projects contribute significant value added and are differentiating factors in the current market, which is highly competitive and internationalised.

The projects developed by FCC Construcción and its investees are of three types: internal projects, projects with other companies in the FCC Group and projects in collaboration with other companies in the sector or in other related sectors, often with technology-based SMEs, which allow projects to be carried out in open innovation with the participation of the value chain and occasionally in horizontal cooperation basis. Likewise, the presence of universities and technology centres is fundamental in practically all projects.

Likewise, the presence of universities and technology centres is fundamental in practically all projects.

Some of the projects are carried out in consortium with Public Administrations, such as the European LIFE Project. **IMPACTO CERO**, *Development and demonstration of an anti-bird strike tubular screen for High Speed Rail lines*, which involves the Spanish rail-infrastructure management entity,

The major projects in 2018 are listed below:

- o **IN2RAIL** (Innovative Intelligent Rail), a project under the H2020 programme and led by Network Rail, whose objective is to establish the basis for creating a flexible, homogeneous, profitable, high-capacity and digitised European railway network. Innovative technologies will be explored for a global approach covering intelligent infrastructure, intelligent mobility management (I2M), new power supplies for railways and energy management. The results of this project will contribute to the Shift2rail initiative, a public-private partnership dedicated to railways and framed in Horizon 2020 programme, the objective of which is to make progress towards the introduction of the single European railway area.
- o **NANOFASE:** (Nanomaterial Fate and Speciation in the Environment), a project under the H2020 programme aimed at determining the fate of nanomaterials in the environment.
- o **ZERO IMPACT:** whose objective is the development of a bird collision screen based on the concept of equally-spaced tubular screens.
- o **DOVICAIM:** A project from the Retos-Colaboración tender process. Its objective is to develop an integrated methodology and the necessary tools to support the entire Life Cycle of the construction of vertical docks by means of prefabricated caissons in floating blocks in a floating dock, including design, optimisation, construction, installation and operation.
- o **SORT-i:** The main objective of the Retos-Colaboración tender project is the development of tools based on optical systems and new technologies for the identification, monitoring and management of structural risks in buildings and infrastructures in an intelligent, automatic and telemetric manner, as a means of maximising security and minimising the risks of physical damage in situations in high potential situations of structural collapse.
- o **CALA:** A project from the Retos-Colaboración tender process. Its objective is to improve water security and increase the reservoir capacity of brick dams by implementing lateral spill-collection channels. Calculation code, experimental validation and construction process. Participating in this project are FCC Construcción and MATINSA
- o **ROBIM:** As part of the CIEN programme, the objective of this project is to build an autonomous robot to inspect and assess existing buildings with BIM integration, developing an automated, active and multidisciplinary technology for inspection, assessment and diagnosis of the composition, condition and energy efficiency of the walls of existing buildings, thereby facilitating the obtaining of reliable information in sufficient detail on building systems and pathologies and a comprehensive analysis of the building.
- o **CYRENE:** project approved by CDTI (Industrial Technological Development Centre) and developed by MATINSA, the objective of which is to develop a new system for the integrated management of road tunnels containing the control of all installations and implementing optimised global-management strategies.
- o **PWDRON:** project financed by CDTI (Industrial Technological Development Centre) whose objective is the development of a centralised automated monitoring system for the execution of infrastructures in linear civil works, based on drones with advanced technological features, as well as the development of a new technological platform for the exchange, processing and distribution of data in BIM.
- o **REFORM2:** The objective of this project, presented for funding by the Catalan Waste Agency, is to value a by-product (0/6 porphyritic, a by-product of the ballast- and gravel-

manufacturing process) from quarrying by integrating it into thermo-stable and thermo-plastic matrices for different applications.

- o **BIMCHECK:** Innovation project approved by CDTI consisting of the implementation of a secure, automated technological management environment based on BIM and Blockchain for FCCCO's quality processes.
- o **BICI SENDAS:** project under the CIEN programme whose objective is the development of a sustainable, energetically self-sufficient, smart, non-pollutant, integrated and safe bicycle lane.
- o **POTAMIDES:** MATINSA project and approved by CDTI whose objective is the development of a new technologically advanced universal tool that allows decision making in the integrated management of the public water domain at the river basin level, with the aim of optimizing the availability and quality of the resource ensuring that demands are met.
- o **PIELSEN:** belonging to the Retos-Colaboración programme, it seeks to create an enveloping 3D homeostatic Architecture to produce adaptive intelligent sensitive skin in Building Façades.
- o **SAFE:** a project from the Retos-Colaboración programme, aimed at the Development of an Autonomous System for the Anchorage of Structures for Maritime Works. This intelligent system makes it possible to reduce dependence on human resources, minimise risk, maximise efficiency and increase the safety of field manoeuvres.
- o **STARPORTS:** project from the CDTI's INNTERCONECTA (Canary Islands) programme, which will develop a distributed wireless monitoring, prevention and action system for Coastal Management. It consists of the development of an intelligent platform capable of providing detailed information on the status of any maritime infrastructure in real time. It also aims to develop advanced sensor networks that can be integrated into the same infrastructure and allow the collection of meaningful, reliable data on its status.
- o **RESALTO:** project approved by CDTI with the aim of researching and developing sustainable road elements to reduce speed. Three main objectives are being investigated; power generation, safety signalling and connectivity to the environment

FCC Construcción participates in many European and National R&D&I Organisations that share the objective of articulating the role of the company as a driving force for Research, Development and technological innovation in the Construction Area, in accordance with the approaches of the European Union's current H2020 programme.

## CEMENTOS PORTLAND VALDERRIVAS

The Cementos Portland Valderrivas Group's (GCPV), commitment to society translates into innovation in products, processes and technologies inherent in the materials it process and manufacture.

For years, the Group has been committed to reducing the use of materials with a high impact on natural resources, gradually replacing them with alternative fuels and secondary raw materials. This strategy allows us to reduce the depletion of scarce resources and mitigate climate change.

The energy use of fuels derived from waste in our clinker kilns helps us reduce our fossil CO<sub>2</sub> footprint, helping to recover energy that would otherwise be buried.

Proof of this commitment is that during 2018 more than 130,000 tons of this type of fuel have been used, increasing in volume by more than 5% with respect to 2017 and continuing with the upward trend in reducing the emission of fossil CO<sub>2</sub> given the biomass content of the fuels used.

The firm commitment to the circular economy is also reflected in the continuity in the consumption of secondary raw materials in all phases of the production process, avoiding the extraction of mineral resources and giving a second use to materials from other industries and processes.

During 2018 Cementos Portland Valderrivas has advanced in the European R&D project in which it participates as a special partner, called **BIORECO2VER**, with the project's overall objective being to create alternative processes for the commercial scale production of chemicals (isobutene and lactic acid) in a more sustainable way, by capturing industrial CO<sub>2</sub> emissions as a raw material, and exploring alternative non-fossil dependent production technologies.

This year, the Group's technical team, made up of 6 highly qualified people, attended several working meetings of the interdisciplinary group developing the project and defined the bases for the capture and storage phase of gases with a high concentration of CO<sub>2</sub>, which come directly from industrial emission facilities.

## 9. OTHER RELEVANT INFORMATION. STOCK MARKET PERFORMANCE AND OTHER INFORMATION

### Stock market performance

Attached is a table detailing the performance of FCC's shares during the year, compared to the previous year.

|                                               | Jan. – Dec. 2018 | Jan. – Dec. 2017 |
|-----------------------------------------------|------------------|------------------|
| Closing price (€)                             | 11.70            | 8.626            |
| <i>Increase in the year</i>                   | 35.64%           | 14.24%           |
| High (€)                                      | 13.40            | 9.879            |
| Low (€)                                       | 8.626            | 7.551            |
| Average daily volume (No. securities)         | 85,640           | 75,231           |
| Average daily cash volume (€ million)         | 0.9              | 0.7              |
| Market capitalisation at year-end (€ million) | 4,432            | 3,268            |
| Number of shares outstanding at close         | 378,825,506      | 378,825,506      |

## 10. DEFINITION OF ALTERNATIVE PERFORMANCE MEASURES UNDER ESMA REGULATIONS (2015/1415es)

### **EBITDA**

We define EBITDA as the profit from continuing operations before tax, profit or loss of companies accounted for using the equity method, financial profit or loss, depreciation and amortisation expenses, impairment and gains or losses on disposals of non-current assets, subsidies and net variation in provisions and other non-recurring expenditure and income.

### **EBIT**

This corresponds to the operating profit or loss in the profit or loss account and consolidated earnings presented in the enclosed consolidated financial statements.

### **ORDERS**

The FCC Group uses the loan book as an extra accounting measure for certain business areas. We calculate orders for our Environmental Services, Water and Construction divisions, as their business is based on contracts in the long or medium term. We do not calculate orders for the Cement division, owing to the typically short-term nature of the ordering cycle.

At a given date, the portfolio is defined as outstanding production or services, i.e. contractual amounts or customer orders, exclusive of tax, less any amounts from such contracts or orders that have already been recognised as revenue. Pending income is valued according to current prices on the calculation date. Only sums that are binding on clients under a contract in effect or confirmed order are included as orders.

In the Environmental Services division we recognise the orders resulting from waste-handling contracts only if the contract guarantees exclusivity in the geographical area where the plant, landfill or facility is located.

In the Water division, the FCC Group calculates the income portfolio based on long-term estimates over the course of the contract, which are used as the basis for contracts with clients and at the rates established under those contracts.

In the Construction division, the FCC Group recognises orders only when there is a contract or order signed by the end client.

Once a contract has been included in orders, the value of the production pending completion under that contract remains on the order book until it is completed or cancelled. However, we do make valuation adjustments to reflect any changes to prices and deadlines that may be agreed with the client. For example, after the calculation date a given price may rise or fall as a result of the production contracted owing to additional work to be done. Due to multiple factors, all or part of the portfolio linked to a contract may not translate into revenue. As our orders are subject to projects being altered and cancelled, they cannot be taken as a reliable indication of future earnings.

### **NET FINANCIAL DEBT**

To obtain the net financial debt the total gross financial debt (current and non-current) is considered, minus current financial assets, cash and bank and other current financial assets.

### **VOLUNTARY ROTATION INDEX**

The ratio between the employees who have left voluntarily during the year and the total workforce. Both employees leaving the company permanently and those going on sabbatical are included.

## **11. ANNUAL CORPORATE GOVERNANCE REPORT**

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## **12. NON-FINANCIAL REPORT**

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**MODEL APPENDIX I**

**ANNUAL CORPORATE GOVERNANCE REPORT  
FOR LISTED COMPANIES**

**ISSUER IDENTIFICATION**

YEAR-END DATE 2018

Tax ID Code A-28037224

Name:

FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A.

Registered office:

C/BALMES, 36, 08007 BARCELONA

**ANNUAL CORPORATE GOVERNANCE REPORT**  
**FOR LISTED COMPANIES**

**A OWNERSHIP STRUCTURE**

A.1 Complete the following table on the Company's share capital.

| Date of last modification | Share capital (EUR) | Number of shares | Number of voting rights |
|---------------------------|---------------------|------------------|-------------------------|
| 04-03-2016                | 378,825,506         | 378,825,506      | 378,825,506             |

| Observations |
|--------------|
|              |

Indicate whether different types of shares exist with different associated rights.

Yes ☐

No ☒

| Type | Number of shares | Nominal amount | Nominal amount of voting rights | Rights and obligations conferred |
|------|------------------|----------------|---------------------------------|----------------------------------|
| -    | -                | -              | -                               | -                                |

| Observations |
|--------------|
|              |

A.2 Indicate direct and indirect owners of significant stakes in the entity at year-end, excluding directors:

| Name or corporate name of shareholder | % of voting rights attached to the shares |          | % of voting rights through financial instruments |          | % total of voting rights |
|---------------------------------------|-------------------------------------------|----------|--------------------------------------------------|----------|--------------------------|
|                                       | Direct                                    | Indirect | Direct                                           | Indirect |                          |
| DEUTSCHE BANK A.G                     | 2.92                                      | -        | 0.53                                             | -        | 3.45                     |

|                                     |      |       |   |   |       |
|-------------------------------------|------|-------|---|---|-------|
| GATES III,<br>WILLIAM H.            | -    | 5.74  | - | - | 5.74  |
| INVERSORA<br>CARSO, S.A. DE<br>C.V. | 9.76 | 51.35 | - | - | 61.11 |
| NUEVA SAMEDE<br>2016, S.L.U.        | 4.53 | -     | - | - | 4.53  |

| Observations |
|--------------|
|              |

Details of the indirect stake:

| Name or company<br>name of indirect<br>shareholder | Name or company<br>name of direct<br>shareholder        | % of voting rights<br>attached to the<br>shares | % of voting<br>rights through<br>financial<br>instruments | % total of<br>voting rights |
|----------------------------------------------------|---------------------------------------------------------|-------------------------------------------------|-----------------------------------------------------------|-----------------------------|
| GATES III,<br>WILLIAM H.                           | CASCADE<br>INVESTMENT, LLC.                             | 3.99                                            | -                                                         | 3.99                        |
| GATES III,<br>WILLIAM H.                           | BILL & MELINDA<br>GATES<br>FOUNDATION<br>TRUST          | 1.75                                            | -                                                         | 1.75                        |
| INVERSORA CARSO,<br>S.A. DE C.V.                   | CONTROL<br>EMPRESARIAL DE<br>CAPITALES, S.A. DE<br>C.V. | 51.35                                           | -                                                         | 51.35                       |

| Observations |
|--------------|
|              |

Indicate the most significant movements in the shareholder structure during the year.

|  |  |  |
|--|--|--|
|  |  |  |
|  |  |  |

| Most significant changes |
|--------------------------|
|                          |

A.3 Complete the following tables regarding the members of the Company's Board of Directors who have voting rights from shares in the Company:

| Name or corporate name of director | % of voting rights attached to the shares |          | % of voting rights through financial instruments |          | % total of voting rights | % of voting rights that can be transferred through financial instruments |          |
|------------------------------------|-------------------------------------------|----------|--------------------------------------------------|----------|--------------------------|--------------------------------------------------------------------------|----------|
|                                    | Direct                                    | Indirect | Direct                                           | Indirect |                          | Direct                                                                   | Indirect |
| Aboumrad González, Alejandro       | 0.007                                     | -        | -                                                | -        | 0.007                    | -                                                                        | -        |
| Colio Abril, Pablo                 | 0.007                                     | -        | -                                                | -        | 0.007                    | -                                                                        | -        |
| Dominum Desga, S.A.                | 0.002                                     | -        | -                                                | -        | 0.002                    | -                                                                        | -        |
| Dominum Dirección y Gestión, S.A.  | 15.431                                    | -        | -                                                | -        | 15.431                   | -                                                                        | -        |
| EAC Inversiones Corporativas, S.L. | 0.000                                     | -        | -                                                | -        | 0.000                    | -                                                                        | -        |
| Gil Madrigal, Manuel               | 0.001                                     | 0.006    | -                                                | -        | 0.007                    | -                                                                        | -        |
| Inmobiliaria AEG, S.A. de C.V.     | 0.000                                     | -        | -                                                | -        | 0.000                    | -                                                                        | -        |
| Kuri Kaufman, Gerardo              | 0.002                                     | -        | -                                                | -        | 0.002                    | -                                                                        | -        |
| Proglio, Henri                     | 0.001                                     | -        | -                                                | -        | 0.001                    | -                                                                        | -        |
| Rodriguez Torres, Juan             | 0.066                                     | -        | -                                                | -        | 0.066                    | -                                                                        | -        |
| Samede Inversiones 2010, S.L.U.    | 0.000                                     | 15.446   | -                                                | -        | 15.446                   | -                                                                        | -        |
| Vazquez Lapuerta, Álvaro           | 0.001                                     | -        | -                                                | -        | 0.001                    | -                                                                        | -        |

|                                                                |        |
|----------------------------------------------------------------|--------|
| <b>% of total voting rights held by the Board of Directors</b> | 15.524 |
|----------------------------------------------------------------|--------|

|                     |
|---------------------|
| <b>Observations</b> |
|                     |

Details of the indirect stake:

| <b>Name or corporate name of director</b> | <b>Name or company name of direct shareholder</b> | <b>% of voting rights attached to the shares</b> | <b>% of voting rights through financial instruments</b> | <b>% total of voting rights</b> | <b>% of voting rights <u>that can be transferred</u> through financial instruments</b> |
|-------------------------------------------|---------------------------------------------------|--------------------------------------------------|---------------------------------------------------------|---------------------------------|----------------------------------------------------------------------------------------|
| Gil Madrigal, Manuel                      | Tasmania Inmuebles, S.L.                          | 0.006                                            | -                                                       | 0.006                           | -                                                                                      |
| Samede Investments 2010, S.L.U.           | Dominum Dirección y Gestión, S.A.                 | 15.431                                           | -                                                       | 15.431                          | -                                                                                      |
|                                           | Ejecución y Organización de Recursos, S.L.        | 0.013                                            | -                                                       | 0.013                           | -                                                                                      |
|                                           | Dominum Desga, S.A.                               | 0.002                                            | -                                                       | 0.002                           | -                                                                                      |

|                     |
|---------------------|
| <b>Observations</b> |
|                     |

A.4 Indicate, where appropriate, any family, commercial, contractual or business relationships between owners of significant stakes, insofar as they are known to the Company, unless they are insignificant or arise from ordinary trading or exchange activities, except those described in section A.6:

| <b>Related-party name or corporate name</b> | <b>Type of relationship</b> | <b>Brief description</b> |
|---------------------------------------------|-----------------------------|--------------------------|
| -                                           | -                           | -                        |

A.5 Indicate, as applicable, any commercial, contractual or corporate relationships between owners of significant holdings and the Company and/or its group, unless they are insignificant or arise from ordinary trading or exchange activities:

| Related-party name or corporate name | Type of relationship | Brief description |
|--------------------------------------|----------------------|-------------------|
| -                                    | -                    | -                 |

A.6 Describe the relationships, unless they are insignificant for the two parties, that exist between significant shareholders or shareholders represented on the Board and directors, or their representatives, in the case of proprietary directors.

Explain, where applicable, how the significant shareholders are represented. Specifically, indicate those directors appointed to represent significant shareholders, those whose appointment may have been proposed by significant shareholders, or who were linked to significant shareholders and/or their group companies, and specify the nature of these relationships. In particular, indicate, where applicable, the existence, identity and position of Board members - or their representatives - of the listed company, who are, at the same time, members - or representatives of members - of the Management Body of companies that hold significant stakes in the listed company or in the group companies of these significant shareholders.

| Name or company name of director or representative | Name or corporate name of significant shareholder | Company name of the significant shareholder's group company | Description of relationship/position    |
|----------------------------------------------------|---------------------------------------------------|-------------------------------------------------------------|-----------------------------------------|
| Alejandro Aboumrad González                        | Inversora Carso, S.A. de C.V.                     | Various of the shareholder's subsidiary companies           | Director                                |
| Antonio Gómez García                               | Inversora Carso, S.A. de C.V.                     | Grupo Carso SAB de C.V.                                     | Alternate director and General Manager. |
|                                                    |                                                   | Grupo Frisco SAB de CV                                      | Director                                |
|                                                    |                                                   | Grupo Elementia SAB de CV                                   | Director                                |
| Carlos M. Jarque Uribe                             | Inversora Carso, S.A. de C.V.                     | Telekom Austria AG                                          | Director                                |
| Gerardo Kuri                                       | Inversora Carso, S.A. de C.V.                     | Various of the shareholder's subsidiary companies           | Director                                |
| Juan Rodríguez Torres                              | Inversora Carso, S.A. de C.V.                     | Minera Frisco                                               | Director                                |
|                                                    |                                                   | Telesites                                                   | Non-Executive Chairman                  |

|                    |                               |                                                             |                                 |
|--------------------|-------------------------------|-------------------------------------------------------------|---------------------------------|
|                    |                               | Carso Infraestructura y Construcción S.A.B. de C.V. (CICSA) | Director                        |
| Alfonso Salem Slim | Inversora Carso, S.A. de C.V. | Various of the shareholder's subsidiary companies           | General Manager and/or Director |
| Pablo Colio Abril  | Inversora Carso, S.A. de C.V. | Carso Infraestructura y Construcción S.A.B. de C.V. (CICSA) | Director                        |
|                    |                               | Cafig Constructores, S.A. de C.V.                           | Director                        |
|                    |                               | Constructora Terminal Valle de México, S.A. de C.V.         | Director                        |
|                    |                               | Servicios Terminal Valle de México, S.A. de C.V.            | Director                        |
|                    |                               | Servicios CTVM, S.A. de C.V.                                | Director                        |

| Observations                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>FCC's Board of Directors consists of 15 members, of whom Alfonso Salem Slim, Juan Rodríguez Torres, Inmobiliaria AEG, S.A. de C.V., Antonio Gómez García, Alejandro Aboumrad, Carlos M. Jarque Uribe and Gerardo Kuri Kaufman are appointed at the proposal of the significant shareholder, Inversora Carso, S.A. de C.V. On 25 October 2016, a change was made to the classification of the director Gerardo Kuri, from proprietary to executive, with his status as executive director being determined by the fact that he was, at the same time, CEO of Cementos Portland Valdeirivas.</p> <p>For their part, the significant shareholder, Nueva Samede 2016, S.L.U. is represented on the Board through Samede Inversiones 2010, S.L., EAC Inversiones Corporativas, S.L., Dominum Dirección y Gestión, S.A. and Dominum Desga, S.A.</p> |

A.7 Indicate whether the Company has been notified of any shareholder agreements that may affect it as set out in articles 530 and 531 of the Corporate Enterprises Act. Provide a brief description and list the shareholders bound by the agreement, as applicable.

Yes ☒

No ☐

| Shareholders bound by agreement                                                     | % of share capital affected | Brief description of agreement          | End date of pact, where appropriate |
|-------------------------------------------------------------------------------------|-----------------------------|-----------------------------------------|-------------------------------------|
| ESTHER KOPLOWITZ ROMERO DE JUSEU and CONTROL EMPRESARIAL DE CAPITALES, S.A. DE C.V. | 50.16                       | Relevant event of 27/11/2014 (see note) | Indefinite                          |
| CONTROL EMPRESARIAL DE CAPITALES, S.A. DE C.V., NUEVA SAMEDE 2016, S.L.U.,          | 72.36                       | Relevant event of 05/02/2016 (see note) |                                     |

|                                                                   |  |  |            |
|-------------------------------------------------------------------|--|--|------------|
| INVERSORA CARSO S.A. DE C.V. and ESTHER KOPLOWITZ ROMERO DE JUSEU |  |  | Indefinite |
|-------------------------------------------------------------------|--|--|------------|

| Observations                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>Relevant event of 27/11/2014: FCC's controlling shareholder reported that negotiations had been successfully concluded with Control Empresarial de Capitales SA de CV, a company which is fully owned by Inmobiliaria Carso SA de CV, which in turn is controlled by the Slim family.</p> <p>Relevant event of 05/02/2016: In order to continue with the recapitalisation process of Fomento de Construcciones y Contratas, S.A. ("FCC" or the "Company") through a new capital increase totalling €709,518,762, announced by the Company on 17 December 2015 (the "New Capital Increase"), the Company has been informed that Esther Koplowitz Romero de Juseu ("EK") (and the companies related to her, Dominum Dirección y Gestión, S.A. ("Dominum") and Nueva Samede 2016, S.L.U. ("Nueva Samede")) signed a Renewal, Amendment and Non-Termination Contract of the Investment Agreement with Inversora Carso S.A. de C.V. ("I. Carso") and its subsidiary Control Empresarial de Capitales, S.A. de C.V. ("CEC") on 27 November 2014 (the "Renewal of the Investment Agreement").</p> <p>The Investment Agreement was the subject of a relevant event on 27 November 2014 and subsequently deposited in the Mercantile Register of Barcelona.</p> <p>The main aspects of the Novation of the Investment Agreement are that it establishes the terms and conditions for: (a) the incorporation of Nueva Samede to the agreement, in its capacity as a future FCC shareholder, following the New Capital Increase, (b) the continuation of the FCC recapitalisation process by means of the New Capital Increase regulating the subscription commitment of both I. Carso and Nueva Samede, and (c) the amendment of certain provisions on corporate governance, the share transfer regime and the elimination of the provision regarding the maximum stake of the parties in the Company's share capital.</p> |

Indicate whether the Company is aware of the existence of any concerted actions among its shareholders. Give a brief description as applicable.

Yes ☐

No ☒

| Shareholders involved in concerted action | % of share capital affected | Brief description of concerted action | End date of concerted action, where appropriate |
|-------------------------------------------|-----------------------------|---------------------------------------|-------------------------------------------------|
| -                                         | -                           | -                                     | -                                               |

| Observations |
|--------------|
|              |

Expressly indicate any amendments to or termination of such agreements or concerted actions during the year.

|  |
|--|
|  |
|--|

A.8 Indicate whether any natural or legal person currently exercise control or could exercise control over the Company in accordance with article 5 of the Spanish Securities' Market Law. If so, identify.

Yes ☒ X

No ☐

| Name or Company Name          |
|-------------------------------|
| INVERSORA CARSO, S.A. DE C.V. |

| Observations |
|--------------|
|              |

A.9 Complete the following tables on the Company's treasury stock:

At year-end:

| Number of shares held directly | Number of shares held indirectly (*) | % of total share capital |
|--------------------------------|--------------------------------------|--------------------------|
| 823,430                        | -                                    | 0.217                    |

| Observations |
|--------------|
|              |

(\*) Through:

| <b>Name or company name of the direct shareholder</b> | <b>Number of shares held directly</b> |
|-------------------------------------------------------|---------------------------------------|
| -                                                     | -                                     |
| <b>Total</b>                                          |                                       |

| <b>Observations</b> |
|---------------------|
|                     |

Explain any significant changes during the year:

| <b>Explain any significant changes.</b> |
|-----------------------------------------|
|                                         |

A.10 Detail the conditions and term of the current authorisation that the Shareholders' Meeting has given to the Board of Directors to issue, buy back or sell treasury shares.

**Resolution of the Ordinary General Meeting of 28 June 2018 (item seven on the agenda):**

Fomento de Construcciones y Contratas, S.A., together with any of the Group companies fulfilling any of the circumstances set out in Article 42, paragraph 1, of the Code of Commerce, was authorised for the derivative acquisition of treasury shares, by means of purchase and sale, swap or any other transactions allowed by Law, at the price resulting from their listed price on the acquisition date, which must be comprised between the maximum and minimum values detailed below:

The maximum value would be the result of increasing by 20 per cent the highest listed price in the three months prior to the time of acquisition.

The minimum value would be the result of deducting 20 per cent from the lowest listed price, also in the 3 months prior to the time of acquisition.

By virtue of this authorisation, the Board, Executive Committee and CEO may individually acquire treasury shares in the terms provided in Article 146 of the Corporate Enterprises Act.

The Board of Directors, the Executive Committee and the CEO may also, individually, fully or partially allocate the treasury shares they acquire to the execution of remuneration programmes whose purpose is, or which entail the delivery of shares or share options, pursuant to the provisions in Article 146.1 of the Corporate Enterprises Act.

This authorisation is granted for the maximum period allowed by law, and it must also respect the applicable share capital ceiling according to the regulations in force at the time of acquisition.

The acquisition of the shares, which must be fully called up, should allow the companies in the FCC Group, as the case may be, which have acquired them, to fund the restricted reserve established in section c) of Article 148 of the Corporate Enterprises Act.

This authorisation revokes the authorisation granted by the General Meeting of 23 May 2013.

#### A.11 Estimated floating capital.

|                                   |  | %      |
|-----------------------------------|--|--------|
| <b>Estimated floating capital</b> |  | 13.143 |

| <b>Observations</b> |
|---------------------|
|                     |

A.12 Indicate whether there is any restriction (statutory, legislative or of any other kind) on the transfer of securities and/or the exercise of voting rights.

In particular, report the existence of any type of restrictions that might hinder the takeover of control of the company through the acquisition of its shares on the market, as well as any authorisation or prior communication regimes that are applicable to the purchase or transfer of the company's financial instruments in accordance with sector legislation.

Yes ☐

No ☒

| <b>Description of restrictions</b> |
|------------------------------------|
| -                                  |

A.13. Indicate whether the General Meeting has resolved to adopt neutralisation measures in the event of a takeover bid as provided in Law 6/2007.

Yes ☐

No ☒

If applicable, explain the measures adopted and the terms under which these restrictions may be lifted.

|                                                                                                                          |
|--------------------------------------------------------------------------------------------------------------------------|
| <b>Explain any methods that have been approved and the terms in which the restrictions will be rendered ineffective.</b> |
|                                                                                                                          |

A.14 Indicate whether the company has issued securities that are not traded on a regulated market in the European Union.

Yes ☐

No ☒

If so, identify the various classes of shares and, for each class of shares, the rights and obligations they confer.

|                                                 |
|-------------------------------------------------|
| <b>Indicate the different classes of shares</b> |
| -                                               |

Note:

On 16 November 2018, FCC reported as relevant event number 271621, the registration of a Euro-Commercial Paper Programme (ECP) for a maximum amount of €300 million with the following characteristics:

1. Issuer: Fomento de Construcciones y Contratas, S.A.
2. Maximum amount of the programme: €300 million.
3. Listed market: Main Securities Market of the Irish Stock Exchange (Euronext Dublin).
4. Programme dealers: Bankia, S.A. and Banco Sabadell, S.A.

On 1 June 2017, a new relevant fact was reported subsequent to relevant facts 249540 and 252375, consisting of the setting of the price for two single bond issues by FCC Aqualia S.A. (a subsidiary of Fomento de Construcciones y Contratas S.A.), one to the value of €700 million, with annual earnings of 1.413% and maturing in 2022, and the other to the value of €650 million, with annual

earnings of 2.629% and maturing in 2027. Both issues will be covered by the collateral of certain assets of the FCC Aqualia group. Following approval and registration of the corresponding brochure, the Bonds are expected to be admitted for trading on the unregulated Global Exchange Market of the Irish Stock Exchange.

## **B** GENERAL MEETING

B.1 Indicate and, where applicable state, whether there are any differences between the minimum requirements established in the Corporate Enterprises Act (CEA) and the quorum required for a General Meeting to be held.

Yes ☒

No ☐

|                                 | Quorum % other than that established in article 193 of the CEA for general cases | Quorum % other than that established in article 194 of the CEA for the special cases described in article 194 |
|---------------------------------|----------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------|
| Quorum required for first call  | 50.00%                                                                           | 50.00%                                                                                                        |
| Quorum required for second call | 45.00%                                                                           | 45.00%                                                                                                        |

| Description of differences                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>Consolidated Text of the Bylaws Adopted at the Ordinary General Meeting on 28 June 2016 and registered in the Mercantile Register of Barcelona on 21 October 2016</b></p> <p><b>Art. 17.- Constitution of the General Meeting</b></p> <p>1. The Ordinary or Extraordinary General Meeting will be validly constituted, at first call, when the shareholders present or represented at the meeting have at least fifty per cent (50%) of the subscribed capital with voting rights; at second call, the General Meeting is quorate when the shareholders present or represented possess at least forty-five per cent (45%) of the share capital with voting rights. Excepted from the foregoing are any cases in which, according to the items included in the agenda, the requirement of a percentage of capital greater than that established by applicable legislation for the possible constitution of the General Meeting is not legally feasible.</p> <p>2. In addition, the percentages referred to in the preceding paragraph shall also be the percentages applicable, so that the Ordinary or Extraordinary General Meeting can validly decide on the issuance of obligations, which, in accordance with the regulations applicable at that time, that are competence of the General Meeting, capital increases or decreases, changes of corporate form, mergers and spinoffs, the assignment en bloc of assets and liabilities, to suspend or limit the pre-emptive right to acquire new shares, the transfer of the Company's registered office to another country and, in general, any amendment to the Bylaws.</p> <p>If a General Meeting called to validly adopt a resolution concerning one or several items on the agenda requires either the attendance of a particular percentage of the share capital according to applicable legal or statutory regulations, but this percentage is not reached, or the consent of certain shareholders concerned who are neither present nor represented, the General Meeting shall limit itself to deliberating and deciding on agenda items that do not require the attendance of the required percentage of the share capital or concerned shareholders.</p> |

B.2 Indicate and, as applicable, describe any differences between the Company's system of adopting corporate resolutions and the framework established in the CEA.

Yes ☒

No ☐

Describe how they differ from the rules established in the CEA.

|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Qualified majority other than that established in article 201.2 of the CEA for general cases described in 194.1 of the CEA | Other cases requiring a qualified majority |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------|--------------------------------------------|
| % set by the Company for adopting corporate resolutions                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | 50.01%                                                                                                                     | 0.00%                                      |
| Describe the differences                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |                                                                                                                            |                                            |
| <b>Consolidated Text of the Bylaws Adopted at the Ordinary General Meeting on 28 June 2016 and registered in the Mercantile Register of Barcelona on 21 October 2016</b><br><br><b>Art. 26. Deliberations. Adoption of resolutions. Minutes</b><br><br>3 [...] In particular, the favourable vote of shares present or represented at the Meeting representing over fifty percent (50%) of the subscribed capital with voting rights, or debentures or securities that are convertible into shares that exclude pre-emptive rights for shareholders of the Company shall be required. |                                                                                                                            |                                            |

Note:

50.01% is calculated on the subscribed share capital with voting rights.

B.3 Indicate the rules applying to the amendment of the Company's bylaws. In particular, indicate the majorities required to amend the Bylaws and, as applicable, the rules for protecting shareholders' rights when changing the Bylaws.

As adopted at the Ordinary General Meeting of 28 June 2016, following the amendments of the Company's bylaws, Article 26, section 3 of the bylaws establishes:

"Resolutions shall be adopted by a simple majority of the votes of the shareholders' present or represented at the Meeting, and a resolution shall be deemed to have been adopted when it receives more votes for than against of the present or represented capital, except cases where the Law or these Bylaws require a qualified majority:

In particular, the favourable vote of shares present or represented at the Meeting representing over fifty percent (50%) of the subscribed capital with voting rights, or debentures or securities that are convertible into shares that exclude pre-emptive rights for shareholders of the Company shall be required."

Therefore, the internal rules of the Company do not contain any provision concerning the amendment of bylaws different to those provided in the Law.

B.4 Indicate the attendance figures for the General Meetings held during the year referred to in this report and those of previous years:

|                               | Attendance data       |            |                  |        |         |
|-------------------------------|-----------------------|------------|------------------|--------|---------|
| Date of General Meeting       | % attending in person | % by proxy | % remote voting  |        | Total   |
|                               |                       |            | Electronic means | Other  |         |
| 28-06-2018                    | 20.119%               | 69.418%    | 0.001%           | 0.003% | 89.541% |
| Of which is floating capital: |                       |            |                  |        |         |

| Observations |
|--------------|
| -            |

B.5 Indicate whether, in the general meetings held during the year, there were any items on the agenda that, for any reason, were not approved by shareholders.

Yes ☐ No ☒

| Items on the agenda that were not approved | % vote against (*) |
|--------------------------------------------|--------------------|
|                                            |                    |

(\*) If the non-approval of the item is for reasons other than a vote against, this should be explained in the text box with "n/a" being entered into the "% vote against" column.

B.6 Indicate whether there are any restrictions in the bylaws regarding a minimum number of shares needed to be able to attend the General Meeting or vote remotely:

Yes ☐

No ☒

|                                                                |  |
|----------------------------------------------------------------|--|
| <b>Number of shares required to attend the General Meeting</b> |  |
| <b>Number of shares required to vote remotely</b>              |  |

|                     |
|---------------------|
| <b>Observations</b> |
|                     |

B.7 Indicate whether it has been established that certain decisions, other than those set out by law, involving an acquisition, disposal, the allocation of essential assets to another company or similar corporate transactions, must be submitted to the General Meeting for approval.

Yes ☒

No ☐

|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Explanation of the decisions that must be submitted to the General Meeting, other than those established by Law</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| <p>The decisions not established by Law and which according to the Bylaws approved in the Ordinary General Meeting on 28 June 2016, must be taken by the General Meeting are:</p> <p>Article 14 of the Bylaws, sections e), f), l) and o):</p> <p>“e) The issue or creation of new classes or series of shares.”</p> <p>“f) The Issue of bonds and other securities that, in accordance with the regulations applicable at that time, are competence of the General Meeting and the delegation to the Board of Directors of the power to issue them.”</p> <p>“l) Transactions having the equivalent effect of liquidating the Company.”</p> <p>“o) Authorisation to acquire treasury shares within the legal limits.”</p> |

B.8 Indicate the address and instructions for accessing corporate governance content on your Company’s website and any other information on general meetings that must be made available to shareholders on the website.

The FCC website ([www.fcc.es](http://www.fcc.es)) has a page dedicated to Corporate Governance, accessible from the home page under "Shareholders and Investors" and "Responsibility and Sustainability". This website includes information on the Company’s Corporate Governance regulations, governance bodies, annual reports on corporate governance and remuneration, general meetings of shareholders, shareholders’ agreements and ethics and integrity. Additionally, there is a specific

access under the heading "General Meeting" in these tabs for electronic voting and electronic shareholder forum pursuant to article 539.2 of the consolidated text of the Corporate Enterprises Act.

This page is two clicks away from the home page. Its contents are structured and ordered by rank, under shortcut titles, and all pages are printable.

The pages of this website were developed in compliance with Level AA as per standard UNE 139803:2004, which in turn is based on W3C's Web Content Accessibility Guidelines 1.0.

All requirements of the Priority 1 and Priority 2 have been checked by experts on accessibility via manual analysis of the accessibility, supplemented by various semi-automatic tools, user agents and technical assistance devices.

## **C** MANAGEMENT STRUCTURE OF THE COMPANY

### C.1 Board of Directors

C.1.1 Maximum and minimum number of directors established in the bylaws and the number set by the General Meeting:

|                                                       |    |
|-------------------------------------------------------|----|
| <b>Maximum number of directors</b>                    | 15 |
| <b>Minimum number of directors</b>                    | 15 |
| <b>Number of directors set by the General Meeting</b> |    |

|                     |
|---------------------|
| <b>Observations</b> |
|                     |

C.1.2 Complete the following table with Board members' details:

| <b>Name or corporate name of director</b> | <b>Representative</b>            | <b>Director category</b> | <b>Position on the board</b> | <b>Date of first appointment</b> | <b>Date of last appointment</b> | <b>Election procedure</b>  | <b>Date of birth</b> |
|-------------------------------------------|----------------------------------|--------------------------|------------------------------|----------------------------------|---------------------------------|----------------------------|----------------------|
| Dominum Desga, S.A                        | Esther Alcocer Koplowitz         | Proprietary              | Chairwoman                   | 27-09-2000                       | 28-06-2016                      | General Meeting Resolution | 10/11/1970           |
| Samede Inversiones 2010, S.L.U.           | Esther Koplowitz Romero de Juseu | Proprietary              | First Vice-Chairman          | 13-04-2015                       | 25-06-2015                      | General Meeting Resolution | 10/08/1950           |
| Pablo Colio Abril                         |                                  | Executive                | CEO                          | 12-09-2017                       | 28-06-2018                      | General Meeting Resolution | 8/06/1968            |
| Carlos M. Jarque Uribe                    |                                  | Proprietary              | Director                     | 29-06-2016                       | 29-06-2016                      | General Meeting Resolution | 18/10/1954           |
| Alejandro Aboumrad González               |                                  | Proprietary              | Director                     | 13-01-2015                       | 25-06-2015                      | General Meeting Resolution | 26/02/1980           |
| Dominum Dirección y Gestión, S.A.         | Carmen Alcocer Koplowitz         | Proprietary              | Director                     | 26-10-2004                       | 25-06-2015                      | General Meeting Resolution | 01/01/1974           |
| EAC inversiones corporativas              | Alicia Alcocer Koplowitz         | Proprietary              | Director                     | 30-03-1999                       | 23-06-2014                      | General Meeting Resolution | 10/10/1971           |

| <b>Name or corporate name of director</b> | <b>Representative</b> | <b>Director category</b> | <b>Position on the board</b> | <b>Date of first appointment</b> | <b>Date of last appointment</b> | <b>Election procedure</b>  | <b>Date of birth</b> |
|-------------------------------------------|-----------------------|--------------------------|------------------------------|----------------------------------|---------------------------------|----------------------------|----------------------|
| Manuel Gil Madrigal                       |                       | Report                   | Director                     | 27-02-2015                       | 25-06-2015                      | General Meeting Resolution | 1/05/1960            |
| Antonio Gómez García                      |                       | Proprietary              | Director                     | 29-06-2016                       | 29-06-2016                      | General Meeting Resolution | 21/02/1961           |
| Inmobiliaria AEG, S.A. de CV              | Carlos Slim Helú      | Proprietary              | Director                     | 13-01-2015                       | 25-06-2015                      | General Meeting Resolution | 28/01/1940           |
| Gerardo Kuri Kaufmann                     |                       | Executive                | Director                     | 13-01-2015                       | 25-06-2015                      | General Meeting Resolution | 17/12/1983           |
| Henri Proglío                             |                       | Report                   | Director                     | 27-02-2015                       | 25-06-2015                      | General Meeting Resolution | 29/06/1949           |
| Juan Rodríguez Torres                     |                       | Proprietary              | Director                     | 7-10-2015                        | 28-06-2016                      | General Meeting Resolution | 5/08/1939            |
| Alfonso Salem Slim                        |                       | Proprietary              | Director                     | 29-06-2016                       | 29-06-2016                      | General Meeting Resolution | 3/11/1961            |
| Álvaro Vázquez de Lapuerta                |                       | Report                   | Director                     | 27-02-2015                       | 25-06-2015                      | General Meeting Resolution | 30/04/1957           |

|                                  |    |
|----------------------------------|----|
| <b>Total number of directors</b> | 15 |
|----------------------------------|----|

Indicate any removals from the Board of Directors as a result of resignation, dismissal or any other reason in the reporting period:

| <b>Name or corporate name of director</b> | <b>Director category upon termination</b> | <b>Date of last appointment</b> | <b>Leaving date</b> | <b>Specialist committees of which the director was a member</b> | <b>Indicate whether the removal occurred before the end of their tenure.</b> |
|-------------------------------------------|-------------------------------------------|---------------------------------|---------------------|-----------------------------------------------------------------|------------------------------------------------------------------------------|
| -                                         | -                                         | -                               | -                   | -                                                               | -                                                                            |

|                                               |
|-----------------------------------------------|
| <b>Cause of the removal and other remarks</b> |
| -                                             |

C.1.3 Fill in the following tables on the members of the Board and their status:

**EXECUTIVE DIRECTORS**

| <b>Name or corporate name of director</b> | <b>Position held in the Company</b>                | <b>Profile</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|-------------------------------------------|----------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Pablo Colio Abril                         | CEO of FCC and General Manager of FCC Construcción | <p>Degree in Architecture from Escuela Técnica Superior de Madrid. He has spent most of his professional career at FCC, where he has worked for over 23 years.</p> <p>He has been responsible for the international expansion of the Industrial area within the Group. Positions he has previously held include General Manager of FCC Construcción and General Manager of FCC Industrial.</p> <p>He is currently the CEO of the FCC Group and a member of its Executive Committee, duties which he combines with those of being General Manager of FCC Construcción. He is also a director of the Mexican company, Carso Infraestructuras y Construcción (CICSA).</p> |
| Gerardo Kuri Kaufmann                     | CEO of Cementos Portland Valderrivas               | <p>Industrial Engineering graduate of the University of Anáhuac (Mexico). From 2008 to 2010 he held the post of Purchasing Director of Carso Infraestructuras and Construcción, S.A.B. de C.V. He has held the post of General Manager at Inmuebles Carso, S.A.B de C.V since its formation. He is a member of the Board of Directors of Minera Frisco S.A.B de C.V., Elementia, S.A., Philip Morris México, S.A. de C.V. and Inmuebles Carso, S.A.B de C.V. He holds the post of CEO at Cementos Portland Valderrivas, S.A.</p>                                                                                                                                       |

|                                            |       |
|--------------------------------------------|-------|
| <b>Total number of executive directors</b> | 2     |
| <b>% of the Board</b>                      | 13.33 |

|                     |
|---------------------|
| <b>Observations</b> |
|                     |

**EXTERNAL PROPRIETARY DIRECTORS**

| Name or corporate name of director                                                          | Name or corporate name of significant shareholder represented or proposing his/her appointment | Profile                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
|---------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>Dominum Desga, S.A.<br/>(Represented by Esther Alcocer Koplowitz)</p>                    | <p>Dominum Dirección y Gestión, S.A.</p>                                                       | <p>Graduate of Law and has completed the Senior Management Business Programme (PADE) at IESE Business School in Madrid.</p> <p>Since January 2013, she has been Chairman of the FCC Group, member of its Executive Committee and its Appointments and Remuneration Committee.</p> <p>She is also a director of Cementos Portland Valderrivas, representing EAC Medio Ambiente, S.L., Realia, representing EAC Inversiones Corporativas, S.L., and of CaixaBank-Private Banking.</p> <p>She chairs the Spain-Colombia Council Foundation (Fundación Consejo España - Colombia), is Vice-Chairman of the Latin American Business Council (CEAL), a member of the Women for Africa Foundation, Carolina Foundation (Fundación Carolina), SERES Foundation (Fundación SERES), and the Executive Committee of the IESE Alumni Association (Madrid).</p> <p>The representatives of the directors Dominum Desga, S.A., Samede Inversiones 2010, S.L.U, Dominum Dirección y Gestión, S.A. and EAC Inversiones Corporativas, S.L. maintain a parent-subsidary relationship.</p> <p>(See section A.6 of this report for the description of the relationships between the director and the significant shareholders).</p> |
| <p>Samede Inversiones 2010, S.L.U<br/>(Represented by Esther Koplowitz Romero de Juseu)</p> | <p>Dominum Dirección y Gestión, S.A.</p>                                                       | <p>Shareholder of FCC, S.A. through the company, Dominum Dirección y Gestión, S.A., she is member of the Board of FCC, S.A., and first Vice-Chairman of the Company. She is also a director of FCC Environment.</p> <p>She received a graduate degree in Philosophy and Literature from University of Madrid and has developed her business experience in the international arena, as a director of both Veolia and Vivendi.</p> <p>She is founder and Chairman of the Esther Koplowitz Foundation (Fundación Esther Koplowitz). Amongst other awards, she has received: the Grand Cross of Civil Merit, Community of Madrid Gold Medal, the Gold Medal and title of Honorary Member of the Spanish Royal Academy of History, the title of Honorary Citizen (Adopted Daughter) of Valencia, the coat of arms of the City of Barcelona, the Business Leader of the Year award from the Spanish</p>                                                                                                                                                                                                                                                                                                              |

| Name or corporate name of director | Name or corporate name of significant shareholder represented or proposing his/her appointment | Profile                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
|------------------------------------|------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                    |                                                                                                | <p>Chamber of Commerce in the United States, the Blanquerna award from the Catalonia Regional Government, the Madrid Grand Cross of Healthcare, the Gold and Diamond Insignia of the Police Orphans' Foundation, The Légion d'Honneur of the French Republic and The Grand Cross of the Civil Order of Environmental Merit from the Spanish Cabinet.</p> <p>The representatives of the directors Dominum Desga, S.A., Samede Inversiones 2010, S.L.U, Dominum Dirección y Gestión, S.A. and EAC Inversiones Corporativas, S.L. maintain a parent-subsidiary relationship.</p> <p>(See section A.6 of this report for the description of the relationships between the director and the significant shareholders).</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| Carlos Manuel Jarque Uribe         | Control Empresarial de Capitales, S.A. de C.V.                                                 | <p>Graduate in Actuarial Science from the University of Anáhuac (Huixquilucan, Mexico). He has completed post-graduate studies at the London School of Economics, the University of Oslo, the Australian National University and Harvard University. He has held a range of public and private sector posts in Mexico. During his career, he has been the Manager of Economic Studies of Telephony in Mexico; Chairman of the Inter-Secretarial Committee of Reporting and Monitoring Public Finances in Mexico; Chairman of the National Institute of Statistics, Geography and Computer Science (INEGI); Secretary of the National Development Plan of Mexico for the period between 1995 to 2000; he has held the post of Minister of Social Development; at the Inter-American Development Bank (IADB); he has been the Manager of the Sustainable Development Department, Secretary and Representative of the Entity in Europe; he has undertaken the role of Executive Director of América Móvil, responsible for Corporate, Governmental and International Relations. He has been a member of the Board of Directors for Financial Institutions and in companies in the construction, mining and real estate sectors, as well as in citizen services. In August 2015, he was appointed Chief Executive of Fomento de Construcciones y Contratas, S.A., position that he left in September 2017 to reincorporate to América Móvil.</p> |
| Alejandro Aboumrad González        | Control Empresarial de Capitales, S.A. de C.V.                                                 | <p>Industrial Engineering graduate of the University of Anáhuac (Mexico). He has worked in subsidiary and related companies of Carso Group during the last 14 years, five years of which he has been working for the Financial Group Inbursa in the field</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |

| Name or corporate name of director                                              | Name or corporate name of significant shareholder represented or proposing his/her appointment | Profile                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|---------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                                                 |                                                                                                | of Project Evaluation and Risk Evaluation. He is member of the Board of Directors of Inmuebles Carso, S.A.B. of C.V. and Minera Frisco, S.A.B. of C.V., holding the post of General Manager with the latter. He is a director of Cementos Portland Valderrivas, S.A. representing Inmobiliaria AEG, S.A. de C.V., and a director and Chairman of the Board of Directors of FCC Aqualia.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| Dominum Dirección y Gestión, S.A.<br>(Represented by Carmen Alcocer Koplowitz)  | Dominum Dirección y Gestión, S.A.                                                              | Graduate of Law from the Francisco de Vitoria University of Madrid. She is a director of FCC, S.A. and of B-1998, S.L. She is also on the Board of Cementos Portland Valderrivas, S.A. representing Meliloto, S.L. She is patron of the Esther Koplowitz Foundation (Fundación Esther Koplowitz).<br><br>The representatives of the directors Dominum Desga, S.A., Samede Inversiones 2010, S.L.U, Dominum Dirección y Gestión, S.A. and EAC Inversiones Corporativas, S.L. maintain a parent-subsidiary relationship.<br><br>(See section A.6 of this report for the description of the relationships between the director and the significant shareholders).                                                                                                                                                                                                                                                                                                                                                                                                                             |
| EAC Inversiones Corporativas, S.L.<br>(Represented by Alicia Alcocer Koplowitz) | Dominum Dirección y Gestión, S.A.                                                              | A Law graduate, she began her career in the Financial Department at Banco Zaragozano, where she worked for four years on the bank's trading desk and was also a director.<br><br>She is currently a director of FCC and member of its Executive Committee. She is also Chairman of Cementos Portland Valderrivas, S.A. and a member of its Executive Committee, and also if its Appointments and Remuneration Committee.<br><br>She is a member of the Innovation Committee, which reports to the Secretary of State for Science, Technology and Innovation.<br><br>In addition, she is a patron of both the Esther Koplowitz Foundation (Fundación Esther Koplowitz) and the Valderrivas Foundation (Fundación Valderrivas).<br><br>The representatives of the directors Dominum Desga, S.A., Samede Inversiones 2010, S.L.U, Dominum Dirección y Gestión, S.A. and EAC Inversiones Corporativas, S.L. maintain a parent-subsidiary relationship.<br><br>(See section A.6 of this report for the description of the relationships between the director and the significant shareholders). |
| Antonio Gómez García                                                            | Control Empresarial de Capitales, S.A. de C.V.                                                 | A graduate in Industrial Engineering from the Ibero-American University. He has held the                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |

| Name or corporate name of director                                        | Name or corporate name of significant shareholder represented or proposing his/her appointment | Profile                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
|---------------------------------------------------------------------------|------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                                           |                                                                                                | <p>position of General Manager of Grupo Porcelanite, S.A. de C.V., US Commercial Corp., S.A.B de C.V., and he currently performs the role of General Manager at Carso Infraestructura y Construcción, S.A. de C.V., General Manager of Grupo Condumex, S.A. de C.V., and General Manager of Grupo Carso, S.A.B. de C.V.</p> <p>(See section A.6 of this report for the description of the relationships between the director and the significant shareholders).</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| <p>Inmobiliaria AEG, S.A. de CV<br/>(Represented by Carlos Slim Helú)</p> | <p>Control Empresarial de Capitales, S.A. de C.V.</p>                                          | <p>Civil Engineering graduate from the National Autonomous University of Mexico (UNAM). Founder of the Group Carso, S.A.B. of C.V., along with Teléfonos de México (Telmex), América Móvil and Financial Group Inbursa; founder of the company Inversora Bursátil.</p> <p>He has been Vice-Chairman of the Mexican Stock Exchange (Bolsa Mexicana de Valores) and Chairman of the Mexican Association of Brokerage Firms (Asociación Mexicana de Casas de Bolsa).</p> <p>Has been the first President of the Latin American Advisory Committee of the Board of Directors of the New York Stock Exchange.</p> <p>Currently, he is Chairman of the Carso Infrastructures and Building Management Board (CICSA), Minera Frisco and Chairman of the Carlos Slim Education Foundation, A.C. and the Foundation Telmex, A.C. Additionally, he is member of the Inmuebles Carso Management Board, Ideal and trustee of the “La Caixa” Banking Foundation.</p> <p>(See section A.6 of this report for the description of the relationships between the director and the significant shareholders).</p> |
| <p>Juan Rodriguez Torres</p>                                              | <p>Control Empresarial de Capitales, S.A. de C.V.</p>                                          | <p>Civil Engineering graduate from the Autonomous University of Mexico. He has completed master’s studies in planning and operational research at UNAM. He also has studied Management at IPADE and for a diploma in prestressed concrete in Paris. He was the founder of the Asociación Mexicana Empresarial de Generación. He has been Production Manager and Controller of Preesforzados Mexicanos, S.A. de ICA, and General Manager of Domit Group in the footwear sector.</p> <p>Currently he is a Director of Minera Frisco, S.A.B. de S.A. of C.V. and member of the Consultant Board of Banamex-Citi. He is a director of Cementos Portland Valderrivas, S.A., representing</p>                                                                                                                                                                                                                                                                                                                                                                                                        |

| Name or corporate name of director | Name or corporate name of significant shareholder represented or proposing his/her appointment | Profile                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|------------------------------------|------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                    |                                                                                                | Inmuebles Inseo, S.A. de C.V. He is the Non-Executive Chairman of Realia.<br>(See section A.6 of this report for the description of the relationships between the director and the significant shareholders).                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| Alfonso Salem Slim                 | Control Empresarial de Capitales, S.A. de C.V.                                                 | Civil Engineer graduate from Anahuac University, 1980-84. Throughout his professional career, Salem Slim has performed the role of Assistant Head of Expansion at Sanborns Hermanos; Head of Shopping Centres at Grupo CARSO; Head of Real-Estate at INBURSA; General Manager of Hoteles Calinda, General Manager of Grupo PC Constructores; General Manager of IDEAL, and he is currently Vice-Chairman of the Board of Directors of IDEAL and Chairman of the Board of Directors and General Manager of Inmuebles CARSO. Additionally, he is a member of the Boards of directors of Grupo CARSO; IDEAL; CICSA; Inmuebles Carso; SEARS; Gigante Grupo Inmobiliario; ELEMENTIA and Gas Natural Fenosa.<br>(See section A.6 of this report for the description of the relationships between the director and the significant shareholders). |

|                                       |        |
|---------------------------------------|--------|
| Total number of proprietary directors | 10     |
| % of the Board                        | 66,67% |

|              |
|--------------|
| Observations |
|              |

#### **EXTERNAL INDEPENDENT DIRECTORS**

| Name or corporate name of director | Profile                                                                                                                                                                                                       |
|------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Manuel Gil Madrigal                | A Law and Business Administration graduate (E-3) from ICADE, is a founding member of the company Tasmania Gestión. In the year 2000, he was also a founder member of the financial company N+1 and has been a |

| Name or corporate name of director | Profile                                                                                                                                                                                                                                                                                                                                                                                            |
|------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                    | director of Ezentis, Funespaña, General de Alquiler de Maquinaria (GAM) and Campofrío, among other companies. Throughout his professional career, he has also held the position of Head of Capital Markets at AB Asesores Bursátiles, partner at Morgan Stanley and auditor at Arthur Andersen.                                                                                                    |
| Henri Proglio                      | A graduate from the School of Business Administration (HEC) in Paris, he is Chairman of Thales. He is currently on the Board of Directors at Natixis Banque and Dassault Aviation. He was also Chairman of energy 'giant' Électricité de France (2009-2014) and Veolia Environnement (2003-2009), as well as a director of FCC, Grupo Lagardère and Vinci, among other companies.                  |
| Álvaro Vázquez de Lapuerta         | A Law and Business Administration graduate (E-3) from ICADE, is currently a partner at the firms Akiba Partners and Meridia Capital Partners. He was General Manager for Spain and Portugal at Dresdner Kleinwort, and CEO and Head of Investor Relations at securities firm BBVA Bolsa. He previously held other positions of responsibility at JP Morgan in Mexico, New York, London and Madrid. |

|                                       |    |
|---------------------------------------|----|
| Total number of independent directors | 3  |
| % of the board                        | 20 |

| Observations |
|--------------|
|              |

List any independent directors who receive from the Company or group any amount or payment other than standard director remuneration, or who maintain or have maintained during the period in question, a business relationship with the Company or any group company, either in their own name or as a significant shareholder, director or senior manager of an entity that maintains or has maintained the said relationship.

None

If applicable, include a statement from the Board detailing the reasons why the said director may carry on its duties as an independent director.

| Name or corporate name of director | Description of relationship | Reasons |
|------------------------------------|-----------------------------|---------|
|                                    |                             |         |

#### **OTHER EXTERNAL DIRECTORS**

Identify any other External Directors and state why these Directors cannot be considered Proprietary or Independent Directors, and indicate any relations between them and the Company, its executives or shareholders:

| <b>Name or corporate name of director</b> | <b>Reasons</b> | <b>Company, executive or shareholder with whom the relationship is maintained</b> | <b>Profile</b> |
|-------------------------------------------|----------------|-----------------------------------------------------------------------------------|----------------|
|                                           |                |                                                                                   |                |

|                                                 |  |
|-------------------------------------------------|--|
| <b>Total number of other external directors</b> |  |
| <b>% of the board</b>                           |  |

|                     |
|---------------------|
| <b>Observations</b> |
|                     |

List any changes in the category of each director that have occurred during the year:

| <b>Name or corporate name of director</b> | <b>Date of change</b> | <b>Previous category</b> | <b>Category category</b> |
|-------------------------------------------|-----------------------|--------------------------|--------------------------|
| -                                         | -                     | -                        | -                        |

|                     |
|---------------------|
| <b>Observations</b> |
|                     |

C.1.4 Fill in the following table on the number of female directors as at the close of the past four years and their respective categories:

|                       | Number of female directors |          |          |          | % of total directors of each category |          |          |          |
|-----------------------|----------------------------|----------|----------|----------|---------------------------------------|----------|----------|----------|
|                       | Year t                     | Year t-1 | Year t-2 | Year t-3 | Year t                                | Year t-1 | Year t-2 | Year t-3 |
| <b>Executive</b>      | 0                          | 0        | 0        | 0        | 0                                     | 0        | 0        | 0        |
| <b>Proprietary</b>    | 4                          | 4        | 4        | 4        | 40                                    | 40       | 44.44    | 50       |
| <b>Independent</b>    | 0                          | 0        | 0        | 0        | 0                                     | 0        | 0        | 0        |
| <b>Other external</b> | 0                          | 0        | 0        | 0        | 0                                     | 0        | 0        | 0        |
| <b>Total</b>          | 4                          | 4        | 4        | 4        | 26.66                                 | 26.66    | 26.66    | 36.36    |

| Observations |
|--------------|
| -            |

C.1.5 Indicate whether the company has diversity policies for the company's Board of Directors with regard to issues such as age, gender, disabilities, or professional training and experience. In accordance with the definition given in the Spanish Auditing Act, small and medium-sized enterprises will have to report at least their agreed gender diversity policy.

Yes ☒ No ☐ Partial policies ☐

If yes, please describe these diversity policies, their objectives, their measures, the way in which they have been applied and the results thereof in this financial year. Any specific measures adopted by the Board of Directors and the Appointments and Remuneration Committee to attain a balanced and diverse representation of directors must also be indicated.

If the company does not apply a diversity policy, explain the reasons for this.

| Description of the policies, their objectives, their measures, the way in which they have been applied and the results thereof                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| The Board Regulations establish the following in Article 38.4.h, within the duties of the Appointments and Remuneration Committee: "Assisting the Board in its function of ensuring that the procedures for the selection of its members favour gender diversity, experience and knowledge and are not tainted by implicit biases that might imply any discrimination whatsoever and, in particular, they are to favour the selection of female directors, so as to ensure that the Company deliberately seeks and shortlists women with the necessary professional profile and, as the case may be, the Board must disclose in the Annual Corporate Governance Report the reason why there are few or no female directors and the initiatives adopted to correct this situation. For the foregoing purpose, it must establish a representation goal for the gender that is less represented on the Board of Directors and prepare guidelines on how to reach that goal". |

On 18 November 2014, FCC and the Ministry of Health, Social Services and Equality signed an agreement for the promotion of the balanced participation of men and women on the Board of Directors (Collaboration Agreement between the Ministry of Health, Social Services and Equality and FCC Citizen Services, for the promotion of the balanced participation of men and women on Boards of Directors).

According to the cited agreement, the Board of Directors of FCC undertakes to: advance in fulfilment of the recommendation in art. 75 of the Spanish Gender Equality Act (Law 3/2007 of 22 March); publicly disclose and maintain duly updated data on directors in accordance with the recommendations of the Code of Good Governance for listed companies; include specific references in the internal regulations regarding the promotion of the balanced participation of men and women on the Board; and strive to incorporate members of the least represented gender onto the Board.

On 5 December 2016, a follow-up report for the 2014 agreement was sent to the aforementioned Ministry. On 19 November 2018, with the end of the term of the agreement, a closing report was published describing the measures implemented and stating that the representation of women on the Board stood at 26.6%.

In addition, FCC signed the Diversity Charter, a voluntary code for the promotion of fundamental principles of equality. The initiative, supported by the European Commission's Justice Department for the development of its policies to fight against discrimination, contemplates the implementation of inclusive policies and non-discrimination programmes in the signatory companies.

C.1.6 Explain the measures adopted, as the case may be, by the Appointments Committee so that the selection procedures are not tainted by implicit biases hindering the selection of women, and so that the Company deliberately seeks women candidates with the appropriate professional profile and enable a balanced representation of men and women:

| Explanation of measures                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| The Board Regulations establish the following in Article 38.4.h, within the duties of the Appointments and Remuneration Committee: "Assisting the Board in its function of ensuring that the procedures for the selection of its members favour gender diversity, experience and knowledge and are not tainted by implicit biases that might imply any discrimination whatsoever and, in particular, they are to favour the selection of female directors, so as to ensure that the Company deliberately seeks and shortlists women with the necessary professional profile and, as the case may be, the Board must disclose in the Annual Corporate Governance Report the reason why there are few or no female directors and the initiatives adopted to correct this situation. For the foregoing purpose, it must establish a representation goal for the gender that is less represented on the Board of Directors and prepare guidelines on how to reach that goal". |

When, despite the measures taken, there are few or no female directors, explain the reasons.

| Explanation of the reasons |
|----------------------------|
| -                          |

C.1.7 Explain the conclusions of the Appointments Committee regarding the verification of compliance with the Board member policy selection. And especially whether such policy is promoting the goal for 2020 of having at least 30% female members on the Board of Directors.

At the General Meeting held on 28 June 2016, four new directors were appointed at the proposal of the controlling shareholder Inversora Carso, which asserted the power granted by the shareholders agreement dated 25 February 2016. Two other Board members were also renewed at this Meeting.

On 12 September 2017, the Board of Directors co-opted Pablo Colio Abril as CEO. Subsequently, on 28 June 2018, the General Meeting agreed to appoint Pablo Colio Abril, a member of the Board of Directors, as executive director.

In all six cases, the Appointments and Remuneration Committee issued a favourable report to the Board of Directors on the suitability of the directors.

On 31 December 2018, more than 25% of FCC's Board of Directors were women, with Esther Alcocer Koplowitz as non-executive Chairperson.

C.1.8 Explain, if applicable, the reasons why proprietary directors have been appointed upon the request of shareholders who hold less than 3% of the share capital.

| Name or corporate name of shareholder | Reason |
|---------------------------------------|--------|
| -                                     | -      |

Provide details of any rejections of formal requests for board representation from shareholders whose equity stake is equal to or greater than that of other shareholders who have successfully requested the appointment of proprietary directors. If applicable, explain why these requests have not been entertained.

Yes ☐

No ☒

| Name or corporate name of shareholder | Explanation |
|---------------------------------------|-------------|
|                                       |             |

C.1.9 Indicate, if any, the powers delegated by the Board of Directors to directors or Board Committees:

| Name or corporate name of director or committee | Brief description                                     |
|-------------------------------------------------|-------------------------------------------------------|
| Pablo Colio Abril                               | All powers with the exception of non-delegable powers |

C.1.10 List the directors, if any, who hold office as directors, representatives of directors or executives in other companies belonging to the listed company's group:

| Name or corporate name of director  | Corporate name of the group entity  | Position                                              | Do they have executive duties? |
|-------------------------------------|-------------------------------------|-------------------------------------------------------|--------------------------------|
| EAC, Inversiones Corporativas, S.L. | Cementos Portland Valderrivas       | Chairman                                              | No                             |
| Inmobiliaria AEG, S.A. de C.V.      | Cementos Portland Valderrivas       | Director                                              | No                             |
| Gerardo Kuri Kaufmann               | Cementos Portland Valderrivas       | CEO                                                   | Yes                            |
| Carlos M. Jarque Uribe              | Cementos Portland Valderrivas       | Director                                              | No                             |
| Juan Rodríguez Torres               | Cementos Portland Valderrivas       | Director                                              | No                             |
|                                     | FCC Aqualia                         | Director                                              | No                             |
| Álvaro Vázquez de Lapuerta          | Cementos Portland Valderrivas       | Director                                              | No                             |
| Alejandro Aboumrad González         | Cementos Portland Valderrivas, S.A. | Representative of the Director Inmobiliaria AEG, S.A. | No                             |
|                                     | FCC Aqualia, S.A.                   | Director and Chairman of the Board of Directors       | No                             |
| Antonio Gómez García                | FCC Américas                        | Deputy Director                                       | No                             |
| Pablo Colio Abril                   | FCC Industrial Perú, S.A            | Member of the board of directors                      | Yes                            |
|                                     | FCC Medio Ambiente, S.A.            | Chairman                                              | Yes                            |
|                                     | FCC Aqualia, S.A.                   | Director                                              | No                             |
|                                     | FCC Construcción, S.A.              | Chairman                                              | Yes                            |

| Observations |
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C.1.11 List any company board members or their representatives who are legal entities at the Company who likewise sit on the boards of directors of other non-group companies that are listed on official securities markets in Spain, insofar as these have been disclosed to the company.

| Name or corporate name of director                                              | Corporate name of the listed company | Position                |
|---------------------------------------------------------------------------------|--------------------------------------|-------------------------|
| EAC Inversiones Corporativas, S.L.<br>(represented by Esther Alcocer Koplowitz) | Realia Business                      | Director                |
| Carlos M. Jarque Uribe                                                          | Realia Business                      | Director                |
| Gerardo Kuri Kaufmann                                                           | Realia Business                      | CEO                     |
| Manuel Gil Madrigal                                                             | Barón de Ley, S.A.                   | External director-other |
| Juan Rodriguez Torres                                                           | Realia Business                      | Non-Executive Chairman  |

| Observations |
|--------------|
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C.1.12 Indicate and, where appropriate, explain whether the company has established rules about the number of boards on which its directors may sit, identifying, where appropriate, where it is regulated:

Yes ☐

No ☒

| Explanation of the rules and identification of the document where it is regulated |
|-----------------------------------------------------------------------------------|
|                                                                                   |

C.1.13 Indicate the amounts of the following items relating to the overall remuneration of the Board of Directors:

|                                                                                            |       |
|--------------------------------------------------------------------------------------------|-------|
| Remuneration accrued in the year in favour of the Board of Directors (thousands of euros)  | 1,865 |
| Amount of pension rights accumulated by current directors (thousands of euros)             | 0     |
| Amount of pension rights accumulated by former directors for pensions (thousands of euros) | 3,300 |

| Observations |
|--------------|
| —            |

C.1.14 List any members of senior management who are not executive directors and indicate the total remuneration paid to them during the year:

| Name or Company Name        | Position(s)                                   |
|-----------------------------|-----------------------------------------------|
| Marcos Bada Gutiérrez       | General Manager of Internal Audit             |
| Felipe B. García Pérez      | General secretary                             |
| Miguel Ángel Martínez Parra | General Manager of Administration and Finance |
| Félix Parra Mediavilla      | General Manager of Aqualia                    |

|                                                                              |          |
|------------------------------------------------------------------------------|----------|
| <b>Total remuneration received by senior management (thousands of euros)</b> | 4,164.36 |
|------------------------------------------------------------------------------|----------|

| Observations                                                                                                                                                                                                                                                                                                                   |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| The total remuneration figure includes that received by the Chairman of Servicios Medioambientales, Agustín García Gila, until the end of his employment relationship with the Group on 18 December 2018. Also included is the amount corresponding to the compensation for the termination of this senior manager's contract. |

C.1.15 Indicate whether any changes have been made to the Board regulations during the year:

Yes ☐

No ☒

|                                     |
|-------------------------------------|
| <b>Description of modifications</b> |
|-------------------------------------|

C.1.16 Indicate the procedures for appointing, re-electing and removing directors. List the competent bodies, procedures and criteria used for each of these procedures:

Responsibility for the nomination and removal of directors lies with the general meeting. Directors may be re-elected indefinitely, one or more times, for maximum periods of four years (Art. 30.3 of the Company's Bylaws).

In accordance with article 29.4 of the Company's Bylaws, the Board of Directors shall follow the criteria and guidelines established in the Regulations of the Board of Directors in its proposals for the appointment, re-election, ratification or termination of directors submitted to the General Meeting and in the appointment decisions adopted by the Board by virtue of the co-optation powers legally attributed to it.

Chapter IV of the Regulations of the Board of Directors, namely 'Director Appointment and Termination' regulates these matters:

Article 16. Appointment, ratification or re-election of Directors. 1. Proposals for the appointment or re-election of directors submitted to the General Meeting by the Board of Directors for the consideration and subsequent appointment decisions thereof by virtue of the powers of co-optation legally attributed to it, must be made by persons of recognised integrity, solvency, technical competence and experience, and shall be approved by the Board at the proposal of the Appointments and Remuneration Committee for independent directors, and following a report from the Appointments and Remuneration Committee for other directors. 2. In all cases, the proposal must be accompanied by a report from the Board of Directors evaluating the competence, experience and merits of the proposed candidate, which shall be attached to the minutes of the General Meeting or that of the Board itself. 3. In the event of a legal person being appointed a director, this must designate a person to exercise this position. This person will be subject to the requirements regarding professional honour, solvency, technical competence and experience, and incompatibility or prohibition, set out in these Rules, and will be required to perform in person the duties of a director pursuant to these Rules. Any revocation of such representation by the legal entity will not take effect until a replacement is designated. Likewise, the proposal for an individual representative must be submitted to the report of the Appointments and Remuneration Committee. 4. From the moment the meeting notices for the General Meeting are published, the Board of Directors must publish on its website the following information on persons proposed for appointment or ratification as Director, and, where applicable, on the individual representing a Director who is a legal person: (i) professional experience and background; (ii) other Boards of Directors on which they are members, whether they are listed companies or not; (iii) an indication of the category of director to which they belong, as appropriate, indicating, in the case of proprietary directors, the shareholder whose request has been appointed, re-elected or ratified or with whom they have links must be identified; (v) shares of the Company and derivative financial instruments underlying the shares of the Company, held either by the director whose position is to be ratified or re-appointed or by the candidate to occupy the position for first-time appointment as director. This information must be kept up to date; and (vi) the reports and proposals of the relevant bodies in each case. 5. The Secretary of the Board of Directors shall provide each new director with a copy of the Company's Bylaws, these Rules, the FCC Group Code of Ethics, the Internal

Code of Conduct in the Securities Market, the latest individual and consolidated annual accounts and management reports approved by the General Meeting, the audit reports corresponding to them and the latest economic and financial information sent to the markets. They will also be made easier to identify current auditors and their representatives. 6. Each director must sign a receipt for such documentation, undertaking to acquaint himself/herself with it immediately and to faithfully comply with their obligations as a director. 7. The Company shall organise induction programmes to acquaint new directors with the Company and the Group as well as the rules of corporate governance and offer refresher programmes when circumstances so advise.

#### Article 17. Term of office

1. Directors will hold their positions for the term established in the corporate bylaws. 2. Directors appointed by co-option will hold their positions until the date of the first general meeting. Likewise, in the event a post on the Board becomes vacant after the General Meeting is called but before it is held, the Board of Directors may appoint a director to serve up until the date of the next General Meeting. 3. The director whose mandate comes to an end or who for any other reason resign from their posts may not lend their services to a competitor of FCC, for a period of two (2) years. 4. The Board of Directors, if it sees fit, may relieve the outgoing Director of this restriction or reduce the stipulated period.

#### Article 18. Re-election of directors

In addition to complying with the appointment requirements established in article 16 above, prior to any re-election of directors that is submitted to the General Meeting, the Appointments and Remuneration Committee must issue a report evaluating the quality of work and dedication to the position of the proposed directors during the previous mandate.

#### Article 19. Removal of Directors

1. Directors cease to hold office once their term of office has expired and when removed by the general meeting by virtue of the powers vested in same under Spanish law and the company bylaws. 2. Directors must place their posts under the review of the Board and, where the Board deems appropriate, tender their resignation in the following cases: a) In the case of executive directors, when they no longer occupy the positions or perform the functions by virtue of which they were appointed. b) In the case of proprietary directors, when the shareholder at whose request they have been appointed fully disposes of their shareholding in FCC or reduces it to a level that requires a reduction in the number of their proprietary directors. c) When they fall under a situation of incompatibility or legal disqualification provided by law d) When the Board itself so requests by a majority of at least two thirds (2/3) of its members: - if, for having breached their obligations as directors, they are seriously reprimanded by the Board, following a proposal or report from the Appointments and Remuneration Committee, or - when their remaining on the Board could jeopardise the Company's credibility and reputation. In this sense, the directors must inform the Board of any criminal proceedings in which they are an accused party and of the subsequent progress of the proceedings. In any event, the moment a Director is indicted or tried for any of the corporate crimes stated in article 213 of the Corporate Enterprises Act, the Board should examine the matter as soon as possible and, in view of the particular circumstances and potential harm to the Company's name and reputation, decide whether or not the Director should resign. All such determinations should be disclosed in the Annual Corporate Governance Report. 3. If a natural person representing a Director who is a legal person incurs in any of the events provided in the preceding section, the former will be disqualified as a representative. 4. The Board of Directors

may not propose the dismissal of any independent Director before the statutory term for which that Director has been appointed expires, unless there are due grounds, as assessed by the Board on a previous report produced by the Appointments and Remuneration Committee. In particular, just cause will be presumed when a director is in breach of his or her fiduciary duties or comes under one of the disqualifying grounds described in article 6.2.a) of the Regulations which impede their appointment as an independent director. The termination of independent directors may also be proposed when a takeover bid, merger or similar corporate operation entail a change in the Company's capital structure when such structural changes in the Board result from proportionality between the number of proprietary and independent directors in relation to the capital represented by proprietary directors and the remaining share capital. 5. When a director resigns or leaves the board for any reason prior to completion of the appointed term, the director shall state the reasons in a letter to be sent to all members of the Board, regardless of whether the termination is filed with the CNMV as a relevant event and the reason thereof addressed in the Annual Corporate Governance Report. The resignation letter submitted to the remaining directors should expressly indicate whether the director is resigning because the board has adopted significant or reiterated decisions against which the director has placed serious objections on record.

C.1.17 Explain to what extent the annual evaluation of the board of directors has prompted significant changes to the board's internal organisation and to the procedures applicable to the board's activities:

| Description of amendments                                                 |
|---------------------------------------------------------------------------|
| In 2018, no deficiencies were detected such as to warrant an action plan. |

Explain the evaluation process and the areas for evaluation carried out by the Board of Directors, with the aid of an external consultant where appropriate, with respect to the functioning and composition of the Board and its committees and any other area or aspect that has been subject to evaluation.

The Board of Directors of Fomento de Construcciones y Contratas, S.A. (hereinafter, the Company) issued a report evaluating the quality and efficiency of its operation, and that of its Committees, during fiscal year 2018, in order to comply with the duty imposed by article 34.9 of the Regulations of the Board of Directors, which incorporates recommendation 36 of the Code of Good Governance for Listed Companies published by the National Securities Market Commission on 18 February 2015, article 529 nonies of the Corporate Enterprises Act and the instructions in the CNMV's technical guide published in June 2017.

The report was examined and approved by the Board of Directors of the Company, which in accordance with Article 34.9 of the Regulations for the Board of Directors is the body responsible for evaluating the quality and efficiency of its own operations, at its meeting on 26 February 2019. All the members of the Board of Directors participated actively in the preparation of the Report, taking into consideration the comments, assessments, opinions and suggestions made by all of them.

For the 2018 report, the self-assessment process was carried out evaluating the different aspects that affect the operation, efficiency and quality of the actions and decision-making by the Board of Directors, as well as the contribution of its members to the exercise of the functions and achievement of the objectives entrusted to the Board.

In addition, the respect and compliance by the Board of Directors and its members of the statutory precepts, of the Regulations of the Board of Directors and, in general, of the rules of Good Corporate Governance of Listed Companies has been taken into account.

C.1.18 Break down, in those years in which the evaluation has been assisted by an external consultant, the business relations that the consultant or members of its corporate group maintain with the company or members of its Group.

The Company has relied on the information and advice of its internal services, and no external consultants have advised it in this regard.

C.1.19 Indicate the cases in which directors must resign.

(Consolidated text of the Regulations of the Board of Directors following the amendments of 28 July 2016 and registered in the Companies Registry on 21 October 2016)

Article 19. Removal of Directors

1. Directors cease to hold office once their term of office has expired and when removed by the general meeting by virtue of the powers vested therein under Spanish law and the company bylaws.

2. Directors must to place their posts under the review of the Board and, where the Board deems appropriate, tender their resignation in the following cases:

a) In the case of executive directors, when they no longer occupy the positions or perform the functions by virtue of which they were appointed.

b) In the case of proprietary directors, when the shareholder whose interests they represent disposes of its entire holding in FCC or reduces it to such a level that the number of proprietary directors must be reduced.

c) When they are involved in any of the situations of conflict of interests or prohibited situations provided for by Law.

d) At the Board's request, by a majority of at least two-thirds (2/3) of its members: - if, for having breached their obligations as directors, they are seriously reprimanded by the Board, following a proposal or report from the Appointments and Remuneration Committee, or - when their remaining on the Board could jeopardise the Company's credibility and reputation. In this sense, the directors must inform the Board of any criminal proceedings in which they are an accused party and of the subsequent progress of the proceedings. In any event, the moment a Director is indicted or tried for any of the corporate crimes stated in article 213 of the Corporate Enterprises Act, the Board should examine the matter as soon as possible and, in view of the particular circumstances and potential harm to the Company's name and reputation, decide whether or not the Director should resign. All such determinations should be disclosed in the Annual Corporate Governance Report.

3. If a natural person representing a Director who is a legal person incurs in any of the events provided in the preceding section, the former will be disqualified as a representative.

4. The Board of Directors may not propose the dismissal of any independent Director before the statutory term for which that Director has been appointed expires, unless there are due grounds, as assessed by the Board on a previous report produced by the Appointments and Remuneration Committee. In particular, just cause will be presumed when a director is in breach of his or her fiduciary duties or comes under one of the disqualifying grounds described in article 6.2.a) of the Regulations which impede their appointment as an independent director. The termination of independent directors may also be proposed when a takeover bid, merger or similar corporate operation entail a change in the Company's capital structure when such structural changes in the Board result from proportionality between the number of proprietary and independent directors in relation to the capital represented by proprietary directors and the remaining share capital.

5. When a director resigns or leaves the board for any reason prior to completion of the appointed term, the director shall state the reasons in a letter to be sent to all members of the Board, regardless of whether the termination is filed with the CNMV as a relevant event and the reason thereof addressed in the Annual Corporate Governance Report. The resignation letter submitted to the remaining Directors should expressly indicate whether the Director is resigning because the board has adopted significant or reiterated decisions against which the Director has placed serious objections on record.

C.1.20 Are qualified majorities other than those prescribed by law required for any type of decision?

Yes ☐

No ☒

If applicable, describe the differences.

| Description of differences |
|----------------------------|
| -                          |

C.1.21 Indicate whether there are any specific requirements, apart from those relating to the directors, to be appointed Chairman of the Board of Directors.

Yes ☐

No ☒

| Description of requirements |
|-----------------------------|
|                             |

C.1.22 Indicate whether the Bylaws or the Board regulations set any age limit for directors:

Yes ☐

No ☒

|          | Age limit |
|----------|-----------|
| Chairman |           |
| CEO      |           |
| Director |           |

| Observations |
|--------------|
|              |

C.1.23 Indicate whether the bylaws or the internal Regulations of the Board of Directors set a limited term of office or other stricter requirements in addition to those laid down by law for independent directors.

Yes ☐

No ☒

|                                                                     |  |
|---------------------------------------------------------------------|--|
| Additional requirements and/or maximum number of mandate exercises. |  |
|---------------------------------------------------------------------|--|

C.1.24 Indicate whether the Bylaws or the Board of Director regulations stipulate specific rules on appointing a proxy to the Board in favour of other directors, the procedures thereof and, in particular, the maximum number of proxy appointments a director may hold. Also indicate whether there are any limitations with regard to the categories in which it is possible to delegate, beyond the limitations imposed by legislation. If so, give brief details.

|                                                                           |
|---------------------------------------------------------------------------|
| There are no any formal processes for granting proxies at board meetings. |
|---------------------------------------------------------------------------|

C.1.25 Indicate the number of Board meetings held during the year. In addition, state, if applicable, how many times the board has met without the Chairman's attendance. Attendance will also include proxies appointed with specific instructions.

|                                                                        |   |
|------------------------------------------------------------------------|---|
| <b>Number of board meetings</b>                                        | 9 |
| <b>Number of board meetings held without the Chairman's attendance</b> | 0 |

|                     |
|---------------------|
| <b>Observations</b> |
|                     |

State the number of meetings held by the coordinating director with the other directors, without attendance or representation of any executive director and under the chairmanship of the CEO:

|                           |   |
|---------------------------|---|
| <b>Number of meetings</b> | - |
|---------------------------|---|

|                     |
|---------------------|
| <b>Observations</b> |
|                     |

Indicate the number of meetings of the various Board committees held during the year:

|                                                                          |   |
|--------------------------------------------------------------------------|---|
| <b>Number of meetings of the Executive Committee</b>                     | 8 |
| <b>Number of meetings of the Audit Committee</b>                         | 9 |
| <b>Number of meetings of the Appointments and Remuneration Committee</b> | 8 |
| <b>Number of meetings of the Appointments Committee</b>                  | - |
| <b>Number of meetings of the Remuneration Committee</b>                  | - |
| <b>Number of meetings of the Committee _____</b>                         | - |

|                     |
|---------------------|
| <b>Observations</b> |
|                     |

C.1.26 Indicate the number of Board meetings held during the financial year and the attendance data of its members:

|                                                                                                                                            |        |
|--------------------------------------------------------------------------------------------------------------------------------------------|--------|
| <b>Number of board meetings attended in person by at least 80% of the directors</b>                                                        | 9      |
| <b>% of attendance in person of the total votes cast during the year</b>                                                                   | 97.77% |
| <b>Number of board meetings attended in person, or representations made with specific instructions, of all the directors</b>               | 7      |
| <b>of votes cast with in-person attendance and representations made with specific instructions, out of the total votes during the year</b> | 97.77% |

| <b>Observations</b>                                                                                                               |
|-----------------------------------------------------------------------------------------------------------------------------------|
| In 2018 all the Board of Directors meetings were attended in person, and no representations were made with specific instructions. |

C.1.27 Indicate whether the individual and consolidated financial statements submitted for authorisation for issue by the board are certified previously:

**Yes** ☒

**No** ☐

Identify, where applicable, the person(s) who certified the company's individual and consolidated financial statements prior to their authorisation for issue by the board.

| <b>Name</b>           | <b>Position</b>                               |
|-----------------------|-----------------------------------------------|
| Pablo Colio Abril     | CEO                                           |
| Miguel Martínez Parra | General Manager of Administration and Finance |
| Juan José Drago Masiá | General Manager of Administration             |

| <b>Observations</b> |
|---------------------|
|                     |

C.1.28 Explain the mechanisms, if any, established by the Board of Directors to prevent the individual and consolidated financial statements it prepares from being laid before the General Meeting with a qualified Audit Report.

One of the Audit and Control Committee's duties is the review of the process for preparing the economic and financial information published periodically by the FCC Group. This function is particularly relevant in the case of annual information, so that, prior to the preparation of the annual financial statements by the Board of Directors, the Audit and Control Committee thoroughly examines those statements and requests the statutory auditor's participation in the Committee to explain the conclusions of its review work.

In this way, once the statements are approved by the Board, the statutory auditor's report contains no qualifications.

C.1.29 Is the Secretary of the Board also a director?

Yes ☐

No ☒

If the Secretary is not a director, please complete the following box:

| Name or corporate name of secretary | Representative |
|-------------------------------------|----------------|
| Francisco Vicent Chuliá             | –              |
| Observations                        |                |
|                                     |                |

C.1.30 State the mechanisms established by the Company to preserve the independence of the statutory auditors, as well as, if any, the mechanisms to preserve the independence of financial analysts, investment banks and rating agencies, including how the legal provisions have been implemented in practice.

For this purpose, Article 37.5 of the Regulations of the Board of Directors states that "The basic function of the Audit and Control Committee is to support the Board of Directors in its supervisory duties by periodically reviewing the processes used to prepare the financial information, the internal controls and the independence of the statutory auditor. In particular, the matters that the Board of Directors may entrust to the Audit and Control Committee include, but are not limited to, the following:

- a) Reporting to the shareholders in General Meeting on any questions put forth by shareholders during it in relation to those matters for which the committee is responsible and, in particular, on the results of the audit, explaining how this has contributed to the completeness of the financial information and the role the Audit and Control Committee played in this process.
- b) To act as a communication channel between the Board and the statutory auditor, assessing the results of each audit, and having the following responsibilities in respect of the statutory auditor: (i) to make recommendations to the Board for the selection, appointment, reappointment and removal of the accounts auditor, (ii) to obtain regularly from the statutory auditor information on the audit plan and the results of its implementation, to preserve its independence in the performance of its functions and to verify that senior management is taking account of their recommendations; (iii) Discussing with the statutory auditors any significant weaknesses found in the internal control system as a result of the audits conducted, without compromising his or her independence; to this end, and where appropriate, the Audit and Control Committee may present recommendations or proposals to the Board of Directors and the corresponding period for their follow-up. (iv) establishing the appropriate relations with the statutory auditor to receive information on any matters that could threaten the auditor's independence and assess this information, along with any other information relating to the account audit, and where applicable, the authorisation of the permitted services, within the terms referred to in the statutory regulations regulating the activity of auditing accounts on the system of independence, as well as any other communications provided for in legislation on account auditing and in auditing standards; (v) ensure the independence of the statutory auditor, in particular by establishing suitable measures: 1) so that the contracting of advisory and consulting services with said auditor or companies in its group does not imply a risk to its independence for which purpose the Committee shall request and receive annually from said auditor the declaration of its independence in relation to the Company or entities related to it directly or indirectly, as well as detailed and individualised information on the additional services of any kind provided and the corresponding fees received from these entities by the statutory auditor or by the persons or entities related to it, as provided for in the Auditing Act, and 2) ensure that the Company notifies any change of auditor to the CNMV as a relevant event, accompanied by a statement of any disagreements arising with the outgoing auditor and the reasons for doing so. If the statutory auditor resigns, the Committee should investigate the issues that led to this resignation; and (iv) and seek to ensure that the group auditor takes responsibility for auditing the companies comprising the Group.
- c) Issuing, on an annual basis and prior to issuance of the auditor's report, a report expressing an opinion on whether the independence of the account auditors or auditing companies has been compromised. In any event, this report must include the assessment, supported by reasons, of the provision of each additional service referred to in the above section b)v)1), considered individually and as a whole, aside from the legal audit and in relation to the independence or regulatory auditing standards of the account auditing.
- d) The supervision of the Company's Internal Audit services to ensure the good operation of the reporting and internal control systems, and the head of the Internal Audit function is obliged to present their annual work plan to the Committee and to inform it directly of any incidents arising in its development and to submit a report on its activities at the end of each financial year.
- e) To supervise and analyse the effectiveness of the Company's internal control and of the risk control and management policy approved by the Board of Directors, ensuring that this policy at least identifies: (i) the different types of risk the Company faces, with the inclusion under financial or economic risks of contingent liabilities and other off-balance sheet risks; (ii) the determination of the risk level the Company sees as acceptable; (iii) the measures in place to mitigate the impact of risk events should they occur; and (iv) the internal reporting and control systems to be used to control

and manage the above risks, including contingent liabilities and off-balance sheet risks and submit it to the Board for approval.

f) To supervise the process of preparing the individual and consolidated financial statements and management reports and periodic financial information to be reported to the markets and submit recommendations or proposals to the Board of Directors, aimed at safeguarding its integrity; ensuring that legal requirements are complied with and generally accepted accounting principles are correctly applied. It shall also report to the Board on the following considerations prior to their approval: (i) that the financial information that all listed companies must periodically disclose and interim statements are drawn up under the same accounting principles as the annual statements and, to this end, may ask the statutory auditor to conduct a limited review; and (ii) the creation or acquisition of shares in special purpose vehicles or entities resident in countries or territories considered tax havens, and any other transactions or operations of a comparable nature whose complexity might impair the transparency of the FCC Group.

g) With respect to internal control and reporting systems: With respect to internal control and reporting systems: (i) to monitor the preparation and integrity of the financial information prepared on the Company and, where appropriate, the Group, checking for compliance with regulatory requirements, the accurate demarcation of the scope of consolidation and the correct application of accounting principles; (ii) to supervise internal control and risk management systems on a regular basis, including tax control systems, so main risks are properly identified, managed and disclosed; (iii) to safeguard the independence and effectiveness of the Internal Audit Area; propose the selection, appointment, reappointment and removal of the head of internal audit; propose the department's budget; receive regular reports on its activities; and verify that senior management are acting on the findings and recommendations of its reports; periodically receive information from the Response Committee and the Risk Management and Control Department, respectively, on the development of their activities and the functioning of internal controls; and (v) ensure that internal codes of conduct and corporate governance rules comply with regulatory demands and are suitable for the Company, and reviewing that the persons subject to said codes and rules of governance comply with their reporting obligations to the Company.

h) To issue such reports and proposals as may be requested by the Board of Directors or by its Chairman, and such others as it deems appropriate for the best performance of its functions and, in particular, (i) to issue the report on proposed amendments to these Regulations of the Board of Directors, in accordance with the provisions of Article 4.3; (ii) decide in relation to the requests for information that the directors, in accordance with the provisions of Article 26.3 of these Rules, send to this Committee; and (iii) request, where appropriate, the inclusion of items on the Agenda of the Board meetings under the conditions and within the periods established in Article 34.3 of these Rules'.

C.1.31 Indicate whether the Company has changed its external audit firm during the year. If so, identify the incoming and outgoing auditor:

Yes ☐

No ☒

| Outgoing auditor | Incoming auditor |
|------------------|------------------|
|                  |                  |

|  |  |
|--|--|
|  |  |
|--|--|

| Observations |
|--------------|
|              |

Explain any disagreements with the outgoing auditor and the reasons:

Yes ☐

No ☒

| Explanation of the disagreements |
|----------------------------------|
|                                  |

C.1.32 Indicate whether the audit firm performs non-audit work for the Company and/or its group. If so, state the amount of fees paid for such work and the percentage they represent of all fees invoiced to the Company and/or its group:

Yes ☒

No ☐

|                                                        | Company | Group companies | Total |
|--------------------------------------------------------|---------|-----------------|-------|
| Amount of non-audit work<br>(thousands of euros)       | 104     | 79              | 183   |
| Amount of non-audit work / Amount<br>of audit work (%) | 22,04%  | 2,67%           | 5,33% |

| Observations |
|--------------|
|              |

C.1.33 Indicate whether the auditor's report on the previous year's financial statements is qualified or includes reservations. If so, indicate the reasons given to the shareholders at the

General Meeting by the chairman of the audit committee to explain the content and scope of those reservations or qualifications.

Yes ☐

No ☒

| Explanation of reasons |
|------------------------|
|                        |

C.1.34 Indicate the number of consecutive years during which the current audit firm has been auditing the individual and/or consolidated financial statements of the company. Likewise, indicate for how many years the current firm has been auditing the financial statements as a percentage of the total number of years over which the financial statements have been audited:

|                             | Proprietors | Consolidated |
|-----------------------------|-------------|--------------|
| Number of consecutive years | 17          | 17           |

|                                                                                                                        | Proprietors | Consolidated |
|------------------------------------------------------------------------------------------------------------------------|-------------|--------------|
| Number of years audited by the current audit firm / Number of years that the company or its group has been audited (%) | 57.10%      | 57.10%       |

| Observations                                                                                                                                                                                                                                                              |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| The audit of the Company and the FCC Group has been carried out by Deloitte, S.L. since 2002. Previously, since 1990, the audit of the Company and the Group was carried out by Arthur Andersen, a firm that ceased trading globally in 2002 and became part of Deloitte. |

C.1.35 Indicate whether there are procedures for directors to receive the information they need in sufficient time to prepare for the meetings of the governing bodies:

Yes ☒

No ☐

| Procedures                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>Regulations of the Board of Directors Article 26. Information and inspection duties</p> <p>“1. In order to carry out their duties, all directors have the duty to demand and have the right to obtain from the Company the adequate and necessary information that will enable them to fulfil their obligations regarding any aspect of FCC and its subsidiaries and investees, whether national or foreign. To this end, it may examine the documentation it deems necessary, contact the heads of the departments concerned and visit the relevant facilities. 2. In order not to disrupt the day-to-day management of the FCC Group, the exercise of the powers of information shall be channelled through the Chairman, who shall immediately inform the CEO and respond to the requests made by directors by directly providing the information directly or offering the appropriate interlocutors at the pertinent organisational level. 3. In the event that the request for information has been denied, delayed or defective, the requesting director may refer his petition to the Audit and Control Committee, which must grant a hearing to both the Chairperson and requesting Director before deciding how to proceed. 4. The information requested may only be denied when, in the opinion of the Chairman and of the Audit and Control Committee, it is unnecessary or could be harmful to the Company's interests. Such a refusal shall not apply where the request has been supported by an absolute majority of the Board members'.</p> |

C.1.36 Indicate and, where appropriate, give details of whether the company has established rules obliging directors to inform the board of any circumstances that might harm the company's name or reputation, tendering their resignation as the case may be:

Yes ☒

No ☐

| Details of rules                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>Regulations of the Board of Directors. Article 25. Disclosure requirements for directors</p> <p>Directors must inform the FCC Appointments and Remuneration Committee, through the Corporate Responsibility Department (or any other department that may replace it) of the following: d) Lawsuits, legal, administrative or any other sort of proceedings that are sufficiently serious in nature to risk harming FCC's reputation. e) In general, any event, act or situation that may prove relevant for their performance as directors of FCC.</p> <p>Article 19. Removal of Directors.</p> <p>1. Directors cease to hold office once their term of office has expired and when removed by the general meeting by virtue of the powers vested in same under Spanish law and the company bylaws.</p> <p>2. Directors must to place their posts under the review of the Board and, where the Board deems appropriate, tender their resignation in the following cases: a) When directors cease to hold the posts, positions or functions to which their appointment as executive directors was associated. b) In the case of proprietary directors, when the shareholder at whose request they have been appointed fully transmits their shareholding in FCC or reduces it to a level that requires a reduction in the number of their proprietary directors. c) When they are subject to any of the cases of incompatibility or prohibition stipulated by law. d) When the Board itself so requests by a majority of at least two thirds (2/3) of its members: - if, for</p> |

having breached their obligations as directors, they are seriously reprimanded by the Board, following a proposal or report from the Appointments and Remuneration Committee, or - when their remaining on the Board could jeopardise the Company's credibility and reputation. In this sense, the directors must inform the Board of any criminal proceedings in which they are an accused party and of the subsequent progress of the proceedings. In any event, the moment a Director is indicted or tried for any of the corporate crimes stated in article 213 of the Corporate Enterprises Act, the Board should examine the matter as soon as possible and, in view of the particular circumstances and potential harm to the Company's name and reputation, decide whether or not the Director should resign. All such determinations should be disclosed in the Annual Corporate Governance Report.

3. If a natural person representing a Director who is a legal person incurs in any of the events provided in the preceding section, the former will be disqualified as a representative.

4. The Board of Directors may not propose the dismissal of any independent Director before the statutory term for which that Director has been appointed expires, unless there are due grounds, as assessed by the Board on a previous report produced by the Appointments and Remuneration Committee. In particular, just cause will be presumed when a director is in breach of his or her fiduciary duties or comes under one of the disqualifying grounds described in article 6.2.a) of the Regulations which impede their appointment as an independent director. The termination of independent directors may also be proposed when a takeover bid, merger or similar corporate operation entail a change in the Company's capital structure when such structural changes in the Board result from proportionality between the number of proprietary and independent directors in relation to the capital represented by proprietary directors and the remaining share capital.

5. When a director resigns or leaves the board for any reason prior to completion of the appointed term, the director shall state the reasons in a letter to be sent to all members of the Board, regardless of whether the termination is filed with the CNMV as a relevant event and the reason thereof addressed in the Annual Corporate Governance Report. The resignation letter submitted to the remaining directors should expressly indicate whether the director is resigning because the Board has adopted significant or reiterated decisions against which the director has voiced serious reservations."

C.1.37 Indicate whether any director has notified the company of having been indicted or tried for any of the offences cited in article 213 of the Corporate Enterprises Act:

Yes ☐

No ☒

| Name of director | Criminal proceedings | Observations |
|------------------|----------------------|--------------|
|                  |                      |              |

Indicate whether the Board of Directors has examined this matter. If so, provide a justified explanation of the decision taken as to whether or not the director should continue to hold office or, if applicable, detail the actions taken or to be taken by the board.

Yes ☐

No ☐

| Decision/action taken | Justified explanation |
|-----------------------|-----------------------|
|                       |                       |

C.1.38 List any significant agreements entered into by the Company which come into force, are amended or terminate in the event of a change of control of the Company due to a takeover bid, and their effects.

On 5 February 2016, Nueva Samede 2016, S.L.U. (“Nueva Samede”) and I. Carso entered into a call options contract to buy shares in Fomento de Construcciones y Contratas, S.A. (“FCC”) before Madrid Notary Jaime Recarte Casanova, recorded under his notary protocol No. 285 (“Call Option”), by virtue of which Nueva Samede irrevocably granted I. Carso a call option to purchase 9,454,167 ordinary shares of FCC, representing 2.496% of its share capital and of which Nueva Samede is the proprietor after the subscribing and paying in of the capital increase of FCC as entered on record in the Barcelona Companies Registry on 4 March 2016 (the “Affected Shares”).

The Affected Shares are part of the 7.028% share capital of FCC held by Nueva Samede 2016, S.L.U. (“Nueva Samede”) that are attributed to I. Carso for the exclusive effects of article 5.1.d of the Spanish Royal Decree on regulating takeovers and regarding which I. Carso has no direct or indirect vote whatsoever.

In connection with the foregoing, on 22 July 2016, I. Carso exercised the Call Option to purchase all the Affected Shares, effective as 14 June 2016. However, the formalisation for exercising the Call Option was subject to a condition precedent entailing the combination of (i) authorisation by the National Securities Market Commission (CNMV) of the bid made by CE, approved on 29 June 2016, and (ii) the presence in the FCC Administrative Body of a majority of directors appointed at the request of I. Carso and/or CEC, or any other company linked to I. Carso (the “Condition Precedent”), which was met with the appointments of Miguel Martinez Parra, Alfonso Salem Slim, Antonio Gomez García and Carlos Manuel Jarque Uribe on 28 June 2016. On 22 June 2016, pursuant to paragraph 2 under article 36 of Spanish Royal Decree 1066/2007 of 27 July, the CNMV announced through a relevant event that the takeover bid made by Control Empresarial de Capitales, S.A. de C.V. on 100% of the share capital of Fomento de Construcciones y Contratas, S.A., was accepted in terms of 97,211,135 shares, which represented 48.30% of the shares on which the bid was made and 25.66% of the share capital of Fomento de Construcciones y Contratas, S.A.

C.1.39 Identify, individually for directors and in an aggregate manner for all other cases and provide detailed information on agreements between the company and its officers, executives and employees that provide indemnities for the event of resignation, unfair dismissal or termination as a result of a takeover bid or other.

|                                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|--------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Number of beneficiaries</b> | 2                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| <b>Type of beneficiary</b>     | <b>Description of the resolution</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| CEO                            | <p>Whenever the contractual relationship is terminated by resignation of the CEO or any of the following causes:</p> <ul style="list-style-type: none"> <li>- Substantial changes in the working conditions that markedly undermine his/her professional training, impair his/her dignity or made by the Company as a serious transgression contrary to good faith.</li> <li>- Absence of payment during three straight months or six alternating months, or recurrent delays in settling payment of remuneration as contemplated in the contract.</li> <li>- Company succession or substantial change in ownership entailing an overturning in its governing bodies or the content of its main activity, so long as the termination occurs within three months following such changes.</li> <li>- Any other serious failure by the Company to fulfil its contractual obligations, save for cases of force majeure, in which case there will be no right to compensation whatsoever.</li> </ul> <p>In case of the Company's free and unilateral decision for termination, the individual will be entitled to receive a compensation resulting from the sum of the following two concepts:</p> <p>a) The resulting amount from liquidating the employment relationship that the CEO previously had with FCC Construcción or any other company in the FCC Group as of 12 September 2017 (and according to the pertinent legislation in force on that date).</p> <p>The product of 7 days of salary multiplied by the number of years elapsed from 12 September 2017 until the contract termination date.</p> |
| General secretary              | <p>Regarding the general secretary, executive director until 13 January 2015, the Company, upon prior authorisation from the Executive Committee, previously took out and paid for the insurance premium to settle payment of the contingencies related to death, permanent disability, retirement bonuses and pensions, and further concepts for, and including, some of the executive directors and company officers.</p> <p>In particular, the contingencies that give rise to compensation contemplate the termination of the employment relationship for any of the following reasons:</p> <ul style="list-style-type: none"> <li>a) Unilateral decision of the company.</li> <li>b) Dissolution, winding-up or disappearance of the Parent Company for any reason, including merger or demergers.</li> <li>c) Death or permanent disability.</li> <li>d) Other causes of physical or legal incapacitation.</li> <li>e) Substantial modification of professional conditions.</li> <li>f) Termination after reaching the age of 60, at the request of the officer and in agreement with the company.</li> <li>g) Termination after reaching the age of 65 at the officer's sole discretion.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                 |

|  |                                                                                                                                   |
|--|-----------------------------------------------------------------------------------------------------------------------------------|
|  | On 31 December 2018, the general secretary is entitled to a net amount equivalent to 3.5 times his/her annual gross remuneration. |
|--|-----------------------------------------------------------------------------------------------------------------------------------|

Indicate whether, in addition to the cases contemplated by the pertinent legislation, these agreements must be reported to and/or authorised by the governing bodies of the Company or its Group. If so, specify the procedures, contemplated cases and the nature of the governing bodies responsible for approving or executing the notification:

|                              | Board of Directors | Annual General Meeting |
|------------------------------|--------------------|------------------------|
| Body authorising the clauses | X                  |                        |

|                                                  | YES | NO |
|--------------------------------------------------|-----|----|
| Is the General Meeting informed of such clauses? | X   |    |

| Observations |
|--------------|
|              |

## C.2 Committees of the Board of Directors

C.2.1 Give details of all the board committees, their members and the proportion of executive, proprietary, independent and other external directors sitting on them:

### EXECUTIVE COMMITTEE

| Name                                                                         | Position | Category                      |
|------------------------------------------------------------------------------|----------|-------------------------------|
| Alejandro Aboumrad González                                                  | Chairman | External proprietary director |
| Dominum Desga, S.A. (represented by Esther Alcocer Koplowitz)                | Member   | External proprietary director |
| EAC Inversiones Corporativas, S.L. (represented by Alicia Alcocer Koplowitz) | Member   | External proprietary director |
| Gerardo Kuri Kaufmann                                                        | Member   | Executive director            |
| Juan Rodríguez Torres                                                        | Member   | External proprietary director |
| Pablo Colio Abril                                                            | Member   | Executive director            |

|                                      |              |
|--------------------------------------|--------------|
| <b>% of executive directors</b>      | <b>33.33</b> |
| <b>% of proprietary directors</b>    | <b>66.67</b> |
| <b>% of independent directors</b>    | <b>0</b>     |
| <b>% of other external directors</b> | <b>0</b>     |

| <b>Observations</b> |
|---------------------|
|                     |

Detail the duties delegated or assigned to this committee when they differ from the ones described in section C.1.10 and describe the policies and procedures for its organisation and activities. For each duty, indicate the most important actions during the year and how each of the duties attributed thereto by law, bylaws or other corporate agreements were carried out in practice.

Regulations of the Board of Directors.

Article 36. The Executive Committee.

1. The Board of Directors may permanently empower the Executive Committee with powers of the Board of Directors per se, save for matters expressly reserved by law, Bylaws or in the present Regulations. In particular, and unless otherwise stated in the delegated powers conferred by the Board of Directors, the Executive Committee shall decide in matters of investments, divestments, credits, loans, guarantees, sureties or bonds, or any other financial instrument or measure whose unit-based amount does not exceed the figure established in article 7.2.o). The Executive Committee may also assume the powers attributed to the Board of Directors should an urgent or pressing matter require such assumption as provided for in article 8 herein. 2. The Board of Directors shall appoint directors to sit on the Executive Committee, on the basis of a report from the Appointments and Remuneration Committee and ensure that the breakdown of its members by director category is similar to the category breakdown of the Board. The Committee's secretary shall be the secretary to the Board of Directors. 3. The Executive Committee shall comprise a minimum of four (4) and a maximum of ten (10) members. 4. The members of the Executive Committee shall be relieved of their duties once their tenure as a director ceases, or when agreed by the Board of Directors. Any vacancies arising shall be covered as soon as possible by the Board of Directors. 5. The Chairman of the Executive Committee shall be appointed by the Committee members. Should the Executive Committee Chairman be absent or unable to exercise functions, or when this office is vacant, the functions and duties thereof shall be carried out by the member elected to do so by the majority of the attendees at that meeting. 6. The Executive Committee shall hold ordinary meetings every month in which there is no scheduled Board of Directors meeting, excluding August, and may also hold extraordinary sessions whenever required by corporate interests. 7. The Executive Committee shall be convened by its Chairman, either on his own initiative or when he is requested to do so by two (2) Committee members by letter, telegram, e-mail or fax sent to each Committee member at least forty-eight (48) hours before the date of the meeting, which may nevertheless be convened twenty-four (24) hours in advance for reasons of urgency, in which case the agenda will be limited to the items that caused the need to act with

urgency. The call to meeting shall also entail the dispatch of the pertinent documentation to Executive Committee members so that they may form opinions and issue their votes. 8. Should the Executive Committee Chairman be absent or unable to exercise functions, or when this office is vacant, the functions and duties thereof may be exercised by the Committee member with the most seniority in the Committee or, in the case of equal seniority, the eldest member. For legal persons, the age of the agent representing the legal person shall be considered in this regard. 9. Meetings shall be held at the company's registered office or any place designated by the Chairman and indicated in the call to meeting. 10. The Executive Committee shall be validly held when at least the members in attendance and proxies make up a majority. Executive Committee members may appoint another committee member as proxy. In any case, the proxies of non-executive directors may only be another non-executive director. 11. Discussions shall be led by the Chairman, who shall offer the floor to anyone in attendance upon request. 12. Resolutions shall be adopted by absolute majority of the members of the Committee. In the event of a tie, the matter shall be submitted to the Board of Directors, the convening of which shall be requested by the members of the Executive Committee pursuant to article 34 hereof, unless a meeting of said body has already been convened for within the next thirty (30) calendar days, in which case the Committee shall ask the Chairman of the Board to include the items for which there was a tie on the Committee's agenda. 13. The Executive Committee, through its Chairman, shall inform the Board of the matters dealt with and decisions adopted by the Committee, and a copy of the minutes thereof shall be sent to all directors.

Regarding the most important activities carried out by the committee, a report was issued at the meeting held on 26 February 2019 regarding the committee's operations and compliance with duties in 2018.

In particular, the Executive Committee has the authority attributed under article 36.1 of the Regulations of the Board of Directors to decide on matters of investment, disinvestment, credits, loans, deposits or guarantees or any other financing facilities, provided the unit price does not exceed the figure set in each case by the Board. The Executive Committee also oversees the application of the FCC Group's Corporate Responsibility Plan and, during the year, reviewed the performance of the Group and the implementation of its CSR Master Plan by reviewing the Annual Corporate Social Responsibility Report.

In this regard, the Executive Committee responsibly assumes and performs the duties and functions that the Board of Directors delegates thereto, diligently and effectively dealing with the Company's affairs that constantly need to be addressed and monitored.

#### AUDIT AND CONTROL COMMITTEE

| Name                       | Position | Category                      |
|----------------------------|----------|-------------------------------|
| Henri Proglío              | Chairman | Independent director          |
| Juan Rodríguez Torres      | Member   | External proprietary director |
| Manuel Gil Madrigal        | Member   | Independent director          |
| Álvaro Vázquez de Lapuerta | Member   | Independent director          |

|                                      |           |
|--------------------------------------|-----------|
| <b>% of proprietary directors</b>    | <b>25</b> |
| <b>% of independent directors</b>    | <b>75</b> |
| <b>% of other external directors</b> |           |

| <b>Observations</b> |
|---------------------|
|                     |

Explain the functions, including statutory duties, that this Committee has and describe the procedures and its rules of organisation and operations. For each duty, indicate the most important actions during the year and how each of the duties attributed thereto by law, bylaws or other corporate agreements were carried out in practice.

Regulations of the Board of Directors.  
Article 37. Audit and Control Committee

1. The FCC Board of Directors will establish, on a permanent basis, an Audit and Control Committee, without executive functions but with powers of reporting, advising and making proposals within its scope of action, comprising a minimum of three (3) and a maximum of six (6) directors designated by the Board of Directors having regard to their knowledge of, and experience in, accounting, auditing or risk management. All members thereof will be nonexecutive directors and the majority will be independent directors. The Committee will appoint a chairman from among its independent members and may also appoint a vice-chairman. The term of the Committee members may not exceed their terms as directors, notwithstanding the possibility that they may be reappointed indefinitely so long as they are also re-appointed as directors. Notwithstanding the foregoing, the term of office for the chairman and vice-chairman, as the case may be, may not exceed four (4) years and the same applies to their mandate as members of the Committee, but they may be reappointed once a year has elapsed since termination of their appointment.

2. At least one independent member of the Audit and Control Committee shall be appointed on the basis of knowledge and experience in accounting, auditing or both fields. Collectively, the members of the Committee will have the relevant technical knowledge in relation to the Company's sector of activity.

3. The Audit and Control Committee will regulate its own functioning pursuant to Corporate Bylaws and the present Regulations. Committee members who have held the post of Chairman may not be re-elected until at least one year has passed since the end of their term as Chairman. The Audit and Control Committee will appoint a Secretary and may also appoint a Vice-Secretary, neither of whom need be a member of the Committee, to assist the Chairman and provide for the smooth operation of the Committee, duly reflecting, in the meeting minutes, the business transacted, the deliberations and the resolutions adopted. The Secretary or, in the absence thereof, the person designated as secretary will draft the minutes of each Committee meeting, which will be signed by the Committee members in attendance.

4. The Audit and Control Committee shall be validly constituted when the majority of its members are present or represented by proxy, adopting resolutions by absolute majority of those present or represented by proxy, with the Chairman having the casting vote in the event of a tie.

5. The basic function of the Audit and Control Committee is to support the Board of Directors in its supervisory duties by regularly reviewing the processes used to prepare the financial reporting, internal controls, independence of statutory auditors, etc. In particular, by way of illustration, and notwithstanding any further tasks or functions entrusted by the Board of Directors, the Audit and Control Committee shall have the following duties:

a) Reporting to the shareholders in General Meeting on any questions put forth by shareholders during it in relation to those matters for which the committee is responsible and, in particular, on the results of the audit, explaining how this contributed to the completeness of the financial reporting and the role the Audit and Control Committee had therein.

b) Acting as a communication channel between the Board of Directors and the statutory auditor, assessing the results of each audit, and having responsibilities in respect of the statutory auditor:

(i) make recommendations to the Board for the selection, appointment, reappointment and removal of the auditor, (ii) regularly obtain from the statutory auditor information on the audit plan and the results of its implementation, to preserve his independence in the performance of his duties and to verify that senior management is taking account of his recommendations; (iii) discuss with the Company's statutory auditor the significant weaknesses of the internal control system detected in the performance of the audit, all without compromising its independence; to this end, and where appropriate, the Audit and Control Committee may present recommendations or proposals to the Board of Directors and the corresponding period for their follow-up. (iv) establish the appropriate relations with the statutory auditor to receive information on any matters that could threaten the auditor's independence and assess this information, along with any other information relating to the account audit, and where applicable, the authorisation of the permitted services, within the terms foreseen in prevailing regulations regulating the activity of auditing accounts on the system of independence, as well as any other communications provided for in auditing regulations and in other audit standards; (v) ensure the independence of the statutory auditor, in particular by establishing appropriate measures: 1) so that the commissioning of consulting and advisory services with that auditor or a company of its group does not jeopardise its independence, to which end the Committee will request and annually receive a written confirmation from the auditor of its independence with respect to the Company or entities directly or indirectly related to it, and detailed, individualised information on any additional services of any type and the corresponding fees of services provided thereto by the statutory auditor or persons or entities related thereto as set out in the pertinent legislation on auditing, and 2) so that the Company issues a relevant event to the CNMV regarding a change in auditor, with a statement about any disagreements with the outgoing auditor and their nature and in the case where the statutory auditor resigns, the circumstances leading to this resignation; and (vi) seeking to ensure that the Company's auditor is accountable for auditing the companies constituting the Group. c) Issuing a yearly report before publication of the audit report expressing an opinion on whether the independence of the account auditors or auditing companies have been compromised. In any event, that report must contain a realistic assessment of the provision of each and every one of the additional services referred to in section b)(v)1) above, considered individually and as a whole, other than statutory auditing and in relation to the independence or auditing regulations and standards. d) Supervising the Company's internal audits that oversee the good operation of the information and internal control systems; the head of internal audit must submit an annual work plan to the Committee and directly notify it of any incidents arising in the course of implementing the plan, in addition to submitting a report on activities to the Committee at the end of each year. e) Supervising and analysing the effectiveness of the Company's internal control and the risk control and management policy approved by the

Board of Directors, ensuring that the latter at least identifies: (i) the different types of risks that the Company faces, including yet not restricted to financial and economic risks, contingent liabilities and other off-balance sheet risks; (ii) establishing the risk level that the Company deems acceptable; (iii) the measures provided to mitigate the impact of the identified risks in the event they materialise; and (iv) the internal reporting and control systems that will be used to control and manage the cited risks, including contingent liabilities and off-balance sheet risks, and submission thereof to the Board of Directors for approval. f) Supervising the preparation and presentation of the annual financial statements and management report of the Company and the consolidated group, and of the information released regularly to the markets, and submitting recommendations or proposals to the Board of Directors aimed at safeguarding its integrity, checking for compliance with legal provisions and the correct application of generally accepted accounting principles, and informing the Board before it adopts any of the following decisions: (i) that the financial information that all listed companies must periodically disclose and interim statements are drawn up under the same accounting principles as the annual statements and, to this end, may ask the statutory auditor to conduct a limited review; and (ii) the creation or acquisition of shares in special purpose vehicles or entities resident in countries or territories considered tax havens, and any other transactions or operations of a comparable nature whose complexity might impair the transparency of the FCC Group. g) With respect to internal control and reporting systems: (i) supervising the process of preparing, and the integrity of, the financial reports referring to the Company and, as the case may be, the Group, reviewing the compliance with the regulatory requirements, the adequate delimitation of the scope of the consolidated group and the correct application of the accounting criteria; (ii) reviewing internal control and risk management systems on a regular basis, including tax control systems, to ensure that the main risks are properly identified, managed and disclosed appropriately; (iii) ensuring the independence and effectiveness of the internal audit function; proposing the selection, appointment, re-appointment and removal of the head of internal audit; proposing the department's budget; receiving regular reports on its activities; and verifying that senior management are acting on the conclusions and recommendations of its reports. Receiving information from time to time from the Response Committee and the Risk Control and Management Division on developments in its activities and the functioning of internal controls; and (v) ensuring that the internal codes of conduct and corporate governance rules comply with regulatory demands and are suitable for the Company, and reviewing that the people subject to said codes and rules of governance comply with their reporting obligations to the Company. h) Issuing reports and proposals as requested by the Board of Directors or its Chairman and those it deems appropriate for the best performance of its functions, particularly (i) the report on proposed amendments to the present Regulations of the Board of Directors pursuant to the provisions in article 4.3; (ii) deciding on requests for information presented by directors, pursuant to the provisions in Article 26.3 of these Rules, to the Committee; and (iii) requesting, as the case may be, the inclusion of any items on the agenda of Board meetings, in the conditions and time periods established in article 34.3 hereof.

6. The Audit and Control Committee will have access to all the documentation and information needed to perform its functions and it may seek the advice of external professionals who, acting as advisors and numbering a maximum of two (2) for each member of the Committee, they deem advisable, in which case the provisions of articles 27.3 and 35.4 hereof will apply. These advisors may attend and speak at meetings, but they may not vote.

7. The Audit and Control Committee will meet at least once per quarter and as convened by the Chairman or when requested by two (2) Committee members. Each year, the Committee will draft an action plan for the year which it will submit to the Board of Directors, and a report on its activities during the year, which will serve as the basis for the evaluation that the Board of

Directors will conduct. Should the Audit and Control Committee Chairman be absent or unable to attend, or when the office is vacant, meetings may be convened by the longest-standing member of the Committee or, in the event of two or more members with the same seniority, by the one who is oldest. For legal persons, the age of the agent representing the legal person shall be considered in this regard.

8. Discussions shall be led by the chairman, who shall offer the floor to anyone in attendance upon request. Should the Audit and Control Committee chairman be absent or unable to exercise functions, or when this office is vacant, the functions and duties thereof shall be carried out by the member elected to do so by the majority of the attendees at that meeting.

9. Any member of the FCC Group's management team or personnel, and the Company's statutory auditors, must attend meetings of the Committee when requested to do so, and must collaborate and provide the information at their disposal, as provided by Article 35.6 of the present Regulations where appropriate.

10. The Audit and Control Committee shall self-govern for any matter not expressly regulated in this article regarding operations of the Audit and Control Committee.

During the course and its performance of the competencies conferred under FCC internal rules and regulations, the Committee's duties in 2018 included the following:

- Acting as a communication channel between the Board of Directors and the Company's statutory auditors, evaluating the results of each audit and making recommendations to the Board of Directors for the selection, appointment, reappointment and removal of the statutory auditor in accordance with EU regulations and the corresponding contractual terms and conditions.
- Addressing any significant weaknesses found in the internal control system as a result of the audits conducted with statutory auditors without compromising their independence. Receiving information from statutory auditors regarding matters potentially representing a threat to their independence and, where appropriate, the authorisation of services other than those prohibited, in the terms referred to in the statutory regulations on the activity of account auditing on the independence status.
- Ensuring the independence of the statutory auditor and establishing the corresponding measures accordingly.
- Reporting to the shareholders in General Meeting on any questions put forth by shareholders during it in relation to those matters for which the committee is responsible and, in particular, on the results of the audit, explaining how this has contributed to the completeness of the financial information and the role the Audit and Control Committee played in this process.
- Issuing an annual report before the auditor's report is issued, expressing an opinion on whether the independence of the statutory auditor or auditing companies has been compromised. In any event, that report must contain a realistic assessment of the provision of each and every one of the additional services referred to in article 37.5. section b)(v)1) of the Regulations of the Board of Directors, considered individually and in the aggregate, other than statutory auditing and in relation to the independence status or auditing regulations and standards. Supervising the Company's internal audit services and its risk control and management policy, reviewing the identification of the most relevant risks and the adoption of the necessary measures to mitigate their impact.

- Supervising the preparation and presentation of the annual financial statements and management report, individual and consolidated, and financial reporting released periodically to the markets, and submitting recommendations or proposals to the Board of Directors aimed at safeguarding its integrity, checking for compliance with legal provisions and the correct application of accounting principles.
- Issuing a favourable report on the process of drafting the individual and consolidated financial statements and management reports corresponding to the year 2017, and that they have been drafted complying with legal requirements and applying generally accepted accounting principles.
- Issuing a favourable report on the 2017 Annual Corporate Governance Report.
- Supervising the fulfilment by the Company of the internal codes of conduct and rules of corporate governance.
- Issuing a favourable report on the appropriateness of the information included in the 'Interim Statement' on the first and third quarters of 2018, according to the provisions in Article 20.1 of Royal Decree 1362/2007 of 19 October, and the implementing provisions thereof, recommending that it be approved by the Board of Directors and sent to the CNMV and Securities Exchanges.
- Informing, in general, on the "Internal Communications Channel's communications" and the corresponding actions performed. An internal communication channel and procedure is in place to enable employees and third parties to make any queries and report any irregular conduct in confidence.
- Proposing to the FCC Board of Directors, to be submitted to the ordinary General Meeting, the appointment of Deloitte, S.L. as statutory auditors for FCC and its consolidated Group for 2019.
- Approving the self-assessment report on the performance of FCC's Audit and Control Committee during 2017 pursuant to the provisions in article 34.9 of the Regulations of the Board of Directors and submitting it to the Board of Directors.
- Issuing a favourable report on the appropriateness of the information included in the financial statements of the first half of 2018 (Abbreviated financial statements and Interim Management Report) as established in article 11 and subsequent articles of Spanish Royal Decree 1362/2007 of 19 October and the implementing provisions thereof.

On the basis of the foregoing, the Audit and Control Committee efficiently and diligently adheres to and complies with the competences conferred by the Company's various corporate documents.

Identify board members on the Audit Committee who were appointed with regard to their knowledge and experience in accounting, auditing or both matters and report on the number of years that this committee's chairman has held the post.

|                                          |                                                                             |
|------------------------------------------|-----------------------------------------------------------------------------|
| <b>Name of directors with experience</b> | Manuel Gil Madrigal                                                         |
| <b>Chairman appointment date</b>         | The Chairman of this Committee is Henri Proglio, appointed on 30 July 2015. |

| Observations |
|--------------|
|              |

## APPOINTMENTS AND REMUNERATION COMMITTEE

| Name                                                          | Position | Category                      |
|---------------------------------------------------------------|----------|-------------------------------|
| Álvaro Vázquez de Lapuerta                                    | Chairman | Independent director          |
| Dominum Desga, S.A. (represented by Esther Alcocer Koplowitz) | Member   | External proprietary director |
| Juan Rodríguez Torres                                         | Member   | External proprietary director |
| Manuel Gil Madrigal                                           | Member   | Independent director          |

|                               |        |
|-------------------------------|--------|
| % of proprietary directors    | 50.00% |
| % of independent directors    | 50.00% |
| % of other external directors | 0.00%  |

| Observations |
|--------------|
|              |

Explain the functions, including statutory duties, that this Committee has and describe the procedures and its rules of organisation and operations. For each duty, indicate the most important actions during the year and how each of the duties attributed thereto by law, bylaws or other corporate agreements were carried out in practice.

### **Regulations of the Board of Directors.**

#### **Article 38. Appointments and Remuneration Committee**

1. The Board of Directors of FCC shall permanently establish an Appointments and Remuneration Committee, without executive functions but with powers for informing, advising and proposing within its scope of action. This committee will comprise at least four (4) and no more than six (6) members appointed by the Board of Directors. Its members may only be non-executive directors, of which two (2) shall be independent directors and another two (2) proprietary directors. The Committee will appoint its Chairman from among its independent members. The term of the members of the Appointments and Remuneration Committee may not exceed their terms as directors, notwithstanding the possibility that they may be re-elected indefinitely so long as they are also re-elected as directors.

2. The Appointments and Remuneration Committee will regulate its own functioning pursuant to Corporate Bylaws and the present Regulations. The Committee will appoint a Secretary, who need not be a Committee member, to assist the Chairman and provide for the smooth operation of the Committee, duly reflecting, in the meeting minutes, the developments of deliberations at meetings, the contents of the deliberations and the resolutions adopted; the minutes must be signed by the members of the Committee who attended the meeting in question. The members of the Appointments and Remuneration Committee will step down from the Committee when they step down as directors or when decided by the Board of Directors.

3. There shall be a quorum at the Appointments and Remuneration Committee meetings when the majority of its members are present or represented; its resolutions are to be passed by an absolute majority of the members present or represented and the Chairperson shall have a casting vote in the event of a tie.

4. The Appointments and Remuneration Committee will have the powers to inform, advise and propose within its areas of competence, and the following functions in addition to the duties established by law, bylaws or according to the present Regulations: a) Evaluating the skills, knowledge and experience needed on the Board. For that purpose, it shall define the duties and capabilities required of the candidates to fill each vacancy, deciding the time and dedication necessary for them to properly perform their duties. Any Director may suggest candidates to the Appointments and Remuneration Committee to be considered for vacant positions. b) Examining or organising appropriately the succession of the Chairman and Chief Executive and, as the case may be, making recommendations to the Board so that the handover proceeds in a planned and orderly manner. c) Submitting appointment and re-election proposals to the Board regarding independent directors so that they may be appointed by co-optation or submitted to the decision of the General Meeting, and proposals for their re-election or removal by the General Meeting. d) Advising on proposals for the appointment and re-election of the rest of the directors so that they may be appointed by co-optation or submitted to the decision of the General Meeting, and proposals for their re-election or removal by the General Meeting. e) Advising on the appointment and removal of senior executives and the basic terms of their contract, proposed to the Board by the chief executive, and proposing the candidates for senior executive positions in the Company, in addition to the ones contemplated in article 2.2. of the present Regulations and making the proposals for reprimands contemplated in article 19.2.d) of the present Regulations. The Committee will also issue a report before any appointment to a position or office whose annual remuneration is equal to or greater than the figure established by the Appointments and Remuneration Committee, which shall be reported to the Board of Directors in each case. f) Submitting a proposal to the Board of Directors on the remuneration policy for directors and senior executives or employees performing senior management functions directly reporting to the Board, Executive Committee or CEO, the remuneration of executive directors and additional terms and conditions of their contracts, overseeing compliance therewith. Advising and making proposals on multi-year incentive plans for the Company's senior management, particularly proposals related to the value of shares. Making proposals to the Board of Directors on the distribution among its directors of the remuneration for Board members decided by the General Meeting in accordance with the Bylaws and these Regulations. g) Preparing and maintaining a record of the status of directors and senior executives of FCC. h) Assisting the Board in the function of overseeing that the procedures for the selection of its members favour the diversity of genders, experience and knowledge, ensuring that the procedures for filling vacancies on the Board are not subject to implicit bias against the selection of female directors, so as to ensure that the Company deliberately seeks and short-lists women with the necessary professional profile, and should disclose to the Board, as the case may be, through the Annual Corporate Governance Report, the reason why

there are few or no female directors and the initiatives adopted to correct this situation. For the purpose of the foregoing, it must establish a representation goal for the gender that is less represented on the Board of Directors and prepare guidelines on how to reach that goal. i) Reporting on the proposed appointment of members of the Board of Director committees. j) Reporting on the appointment and removal of the Secretary of the Board. k) Verifying the qualifications of the directors under Article 6.3. l) Informing the Board of Directors in advance of all the matters provided in the Law, the Bylaws and these Rules of the Board, particularly on transactions with related parties. m) Receiving and filing, in the record of situations referred to in item g) above and the personal information provided by directors, as established in article 25 of the present Regulations. n) Requesting, as necessary, the inclusion of items on the agenda of Board meetings, under the conditions and by the deadlines established in article 34.3 of the present Regulations. The Appointments and Remuneration Committee shall consult the Company's Chairman and Chief Executive on matters relating to Executive Directors and senior managers.

5. The Appointments and Remuneration Committee will regulate its own functioning for all matters not contemplated in the Corporate Bylaws and the present Regulations.

6. The Appointments and Remuneration Committee shall have access to all the information and documents required to perform its duties. Members of the Appointments and Remuneration Committee may be assisted, during their sessions, by persons who, in their capacity as advisors, and up to a maximum of two (2) for each member of said Committee, are deemed appropriate. These advisors may attend meetings but not vote, and the provisions of article 27 hereof will apply to them.

7. The Committee will meet as often as determined, at least once per quarter, and whenever convened by the Chairperson or requested by two (2) Committee members. Each year, the Committee will draft an action plan for the year which it will submit to the Board of Directors, and a report on its activities during the year, which will serve as the basis for the evaluation that the Board of Directors will conduct.

8. Should the Appointments and Remuneration Committee Chairman be absent or unable to exercise functions, or when this office is vacant, the functions and duties thereof may be exercised by the Committee member with the most seniority in the Committee or, in the case of equal seniority, the eldest member. For legal persons, the age of the agent representing the legal person shall be considered in this regard.

9. Discussions shall be led by the chairman, who shall offer the floor to anyone in attendance upon request.

10. Should the Appointments and Remuneration Committee chairman be absent or unable to exercise functions, or when this office is vacant, the functions and duties thereof shall be carried out by the member elected to do so by the majority of the attendees at that meeting.

The Appointments and Remuneration Committee of Fomento de Construcciones y Contratas S.A. reported on its functioning and performance at a meeting held on 26 February 2019.

The Committee's assessment of its own functioning positive conclusions has enabled positive conclusions to be drawn, in terms not only of its composition and internal organisation but also of the exercise of the competencies assigned to it.

The competencies exercised by the committee in 2018 included yet were not restricted to:

- Assessing the skills, knowledge and experience that the directors need to have, defining the roles and skills that any candidates to cover vacancies should possess and assessing the appropriate amount of time and degree of dedication necessary in order for them to properly fulfil their roles.
- Reporting on the proposals for appointment and re-election of directors and members of Board of Directors Committees, and on the proposals of natural persons representing directors.
- Ensuring compliance with the remuneration policy established by the Group, submitting a proposal to the Board of Directors regarding the remuneration policy for directors and senior executives, and the basic terms and conditions for senior executive contracts.
- Approving the content of the documents making up the Appointments and Remuneration Committee Report on the Chairwoman of the Board of Directors and the Appointments and Remuneration Committee Report on the CEO so that the Board of Directors may evaluate the performance of their functions during the 2018, which is subject to the Board of Directors so that it may carry out the assessment mentioned in article 34.9 of the Regulations of the Board of Directors.
- Approving the report on the functioning of the Appointments and Remuneration Committee in 2018, and the report ratifying the present categories of members of the Board of Directors (proprietary, independent or executive).
- Reporting on senior-management appointments and other positions included within the top three levels and any other employees earning €75,000 or more.
- Submit a proposal to the Board of Directors on the 2017 Annual Remuneration Report for the Directors of Consejeros de Fomento de Construcciones y Contratas, S.A. for submission to vote at the upcoming General Meeting.
- Approving the Report on the remuneration of the Board as per the bylaws for 2018.
- Advising on the essential aspects of the FCC Group's general salary policy for 2018.
- The remuneration policy for Directors of FCC, S.A. (2018-2020).

On the basis of the foregoing, the Appointments and Remuneration Committee efficiently and diligently adheres to and complies with the competences conferred by the Company's various corporate documents.

C.2.2 Complete the following table on the number of female directors on the various board committees as at the close of the past four years:

|                                                | Number of female directors |                      |                      |                      |
|------------------------------------------------|----------------------------|----------------------|----------------------|----------------------|
|                                                | Year t<br>Number %         | Year t-1<br>Number % | Year t-2<br>Number % | Year t-3<br>Number % |
| <b>Executive Committee</b>                     | 33.33% (2)                 | 33.33% (2)           | 40% (2)              | 50% (2)              |
| <b>Audit Committee</b>                         | 0% (0)                     | 0% (0)               | 0% (0)               | 20% (1)              |
| <b>Appointments and Remuneration Committee</b> | 25% (1)                    | 25% (1)              | 25% (1)              | 25% (1)              |

| Observations |
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|              |

C.2.3 Indicate, as appropriate, whether there are any regulations governing the board committees. If so, indicate where they can be consulted, and whether any amendments were made during the year. Also, indicate whether an annual report on the activities of each committee has been prepared voluntarily.

- Regulations of the FCC Board of Directors (Chapter IX. Board Committees).
- Report issued by the Board of Directors at its meeting of 26 February 2019 on the quality and efficiency of its own and its committees' functioning in 2018.

## **D** RELATED-PARTY AND INTRAGROUP TRANSACTIONS

D.1 Explain any procedures for approving related-party and intragroup transactions.

| <b>Procedures for reporting on the approval of related-party transactions</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>Article 24 of FCC's Regulations of the Board of Directors states that:</p> <p>Transactions with significant shareholders</p> <p>"1. The Board of Directors shall approve, following a report by the Appointments and Remuneration Committee, any transactions by the Company or companies in its group with shareholders who, individually or together with others, hold a significant stake, including shareholders represented on the Board of Directors of the Company or of other Group companies or with persons related to them or their directors. Directors who represent or are related to the affected shareholders must refrain from taking part in the discussions and voting on the agreement in question. 2. Only transactions simultaneously meeting the three characteristics stated under section 6 of the preceding article, in respect of the transactions between the company and its directors or the persons related thereto, will be excepted from this approval requirement."</p> |

D.2 List any significant transactions, by virtue of their amount or importance, between the Company or its group companies and the Company's significant shareholders:

| <b>Name or corporate name of significant shareholder</b> | <b>Name or corporate name of the company or its group company</b> | <b>Nature of the relationship</b> | <b>Type of transaction</b>                                                                                              | <b>Amount (thousands of euros)</b> |
|----------------------------------------------------------|-------------------------------------------------------------------|-----------------------------------|-------------------------------------------------------------------------------------------------------------------------|------------------------------------|
| Hermanos Revilla, S.A.                                   | FCC Industrial e Infraestructuras Energéticas, S.A.               | Contractual                       | Contracts to carry out phase II construction work on the Salvador Maradiaga building                                    | 2,209                              |
| Realia Business, S.A.                                    | FCC Industrial e Infraestructuras Energéticas, S.A.               | Contractual                       | Continuation of the lighting maintenance service at the Ferial Plaza Guadalajara Shopping Centre                        | 50                                 |
| Realia Business, S.A.                                    | FCC Industrial e Infraestructuras Energéticas, S.A.               | Contractual                       | Work for updating the building management system at Avda. Bruselas, 36 in Alcobendas                                    | 55                                 |
| Realia Business, S.A.                                    | FCC Construcción, S.A.                                            | Contractual                       | Phase I construction contract on 73 residential buildings, garage, cellars and U.A. housing area 78 (PGOUM) in Sabadell | 9,254                              |
| Realia Business, S.A.                                    | FCC Construcción, S.A.                                            | Contractual                       | Promotion of 72 homes, 114 parking spaces, 62 storage                                                                   | 11,670                             |

| Name or corporate name of significant shareholder | Name or corporate name of the company or its group company | Nature of the relationship | Type of transaction                                                   | Amount (thousands of euros) |
|---------------------------------------------------|------------------------------------------------------------|----------------------------|-----------------------------------------------------------------------|-----------------------------|
|                                                   |                                                            |                            | rooms and a pool in Palma de Mallorca                                 |                             |
| Realia Business, S.A                              | Fomento de Construcciones y Contratas, S.A.                | Contractual                | Rental of two floors in Torre Realia (Madrid) for a corporate event   | 15                          |
| Grupo Financiero Inbursa                          | Fomento de Construcciones y Contratas, S.A.                | Contractual                | Factoring line                                                        | 121,986                     |
| Grupo Financiero Inbursa                          | FCC Construcción, S.A.                                     | Contractual                | Acquisition of construction certifications for Panama Metro Line 2    | 424,742                     |
| Valaise, S.L. (Sole Shareholder Company)          | FC y C, S.L. (Sole Shareholder Company)                    | Contractual                | Sale of 85 homes, 85 storage areas and 132 garages under construction | 9,084                       |
| Inversora Carso, S.A. de C.V.                     | Cementos Portland Valderrivas                              | Contractual                | Interest accrued on subordinated loan.                                | 2,070                       |

| Observations |
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|              |

D.3 List any significant transactions, by virtue of their amount or importance, between the Company or its group companies and the Company's managers or executives.

| Name or corporate name of director or senior manager | Name or corporate name of related party | Relationship | Type of transaction | Amount (thousands of euros) |
|------------------------------------------------------|-----------------------------------------|--------------|---------------------|-----------------------------|
| Alejandro Aboumrad González                          | FCC                                     | Director     | Rendered services   | 338                         |
| Gerardo Kuri Kaufmann                                | Cementos Portland Valderrivas           | CEO          | Rendered services   | 175                         |

| Observations |
|--------------|
|              |

D.4 Report any significant transactions undertaken by the company with other companies in its group that are not eliminated in the process of drawing up the consolidated financial statements, and whose subject matter and terms set them apart from the company's ordinary trading activities.

In any case, list any intragroup transactions carried out with entities in countries or territories considered to be tax havens:

| Group company name | Brief description of the transaction | Amount<br>(thousands of euros) |
|--------------------|--------------------------------------|--------------------------------|
| -                  | -                                    | -                              |

| Observations                                                                                                                                                                          |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| There are many transactions between Group companies in the ordinary course of their business which are eliminated in the process of drawing up the consolidated financial statements. |

D.5 Specify the amount of the transactions between the Company or Group entities with related parties if not already reported in the headings above.

| Corporate name of related party | Brief description of the transaction | Amount<br>(thousands of euros) |
|---------------------------------|--------------------------------------|--------------------------------|
| -                               | -                                    | -                              |

| Observations |
|--------------|
|              |

D.6 List the mechanisms established to detect, determine and resolve any possible conflicts of interest between the Company and/or its group, and its directors, management or significant shareholders.

Article 23 of the Regulations of the Board of Directors states that:

1. Within the scope of the duty of avoiding situations of conflicts of interest stated in section 2.e) of the preceding article, Directors must refrain from: a) carrying out transactions with the Company or companies in its Group, except when they are ordinary transactions, performed under standard market conditions for customers and are hardly relevant, which is understood to mean those transactions whose information is not necessary to present a true and fair view of the Company's assets and liabilities, financial position and results; b) using the Company's name or

relying on their status as directors to unduly influence the performance of private transactions; c) using the Company's assets, including its confidential information, for personal gain; d) taking advantage of the Company's business opportunities; e) obtaining advantages or remuneration from third parties other than the Company and its Group in connection with the performance of their duties, unless considered an act of mere courtesy; f) carrying out activities as independent professionals or as employees that involve effective competition, be it present or potential, with the Company, or that, in any other way, place the directors in an ongoing conflict with the Company's interests.

2. The above provisions will also apply if the beneficiary of the prohibited act is a related party of the director.

3. In any event, directors must inform the Board of Directors via the Corporate Responsibility Department, or any other replacing it, with reasonable notice, of any situation of direct or indirect conflict that they or the persons related to them might have with the interests of the Company or the companies in the FCC Group or its related companies.

4. The Company may dispense from the prohibitions set forth in this article in individual cases where it authorises the performance by a director or a related party of certain transactions with the Company, the use of certain corporate assets, the exploitation of a specific business opportunity, or the obtainment of a benefit or remuneration from a third party.

5. The authorisation must necessarily be approved by the General Meeting when the object is the dispensation from the prohibition of obtaining a benefit or remuneration from third parties, when it affects a transaction whose value exceeds ten percent (10%) of the corporate assets or has to do with the obligation of not competing with the Company. In the latter case, dispensation will only be provided where no harm is expected for the Company or that which is expected is offset by the benefits that are due to be obtained from the dispensation, by way of an express, separate resolution of the General Meeting.

6. In all other cases affecting the prohibitions contemplated in the present article, the authorisation may also be granted by the Board of Directors, following a favourable report from the Appointments and Remuneration Committee, provided that there are guarantees as to the independence of the directors granting the authorisation from the director being dispensed or the affected related party. It will also be necessary to ensure that the authorised transaction is harmless for the corporate assets or, as the case may be, that it is done on an arm's length basis and that the process is transparent. The affected directors or those representing or related to the affected shareholders must refrain from taking part in the discussions and voting on the agreement in question. Only transactions that simultaneously meet the following three (3) characteristics will be excepted from the obligation of being authorised by the Board of Directors referred to in the preceding paragraph: a) They are governed by standard form agreements applied on an across-the-board basis to a large number of clients. b) They are performed at market prices or rates generally set by the person acting as supplier of the goods or services in question; and c) Their amount is no more than one percent (1%) of the company's annual revenues.

7. In any event, situations of conflict of interest involving Directors shall be included in the report in accordance with the terms established by law.

8. For the purposes of this section, related parties shall be construed as defined in the Spanish Corporate Enterprises Act

D.7 Is more than one group company listed in Spain?

Yes ☐

No ☒

Identify all subsidiaries listed in Spain and their relation to the Company:

| <b>Identity and relation of other listed group companies</b> |
|--------------------------------------------------------------|
| -                                                            |

Has a public definition been established describing precisely the respective business areas and business relationships between the parent company and the listed subsidiary, and between the listed subsidiary and other group companies?

Yes ☐

No ☐

| <b>Define any business relationships between the parent company and the listed subsidiary, and between the listed subsidiary and other group companies</b> |
|------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                                                                                                                            |

Identify the mechanisms in place to resolve possible conflicts of interest between the listed subsidiary and other group companies:

| <b>Mechanisms for resolving potential conflicts of interest:</b> |
|------------------------------------------------------------------|
|                                                                  |

## **E** RISK CONTROL AND MANAGEMENT SYSTEMS

E.1 Explain the scope of the Company's Risk Control Management System, including those of a tax-related nature.

The FCC Group has a Risk Management Model designed to identify and assess potential risks that could affect business and to build mechanisms into the organisation's processes to enable risks to be managed within acceptable levels, giving the FCC Board of Directors and FCC Group senior management a reasonable degree of assurance that targets can be met.

Risk management at FCC is governed by principles that include integrating a risk/opportunity outlook and allocating responsibilities, which, together with segregating duties, foster effective risk monitoring and control, thus consolidating an appropriate control environment.

The Risk Management Model applies to all FCC Group companies, affiliates where FCC has effective control and companies newly taken over as soon as the acquisition becomes effective, thus cultivating the development of frameworks for appropriate risk control and management in companies that lack effective control in this regard.

The activities that fall within the scope of the FCC Group's Risk Management Model include the assessment of risks (including tax-related risks), in terms of impact and likelihood of occurrence, resulting in risk maps and, subsequently, prevention and control activities to mitigate the effect of such risks. The Model also establishes reporting flows and communication mechanisms at different levels to streamline continuous review and improvement.

E.2 Identify the company bodies in charge of drawing up and executing the Risk Control and Management System, including tax-related risks.

The FCC's Regulations of the Board of Directors states that the Board in a plenary session must approve the Company's Risk Control and Management Policy, identifying the risks that the Company deems to be main risks and implementing and tracking the internal control systems and suitable information systems with a view to ensuring their future viability and competitiveness, adopting the most relevant decisions to implement them in the best possible manner.

The Audit and Control Committee is also empowered to supervise and analyse a Risk Control and Management Policy which identifies:

- The different types of risks that the Company faces, including, among the financial and economic risks, contingent liabilities and other off-balance sheet risks.
- Establishing the risk level that the Company deems acceptable.
- The measures in place to mitigate the impact of risk events should they occur;
- The internal control and reporting systems that will be used to control and manage these risks, including contingent liabilities and off-balance sheet risks, submitting them to the Board of Directors for approval.

The Risk Management Model is based on the existence of three risk management levels. The first two levels cover the business unit, and the third level is for the corporate areas.

The first level of risk management and internal control is in the operating lines of the business units who have the role of risk generators and are responsible for managing, tracking and reporting on the generated risk, including tax risk.

The second risk management level (also in the business units) comprises support, control and supervision teams who ensure the effective control and appropriate management of the risk, including the tax risk. At this level, each business unit's management area is responsible for implementing the Risk Management Model, including financial reporting information in this regard.

The third level consists of corporate staff reporting to Senior Management (Corporate Divisions). This third level also includes the tax division, which defines tax-related policies, procedures and criteria that are applicable to the entire FCC Group. In 2018, this division updated the FCC Group's Tax Control Framework and Code that was approved by the Board of Directors in June 2018. The framework and code define the general tax risk management policy. The tasks of the Corporate Compliance Officer include implementing the Crime Prevention Model, identifying the risks in this scope, defining and tracking the pertinent controls, managing the Whistleblowing Channel, and proposing action plans whenever noncompliance or ineffectiveness is detected in an established control. Lastly, the Internal Audit and Risk Management areas report to the Audit and Control Committee. The Risk Management area is responsible for coordinating, supervising and tracking the organisation's control and management process, while the Internal Audit area, as the final control stage, checks whether the policies, methods and procedures are appropriate and effectively implemented.

**E.3** Indicate the main risks (including tax risks) and, insofar as risks arising from corruption are significant (such risks as defined within the scope of Royal Decree 18/2017), which could affect the achievement of business objectives and targets.

The considered risk scenarios were classified in a master risk chart covering five groups: Strategic, Operational, Compliance, Financial and Reporting.

#### **Strategic risks.**

##### **Business opportunities lost for geopolitical reasons.**

Certain policies and decisions of a geopolitical nature in the countries where FCC presently or potentially operates could result in the loss of business opportunities.

##### **Political and socio-economic developments in countries and/or regions.**

Changes in the political and socio-economic circumstances in countries where the FCC Group operates or could operate, could give rise to situations such as an elevated economic interventionism by national/regional governments, fluctuations in local economic growth, political and social, legal, regulatory and macroeconomic instability or potential local conflict, which could negatively impact the FCC Group. In light of the uncertainty surrounding its outcome and subsequent occurrence, Brexit merits particular attention and could affect FCC Group businesses.

##### **Changes in development and management models for environmental services, comprehensive water cycle and infrastructures.**

Sweeping changes in the model for the development and management of environmental services and the comprehensive water cycle by public authorities could mean a loss of business opportunities. The different contractual arrangements for infrastructure management and payment based on availability could mean that the relevant financing must be sought and thus increased uncertainty.

**Loss of market share.**

The FCC Group carries out its activities in competitive markets. Any possible difficulty in developing competitive bids with profitability could cause a loss of market share.

**Cuts in forecasts for investment and demand.**

Changing investment forecasts for both private and public clients could have different kinds of negative impact on the FCC Group. Economic downturn and political uncertainty could mean a reduction in public spending in certain business areas, including concession, infrastructure and services projects that the FCC Group operates. Moreover, for services provided in which the assets are owned by public administrations but administrated and exploited by the FCC Group, the Group's operating costs could increase if the administrations do not make the necessary investments for the suitable maintenance and renewal thereof.

Moreover, revenue from the Environmental Services and Water Business Areas generally depends on the level of demand, which is subject to changes as a result of market conditions outside the FCC Group's control.

**Impairment of reputational image.**

The FCC Group may find itself involved in certain actions, use of its image, damage by negative external publicity and public opinion against the company which could negatively impact its reputational image and, therefore, its business. It may also face a gap in perception between internal and external public.

**Operational Risks.****Uncertainty and volatility of raw materials, energy and outsourced services.**

In the course of its business, the FCC Group consumes significant amounts of raw materials and energy and works with numerous subcontractors and industries. Changing economic conditions and uncertainty in general could cause price oscillations that would affect FCC Group profits.

**Municipal reversion of the management of services currently rendered by the FCC Group**

Certain services rendered by the FCC Group could be affected by the decisions of current or future local governments. In certain cases, those decisions could result in their reversion to the municipality concerned. In the case of the FCC Group, municipal reversion could particularly affect the Environmental and Water Services business area, which would have a negative impact on present and future results and the portfolio.

**Catastrophic events.**

The complexity of certain environments in which the FCC Group carries out its businesses increases exposure to the risk arising from unforeseen events that injure people or damage assets or the environment. Unforeseen events include natural disasters and terrorist or criminal activity.

**Information security.**

Criminal cyber attacks that may have an effect on tangible or intangible assets and lead to a prolonged paralysation of activities, whether they directly target the Company or not. The FCC Group has an operating unit charged with preventing, detecting, analysing and mitigating factors relating to security events, such as: Intrusions, attacks, etc.

**Rescheduling of projects.**

Political and/or economic-financial instability in certain markets in which the FCC Group operates, as well as Other operating circumstances outside the control of FCC, such as the lack of available land for infrastructure projects, or delays in obtaining licences, could result in the rescheduling of the various projects in progress, which would have an effect on their outcome.

**Lack of water supply guarantees**

Circumstances associated with climate change could affect the normal supply of water, thereby impacting the comprehensive water management business carried out by FCC.

**Risks deriving from associations with third parties.**

The FCC Group may carry out its business activities jointly with public authorities or public entities through various types of associations (companies, consortia, financial interest groups, joint ventures or similar entities). The participants in these entities share operational, economic and financial risks associated with certain projects or activities. However, adverse circumstances affecting the projects, or the financial situation of partners, could lead to situations that may negatively affect the FCC Group.

**Unilateral termination or modification of contracts.**

Public administrations may unilaterally modify or terminate certain contracts before they are completely executed. The compensation that the FCC Group would receive in these cases may not be sufficient to cover the damages caused and, furthermore, such compensation could be difficult to collect. Regardless of the nature and amount of any compensation owed to the FCC Group by virtue of a concession/construction contract terminated by the client concerned, the FCC Group could need to engage in legal or arbitration proceedings to collect such amounts, thereby increasing its costs and delaying receipt of compensation amounts.

**The exit of key technical and management personnel could affect the successful outcome of business operations.**

The success of the FCC Group's business operations largely depends on key personnel with technical and management experience. If the FCC Group loses a substantial part of its key personnel, which is unlikely, it could be difficult to replace them and make the successful management of its business is more complicated.

**Labour conflicts.**

The FCC Group carries out certain businesses that are labour intensive, with significant geographic diversity (and labour legislation), and conflicts may arise for various reasons that could harm the Company's production capacity and reputation.

**- Occupational and health risks.**

One FCC Group priority is to carry out its activities with a high level of occupational and health safety for all its personnel, including strict compliance with relevant legislation, which is covered by the Occupational Risk Prevention Policy approved by the Board of Directors. The FCC Group could still, occasionally, be affected by incidents or accidents at its worksites, facilities or when carrying out its services which, in turn, could cause damages and interfere with operations.

**Environmental risks.**

FCC's Environmental commitment is set out in the Group's Environmental Policy approved by the Board of Directors. The Group applies environmental management systems to projects and contracts, which are audited and certified in accordance with the UNE-EN-ISO 14001 standard. Nevertheless, due to the nature of the Group's activities, circumstances could arise that give rise to damages consisting of spillages, emissions, etc., that have an impact on the development of projects and contracts.

**Compliance Risks.**

**Litigation.**

The FCC Group is, and may be in the future, a party to civil, criminal, arbitration, administrative, regulatory and similar proceedings that may arise during the ordinary course of its business. A court judgment or

arbitration award that does not coincide with FCC's legal interpretation could have an impact on results or changes in the management of the service/project concerned.

**Difficulty in adapting to regulatory and/or legislative changes.**

The FCC Group must respect applicable laws and regulations when executing its operations. These laws and regulations vary from one jurisdiction to another, even among municipalities, and they are subject to changes. A change in the legal framework, as well as modifications to labour and tax rules, could give rise to modifications in FCC Group operating conditions. In some cases this could affect its results and financial situation.

**Failure to comply with the Code of Ethics.**

The FCC Group has a Code of Ethics and Conduct, a Crime Prevention Manual, an Anti-corruption Policy and a Shareholder Relations Policy regarding compliance that have been approved by the Board of Directors. They are mandatory for all personnel associated with any FCC Group company. The Compliance Committee, presided by the Corporate Compliance Officer, is the high-level body responsible for implementing and supervising the Compliance Model. The failure of any person associated with any FCC Group company to comply with the Code of Ethics and Conduct and all other related policies such as, for example, the protocol for preventing and eradicating harassment, could give rise to financial and reputational damages for the Group.

**Financial Risks.**

**Liquidity risk.**

Liquidity risk is primarily attributed to accounts receivable and is therefore related to the Group's exposure to its customers' credit risk. The Group monitors available lines of liquidity and financing at each company in order to mitigate this risk.

**Delays in payment from certain public and private customers for both services and executed works.**

FCC's capacity to make payments is related to the capacity of its customers to make payment. Any serious delay in payment from certain public and private customers could mean that sufficient receivables are not collected to satisfy outgoing payments.

**Limitations on access to financial markets.**

There may be certain difficulty, in specific circumstances, in obtaining or renewing financing for certain projects due to the requirements or collateral requested by lenders, as well as the viability of the financial models that support the repayment of the funds. This could all affect the normal development of the businesses and give rise to the loss of business opportunities.

**Impairment of goodwill.**

The FCC Group recognises significant goodwill. FCC cannot ensure that the Group will not incur losses/adjustments due to impairment or the impairment of other property, plant and equipment pertaining to the Group, which could have a significant effect on the financial results obtained by the FCC Group.

**Recovery of deferred tax assets.**

The FCC Group records a certain volume of deferred taxes at the consolidated level, primarily relating to the Spanish tax group. Their recovery could be affected by the cyclical nature of the profits obtained by the Tax Group, as well as by future changes in tax rates, particularly the corporate income tax rate in Spain.

**Exchange rate fluctuations.**

A noteworthy consequence of the FCC Group's positioning in international markets is the exposure resulting from net positions in foreign currencies against the euro or in one foreign currency against another when the investment and financing of an activity cannot be arranged in the same currency. Exchange rate risk is

primarily located in borrowings denominated in foreign currencies, investments in international markets and payments received in currencies other than the euro.

#### **Interest rate fluctuations.**

The FCC Group is exposed to interest rate risk due to the fact that the Group's financial policy aims to optimise its exposure to debt by partially associating borrowings to variable interest rates. Any increase in interest rates could give rise to an increase in the financial costs for the FCC Group associated with its borrowings at variable interest rates and could also increase the cost of refinancing the FCC Group's borrowings and the issue of new debt.

#### **E.4 Identify whether the Company has risk tolerance levels, including for tax risk.**

The FCC Group's Risk Management Model determines that the risk tolerance level assumed by the Group will be dynamic over time, varying based on internal and/or external factors. It must be defined by the Board of Directors and be in line with the established strategy.

The elements that must define the FCC Group's risk appetite are as follows:

- A medium-low and predictable general risk profile Based on a diversified business model.
- A policy of stable and recurring profit generation.
- An independent Risk Management area and intense involvement by Senior Management to guarantee a risk management culture that is focused on protection and the assurance of an adequate return on capital.
- A management model that ensures an interrelated overview of all risks through a robust risk control environment establishing responsibilities at various levels.
- The development of its business based on a conduct model that protects customer and shareholder interests.
- Zero tolerance for criminal risk.
- In June 2018 FCC's Board of Directors approved an update to the Tax Control Framework, which defines the general tax risk management policy and assumable levels of tax risk.

#### **E.5 Identify any risks, including tax risks, that have occurred during the year.**

##### **Strategic risks.**

##### **– Changes in the political and socio-economic circumstances in countries and/or regions.**

Political and/or socio-economic changes in certain markets in which FCC operates have influenced the Group's activities. As a result of these circumstances, the FCC Group has performed a strategic, operational and financial reorganisation in the markets in which this risk has materialised in order to mitigate its effect. The Group continues to support its international plans as a strategy to diversify the risks affecting FCC Medio Ambiente and Aqualia, while FCC Construcción is seeking a selective positioning within projects that are of interest to the Group. The FCC Group closely follows the Brexit negotiations between the United Kingdom and the European Union, implementing operational efficiency measures in the various business areas in order to adapt to new market circumstances.

##### **– Delay in the projected new contracts.**

Certain circumstances, fundamentally associated with political instability, have given rise to delays in contracts and renewals of services already in progress, resulting in adjustments to future projections. In

order to mitigate the impact of these delays, the FCC Group performs an intensive analysis of the investment plans of the various Public Administrations, and monitors and analyses the individual contracts affected by renewals. Where necessary, it makes adjustments in projections. **Operating Risks.**

- **Rescheduling of projects.**

Political and/or economic-financial instability in certain markets in which the FCC Group operates, as well as other operating circumstances outside the control of FCC, have resulted in the rescheduling of various projects in progress, and the failure of customers to comply with commitments have had an effect on their outcome. The FCC Group has taken several initiatives in light of this situation, such as including contractual clauses that allow the costs arising from those reschedulings to be charged, actions for the maximum optimisation of costs at each facility to thus adapt with great effort to the new deadline commitments, relocation of rescheduled project personnel to others in progress, in addition to intense discussions with the customer to search for satisfactory solutions for both parties.

- **Unilateral termination or modification of contracts.**

The cancellation of the new airport project in Mexico, where FCC holds a 14% interest in the consortium that won the contract, means that this infrastructure will not be built due to the customer's decision. FCC has recognised its interest in this project on an equity basis and it does not have a material effect on results or the portfolio.

- **Labour conflicts.**

The high volume of labour involved with some of the businesses carried out by the FCC Group leads to occasional labour conflicts, in respect of which the FCC Group strengthens channels of communication and follow-up with workers and their representatives.

- **Risks deriving from associations with third parties.**

The FCC Group sometimes carries out its business activities jointly with partners through various types of associations (companies, consortia, financial interest groups, joint ventures or similar entities). Difficulties affecting certain private partners that participate in consortia, primarily of a financial nature, have had an adverse effect on the business. FCC constantly monitors and evaluates these circumstances in order to anticipate solutions that best serve the interests of the Group at any given moment.

#### **Compliance risks.**

- **Litigation.**

The FCC Group is, a party to civil, criminal, arbitration, administrative, regulatory and similar proceedings that arose during the ordinary course of its business. The Group has allocated provisions to mitigate this risk (in cases where a negative outcome is considered likely), and therefore no notable impact on the Group's equity is expected. The Legal Services Model at FCC establishes mechanisms to identify and control the legal risk affecting the Company and its businesses. This includes, among other things, the action and efficiency unit, and the coordination and quality control of Legal Services.

#### **Financial Risks.**

- **Exchange rate.**

Exchange rate risk is primarily located in borrowings denominated in foreign currencies, investments in international markets and payments received in currencies other than the euro.

The volatility affecting several currencies used in the various FCC Group businesses continued this year, such as the US dollar, the UK pound, the Tunisian dinar and the Egyptian pound. Between 31

December 2017 and 31 December 2018, that volatility gave rise to a 12.4% depreciation of the Tunisian dinar, 4.4% of the US dollar and Egyptian pound, and 0.91% of the UK pound.

The FCC Group's general policy is to mitigate the adverse effect on its financial statements of exposure to foreign currencies as much as possible, with regard to both transactional and purely equity-related movements. The FCC Group therefore manages the exchange rate risk that may affect its balance sheet and income statement using natural hedges whenever possible, or through the contracting of various financial instruments. However, any significant change in the value of these currencies against the euro has an impact on the business, debt levels and the FCC Group's results.

**E.6** Explain the plans to respond to and supervise the Company's primary risks, including tax risks, as well as the procedures followed by the Company to ensure that the Board of Directors takes action with respect to new challenges that are presented.

The FCC Group's Risk Management Model establishes a comprehensive framework for the identification, measurement and management of risks throughout the organisation. Once the risks have been identified and prioritised, control mechanisms are established through the Risk and Control Matrixes which define the persons responsible for those control activities, together with the key controls intended to prevent and mitigate the risks. When risks that exceed the acceptable risk level are detected the model also covers the establishment by Management of specific Action Plans that are designed taking into consideration their operational viability, their potential effects, as well as the cost-benefit ratio of their Implementation. Finally, the model as a whole is supervised by the management of each business area together with the Risk Management area.

Regardless of potential political and socio-economic uncertainties, and other strategic risks such as potential changes in contracting models or increased competition, the FCC Group will continue consolidating its international position, maintaining its share of mature markets, taking advantage of synergies within the activities carried out in the various business areas, seeking new formulas for public-private partnerships for developing comprehensive water cycles, environmental services and transportation infrastructures, and integrating its businesses into the circular economy backed by technology and innovation.

A Quality Assurance System based on International standards covering technical regulation compliance and contractual requirement compliance risks. For example, we note the existence of specific plans, such as the Special Plan for Managing Occupational Accident Risk in the Construction area, which unites a group of measures applied to construction work that may give rise to serious accidents and social impacts, as well as those that may cause large financial losses to the Company as a result of defects in the project, execution or contract management. This plan is reviewed periodically. FCC also has a certified Occupational Risk Prevention Management System for its business areas.

All business units also have an Environmental Management System based on International standards to respond to environmental risks and to comply with environmental regulations. Specifically, some of these units are members of the European Commission's Environmental Management and Audit System.

The FCC Group has an Information Security Management System to handle the risks relating to IT security. The system has been designed in accordance with international standards and has been certified by third parties in certain business areas.

In 2018 FCC strengthened its organisational structure in light of compliance risks relating to the Group's Code of Ethics and Conduct. These measures included the appointment of a Corporate Compliance Officer, who presides over the Compliance Committee and is responsible for: the implementation of the Prevention Model, the identification of risks, the definition and monitoring of the pertinent controls and the processing

of any reports relating to crimes and any failures to comply with the Code of Ethics and Conduct that are received, as well as the pertinent investigations. The position of Business Compliance Officer has been established within each of the Group's businesses. The primary task of this position is to assist the Corporate Compliance Officer with the implementation of the Compliance Model. Business Compliance Committees have also been created to support Crime Prevention and Compliance within each business.

Internal rules were also prepared in 2018 to comply with the requirements established by the General Data Protection Regulations. These rules have been published on the Internet together with diverse information and training materials so as to comply with the regulations in this area.

Control over financial risks is implemented by specialised departments within the business units, together with General Administration and Finance Management, whose tasks include decisions regarding the mechanisms for transferring risk (insurance), interest rate hedges and the management of financial risks.

## **F INTERNAL SYSTEMS FOR CONTROLLING AND MANAGING RISKS ASSOCIATED WITH THE FINANCIAL REPORTING PROCESS (ICFR)**

Describe the mechanisms that constitute the Internal Control over Financial Reporting (ICFR) risk control and management system at the Company.

### **F.1 The Company's control environment.**

**Specify at least the following components with a description of their main characteristics:**

#### **F.1.1. The bodies and/or functions responsible for: (i) the existence and regular updating of a suitable and effective ICFR; (ii) its implementation; and (iii) its monitoring**

Internal Control over Financial Reporting (ICFR) must provide the Audit and Control Committee and Senior Management with reasonable assurance of the reliability of the financial Information presented for the approval of the Board of Directors and periodically released to regulators and the market.

The FCC Group's governing bodies and/or areas that ensure the existence, maintenance, implementation and supervision of suitable and effective ICFR, and their responsibilities are as follows:

##### **Board of Directors.**

As is indicated in Article 8 of the Regulations of the Board of Directors at FCC, S.A., this governing body has the following duties:

- Final responsibility for approving the Company's general policies and strategies and, in particular, the Risk Control and Management Policy, including tax risks, identifying the Company's primary risks and implementing and monitoring adequate internal control and reporting systems, in order to ensure its future viability and competitiveness, taking the most important decisions for their best development and the supervision of the internal information and control systems.
- Determine policies for informing and communicating with shareholders, markets and the public in general, ensuring the quality of the information reported and approving the financial information the Company must publish periodically due to its listed company status.

##### **Audit and Control Committee**

It is a permanent non-executive Control Body responsible for reporting, advising and making proposals within its area of responsibility. It was created by the FCC Group's Board of Directors in accordance with the provisions of Article 37 of its Regulations. In 2018 the Audit and Control Committee consisted of four Directors and a non-voting Secretary and met 9 times.

The Audit and Control Committee Is responsible for Financial Reporting and Internal Control Systems:

- The regular review, among other things, of the process for preparing economic and financial information, Internal controls in the independence of the statutory auditor.
- The supervision of the Company's Internal Audit services to ensure the correct operation of the reporting and internal control systems, and the head of the Internal Audit area is required to present an annual work plan to the Committee and to inform it directly of any incidents arising during its implementation and to submit a report on its activities at the end of each financial year.
- To supervise and analyse the effectiveness of the Company's internal control and of the Risk Control and Management Policy approved by the Board of Directors, ensuring that this policy at least identifies:

- The different types of risk faced by the Group, including financial and economic, contingent liabilities and other off-balance sheet risks.
  - Establishing the risk level that the Company deems acceptable.
  - The measures in place to mitigate the impact of risk events should they occur;
  - The Internal Reporting and Control Systems to be used to control and manage the indicated risks, including contingent liabilities and off-balance-sheet risks.
- The supervision of the preparation and the integrity of the financial information prepared on the Company and, where appropriate, the Group, checking for compliance with legal provisions, the accurate demarcation of the scope of consolidation, and the correct application of accounting principles.
  - The supervision of the process of preparing and presenting the individual and consolidated annual accounts and management report, and the periodic financial information released to the markets, verifying compliance with legal provisions and the correct application of generally accepted accounting principles, reporting the financial information to the Board of Directors that must be periodically released to the public due to its status as a listed company, ensuring that the interim accounts are prepared using the same accounting principles as the annual accounts and, accordingly, taking into consideration the appropriateness of a limited review by the Company's statutory auditor, as well as the creation or acquisition of shares in special-purpose vehicles or those domiciled in countries or territories considered to be tax havens, and any other similar transactions or operations which, due to their complexity, could have a negative effect on the FCC Group's transparency.
  - The supervision of the auditor and its independence, including the receipt of reports and providing authorisation for certain services that could give rise to a threat to its independence.

### **Senior Management.**

The Senior Management of each unit is in charge of implementing the risk management and internal control model, and is tasked with, among other things, the development of an effective and efficient risk control system, including those associated with financial information.

### **General Administration and Finance Department**

The General Administration and Finance Department performs its tasks in the areas of Administration, Systems and Information Technologies, Finance, Purchases and the Coordination and Development of Human Resources.

The Administration area performs the administrative management of the FCC Group and performs the following duties regarding the Information Systems and Internal Control: General accounting, accounting normalisation, consolidation, tax advisory services and tax procedures, tax compliance and the management of administrative procedures.

The Finance area is responsible for the centralised management of FCC Group finances. The IT and Internal Control Systems have the following objectives and operate with respect to the financing of Group activities, management of debt and financial risks, optimisation of cash and financial assets, financial management and control, management of markets and the CNMV, analysis and financing of investments, , management, monitoring and control of surety and guarantees, management of Insurance and industrial and asset risks and management control.

The FCC Group's IT and Systems area guarantees adequate technological support for the Group's management processes, optimising user services and ensuring the confidentiality and integrity of the information systems. The FCC Group has an IT Security Department covering this area that is responsible for developing and implementing internal control policies and procedures for IT systems, including those that support the process of preparing and publishing financial information, and it is also responsible for data protection matters.

### **Internal Audit and Risk Management Department.**

The purpose of this Department is to provide the Audit and Control Committee and Senior Management with an independent and objective opinion regarding the Group's position with respect to achieving its objectives by applying a systematic and methodical approach to the evaluation, management and effectiveness of internal control and risk management processes, assessing the efficiency and reasonableness of the internal control systems, as well as the operation of the processes based on the appropriate procedures, proposing improvements to those processes and procedures and providing support to Management regarding the identification of the main risks that affect the businesses and supervising the actions taken for their management.

The Internal Audit and Risk Management Department covers two functions with synergies, Internal Audit and Risk Management, and its most notable responsibilities relating to the Financial Reporting Control Systems are:

- Internal Audit: (i) supervision of the process of drawing up and presenting the Group's Financial information before being released to the market, (ii) supervision of the Internal Control over Financial Reporting (ICFR) established by the Group for the preparation and presentation of economic-financial information, (iii) assist, together with the rest of the areas involved, with the development of internal control through the supervision of compliance with policies, standards, procedures and activities making up the internal control model in order to ensure the proper management and reduction of risks, issuing recommendations for improvement, (iv) supervision of projects and processes, identifying risks and evaluating the control environment.
- Risk Management: (i) Coordinate and drive the implementation of the risk management model such that the Organisation is able to manage its risks within acceptable tolerances, providing reasonable security regarding the achievement of its objectives, (ii) coordinate and consolidate the information originating from the various business units regarding critical risks and/or materialized risks as well as the actions carried out for their mitigation, (iii) coordinate with the appropriate areas to present reports to the Audit and Control Committee regarding risks that could have an impact on the financial statements.

### **Compliance Committee**

This is a high-level internal body with autonomous authority to take initiatives and apply control measures, to which the Board of Directors has delegated the task of supporting an ethical culture throughout the Organisation and ensure internal and external compliance with regulations and legislation. Among its duties and authorities are the monitoring and supervision of ethics and compliance programmes, As well as the Code of Ethics and Conduct, policies, standards, procedures and controls currently in existence intended to prevent illegal behaviour, among other things. It is headed by the Corporate Compliance Officer.

#### **F.1.2. The existence or otherwise of the following components, especially in connection with the financial reporting process:**

- **Departments and/or mechanisms in charge of: (i) the design and review of the organisational structure; (ii) defining clear lines of responsibility and authority, with an appropriate distribution of tasks and functions; and (iii) deploying procedures so this structure is communicated effectively throughout the entity.**

The Appointments and Remuneration Committee is responsible for examining and organising the succession of the Chairman of the Board and the Company's CEO and, if appropriate, making proposals to the Board of Directors in order for such succession to occur in an orderly and planned manner, In accordance with the Regulations of the Board of Directors. Its tasks also include reporting proposals to appoint and remove senior officers presented to the Board by the CEO, and the basic conditions of their contracts. Those Regulations stipulate that senior officers are understood to be those executives reporting directly to the Board of Directors or to the CEO, where such a figure exists, and, in any case, the internal auditor. Senior officers will also be considered to be any declared to be such by the Board of Directors, after having received

a favourable report from its Appointments and Remuneration Committee, even if the aforementioned circumstances are not present.

The person in charge of the design and review of the organisation's structure, and the definition of the lines of responsibility and authority is the CEO, appointed by the Board of Directors. Each Corporate Department or Business Area must define its organisational structure and lines of responsibility.

Section 10 of the Group's General Regulations Manual governs the process for establishing the Company's organisational structure. It governs the bodies that directly report to the Board of Directors, the distribution of duties among Group management and the appointment of executives.

The first level organisational structure is published on the corporate intranet, and there are organisational sub-structures associated with specific projects and contracts within the various business units.

The specific responsibilities relating to the Internal Control over Financial Reporting (ICFR) notably include the assumption of high level executive duties by the General Administration Department with respect to the management of the ICFR, the execution of control activities relating to the consolidation sub-process and the normalisation of the processes relating to the preparation of the information. The Risk Management area is responsible for methodological support for the identification of risks and controls within the process of preparing financial information. Finally, the Internal Audit area supervises the process of preparing and presenting the Group's financial information before being released to the market.

- **Code of conduct, approving body, dissemination and instruction, principles and values covered (stating whether it makes specific reference to record keeping and financial reporting), body in charge of investigating breaches, and proposing corrective or disciplinary action.**

The Regulations of the Board of Directors stipulate that the full Board is responsible for approving the FCC Group's Internal Codes of Conduct and Regulations and this authority cannot be delegated. Those Regulations also stipulate that the Audit and Control Committee is responsible for ensuring that the Internal Codes of Conduct and Corporate Governance Rules comply with regulatory requirements and are adequate for the Company, as well as for reviewing compliance with the obligation of the persons covered by those Codes and Governance Rules to report certain matters to the Company.

The FCC Group's latest Code of Ethics and Conduct was approved by the Board of Directors in February 2018. The purpose of this mandatory code is to encourage all people associated with any FCC Group company, regardless of the type of contract governing their employment relationship, position held or geographic location of their job, to be guided by the highest behavioural standards in terms of complying with laws, regulations, contracts, procedures and ethical principles. This code is published on both the corporate intranet and the Group's website and is accessible to anyone. The FCC Group has carried out training and communications programmes regarding the new Code of Ethics and Conduct in order to strengthen the personal commitment of employees to the Company's ethics compliance system. Information and communications campaigns through various media were carried out in 2018, and classroom training was performed for certain levels within the organisational structure.

The Code includes the principles of respect for the law and ethical values, zero-tolerance for bribery and corruption, the prevention of money laundering and the financing of terrorism, the protection of market competition and good market practices, ethical behaviour in securities markets, the avoidance of conflicts of interest, rigorous control, reliability and transparency of information, the protection of the Group's reputation and image, the efficient and secure use of the Company's resources and assets, monitoring of the ownership and confidentiality of data and information, customer service approach, The primacy of the health and safety of people, the promotion of diversity and fair treatment, commitment to the environment,

transparent relationships with society and the extending of ethics commitments and compliance to business partners.

The section "Rigorous control, reliability and transparency" of the Code of Ethics and Conduct specifies with respect to the recognition of transactions and the preparation of financial information that "*FCC Group information must be prepared with maximum reliability, complying with applicable legislation and Company regulations and be kept under diligent custody*", indicating that particular care must be taken with respect to "*the process of adequately and completely accounting for, recognising and documenting All transactions, income and expenses, at the time they arise, without permission, hiding or altering any data or information, such that the accounting and operating records faithfully reflect reality and can be verified by the control areas and by internal and statutory auditors. Failing to follow these rules may constitute fraud. Avoidance of the Company's internal controls will be penalised*". Furthermore, in June 2018 FCC's Board of Directors approved an updated version of FCC's Tax Conduct Code, which also includes a commitment to tax transparency.

The Compliance Committee, presided by the Corporate Compliance Officer, is the body responsible for implementing and supervising the FCC Group's Compliance Model. The tasks of the Corporate Compliance Officer include handling complaints and investigations relating to potential crimes and failures to comply with the Code of Ethics and Conduct, as well as proposing action plans in cases where noncompliance or ineffectiveness is detected in the operation of the controls.

Each of the Group's businesses has a business compliance officer, whose primary task is to assist the corporate compliance officer with the implementation of the compliance model and is also responsible for the management of complaints and investigations relating to noncompliance with the Code of Ethics and Conduct that are delegated to that position. Business Compliance Committees have also been created to support Crime Prevention and Compliance in each business.

- **Complaints channel, providing a means of informing the audit committee of any irregularities of a financial or accounting nature, along with possible breaches of the code of conduct and irregular activities within the organisation, stating whether the information provided is confidential in nature, as appropriate.**

The FCC Group has a Whistleblowing Channel that allows the confidential reporting of any activities or conduct that may represent a failure to comply with the Code of Ethics and Conduct in any respect, including potential irregularities that could have criminal consequences. All communications are managed by the Compliance Committee in accordance with the defined protocol so that confidentiality is guaranteed.

Reports may be made in three ways:

- Through the Corporate Intranet.
- The sending of an email to an email address.
- Through postal mail sent to a PO Box.

The procedures and operation of the Whistleblowing Channel are described in the intranet and in the Code of Ethics and Conduct, which specifies the obligation of any person associated with any FCC Group company to report any potential noncompliance of which they are aware.

- **Training and refresher courses for personnel involved in preparing and reviewing financial information or evaluating the ICFR, which address, at least, accounting rules, auditing, internal control and risk management.**

The FCC Group's Training Plan for 2018 included several training actions regarding the acquisition, update and recycling of economic-financial knowledge, including accounting and audit standards, internal control and risk management and control, as well as other regulatory and business matters that must be known for the adequate preparation and supervision of the Group's financial information. These notably include: "Development of specific IFRS accounting procedures for the FCC Group", "Ethics and Conduct at the FCC Group" and "Prevention of money laundering and financing of terrorism".

## **F.2 Risk assessment in financial reporting**

**State, at least:**

**F.2.1. The main characteristics of the risk identification process, including risks of error or fraud, stating:**

- **The process exists and is documented.**

The FCC Group has a Risk Management Model based on the assignment of responsibilities in various areas of the organisation, establishing three levels of risk management.

The first level of risk management is in the operating lines of each business unit, which are responsible for adequately managing, tracking and reporting on the generated risk.

The second risk management level (also in the business units) comprises support, control and supervision teams that ensure the effective control of risks. At this second level, each business unit's management area is responsible for implementing the Risk Management Model, including financial reporting information in this regard.

The third level consists of corporate staff reporting to Senior Management. It also includes Internal Audit and Risk Management, and the Compliance Committee, which report to the Audit and Control Committee. The Risk Management area is responsible for coordinating, supervising and monitoring the risk management and control process within the Organisation. The tasks of the Corporate Compliance Officer presiding over the Compliance Committee include implementing the Crime Prevention Model, identifying the risks in this area, including fraud and falsification, defining and tracking the pertinent controls. The Internal Audit area, As the last line of defence and last control phase, checks whether the policies, methods and procedures are appropriate and effectively implemented.

The business units identify and assess the various risks in terms of the likelihood of their occurrence and impact, based on a transversal Risk Matrix. That Risk Matrix includes various risks relating to errors in the preparation of financial information, from several perspectives. The management of each business area periodically analyses and reports risks that have materialised within each of the Group's areas, and this information serves to update the risk maps and to take action.

Section E of this Annual Corporate Governance Report sets out the Activities and operation of the FCC Group's Risk Management Model.

- **Whether the process covers all financial information objectives (existence and occurrence; integrity; valuation; presentation, breakdown and comparability; and rights and obligations), whether it is updated and if so how often.**

The FCC Group's Risk Matrix includes various risks relating to the objectives of the financial information, from several perspectives. Operating and Financial Risks includes several aspects relating to the analysis, monitoring and efficiency of the management of diverse financial information. Compliance Risks cover the repercussions of failing to comply with regulatory requirements in the accounting, commercial and corporate areas. Fraud risk is included in the Crime Prevention Model. Finally, Reporting Risks includes several relating to gaps in the reporting models and systems, covering aspects such as reliability, opportunity and transparency, among others.

The risk identification and assessment processes are subject to regular updates in accordance with business needs and external factors. Business units update the primary risks that have materialised during the period every four months.

- **A specific process is in place to define the scope of consolidation, with reference to the possible existence of complex corporate structures, special purpose vehicles, holding companies, etc.**

Each of the areas into which the FCC Group is organised is responsible for maintaining and updating the scope of consolidation relating to their business area. The Consolidation and Accounting Normalisation Department maintains an up-to-date Financial Manual covering the Group companies included within the scope of consolidation, based on the data that is provided by the business areas. Regular controls over the proper accounting treatment of the companies included in the scope of consolidation are also performed.

- **The process addresses other types of risk (operational, technological, financial, legal, tax, reputational, environmental, etc.) insofar as they may affect the financial statements.**

The FCC Group's Risk Management Model categorises risks within a transversal Risk Matrix consisting of five large categories, taking into consideration their likely impact on the financial statements, among other things.

- **Strategic:** The risks that are considered to be key to the Organisation and must be proactively managed on a priority basis. Should these risks materialise, they could seriously compromise the attainment of strategic objectives.
- **Operating:** These are risks relating to operational management and the value chain in each line of business and area at the Organisation, and the protection of its assets against potential losses.
- **Compliance:** The risks that affect internal and external regulatory compliance.
- **Financial:** Risks associated with financial markets, and the generation and management of cash.
- **Reporting:** Risks relating to internal and external financial and non-financial information, covering aspects such as reliability, opportunity and transparency.

Various risks relating to technological, legal and compliance aspects, reputational damage and environmental damage, etc. are included in each of these categories.

- **Finally, which of the entity's governing bodies is responsible for overseeing the process.**

The supervision of the process for identifying financial information risks is performed by the Audit and Control Committee, which is responsible for the supervision of the FCC Group's Internal Control and Risk Management Systems, as provided for by article 37 of the Regulations of the Board of Directors.

It receives support from both the Internal Audit area with respect to the review of controls, and the General Administration and Finance Department, which handles various internal control tasks relating to the Internal Control over Financial Reporting, such as high-level tasks, the execution of control activities relating to the consolidation sub-process, as well as the normalisation of the processes relating to the preparation of the information. The management of business units also carry out supervisory activities within the risk identification process, and the primary tasks and responsibilities consist of the implementation of the Risk Management Model, the analysis and monitoring of risks, the design of alert indicators and communications with the Risk Management area.

The Corporate Compliance Officer also reports to the Audit and Control Committee while assuming responsibility for the supervision of the controls relating to the Crime Prevention Model.

### **F.3 Control activities**

**Indicate the existence of at least the following components, and specify their main characteristics:**

**F.3.1. Procedures for reviewing and authorising financial reporting and the description of ICFR to be disclosed to the securities markets, stating who is responsible in each case, and documentation and flow charts of activities and controls (including those addressing the risk of fraud) for each type of transaction that may materially affect the financial statements, including procedures for the closing of accounts and for the separate review of critical judgements, estimates, evaluations and projections.**

The high-level tasks relating to the Internal Control over Financial Reporting are assumed by the FCC Group's General Administration and Finance Department, which certifies the consolidated accounts in terms of their integrity and accuracy, with the approval of the CEO. The Audit and Control Committee subsequently issues a favourable report regarding the accounts as the prerequisite for preparing the Annual Accounts and Management Report by the Board of Directors:

During the process of publishing financial information for securities markets, whether quarterly or one-off, or when a relevant event takes place, the persons responsible for each area review the information reported for consolidation purposes. That information is consolidated by the Group's General Administration and Finance Department which carries out certain control activities to ensure the reliability of the information during the closing of the accounts.

The specific review of important judgments, estimates, assessments and projections used to quantify some assets, liabilities, income, expenses and commitments that are recorded and/or disclosed in the Annual Accounts is also carried out by the General Administration and Finance Department with the support of all other Departments. Assumptions and estimates based on the evolution of the businesses are reviewed and analysed jointly with the Business Department concerned. These procedures and the associated controls are included in the Group's General Regulations Manual and the Economic Financial Manual.

The FCC Group has a control panel for each of the business units and corporate services in order to regulate, supervise and monitor, among other things, the process of managing the businesses, projects, procurement, payables, taxes, finances, cash and bank access, employee hiring and customer billing. The objective of this

control panel is to prevent and detect any failure to comply with FCC Group policies and procedures, and potential situations giving rise to a fraud risk.

The Risk Management area provides methodological support for the identification and assessment of risks arising during the financial reporting process and to identify and design controls. The Internal Audit area supervises the process of preparing and presenting the Group's financial information before being released to the market.

The conclusions reached during the assessment of internal controls performed by the statutory auditor as part of the audit, together with the supervision of the Internal Audit and Risk Management Department Are sent to the Audit and Control Committee in the form of reports containing all recommendations considered to be necessary.

In addition to the content of Articles 10, 11 and 14 of the Regulations of the Board of Directors, which describe the specific tasks relating to the Annual Accounts, the Management Report and the relationship with the securities market, the FCC Group has defined procedures regarding the closing process and maintaining the chart of accounts, including procedures to ensure the proper identification of the scope of consolidation. Specifically, the Economic-Financial Manual covers the accounting treatment of the various types of processes and transactions that may affect the financial statements (accounting, tax, insurance, cash, etc.), and sets out rules that allow financial information to be obtained in a normalised manner.

**F.3.2. Internal control policies and procedures for IT systems (including secure access, control of changes, system operation, continuity and segregation of duties) giving support to key company processes regarding the preparation and publication of financial information.**

FCC has an IT Security Policy that defines the Company's IT security model, regulations, organisation and persons responsible for security, the classification of information, IT security areas, the risk analysis model and the procedure for auditing the information. Internal control policies and procedures for IT systems cover all the Group's information management processes, including those relating to the preparation and publication of financial information. Certain Infrastructure business processes (Construction and Industrial) and Water have an IT Security Management System with International certification ISO/IEC 27001.

The IT Security System documentation notably includes specific rules regarding the security of databases, encryption technologies, application and IT system access controls, equipment configuration controls, principles and measures that are necessary to ensure confidentiality, integrity and availability of the information that is accessed and/or processed using mobile devices, backup copy criteria, security incident management, security for maintenance rooms and IT system tests, security criteria for the implementation and connection of networks, the principles that passwords must meet, privacy controls, development security, security criteria for the contracting of services from companies outside the Group, security principles to be met within FCC's facilities that process information, security role and responsibility controls, use of technological resources, secure navigation and email security. In 2018 an IT security rule was also approved that contains guidelines for complying with the requirements of the new Data Protection Regulation.

IT security is regularly evaluated through internal reviews performed by the IT Security Department.

**F.3.3. Internal control policies and procedures for overseeing the management of outsourced activities, and of the appraisal, calculation or valuation services commissioned from independent experts, when these may materially affect the financial statements.**

The FCC Group's policy is that purchases or contracts with third parties will only cover the assets and services that cannot be produced or executed internally by Group personnel, except for any that give rise to a higher cost compared with the contracting with a third-party.

The FCC Group's Purchasing Regulations establish various purchasing management areas based on the nature of the purchases. They are governed in all cases by a series of general principles based on transparency when taking decisions, the existence of bids, the traceability of the process, compliance with award conditions and the supervision and evaluation of suppliers.

The FCC Group has outsourced the rendering of IT and telecommunications infrastructure management services and support for the main corporate applications, which are significant subcontracted activities that have an impact on the financial statements. Investments are being made to standardise the FCC Group's system architecture such that there will be no differences in the environments managed by the Group's companies with respect to availability and integrity. The IT Technology and Systems Department has specific procedures for controlling outsourced services through contractual regulation of the following:

- Mechanisms to govern and monitor the service.
- Audits, inspections and reviews of the services
- Management of service levels
- Monitoring and control of the services performed by third parties that affect 27001 certifications

The main subcontracted activities relating to the execution or processing of transactions that are reflected in the Group's financial statements consist of the measurement of derivative financial products, the performance of actuarial calculations and the preparation of certain asset appraisals carried out occasionally.

#### **F.4 Information and communications**

**Indicate the existence of at least the following components, and specify their main characteristics:**

**F.4.1. A specific function in charge of defining and maintaining accounting policies (accounting policies area or department) and settling doubts or disputes over their interpretation, which is in regular communication with the team in charge of operations.**

The General Administration and Finance Department, to which the Consolidation and Accounting Normalisation Department and the Administration Coordination Department pertain, is responsible for the application of FCC Group accounting policies, and has the following duties:

- Definition of the Group's accounting policies and their inclusion in the Economic-Financial Manual
- Issue of the accounting rules applicable by the Group.
- The resolution of doubts or conflicts that may arise from the interpretation or application of the Group's accounting policies to any group company.
- Analysis of unique operations or transactions, or those that the Group plans to carry out, in order to determine the proper accounting treatment in accordance with the Group's accounting policies.
- The monitoring of new standards being analysed by the IASB, new standards approved by that body and the process for applying them.

The specific Administrative Coordination Division clarifies or expands the instructions and rules that are issued.

The Economic-Financial Manual setting out the accounting rules is available on the Group's intranet. The update and maintenance of this manual is the responsibility of the Administration, Management Control,

Finance and Tax Divisions and Departments. In addition, in June 2018 the Board of Directors approved an updated version of the Tax Control Framework and Code for the FCC Group.

Whenever the application of the accounting regulations is subject to different interpretations, the Internal Audit and Risk Management Department and/or the General Administration and Finance Department may participate in the presentation of the arguments on which the interpretation adopted by the FCC Group is based.

**F.4.2. Mechanisms in standard format for the capture and preparation of financial information, which are applied and used in all units within the entity or group and support its main financial statements and accompanying notes as well as disclosures concerning ICFR.**

The FCC Group has implemented tools in the SAP environment to consolidate financial information that cover financial statement reporting requirements. That tool centralises most of the information relating to the individual financial statements for the subsidiaries making up the Group in a single system. The system is managed on a centralised basis and uses a single chart of accounts. The Corporate Finance area uses this tool to gather all of the information regarding the FCC Group, including Spanish and foreign companies.

The accounting policies, procedures and internal rules relating to closing, reporting and consolidation processes are described in the Group's Economic-Financial Manual and the information that must be reported for consolidation is detailed and both the reporting deadlines and the standard documents and forms for reporting that information are defined.

In addition, at the yearly closing and in order to release the annual financial report to the public, the General Administration Department sends the yearly closing plan including a series of instructions to the persons responsible for providing the financial information concerned. The Administrative Coordination Division specifies, clarifies or expands those instructions when necessary.

The consolidated accounts follow International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS). The FCC Group has developed a corporate chart of accounts that is also presented in the Economic-Financial Manual in order to guarantee a uniform accounting process.

**F.5 Supervision of system operations**

**Indicate the existence of at least the following components, describing their main characteristics:**

**F.5.1. The ICFR monitoring activities undertaken by the Audit Committee and an internal audit function whose competencies include supporting the Audit Committee in its role of monitoring the internal control system, including ICFR. Describe the scope of the ICFR assessment conducted in the year and the procedure whereby the person in charge communicates their findings. State also whether the company has an action plan specifying corrective measures for any flaws detected, and whether its impact on the financial statements has been considered.**

The Audit and Control Committee has been created on a permanent basis by the Board of Directors. It has no executive duties and has the authority to report, advise and make proposals within its area of responsibility. It carries out the following activities pursuant to Article 37 of the Rules and Regulations of the Board of Directors:

- Informing the General Annual Meeting about all matters raised that fall within its area of responsibility and, in particular, about the results of audits, explaining how these contribute to the completeness of the financial information and the role played by the Committee in this process.

- Acted as a communication channel between the Board of Directors and the statutory auditor, assessing the results of each audit.
- Monitoring the Company's Internal Auditing services to ensure correct operation of the Information and Internal Control Systems. The head of Internal Auditing is required to present their annual work plan to the Committee, to directly inform the Committee of any incidents in the development of the plan and to submit a report on the plan's activities at the end of each financial period.
- Monitoring and analysing the effectiveness of the Company's internal control and of the Risk Control and Management Policy approved by the Board of Directors.
- Monitor the preparation and the integrity of the financial information prepared on the Company and, where appropriate, the Group, checking for compliance with legal provisions, the accurate demarcation of the scope of consolidation, and the correct application of accounting principles.
- Regularly monitoring the Internal Control and Risk Management Systems, including the tax systems, in order for the key risks to be identified, managed and appropriately disclosed.

The Internal Auditing and Risk Management Department is responsible for Internal Auditing. Its main objective is to assist the Audit and Control Committee in fulfilling its functions and responsibilities, acting with complete independence from the management areas, given its functional dependence on the Audit and Control Committee. Its responsibilities and functions concerning the ICFR include the following:

- Collaborating in monitoring the preparation and presentation of the Group's financial information before it is released to the market.
- Contributing, together with other units, to the development of internal control by monitoring compliance with the policies, standards, procedures and activities that form the internal control model in order to minimise risks, issuing recommendations for improvements to this model.
- Monitoring projects and processes, identifying risks and assessing the control environment.
- Acting as a third line of defence, monitoring compliance-related controls.
- Performing the internal investigations assigned by the Compliance Committee.

The outcome of the reviews performed by the Internal Auditing unit and any detected incidents are reported by the Internal Auditing and Risk Management Department to the Audit and Control Committee.

In turn, the Audit and Control Committee approves the Annual Audit Plan and supervises the Activities Report. In 2018, various work was carried out regarding risk management and control and monitoring of the Group's financial information in different areas. This work included:

- Review of the FCC Group's specific ERP areas, and of certain specific applications in the areas of business.
- Monitoring any internal control weaknesses detected by both internal and external audits in the IT area.
- Collaborating on internal audits for ISO/IEC 27001 compliance.
- Collaborating in monitoring the individual and consolidated financial statements of FCC, S.A., and the Company's semi-annual financial statements reviewed by the statutory auditor.
- Collaborating in monitoring the financial and corporate information disclosed to regulators and markets and monitored by the Audit and Control Committee:
  - Annual financial report.
  - Management reports.
  - Semi-annual financial report.
  - Quarterly reports.

- Annual Corporate Governance Report.
- Review of the control environment regarding the prevention of money laundering and the financing of terrorism.
- Pre-approval of services other than auditing provided by auditing firms, collaborating with the Audit and Control Committee in their task of monitoring the independence of the statutory auditor.
- Auditing key processes, works and projects/contracts, with a key focus on reviewing the financial information and contractual risks.
- Coordinating and managing the process of updating risk identification and assessment by the business units, providing a standardised method aligned with the Risk Management System Model and consolidating the information on a corporate level.

**F.5.2. If there is a discussion procedure whereby the auditor (pursuant to the Technical Auditing Standards), the internal auditing unit and other experts can report to the Company's senior management and its Auditing Committee or Board of Directors any significant internal control weaknesses identified during the financial statements review, or other assignments. State also whether the entity has an action plan to correct or mitigate the weaknesses observed.**

Article 37 of the FCC Group's Regulations of the Board of Directors establishes that it falls within the remit of the Audit and Control Committee to liaise between the Board of Directors and the Company's statutory auditor, assessing the results and discussing any significant weaknesses of the Internal Control System detected during the auditing process.

In turn, the Regulations governing the Internal Auditing Unit of the FCC Group state that the Internal Auditing and Risk Management Department will inform the Audit and Control Committee of the most significant aspects regarding: relationships with statutory auditors, the outcome of monitoring the reliability and completeness of the financial information and the management of Group companies before being release to the market, compliance with internal and external regulatory requirements, operation of internal control systems, development and operation of risk management systems and the outcome of monitoring with regard to criminal responsibility.

In addition, the Regulations governing the Internal Auditing Unit of the FCC Group state that the Internal Auditing and Risk Management Department will support the Audit and Control Committee to fulfil of its functions and responsibilities, without prejudice to any support or assistance received from other areas or units.

To ensure that the financial information presented to the Audit and Control Committee has been prepared in line with the generally accepted accounting principles and that it gives a fair view of the FCC Group, the Internal Auditing Unit performs various supervisory tasks regarding the accounting information (individual and consolidated), the management reports and the financial information disclosed periodically to the markets.

The FCC Group Internal Auditing and Risk Management Department regularly reports to the Audit and Control Committee on the significant internal control weaknesses identified during its work and recommends how these weaknesses may be duly corrected. The Audit and Control Committee also receives the information issued by the Administration and Finance Department.

Lastly, the Group's auditor has direct access to Group senior management, holding regular meetings both to obtain the necessary information to perform their work, and to report any detected control weaknesses. The statutory auditors present their conclusions to the Audit and Control Committee, detailing the internal control weaknesses exposed during their review of the Group's Financial Statements and any other relevant

aspects. In 2018, the internal auditor attended 5 meetings of the Audit and Control Committee, presenting 4 reports.

#### **F.6 Other relevant information**

|     |
|-----|
| N/A |
|-----|

#### **F.7 Statutory auditor review**

**State whether:**

**F.7.1. Whether the ICFR information supplied to the market has been reviewed by a statutory auditor, in which case the corresponding report should be attached. Otherwise, explain the reasons for not having a review of this nature performed.**

The information in this report about the Internal Control over Financial Reporting has been submitted to the statutory auditor for review. The statutory auditor's report is attached as an appendix to this document. The review was based on the "Action Guide and Model Auditors' Report relating to information on the Internal Control over Financial Reporting System of Listed Companies" published by the CNMV in 2013.

## **G DEGREE OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS**

Indicate the degree of the company's compliance with the recommendations of the Code of Good Governance for listed companies.

Should the company not or only partially be in compliance with any of the recommendations, include a detailed explanation of the reasons, in order for sufficient information to be available to shareholders, investors and the markets in general for them to be able to evaluate the company's behaviour. Explanations of a general nature shall not be considered acceptable.

- 1. The bylaws of listed companies should not place a maximum limit on the votes that can be cast by a single shareholder or present any other impediments to the company's being taken over by buying its shares on the open market.**

Compliant ☒ Explain ☐

- 2. In cases where a parent company and a subsidiary are both exchange-listed, both companies should disclose the following items in detail:**

- a) The type of activity they engage in, and any business dealings between them, as well as between the subsidiary and other group companies.**
- b) Mechanisms in place for resolving potential conflicts of interest**

Compliant ☐ Partially Compliant ☐ Explain ☐ Not applicable ☒

- 3. During the Annual General Meeting, supplementing the written information circulated in the Annual Corporate Governance Report, the Chairperson of the Board should verbally inform shareholders in sufficient detail of the most relevant aspects of the Company's corporate governance, in particular:**

- a) Any changes since the previous Annual General Meeting.**
- b) The specific reasons why the company has not followed a particular Good Corporate Governance recommendation and, where applicable, any alternative rules it applies in this connection.**

Compliant ☐ Partially compliant ☐ Explain ☒

The Company believes that shareholders receive sufficient information about its corporate governance in a specific report on the matter, forming part of the information available to them in advance of the Meeting.

In this regard, the section on "Right to Information" in the General Meeting announcement explicitly states that any shareholder may obtain from the Company, among other

documents, the Annual Corporate Governance Report, which is subject to shareholder approval as it forms part of the Management Report. Shareholders may inspect this report at the Company's registered offices or have it sent to them immediately and free of charge.

The Report can be viewed on the Company's website, in the section on corporate governance.

- 4. The Company should draw up and implement a policy of communication and contacts with shareholders, institutional investors and proxy advisors that complies in full with market abuse regulations and accords equitable treatment to shareholders in the same position.**

**The Company should publish this policy on its website, including information about how the policy has been put into practice and identifying the representatives or persons in charge of its implementation.**

Compliant ☐ Partially compliant ☐ Explain ☒

Although the Company has not formally approved a policy in this area, relations with institutional investors and proxy advisers are maintained through the Stock Market and Investor Relations Department and the Shareholders Department. In this regard, the aim of the recommendation is fully respected, and the Board is informed of these relations.

- 5. The Board of Directors should not submit to the General Meeting a proposal on the delegation of powers to issue shares or convertible securities excluding pre-emptive subscription rights, for an amount exceeding 20% of the share capital at the time of delegation.**

**When the Board approves the issuance of shares or convertible securities excluding pre-emptive subscription rights, the Company should immediately publish a report on its website explaining the exclusion as envisaged in corporate legislation.**

Compliant ☒ Partially compliant ☐ Explain ☐

- 6. Listed companies preparing the reports detailed below, whether mandatorily or voluntarily, should publish them on their website sufficiently in advance of the Ordinary General Meeting, even when their dissemination is not compulsory:**

- a) Report on the independence of the auditor.**
- b) Reports on the activities of the Audit Committee and the Appointments and Remuneration Committee.**
- c) Report by the Audit Committee on related-party transactions.**
- d) Report on Corporate Social Responsibility Policy.**

Compliant ☒ Partially compliant ☐ Explain ☐

- 7. The Company should broadcast its General Meetings live on the corporate website.**

Compliant ☐ Explain ☒

The Company does not follow this recommendation as, to date, no such request has been received from its shareholders, and due to the cost to the Company.

- 8. The Audit Committee should ensure that the Board of Directors aims to submit the Company's financial statements to the Annual General Meeting without any limitations or qualifications in the auditor's report. In the exceptional event that there are any qualifications, both the Chairperson of the Audit Committee and the auditors should give a clear account to shareholders of their scope and content.**

Compliant ☒ Partially compliant ☐ Explain ☐

- 9. The company should permanently publish on its website the requirements and procedures it will accept to accredit the ownership of shares, along with the right to attend the General Annual Meeting and the exercise or delegation of voting rights.**

**Such requirements and procedures should favour the attendance of shareholders and the exercise of their rights and should be applied in a non-discriminatory manner.**

Compliant ☒ Partially compliant ☐ Explain ☐

- 10. When an authorised shareholder, prior to the Annual General Meeting, exercises the right to add to the agenda or submit new resolution proposals, the Company should:**

- a) Immediately circulate the additional points and new resolution proposals.**
- b) Publish the model attendance card or proxy form or remote voting form, with the necessary amendments, so that the new points on the agenda and the alternative proposals for resolution can be submitted to vote under the same terms as proposals put forward by the Board of Directors.**
- c) Submit all such points and alternative proposals to a vote, applying the same voting rules as those drawn up by the Board of Directors, including, specifically, assumptions and deductions on the direction of the vote.**
- d) After a general meeting, the company should announce the breakdown of the vote on the additional points or alternative proposals.**

Compliant ☒ Partially compliant ☐ Explain ☐ Not applicable ☐

- 11. If the company plans to pay attendance premiums to shareholders attending general meetings, it must first establish a stable general policy on those premiums.**

Compliant ☐ Partially compliant ☐ Explain ☐ Not applicable ☒

- 12. The Board of Directors should perform its duties with unity of purpose and independent judgement, affording the same treatment to all shareholders of the same status. It should be guided at all times by the company's best interest, understood as the creation of a profitable business that strives to maximise its value over time in a sustained manner.**

**In pursuing the interests of the company, as well as upholding laws and regulations and conducting itself in a manner based on good faith, ethics and respect for**

generally accepted customs and good practices, the company shall seek to reconcile its interests, to an appropriate extent, with the legitimate interests of its employees, suppliers, customers and the remaining stakeholders that might be affected. The company should also seek to reconcile its interests with the impact of the its activities on the community as a whole and on the environment.

Compliant X      Partially compliant ☐      Explain ☐

- 13. In the interest of maximum effectiveness and participation, the Board of Directors should comprise between five and fifteen members.**

Compliant X      Explain ☐

- 14. The Board of Directors should approve a director selection policy that:**

- a) Is specific and verifiable.**
- b) Ensures that proposed appointments or re-elections are based on a prior analysis of the Board of Directors' requirements.**
- c) Fosters diversity of knowledge, experience and gender.**

The result of the prior analysis of the Board of Directors' requirements should be included in the report of the Appointments Committee. This report should be published upon the announcement of the Annual General Meeting at which the ratification, appointment or re-election of each Director will be discussed.

The director selection policy should foster the goal of female directors accounting for at least 30% of all Board members by 2020.

The Appointments Committee will annually verify compliance with the director selection policy and this will be reported in the Annual Corporate Governance Report.

Compliant X      Partially compliant ☐      Explain ☐

- 15. Proprietary and independent directors should constitute an ample majority on the Board of Directors, while the number of executive directors should be the minimum required, bearing in mind the complexity of the corporate group and the ownership interests they control.**

Compliant X      Partially compliant ☐      Explain ☐

- 16. The ratio between proprietary directors and non-executive directors should match the proportion between the capital represented on the Board by these directors and the remainder of the share capital.**

**This proportional criterion may be relaxed:**

- a) In large-cap companies where few or no equity stakes attain the legal threshold for significant shareholdings.**
- b) In companies with a plurality of shareholders represented on the Board of Directors but not otherwise related.**

Compliant X Explain ☐

**17. The number of independent directors should represent at least half of all board members.**

**However, when the Company does not have a large market capitalisation, or when a large-cap company has shareholders individually or concertedly controlling over 30% of the share capital, Independent Directors should occupy at least one third of the board.**

Compliant ☐ Explain ☒

FCC has three independent directors among its fifteen Board members, representing nearly 20% of all Board members.

FCC believes that due to this percentage, there is no need to increase the number of independent directors, considering the Company's highly concentrated shareholder structure and the effective role played by the three independent directors.

**18. Companies should post the following director particulars on their websites, and keep them permanently updated:**

- a) Professional experience and background**
- b) Directorships held in other companies, listed or otherwise, and other remunerated activities of any kind**
- c) Statement of the director category to which they belong, and, for proprietary directors, the shareholder they represent or to whom they are related**
- d) The date of their first and subsequent appointments to the Board**
- e) Shares held in the company and any options on the same**

Compliant ☐ Partially compliant ☐ Explain ☐

**19. Following verification by the Appointments Committee, the Annual Corporate Governance Report should disclose the reasons for the appointment of proprietary directors at the request of shareholders with less than a 3% stake in the share capital; and explain any rejection of a formal request for a Board place from shareholders whose equity stake is equal to or greater than that of others applying successfully for a proprietary directorship.**

Compliant ☐ Partially compliant ☐ Explain ☐ Not applicable ☒

**20. Proprietary directors should resign when the shareholders they represent transfer their ownership interest in its entirety. If such shareholders reduce their stakes, thereby losing some of their entitlement to proprietary directors, the latter's number should be reduced accordingly.**

Compliant ☒ Partially compliant ☐ Explain ☐ Not applicable ☐

**21. The Board of Directors should not propose the removal of independent directors before the expiry of their statutory tenure, except where just cause is found by the Board of Directors, based on a proposal from the Appointments Committee. In particular, just cause will be presumed when Directors take up new posts or responsibilities that prevent them allocating sufficient time to the work of a board**

member or are in breach of their fiduciary duties or come under one of the disqualifying grounds for classification as independent enumerated in the applicable legislation.

The removal of independents may also be proposed when a takeover bid, merger or similar corporate transaction produces changes in the company's capital structure, if such changes in the board structure are made in order to meet the proportionality criterion set out in Recommendation 16.

Compliant X Explain ☐

22. Companies should establish rules that require directors to disclose any circumstance that might harm the Company's name or reputation, tendering their resignation as the case may be, with particular mention of any criminal charges brought against them and the progress of any subsequent proceedings.

The moment a Director is indicted or tried for any of the offences stated in company legislation, the Board of Directors should open an investigation and, in light of the particular circumstances, decide whether or not he or she should be called on to resign. The Board of Directors should also disclose all such determinations in the Annual Corporate Governance Report.

Compliant X Partially compliant ☐ Explain ☐

23. All directors should express clear opposition when they feel a proposal submitted for the Board of Directors' approval jeopardises the interests of the company. In particular, independents and other directors unaffected by the conflict of interest should challenge any decision that could go against the interests of shareholders lacking Board representation.

When the Board makes material or reiterated decisions about which a Director has expressed serious reservations, then he or she must draw the pertinent conclusions. Directors resigning for such causes should set out their reasons in the letter referred to in the next recommendation.

The terms of this recommendation should also apply to the Secretary to the Board, regardless of whether he or she is a director.

Compliant X Partially compliant ☐ Explain ☐ Not applicable ☐

24. Directors who leave the Board before their tenure expires, through resignation or otherwise, should state their reasons in a letter to be sent to all members of the Board. Whether or not such resignation is disclosed as a relevant event, the motivating factors should be explained in the Annual Corporate Governance Report.

Compliant X Partially compliant ☐ Explain ☐ Not applicable ☐

25. The Appointments Committee shall ensure that non-executive directors have sufficient time to properly discharge their duties; and

The Board Regulations should lay down the maximum number of Company Boards on which Directors can serve.

Compliant      Partially compliant X      Explain ☐

In Article 21.4 of the Rules of the Board of Directors, the Company sets out that "Directors must inform the Appointments and Remuneration Committee of their other professional obligations in case these interfere with the commitment required by their positions. At the proposal of the Appointments and Remuneration Committee, the Board of Directors must establish the number of boards of which the directors may serve".

Since the aforementioned Committee has made no such proposal, the Company believes that it partially fulfils the recommendation.

At the moment, the Company has not established a maximum number of boards to which each director may belong, given that the directors have proven sufficient commitment to the Company, without the need to establish said limit.

- 26. The Board should meet with the necessary frequency to properly perform its duties, at least eight times a year, in accordance with the calendar and agendas set at the beginning of the year, to which each Director may propose the addition of initially unscheduled items.**

Compliant X      Partially compliant ☐      Explain ☐

- 27. Director absences should be kept to the bare minimum and quantified in the Annual Corporate Governance Report. When directors have no choice but to delegate their vote, they should do so with instructions.**

Compliant X      Partially compliant ☐      Explain ☐

- 28. When Directors or the Secretary express concerns about a proposal or, in the case of Directors, about the Company's performance, and such concerns are not resolved at the meeting, they should be recorded in the minutes book at the request of the person expressing them.**

Compliant X      Partially compliant ☐      Explain ☐      Not applicable ☐

- 29. The Company should provide suitable channels for directors to obtain the advice they need to carry out their duties including, in special circumstances, external advice at the Company's expense.**

Compliant X      Partially compliant ☐      Explain ☐

- 30. Regardless of the knowledge required of directors to discharge their duties, companies should also offer them refresher programmes when the circumstances warrant such.**

Compliant X      Explain ☐      Not applicable ☐

- 31. Meeting agendas should clearly state the points on which directors will be required to adopt a decision or resolution, in order for the directors to be able to compile and examine the requisite information ahead of the meeting.**

For reasons of urgency, the Chairman may wish to present decisions or resolutions for Board approval that were not on the meeting agenda. In such exceptional

**circumstances, their inclusion will require the express prior consent, of the majority of Directors present, and this shall be duly recorded in the minutes.**

Compliant ☐ Partially compliant ☒ Explain ☐

Although the second part of this recommendation is not included word for word in the Company's internal rules, when unscheduled items are added to the agenda, exceptionally or for reasons of urgency, this is done with the prior consent of the directors present at the meeting.

**32. Directors should be regularly informed of movements in share ownership and of the views of major shareholders, investors and rating agencies on the Company and its Group.**

Compliant ☒ Partially compliant ☐ Explain ☐

**33. The chairman, as the person in charge of the effective functioning of the Board of Directors, in addition to the duties legally attributed to them and in the bylaws, should prepare and submit to the Board of Directors a schedule including dates and the order of business to be discussed; organise and coordinate the periodic evaluation of the board; and, where applicable, of the chief executive of the company; be in charge of managing the board and its effective functioning; ensure that enough time is devoted to discussing strategic issues; and approve and review the refresher programmes for each director, should the circumstances warrant such.**

Compliant ☒ Partially compliant ☐ Explain ☐

**34. When there is a coordinating director, in addition to the powers legally attributed to them, the Bylaws or the Regulations of the Board of Directors should also grant them the following powers: to chair the Board of Directors in the absence of the chairperson or vice chairpersons; to voice the concerns of non-executive directors; to contact investors and shareholders to hear their views and develop a balanced understanding of their concerns, especially in relation to the Company's corporate governance; and to coordinate the chairperson's succession plan.**

Compliant ☐ Partially compliant ☐ Explain ☐ Not applicable ☒

**35. The secretary to the Board of Directors should ensure that the Board's actions and decisions take into account the good governance recommendations of the Good Governance Code applicable to the Company.**

Compliant ☒ Explain ☐

**36. The Board should, in a plenary session, conduct an annual evaluation and adopt, where necessary, an action plan to correct weaknesses detected in:**

- a) The quality and efficiency of the Board's functioning.**
- b) The performance and composition of its committees.**
- c) The diversity of Board membership and competences.**

- d) The performance of the Chairman of the Board of Directors and the Company's Chief Executive.
- e) The performance and contribution of each director, paying particular attention to the chairs of the various board committees.

The evaluation of board committees should start from the reports they send the Board of Directors, while that of the Board itself should start from the report of the Appointments Committee.

Every three years, the Board of Directors should engage an external facilitator to aid in the evaluation process. This facilitator's independence should be verified by the Appointments Committee.

Any business dealings that the facilitator or members of its corporate group maintain with the company or members of its corporate group should be detailed in the Annual Corporate Governance Report.

The process and the areas for evaluation will be detailed in the Annual Corporate Governance Report.

Compliant ☐ Partially compliant X Explain ☐

The Board of Directors has decided to perform an internal annual review of its efficiency and that of its commissions, and to not request assistance from an external consultant.

- 37. When there is an Executive Committee, its membership mix by director class should resemble that of the Board, and the secretary to the Board of Directors should also act as the secretary to the Executive Committee.**

Compliant ☐ Partially compliant X Explain ☐ Not applicable ☐

The secretary to the Executive Committee is also the secretary to the Board of Directors. However, there are no independent directors on the Executive Committee, whereas there are three on the Board of Directors.

- 38. The Board should be kept fully informed of the matters discussed and decisions adopted by the Executive Committee. To this end, all Board members should receive a copy of the minutes of Executive Committee meetings.**

Compliant X Partially compliant ☐ Explain ☐ Not applicable ☐

- 39. The members of the Audit Committee, particularly its chairperson, should be appointed with regard to their knowledge and background in accounting, auditing and risk management. A majority of the Committee members should be independent directors.**

Compliant X Partially compliant ☐ Explain ☐

**40. Under the supervision of the Audit Committee, there should be a unit responsible for internal auditing that monitors the effectiveness of reporting and control systems. This unit should report functionally to the non-executive chairperson of the Board or of the Audit Committee.**

Compliant ☒ Partially compliant ☐ Explain ☐

**41. The head of Internal Auditing should present an annual work plan to the Audit Committee, inform it directly of any incidents arising during the implementation of the plan and submit an activities report at the end of each year.**

Compliant ☒ Partially compliant ☐ Explain ☐ Not applicable ☐

**42. The Remuneration Committee should have the following tasks in addition to those provided for by law:**

**1. With respect to internal control and reporting systems:**

- a) Monitor the preparation and the integrity of the financial information prepared on the company and, where appropriate, the group, checking for compliance with legal provisions, the accurate demarcation of the consolidation perimeter, and the correct application of accounting principles.**
- b) Monitor the independence of the unit in charge of internal auditing; propose the selection, appointment, re-election and removal of the head of the internal audit service; propose the service's budget; approve its priorities and work plans, ensuring that its main focus is on the key risks to which the Company is exposed; receive regular report on its activities; and verify that senior management are acting on the findings and recommendations of its reports.**
- c) Establish and supervise a mechanism whereby staff can report, confidentially and, if possible and necessary, anonymously, any irregularities they detect in the course of their duties, especially financial or accounting irregularities with potentially serious implications for the firm.**

**2. With respect of the statutory auditor:**

- a) Investigate the issues giving rise to the resignation of the statutory auditor, should this come about.**
- b) Ensure that the remuneration of the statutory auditor does not compromise its quality or independence.**
- c) Ensure that the Company notifies any change of statutory auditor to the CNMV as a relevant event, accompanied by a statement of any disagreements arising with the outgoing auditor and the reasons therefore.**

- d) **Ensure that the statutory auditor has a yearly plenary meeting with the Board to inform it of the work undertaken and the evolution of the Company's risk and accounting situation.**
- e) **Ensure that the company and the statutory auditor adhere to current rules and regulations on the provision of non-audit services, the restrictions placed on the concentration of the auditor's business and, in general, any other requirements in connection with auditors' independence.**

Compliant ☒ Partially compliant ☐ Explain ☐

**43. The Audit Committee should be empowered to meet with any company employee or manager, and even to summon them when no other senior executives are present.**

Compliant ☒ Partially compliant ☐ Explain ☐

**44. The Audit Committee should be informed of any structural or corporate modifications planned by the Company, so it can analyse the plans in question and provide a preliminary report to the Board on the economic conditions and accounting impact of such plans and, when applicable, the proposed exchange ratio.**

Compliant ☐ Partially compliant ☐ Explain ☒ Not applicable ☐

To date, all operations referred to in this recommendation have been approved by the favourable vote of all Company directors, including the independent directors, so the preliminary steps of the Audit Committee have not been considered necessary.

**45. The company's control and risk management policy should at least specify:**

- a) **The different types of financial and non-financial risk (operational, technological, legal, social, environmental, political and reputational) to which the company is exposed with the inclusion of contingent liabilities and other off-balance sheet risks among the financial or economic risks.**
- b) **Determining the risk levels the company considers to be tolerable.**
- c) **Measures in place to mitigate the impact of risk events, should they occur.**
- d) **The internal reporting and control systems to be used to control and manage the above risks, including contingent liabilities and off-balance sheet risks.**

Compliant ☒ Partially compliant ☐ Explain ☐

**46. Under the direct supervision of the Audit Committee or, when applicable, a specialised committee of the Board of Directors, a risk control and management function should be established under one of the Company's internal units or departments. This function should be expressly charged with the following functions:**

- a) **To ensure the proper functioning of internal control and risk management systems, and in particular, verify that all significant risks affecting the Company are properly identified, managed and quantified.**
- b) **Take an active part in preparing the risk strategy and in important decisions**

with regard to the management thereof.

- c) **Ensure that risk control and management systems are adequately mitigating risks within the framework of the policy drawn up by the Board of Directors.**

Compliant X      Partially compliant ☐      Explain ☐

- 47. Members of the Appointments and Remuneration Committee or the Appointments Committee and Remuneration Committee (when operating separately) should be appointed bearing in mind their knowledge, skills and experience, which should be appropriate for the duties they will be called upon to perform; and independent directors should constitute the majority of these committee members.**

Compliant      Partially compliant X      Explain ☐

At present, the members of the appointments and remuneration committee consist of two proprietary and two independent directors, and one of the independent directors is the Chair.

FCC understands that the configuration of the Appointments and Remuneration Committee, with two independent directors out of a total of four, one of whom is the Chair, sufficiently guarantees the proper operation of this Committee while complying with the philosophy or spirit of the recommendation.

- 48. Large-cap companies should have separate Appointments and Remuneration Committees.**

Compliant ☐      Explain X      Not applicable ☐

The two recommended committees fall within the scope of a single appointments and remuneration committee since the Board of Directors considers that joining the two facilitates compliance with their assigned duties.

- 49. The Appointments Committee should consult with the Chairman of the Board of Directors and the Chief Executive of the Company, especially on matters related to executive directors.**

**Any board member may submit directorship proposals to the Appointments Committee for its consideration.**

Compliant X      Partially compliant ☐      Explain ☐

- 50. The Remuneration Committee should operate independently and have the following functions in addition to those assigned by law:**

- a) **Propose to the Board of Directors the basic contractual terms and conditions for hiring senior executives.**
- b) **Oversee compliance with the remuneration policy set by the company.**
- c) **Periodically review the remuneration policy applied to directors and senior**

management positions, including stock option systems and their application, as well as ensuring that the individual remuneration is in proportion to what is paid to other directors and senior management positions of the Company.

- d) Seek to ensure that any potential conflicts of interests do not jeopardise the independence of the external advice furnished to the committee.
- e) Verify the information on the pay of directors and senior managers contained in corporate documents, including the Annual Directors' Remuneration Report.

Compliant X      Partially compliant ☐      Explain ☐

**51. The Remuneration Committee should consult with the Chairman and Chief Executive of the company, especially on matters concerning executive directors and senior officers.**

Compliant X      Partially compliant ☐      Explain ☐

**52. The terms of reference of supervision and control committees should be set out in the Board of Directors regulations and aligned with those governing legally mandatory board committees as specified in the preceding sets of recommendations. They should include at least the following terms:**

- a) These committees should be formed exclusively of non-executive Directors and have a majority of independent Directors.
- b) Committees should be chaired by an independent director;
- c) The Board of Directors should appoint the members of such committees in consideration of the knowledge, aptitudes and experience of its directors and the duties assigned to the respective committee; discuss their proposals and reports; and be accountable for supervising and evaluating their work, which should be reported to the next plenary following a given board meeting.
- d) The committees may engage the services of external advisers, should they deem it necessary for the discharge of their duties.
- e) Minutes must be drawn up of their meetings and a copy of the minutes sent to all board members.

Compliant X      Partially compliant ☐      Explain ☐      Not applicable ☐

**53. The task of supervising compliance with Corporate Governance rules, internal codes of conduct and corporate social responsibility policy should be assigned to one board committee or split between several, which could be the Audit Committee, the Appointments Committee, the Corporate Social Responsibility Committee, where one exists, or a dedicated committee established ad hoc by the board under its powers of self-organisation, with at the least the following functions:**

- a) Supervision of compliance with the company's internal codes of conduct and the Company's corporate governance rules.
- b) Supervision of the communication and shareholder and investor relations

strategy, including small and medium-sized shareholders.

- c) Periodic evaluation of the adequacy of the Company's corporate governance system, to ensure that it fulfils its mission of promoting the company's interests, and, where applicable, that it takes the legitimate interests of other stakeholders into account.
- d) The review of the Company's corporate social responsibility policy, ensuring that it is oriented towards creating value.
- e) Monitoring of the CSR strategy and practice, and evaluation of the degree of compliance thereof.
- f) Monitoring and evaluating the company's processes for maintaining relations with the various stakeholders.
- g) Evaluation of all matters linked to non-financial risks at the company, including operating, technological, legal, social, environmental, political and reputational risks.
- h) Coordination of the process for reporting information of a non-financial nature or concerning diversity issues in conformity with the applicable rules and regulations and generally accepted international standards.

Compliant ☒ Partially compliant ☐ Explain ☐

**54. The company's CSR policy should include the principles and commitments upheld voluntarily by the company in its relations with the various stakeholders, and should at least identify:**

- a) The goals of the corporate social responsibility policy and the development of instruments of support.
- b) Corporate strategy in relation to sustainability, environmental issues and social issues.
- c) Specific practices in matters related to: shareholders, employees, customers, suppliers, social issues, environmental issues, diversity issues, tax responsibility, human rights and crime prevention.
- d) The methods or systems for monitoring the results of adhering to the aforementioned practices, along with the associated risks and their management.
- e) The mechanisms for supervising non-financial risk, ethics and business conduct.
- f) The company's channels for communication, participation and dialogue with stakeholders.
- g) Responsible communication practices that avoid manipulating information and safeguard integrity and honour.

Compliant ☒ Partially compliant ☐ Explain ☐

**55. The company should provide information, either in a separate document or as part of its management report, on issues related to corporate social responsibility, using any of the internally accepted methodologies.**

Compliant X      Partially compliant ☐      Explain ☐

- 56. External directors' remuneration should suffice to attract and retain the directors with the desired profile, and should sufficiently compensate them for the dedication, abilities and responsibilities that their post entails, but nor should it be so high as to compromise non-executive directors' independence of criteria.**

Compliant X      Explain ☐

- 57. Only executive directors should be eligible for variable remuneration arrangements linked to the company's performance and personal performance, and remuneration comprising the delivery of shares in the company or other companies in the group, share options or rights to shares or other instruments referencing underlying share values, and long-term savings plans like pension arrangements.**

The company may consider the share-based remuneration of non-executive Directors provided they retain such shares until the end of their mandate. The foregoing shall not apply to certain cases of shares that a director needs to divest in order to meet the costs associated with their acquisition.

Compliant X      Partially compliant ☐      Explain ☐

- 58. In the case of variable remuneration, remuneration policies should include technical safeguards and limits to ensure they reflect the professional performance of the beneficiaries and not simply the general progress of the markets or the company's sector, or circumstances of this kind.**

**In particular, the variable components of remuneration should:**

- a) Be linked to performance criteria that are pre-determined and measurable and said criteria should consider the risk assumed to obtain the result.
- b) Promote the long-term sustainability of the company and include non-financial criteria that are adequate to create long-term value, such as compliance with the Company's internal rules and procedures and its risk control and management policies.
- c) Are configured on the basis of a balance between compliance with short-, medium- and long-term goals, allow ongoing performance-linked remuneration during a sufficient period to appreciate their contribution to the sustainable creation of value, so that the elements to measure this performance do not revolve solely around specific, occasional or one-off events.

Compliant X      Partially compliant ☐      Explain ☐      Not applicable ☐

- 59. Payment of a significant portion of variable remuneration components should be deferred for a sufficient minimum period of time to verify that the previously established performance conditions have been fulfilled.**

Compliant X      Partially compliant ☐      Explain ☐      Not applicable ☐

- 60. In the case of remuneration linked to Company earnings, deductions should be computed for any qualifications stated in the statutory auditor's report.**

Compliant ☒ Partially compliant ☐ Explain ☐ Not applicable ☐

**61. A significant percentage of the variable remuneration of executive directors should consist in the delivery of shares or financial instruments linked to their value.**

Compliant ☐ Partially compliant ☐ Explain ☒ Not applicable ☐

The FCC Group's compensation policy does not allow ties to the award of shares or financial instruments whose value is linked to the share price.

**62. Following the award of shares, share options or other rights on shares derived from the remuneration system, Directors should not be allowed to transfer a number of shares equivalent to twice their annual fixed remuneration, or to exercise the share options or other rights on shares for at least three years after their award.**

**The foregoing shall not apply to certain cases of shares that a director needs to divest in order to meet the costs associated with their acquisition.**

Compliant ☐ Partially compliant ☐ Explain ☐ Not applicable ☒

**63. Contractual agreements should include a clause allowing the Company to claim payment of the variable components of remuneration when performance has failed to match the payment or when these components have been paid based on information which has later proven to be inaccurate.**

Compliant ☐ Partially compliant ☒ Explain ☐ Not applicable ☐

In the case of variable compensation at Aqualia, FCC Group's Comprehensive Water Management company, the possibility of claiming the return of all or part of the incentive paid in certain cases.

**64. Severance payments should not exceed a set amount equivalent to two years of total annual remuneration and must not be paid until the company has been able to verify that the director has fulfilled the previously established performance criteria.**

Compliant ☒ Partially compliant ☐ Explain ☐ Not applicable ☐

## **H** OTHER INFORMATION OF INTEREST

1. If you consider that there is any material aspect or principle relating to the Corporate Governance practices followed by your company or group companies that has not been addressed in this report and which is necessary to provide a more comprehensive view of the corporate governance structure and practices at the company or group, explain briefly.
2. You may include in this section any other information, clarification or observation associated with the above sections of this report.

Specifically indicate whether the Company is subject to Corporate Governance legislation from a country other than Spain and, if so, include the compulsory information to be provided when different to that required by this report.

3. Also state whether the Company voluntarily subscribes to other international, sectorial or ethical principles or standard practices. If applicable, identify the Code and date of adoption. In particular, mention whether the Spanish Code of Good Tax Practices of 20 July 2010 was adhered to.

### **VOLUNTARY ADHERENCE TO CODES OR BEST PRACTICES:**

Since 2008 FCC has had a Code of Ethics, the latest version of which was approved by the Board of Directors in February 2018. Furthermore, during 2018 the Group's Board of Directors approved a set of regulations regarding Compliance and a risk control system covering the entire Group.

The Group has a Whistleblowing Channel in place for employees to report potential infringements of the Code of Ethics and Conduct and criminal activity.

FCC has been a signatory to the United Nations Global Compact since 7 May 2007.

On 28 July 2010, the Board of Directors of FCC, S.A. resolved to comply with the Spanish Code of Good Tax Practices and effectively complies each year with the relevant obligations.

This Annual Corporate Governance Report was approved by the company's Board of Directors at its meeting held on 26 February 2019.

List whether any directors voted against or abstained from voting on the approval of this report.

Yes ☐

No ☒

| Name or corporate name of director | Reasons (voted against, abstained, non-attendance) | Explain the reasons |
|------------------------------------|----------------------------------------------------|---------------------|
|                                    |                                                    |                     |

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| <b>Observations</b> |
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# FCC GROUP' NON-FINANCIAL REPORT

## CONTENTS

|        |                                                                                                              |    |
|--------|--------------------------------------------------------------------------------------------------------------|----|
| 1.     | About this report .....                                                                                      | 4  |
| 1.1.   | Compliance of FCC with the Non-Financial Information and Diversity Law 11/2018 .....                         | 4  |
| 1.2.   | Information about the meaning of sustainability for FCC.....                                                 | 5  |
|        | Business model .....                                                                                         | 5  |
|        | Inventory of policies relating to the sustainability of the FCC Group .....                                  | 6  |
|        | Non-financial risks to which the FCC Group is exposed .....                                                  | 11 |
|        | FCC contributes to achieving Sustainable Development Goals (SDGs) .....                                      | 16 |
| 2.     | THE FUNDAMENTALS OF THE COMPANY: VALUES AND GOOD GOVERNANCE.....                                             | 18 |
| 2.1.   | Introduction to the company's values, a sign of identity.....                                                | 18 |
| 2.2.   | Good Governance .....                                                                                        | 19 |
| 2.2.1. | FCC's Governing bodies.....                                                                                  | 19 |
| 2.2.2. | Composition of the Board of Directors and the Committees: .....                                              | 21 |
| 2.2.3. | Diversity on the Board of Directors .....                                                                    | 21 |
| 2.2.4. | Operation of the Board and Board Committees .....                                                            | 22 |
| 2.2.5. | Remunerations policy.....                                                                                    | 23 |
| 2.3.   | FCC's Due Diligence: the compliance model, the Code of Ethics and Conduct, its policies and procedures]..... | 24 |
| 2.3.1. | Safeguarding Ethics and Integrity at FCC .....                                                               | 25 |
| 2.3.2. | Respect for Human Rights at FCC .....                                                                        | 26 |
| 2.3.3. | The fight against corruption and bribery .....                                                               | 27 |
| 2.3.4. | Procedures for assessing counterparty risk.....                                                              | 29 |
| 2.3.5. | Fiscal transparency: Accountability .....                                                                    | 30 |
| 3.     | OUR PEOPLES.....                                                                                             | 32 |
| 3.1.   | Key FCC employment data .....                                                                                | 33 |
|        | Diversity in the FCC Group workforce.....                                                                    | 33 |
|        | Average remuneration and gender pay gap .....                                                                | 36 |
| 3.2.   | Attract, motivate, develop and retain talent .....                                                           | 37 |
|        | Training in the FCC Group in 2018 .....                                                                      | 37 |
| 3.3.   | Organisation of employment .....                                                                             | 39 |

|                                                                                                      |    |
|------------------------------------------------------------------------------------------------------|----|
| Work-life balance.....                                                                               | 40 |
| Disconnection .....                                                                                  | 41 |
| 3.4. Diversity management in the FCC Group.....                                                      | 42 |
| Equality between men and women .....                                                                 | 42 |
| Disability.....                                                                                      | 44 |
| 3.5. Social Relationships .....                                                                      | 47 |
| Collective bargaining, balance of collective agreements.....                                         | 47 |
| Special mention of occupational health and safety in collective agreements .....                     | 47 |
| 3.6. Health and safety.....                                                                          | 48 |
| FCC's preventive management.....                                                                     | 48 |
| How FCC has decreased the accident rate.....                                                         | 49 |
| FCC's medical service.....                                                                           | 50 |
| FCC healthy company .....                                                                            | 50 |
| 4. MANAGING IMPACTS, WORKING NEW OPPORTUNITIES .....                                                 | 51 |
| 4.1. Caring for and protecting the environment.....                                                  | 51 |
| 4.1.1. FCC's management of the main environmental risks faced by the Group's<br>business lines ..... | 52 |
| 4.1.2. FCC Group policies on environmental issues.....                                               | 55 |
| 4.1.3. Environmental management system .....                                                         | 56 |
| 4.2. How FCC reduces its polluting emissions.....                                                    | 56 |
| 4.3. FCC joins the circular economy .....                                                            | 60 |
| 4.4. Efficient waste management.....                                                                 | 62 |
| 4.5. Responsible use of resources at FCC.....                                                        | 64 |
| 4.5.1. Responsible water management .....                                                            | 64 |
| Water management by Aqualia: .....                                                                   | 66 |
| 4.5.2. Consumption of raw materials.....                                                             | 67 |
| 4.5.3. Energy consumption.....                                                                       | 68 |
| 4.6. FCC and climate change .....                                                                    | 70 |
| 4.7. Protecting biodiversity.....                                                                    | 74 |
| 4.8. Summary table of environmental indicators .....                                                 | 76 |
| 5. CREATING SOCIAL VALUE .....                                                                       | 77 |
| 5.1. FCC's commitment to its customers .....                                                         | 79 |
| 5.2. FCC's commitment to the sustainable development of the communities in which<br>it operates..... | 80 |

|                                                                               |    |
|-------------------------------------------------------------------------------|----|
| 5.3. Strengthening the value chain [5.2.1; 5.2.2; 5.2.3 - LINF 11/2018] ..... | 83 |
| ANNEX I: SCOPE AND MATERIALITY .....                                          | 85 |
| Scope of the Report.....                                                      | 85 |
| Materiality Study .....                                                       | 87 |
| ANNEX II: Table of Indicators Law 11/2018 - GRI Relationship.....             | 90 |

## 1. About this report

### 1.1. Compliance of FCC with the Non-Financial and Diversity Information Law 11/2018

On 29 December 2018, the Non-Financial Information and Diversity Law 11/2018 (LINF) was definitively published in the Official State Gazette (BOE). This concluded the transposition process into Spanish law of Directive 2014/95/EU of the European Parliament and Council, which began in January 2017 with a draft law and led to the approval of Royal Decree-Law 18/2017 of 24 November.

The new text adopted increases transparency requirements and is one of the most advanced transpositions in Europe.

In its commitment to reporting non-financial information, through this report, the FCC Group not only continues its habitual practice of reporting on its CSR, following recommendation 55 of the CNMV's Good Governance Code and complying with article 39, paragraph 2, of the current Sustainable Economy Act 2/2011, but also complies with the Non-Financial Information and Diversity Act, sharing information with the reader relating to environmental and social issues, respect for human rights and the fight against corruption and bribery, as well as information relating to Group employees.

All the indicators required by Law 28/11 that are material for the FCC Group and those that are not material for the Group are reported below.

To identify material matters, FCC carried out a "Materiality Study" in 2017, which was approved in 2018. With this study, the Group measures the importance of the most important aspects of business strategy and corporate responsibility, identifies the expectations of sector leaders and articulates responses to their needs (for more details on this study, see Appendix I).

Information on the FCC Group's ethical, environmental and social performance to date has been reported in accordance with the Sustainability Reporting Guidelines of the *Global Reporting Initiative* (GRI). For the 2018 report, and in order to fully adapt to the requirements of the Law, the GRI standard has not been strictly followed. However, the information reported can be largely linked to that requested by GRI. Appendix II of this report shows the link between the information reported under the Law and the GRI indicators.

The information is reported, for each issue/chapter, following the framework indicated by the Law. In other words:

- Main risks and impacts related to the issue
- Key Policies and Due Diligence
- The outcome of the policies
- Key indicators

In addition, this report has been subject to review by an independent third party. (See appendix Verification Report).

## 1.2. Information about the meaning of sustainability for FCC

The Fomento de Construcciones y Contratas Group, which has been in existence for more than 100 years, has, since its inception, shown its commitment to the progress of the societies or communities in which it has operated.

Large companies cannot succeed in societies where the well-being of people, respect for the environment and human rights are not guaranteed. For this reason, since the Group was founded, hundreds of initiatives have been developed which today we would call corporate social responsibility (CSR).

In 2005, the Board of Directors took the voluntary decision to publish a report to inform its stakeholders of its socially responsible actions, with the aim of transmitting and sharing its commitment to sustainability and social welfare.

This commitment as a Group was expanded to the rest of its subsidiaries, and its Water, Environment, Construction and Cement divisions, which also decided to publish a CSR or sustainability report either every year or every two years.

In July 2016, the plenary session of the Group's Board of Directors, in accordance with Article 529 ter of the Spanish Limited Liability Companies Act and Recommendation 54 of the CNMV's Good Governance Code for Listed Companies, approved FCC Group's Corporate Social Responsibility Policy, attributing its supervision to the Executive Committee.

The Board has also approved various CSR master plans in subsequent years. The latter, its fourth plan, was validated by the company's highest administrative body at its November 2017 session and with a planned implementation of it for the years 2018-2020. With this approval, FCC follows Recommendations 53 and 54 of the aforementioned CNMV Code, and with the publication of the Report, Recommendation 55.

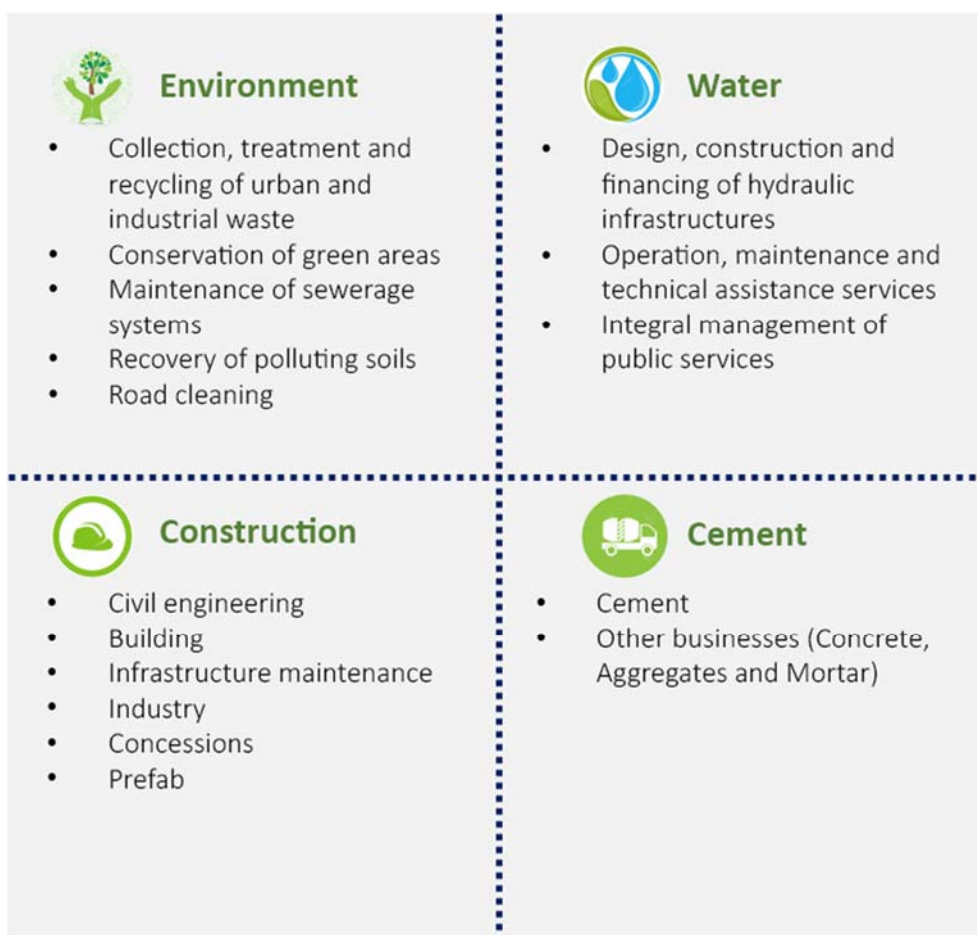
### **Business model**

The FCC Group is an international benchmark as one of the main groups of citizen services. Since its inception, and through its activity, it contributes to the improvement and development of the cities in which it operates.

The FCC Group is currently present in more than 40 countries, with a particularly significant presence in the United Kingdom, Panama, Peru, Mexico, Saudi Arabia and Qatar. 45.1% of its turnover comes from international markets.

The development of cities entails major challenges such as population growth, climate change, scarcity of natural resources and increasing inequality. Through its Mission - to improve people's quality of life through the design, implementation and efficient and sustainable management of environmental services, end-to-end water management and the construction of major infrastructure works. FCC responds to all these challenges.

## The FCC Group's activities and sectors:



For the company, these challenges transform its competitive environment and, in turn, drive the commitment to provide solutions to them, as well as detect opportunities linked to its business. Corporate Social Responsibility (hereinafter CSR) is the tool that allows FCC to identify trends and define a response through several channels: materiality analysis, development of programmes within the framework of the CSR 2020 Master Plan (CSR2020M), monitoring of objectives, and corporate and per business reporting.

### Inventory of policies relating to the sustainability of the FCC Group

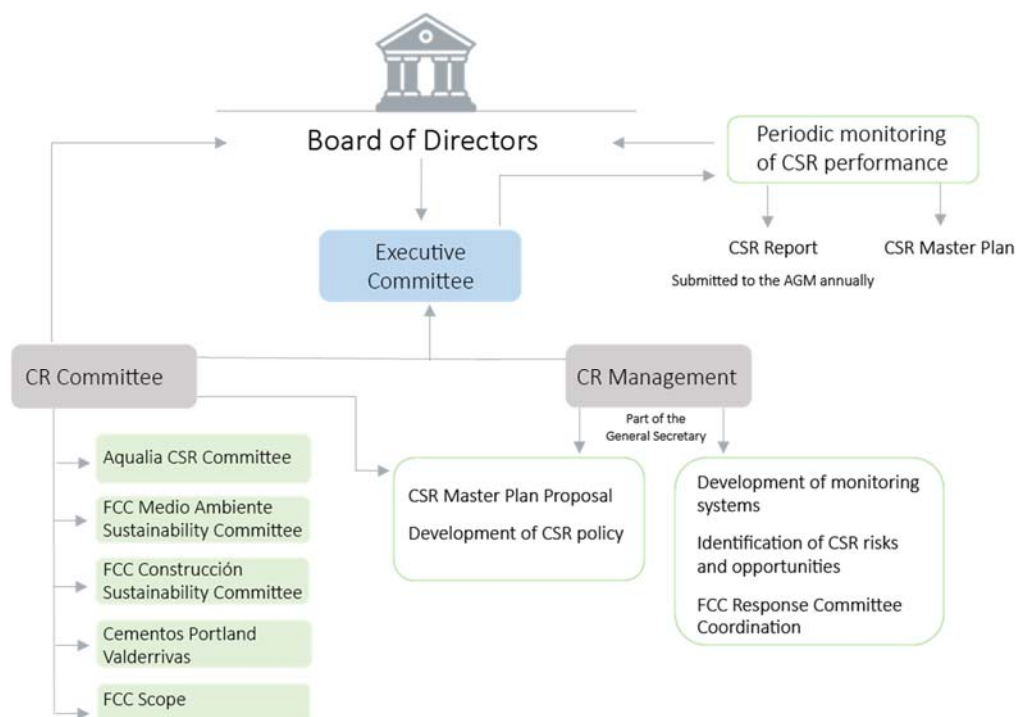
The company's current Code of Ethics and Conduct, which was updated in February 2018 by the Board of Directors, is the document which cover compliance with those aspects of an ethical, environmental and social nature, which in turn are developed in the different corporate policies, responsibilities and action plans.

The current Corporate Social Responsibility Policy, which was approved on 28 July 2016 by FCC's full Board of Directors, defines the commitments acquired by all the company's businesses in terms of integrity and business ethics, respect for the environment and the creation of shared value with society.

## The Executive Committee, guarantor of compliance with the CSR Policy

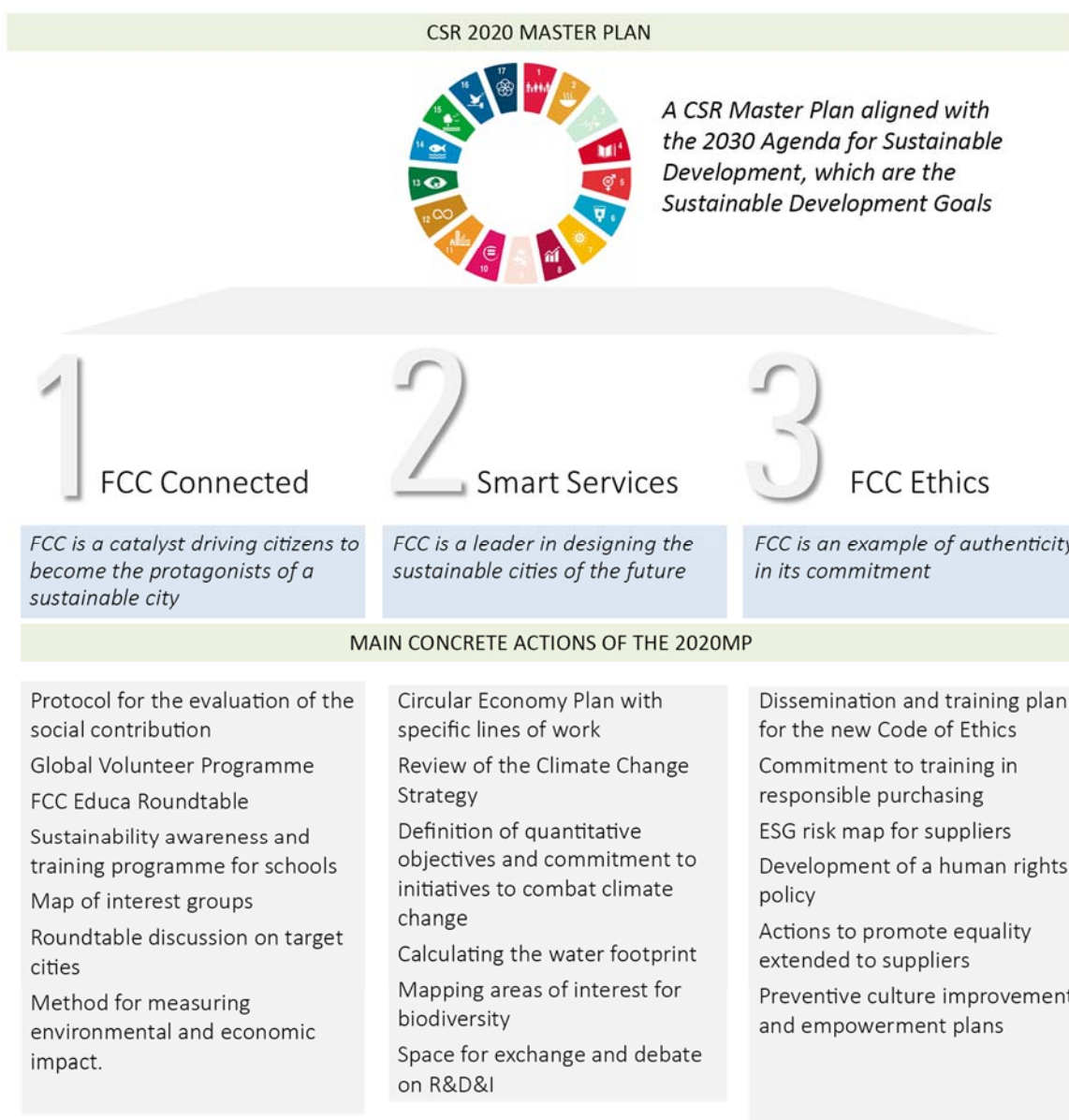
The Policy grants the Board of Directors the correct supervision in CSR matters by delegating this function to its Executive Committee, thus following recommendation 53 of the Good Governance Code of Listed Companies of the CNMV (hereinafter, GGC).

Coordination and materialisation of the CSR Policy in FCC



## The CSR 2020 Master Plan

FCC's Board of Directors also approved the IV CSR 2018-2020 Master Plan, in order to comply with the provisions of the CSR Policy and respond to its commitments to society. This plan has been prepared from an in-depth analysis of social and environmental needs, as well as medium- and long-term trends. The new training developments, the global challenges identified in the United Nations Agenda 2030 for Sustainable Development, the demands of the environment and the purpose of adding value to the Group's own business have marked the definition of 15 action programmes, structured around the following three axes:



## Corporate policies, responsibilities and action plans

Together with the Code of Ethics and Conduct, the CSR Policy and the CSR 2020 Master Plan, the FCC Group has complementary policies and action plans that contribute to responding to the challenges faced by the Group in the areas of social affairs and human and environmental resources.

Some of these policies are presented below. However, the results of these, as well as the key indicators for their monitoring, are set out in the relevant chapters further on.

|                                    | Policies or actions                 | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
|------------------------------------|-------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Social and Human Resource Policies | Human resources policy              | Its objective is excellence in performance and commitment to employees, favouring a healthy and non-discriminatory environment in which to attract and encourage talent with a long-term vision.                                                                                                                                                                                                                                                                                                                                                             |
|                                    | Social dialogue and liaising policy | It seeks to promote the implementation of agreements through collective bargaining, as well as to ensure that the different collective processes are carried out transparently, setting up monitoring committees and providing employees and employee representatives with all the necessary information.                                                                                                                                                                                                                                                    |
|                                    | Equal opportunities plans           | The different equal opportunity plans of the FCC companies expound the company's commitment to equal opportunities through specific measures adapted to the reality of its businesses and the particularities of its sectors of activity. These plans include specific measures adapted to the reality of each business and have the corresponding monitoring bodies, composed in equal numbers with business and trade union representation, which promote the development and integration of the different subjects and measures referred to in the plans. |
|                                    | Human Resources Policy              | <p>Its objective is to prevent, detect and eradicate human rights violations. It reflects its commitments around seven basic pillars:</p> <ul style="list-style-type: none"> <li>— Freedom of association and collective bargaining</li> <li>— Decent and paid employment</li> <li>— Forced and child labour.</li> <li>— Diversity and inclusion</li> <li>— Health and safety</li> <li>— Data privacy</li> <li>— Respect for communities</li> </ul>                                                                                                          |

|                        |                                                             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
|------------------------|-------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Compliance policies    | Anti-corruption policy                                      | <p>It complies with the principles contained in the Code of Ethics and Conduct, in which fraud and corruption activities are not tolerated. It is based on nine fundamental principles:</p> <ul style="list-style-type: none"> <li>— Compliance with legality and ethical values</li> <li>— Zero tolerance for bribery and corruption</li> <li>— Prevention of money laundering and transparent communication</li> <li>— Transparent relationship with the community</li> <li>— Conflicts of interest</li> <li>— Surveillance of ownership and confidentiality of data</li> <li>— Rigour in control, reliability and transparency</li> <li>— Extension of commitment to business partners</li> <li>— Promotion of continuous training on ethics and compliance</li> </ul> |
|                        | Policy on Relationship with Shareholders and counterparties | <p>It establishes uniform principles and criteria to be followed in terms of communication, acceptance and implementation of the compliance mechanisms established in the FCC Group's Crime Prevention Model, in all relations with business partners, with the aim of guaranteeing reliability and transparency in these relations.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                  |
|                        | FCC's Environmental Policy                                  | <p>It reflects the Group's commitment to preserve the environment and the use of the resources available around it:</p> <ul style="list-style-type: none"> <li>– Continuous improvement.</li> <li>– Control and monitoring.</li> <li>– Climate change and pollution prevention.</li> <li>– Care for the environment and innovation.</li> <li>– Life cycle of our product and services.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                         |
| Environmental Policies | Climate Change Strategy (currently under review)            | <p>Its main objective is to reduce greenhouse gas (GHG) emissions into the atmosphere by improving efficiency in the use of resources.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |

### **Non-financial risks to which the FCC Group is exposed**

The FCC Group has a risk-management policy and system approved by the Board of Directors, designed to identify and assess potential risks that could affect business and build mechanisms into the organisation's processes to enable risks to be managed within acceptable levels, providing the FCC Board of Directors and management a reasonable degree of assurance that targets can be met. Its scope of application covers all the companies that make up the Group, as well as the investees in which FCC has effective control and the acquired companies, from the date on which the acquisition becomes effective.

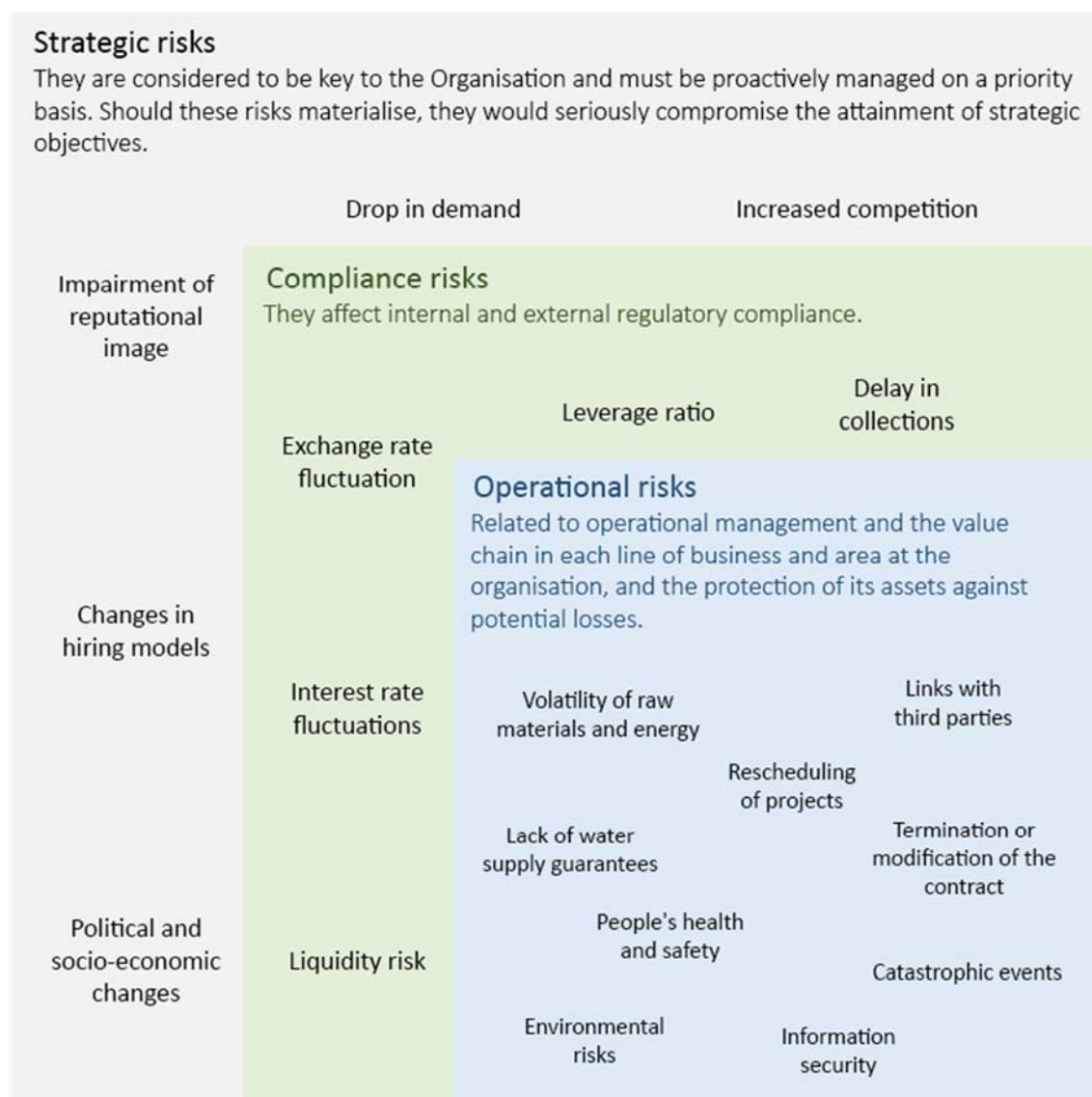
The FCC Group operates on a global scale and in different sectors and, therefore, its activities are subject to diverse socioeconomic environments and regulatory frameworks, as well as to different risks inherent to its operations and risks arising from the complexity of the projects it is involved in, which could affect how its goals are accomplished.

The Group's risk management system categorises FCC's risks into five major categories:

- Strategic risks: those that are considered key to the organisation and must be managed proactively and prioritised. Should these risks materialise, they could seriously compromise the achievement of strategic objectives.
- Operational risks: those risks related to the operational management and value chain of each of the business lines and functions of the organisation and the protection of its assets against possible losses.
- Compliance risks: These are those that affect both internal and external regulatory compliance.
- Financial risks: Risks associated with financial markets, the generation and management of cash.
- Reporting risks: Risks relating to internal and external financial information, covering aspects such as reliability, opportunity and transparency.

The main non-financial risks identified by the Group are set out below:

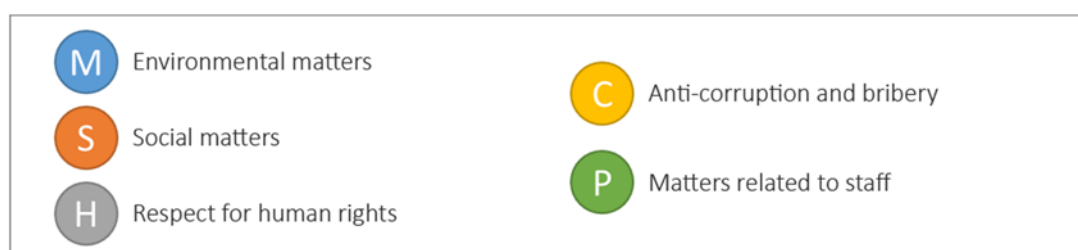
## Main risks that may affect the FCC Group



The main risks identified in the Group related to environmental and social issues, respect for human rights and the fight against corruption and bribery, as well as personnel risks related to the Group's activities, are described below.

In addition, the report is structured in three main chapters which set out the main policies pursued by the group with regard to these issues, as well as the results of these policies and key indicators.

### Risk table key



| Identified risks by the FCC Group |                                                                                                                                                                                                            | Possible associated impacts                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|-----------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| STRATEGIC                         | Geopolitical policies/decisions                                                                                                                                                                            | Loss of business opportunities.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
|                                   | Political and socio-economic developments in countries and/or regions                                                                                                                                      | Economic intervention by national/regional governments, fluctuations in local economic growth, political, social, legal, regulatory and macroeconomic instability or the possibility of local conflict, which could generate negative impacts on the Group.                                                                                                                                                                                                                                                                                                   |
|                                   | <b>Changes in development and management models for environmental services, full water cycle and infrastructures.</b><br> | Loss of business opportunities. In addition, the different contractual modalities for infrastructure management, such as payment based on availability, with long-term contracts, could require the contribution of relevant financing and lead to an increase in uncertainty.                                                                                                                                                                                                                                                                                |
|                                   | Loss of market share                                                                                                                                                                                       | the FCC Group competes with major groups in the search for new businesses and those in which it already operates. Any possible difficulty in undertaking competitive bids with profitability could reduce the market share.                                                                                                                                                                                                                                                                                                                                   |
|                                   | Cuts in investment and demand forecasts.                                                                                                                                                                   | Economic or political uncertainties in certain markets in which FCC operates could lead to a decline in revenue from public administrations, which in turn could lead to a reduction in public spending in certain areas of activity.<br>On the other hand, the profitability of the Environmental Services and Water Business Areas is, to a certain extent, dependent on the level of demand, which may vary as a result of market conditions, which are beyond the control of the FCC Group and the FCC Group's ability to control efficiency and costs.   |
|                                   | Delay in the new contracts planned in Spain                                                                                                                                                                | As a result of a possible slowdown in economic recovery in Spain, mainly due to continued political instability, the FCC Group could be affected by the delay or even abandonment of potential projects by customers in both the private and public sectors. Moreover, for services provided in which certain assets are owned by public administrations but managed and operated by the FCC Group, the Group's operating costs could increase if the administrations do not make the necessary investments for the suitable maintenance and renewal thereof. |

|                  |                                                                                                                                                                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
|------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| OPERATIONAL RISK | <b>Impairment of reputational image</b><br>                                                      | <p>The FCC Group may find itself involved in certain actions, use of its image, damage by negative external publicity and public opinion against the company which could negatively impact its reputational image and, therefore, its business. It may also face a gap in perception between internal and external public. The company's brand reputation is managed by the FCC Group's Communications, Corporate Marketing and Brand Department.</p>                                                                         |
|                  | <b>Uncertainty and volatility of raw materials, energy and outsourced services</b><br>           | <p>The FCC Group consumes significant amounts of raw materials and energy, and works with numerous subcontractors and industries. Changing economic conditions, and uncertainty in general could cause price oscillations that would affect FCC Group profits.</p>                                                                                                                                                                                                                                                            |
|                  | <b>Municipal reversion of the management of services currently provided by the FCC Group</b><br> | <p>Municipal reversion could particularly affect the Environmental and Water Services business area, which would have a negative impact on present and future results and the order book.</p>                                                                                                                                                                                                                                                                                                                                 |
|                  | <b>Catastrophic events</b><br>                                                                 | <p>The complexity of certain environments in which FCC Group carries out its businesses increases exposure to the risk arising from unforeseen events that injure people or damage assets or the environment. Unforeseen events include natural disasters and terrorist or criminal activity.</p>                                                                                                                                                                                                                             |
|                  | <b>Information security</b>                                                                                                                                                       | <p>The occurrence of criminal acts of a cybernetic nature, whether or not directed specifically against the company, could affect its tangible and intangible assets and lead to a prolonged stoppage of the operation.</p>                                                                                                                                                                                                                                                                                                   |
|                  | <b>Rescheduling of projects</b>                                                                                                                                                   | <p>Political and/or economic-financial instability in certain markets in which FCC Group operates, as well as Other operating circumstances outside the control of FCC, such as the lack of available land for infrastructure projects, could result in the rescheduling of the various projects in progress, which would have an effect on their outcome.</p>                                                                                                                                                                |
|                  | <b>Lack of guarantees for supply of water</b><br>                                              | <p>The growing drought situation in Spain could affect the normal supply of water, thereby impacting the end-to-end water management business carried out by FCC.</p>                                                                                                                                                                                                                                                                                                                                                         |
|                  | <b>Risks deriving from associations with third parties</b><br>                                 | <p>FCC Group may carry out its business activities jointly with public authorities or private entities through various types of associations. The participants in these entities share operating, economic and financial risks associated with certain projects or activities. However, adverse developments in the project, activity, underlying economic and political situations, or in the economic position of the partners could lead to the appearance of a conflict, which could negatively affect the FCC Group.</p> |

|            |                                                                                                                                                                                                                                                                                                                                       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|            | Unilateral termination or modification of the contract                                                                                                                                                                                                                                                                                | Public administrations may unilaterally modify or terminate certain contracts before they are completely executed. The compensation that FCC Group would receive in these cases may not be sufficient to cover the damages caused and, furthermore, such compensation could be difficult to collect.                                                                                                                                                                                                            |
|            | <b>The departure of key technical and management personnel could affect the successful outcome of business operations</b><br>                                                                                                                        | The success of FCC Group's business operations largely depends on key personnel, with technical and management experience. If FCC Group loses a substantial part of this key personnel, which is unlikely, it could be difficult to replace them and make the successful management of its business more complicated.                                                                                                                                                                                           |
|            | <b>Conflicting employment matters</b><br>                                                                                                                                                                                                            | FCC Group carries out certain businesses that are labour intensive, with significant geographic diversity (and labour legislation), and conflicts may arise for various reasons that could harm the Company's production capacity and its reputation.                                                                                                                                                                                                                                                           |
|            | <b>Results for people's health and safety</b><br>                                                                                                                 | One of FCC Group's priorities is to carry out its activities with a high level of occupational and health safety for all of its personnel, as well as strict compliance with relevant legislation, which is covered by the Occupational Risk Prevention Policy approved by the Board of Directors. FCC Group could still, occasionally, be affected by incidents or accidents at its worksites, facilities or when carrying out its services which, in turn, could cause damages and interfere with operations. |
|            | <b>Environmental risks</b><br>                                                                                                                                                                                                                     | FCC's Environmental commitment is set out in the Group's Environmental Policy approved by the Board of Directors. The Group applies environmental management systems to projects and contracts, which are audited and certified in accordance with the UNE-EN-ISO 14001 standard. Nevertheless, due to the nature of the Group's activities, circumstances could arise that give rise to damages consisting of spillages, emissions, etc., that have an impact on the development of projects and contracts.    |
| COMPLIANCE | <b>Litigation</b><br>                                                                                                                                           | FCC Group is, and may be in the future, a party to civil, criminal, arbitration, administrative, regulatory and similar proceedings that may arise during the ordinary course of its business. A court judgement or arbitration award that does not coincide with FCC's legal interpretation could have an impact on results or changes in the management of the service/project concerned.                                                                                                                     |
|            | <b>Difficulty in adapting to regulatory and/or legislative changes</b><br>   | FCC Group must respect applicable laws and regulations when executing its operations. These laws and regulations vary from one jurisdiction to another, even among municipalities, and they are subject to changes. A change in the legal framework, could give rise to modifications in FCC Group's operating conditions. In some cases this could affect its results and financial situation.                                                                                                                 |
|            | <b>Failure to comply with the Code of Ethics and Conduct</b><br>             | The FCC Group has adopted a Code of Ethics and Conduct that regulates the principles that must guide the Group's behaviour and set out relations between the Group's employees and the employees' relations with the rest of its stakeholders, which must be complied with by everyone in the                                                                                                                                                                                                                   |

|  |                                                                                                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
|--|-------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|  |                                                                                                                                     | Group. Failure to comply with the Code of Ethics and Conduct may cause serious harm to the FCC Group, including impairment of reputational image and damages.                                                                                                                                                                                                                                                                                         |
|  | <b>Quality of service: risk of low Quality</b><br> | The FCC Group has quality management systems in place that are deeply rooted in the organisation. These systems are audited and certified by accredited entities in accordance with the UNE-EN ISO 9001 standard in all their significant activities. Failure to comply with contractual quality requirements could have an impact on results due to penalties and additional costs, as well as an impact on the reputational image of the FCC Group. |

### FCC contributes to achieving Sustainable Development Goals (SDGs)

Against this context of sustainability for FCC, since 2015 when the United Nations approved the 17 Sustainable Development Goals (SDGs), the Group has integrated this compilation of commitments into its corporate social responsibility, contributing to their achievement and aligning itself with the international sustainability agenda.

The 17 Goals group together 169 specific goals and constitute a common sustainable development agenda for governments, civil society and the private sector.

FCC's activities contribute directly to achieving the following SDGs:



Indirectly, the Group also contributes to the achieving the following SDGs:

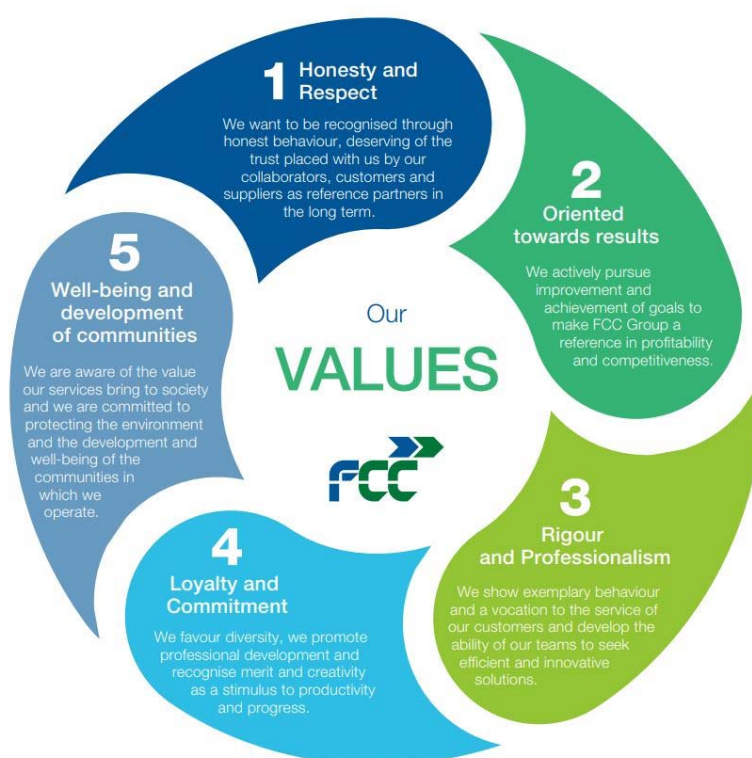
|                                                                                                                                                          |                                |                                                                                                                                         |                                        |                                                                                                                                                                     |                                     |
|----------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------|
| <b>1</b> AN END TO POVERTY<br>                                          | An end to poverty              | <b>3</b> HEALTH AND WELL-BEING<br>                     | Health and Well-Being                  | <b>4</b> QUALITY EDUCATION<br>                                                   | Quality education                   |
| Through the creation of local employment in communities by promoting the business fabric of local areas                                                  |                                | Implements health and safety policies for its employees, its people, its suppliers and the communities in which it operates             |                                        | Establishes partnerships with universities and educational centres, and provides training to its employees, as well as encouraging training for local communities   |                                     |
| <b>5</b> GENDER EQUALITY<br>                                            | Gender equality                | <b>8</b> WORK AND ECONOMIC GROWTH<br>                  | Work and economic growth               | <b>10</b> REDUCING INEQUALITIES<br>                                              | Reducing inequalities               |
| Promotes gender equality in its processes, training and remuneration of all professionals, in addition to participating in awareness-raising initiatives |                                | Contributes to the economic development of communities, providing employment and respecting human rights                                |                                        | Reduces inequality in communities by promoting equal opportunities, inclusive programmes and through employability with decent wages                                |                                     |
| <b>15</b> LIFE OF TERRESTRIAL ECOSYSTEMS<br>                          | Life of terrestrial ecosystems | <b>16</b> PEACE, JUSTICE AND STRONG INSTITUTIONS<br> | Peace, justice and strong institutions | <b>17</b> ALLIANCES TO ACHIEVE THE OBJECTIVES<br>                              | Alliances to achieve the objectives |
| Sustainably manages its projects to prevent land deterioration and minimise biodiversity loss                                                            |                                | Reduces inequality in communities by promoting equal opportunities, inclusive programmes and through employability with decent wages    |                                        | Respects the principles of its Code of Ethics, which it reviews periodically, extending compliance to all areas in which it operates and to its entire supply chain |                                     |

## 2. THE FUNDAMENTALS OF THE COMPANY: VALUES AND GOOD GOVERNANCE

The FCC Group carries out its activities following the strictest ethical principles and maintaining the highest standards of operational excellence. These principles are reflected in its Code of Ethics and Code of Conduct, which are applicable in all its divisions and geographies.

### 2.1. Introduction to the company's values, a sign of identity

The ethical principles that govern the Group are reflected in FCC's values, sign of identity and good work:



The responsible and effective management of the FCC Group - understood as ethical, transparent and responsible behaviour towards stakeholders, respect for human rights and the fight against all types of corruption - is essential to ensure the company's long-term sustainability.

Together with the Code of Ethics and Conduct, the company has social policies, due diligence procedures, plans and initiatives and control mechanisms which, taken together, reflect the group's standards and principles that guarantee responsible and effective management.

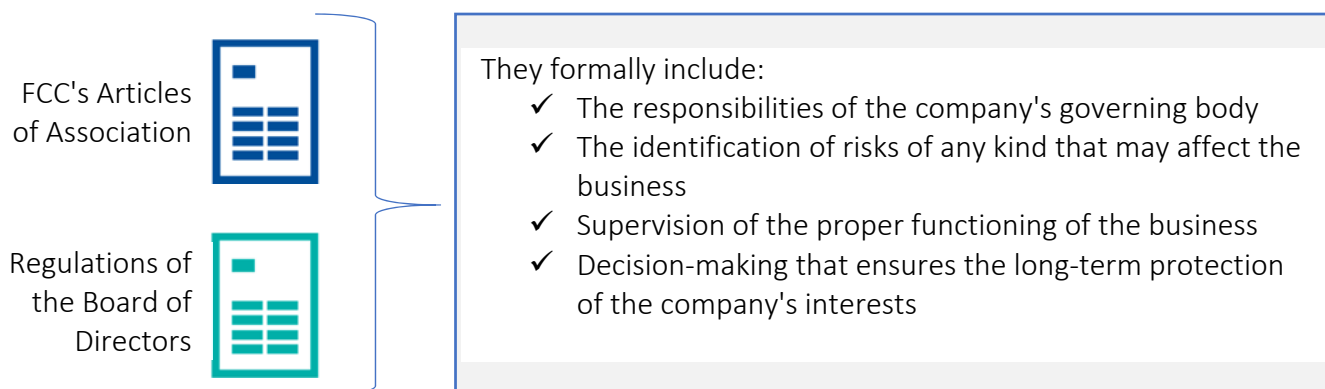
It is FCC's Corporate Governance System that ensures compliance with all these procedures and policies.

## 2.2. Good Governance

In its commitment to good governance, the FCC Group aligns its corporate governance guidelines with the recommendations of the Good Governance Code of listed companies of the National Securities Market Commission (CNMV) that apply to it, particularly those that include CSR among the responsibilities of the Board of Directors (Recommendations 53, 54 and 55). In addition, the FCC Group observes international good practices such as those issued by the International Corporate Governance Network (ICGN) and other sector leader organisations in Corporate Governance.

In addition, the company publishes annually its Annual Corporate Governance Report and its Annual Remuneration Report which is communicated to the CNMV.

The Group formally has a definition of the responsibilities of the governing body, supervision of the strategy and proper operation of its activity, decision-making and supervision of risks, which is included in the Articles of Association and Regulations of the Board of Directors.

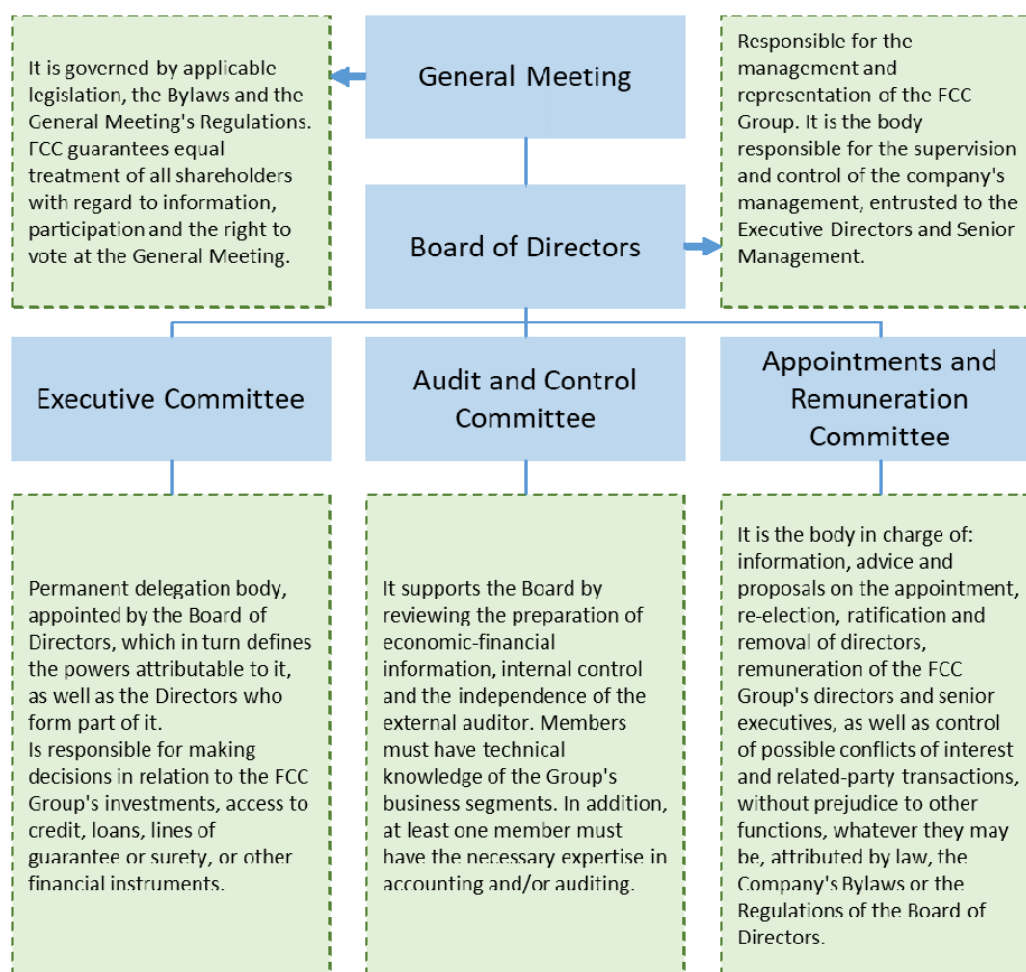


### 2.2.1. FCC's Governing bodies

The FCC Group has five governing bodies, each of which is assigned certain functions and powers, as shown in the table below.

The governance and administration of the company correspond to the General Shareholders' Meeting and to the Board of Directors, appointed by the General Meeting to represent it, within the scope of the functions and powers attributable to each of them. The distribution of powers and duties between the Board of Directors and its Committees seeks to achieve the corporate purpose and efficiency.

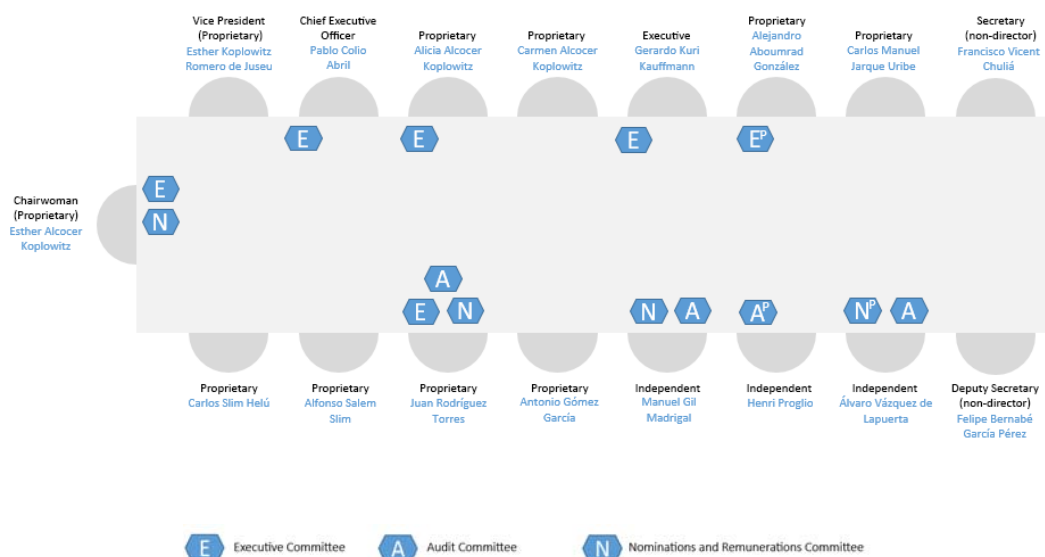
## Governing bodies and associated responsibilities:



The General Shareholders' Meeting appoints the directors of the FCC Group. These are qualified as executive, proprietary and independent.

The Appointments and Remuneration Committee proposes the independent directors, who are elected by the General Meeting, following criteria of rigorous professionalism and full independence. This proposal comes from an independent third party responsible for the selection of directors of listed companies, which meets the needs of the FCC Group's profile and the requirements of professionalism and independence required by law and good governance practices.

## 2.2.2. Composition of the Board of Directors and the Committees:



## 2.2.3. Diversity on the Board of Directors

The FCC Group is firmly committed to being a diverse and inclusive company. This commitment is not only present in its workforce but also in its governing bodies. It is worth noting the high percentage of women (27%) and foreign national directors (53%) on the Board of Directors.

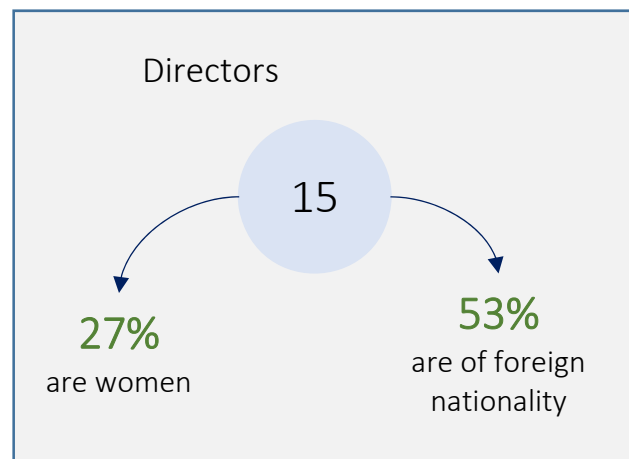
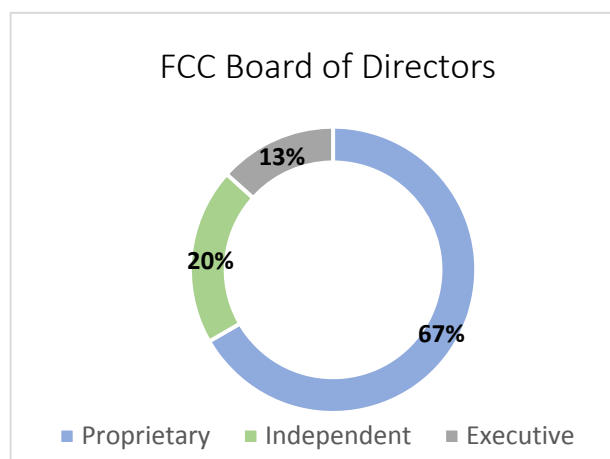
FCC's commitment to the equal involvement of men and women on the Board of Directors was formalised in 2014 through an agreement with the Ministry of Health, Social Services and Equality. In light of this commitment, the Board of Directors of FCC undertakes to:

- move forward in compliance with the recommendation of the article 75 of the Organic Law 3/2007 of 22 March, for the Effective Equality of Men and Women;
- publicly disclose and keep duly updated the information of the directors in accordance with the recommendations of the Code of Good Governance of listed companies;
- include in the internal regulations explicit references for the promotion of balanced participation of men and women on the board, as well as trying to incorporate members of the less represented gender onto the board.

In addition, FCC has signed up to *the Diversity Charter*, a voluntary code committed to promoting the fundamental principles of Equality. The initiative, supported by the European Commission's Justice Department for the development of its policies to fight against discrimination, contemplates the implementation of inclusive policies and non-discrimination programmes in the signatory companies.

The diversity of FCC's Board of Directors is not limited to the area of gender, but goes further, including the diversity of nationalities of its directors and professional diversity, so that they have the necessary skills to understand the reality of the company's different businesses.

#### Diversity on FCC's Board of Directors



With 27% of women on the Board of Directors, FCC is above the average of the Boards of Directors of IBEX 35 companies, which is 24%.

#### 2.2.4. Operation of the Board and Board Committees

In 2018, FCC's Board of Directors held a total of nine meetings, with an attendance ratio of 97.7%, thus complying with Article 34.1 of the Regulations of the Board of Directors and Article 31.1 of the Articles of Association, which obliges it to

**Board of Directors**  
9 meetings  
97% attendance

Similarly, each of the Board committees also held a large number of meetings to ensure the proper management of the Group:

| Committee                               | No. of meetings |
|-----------------------------------------|-----------------|
| Executive Committee                     | 8               |
| Audit Committee                         | 9               |
| Appointments and Remuneration Committee | 8               |

To ensure the meetings are effective, the directors are provided with the necessary information so that they can form their opinion and cast their vote in relation to the matters submitted for consideration, as established in article 34.3 of the Regulations of the Board of Directors.

## 2.2.5. Remunerations policy

The body responsible for agreeing on the distribution of remuneration among the members of the Board is the General Meeting. This takes into account the roles and responsibilities exercised by each of them within the Board itself or the Internal Committees. The directors are also remunerated for attending Board meetings and those of its Internal Committees, and it is the General Meeting which determines the corresponding amount for this concept each year. It should be noted that the remuneration for attending meetings is only effective when the director attends in person, and not by proxy or means of remote communication. Executive directors also receive a variable amount linked to compliance of company objectives.

### Principles and criteria for setting remuneration



### Remuneration of FCC Directors and Executives in 2018

|                                             | 2018         |
|---------------------------------------------|--------------|
| Average remuneration Directors <sup>1</sup> | 124,333,33 € |

FCC's remuneration policy must respect the criteria established in article 28.2 of the Regulations of the Board of Directors, whereby remuneration must be in reasonable proportion to the importance of the company, its economic situation at any given time and the market standards of comparable companies. In addition, the remuneration system established must aim to promote the profitability and long-term sustainability of

<sup>1</sup> Includes variable remuneration, per diems and indemnities

the company and incorporate the necessary safeguards to prevent excessive risk-taking and the rewarding of unfavourable results.

### 2.3. FCC's Due Diligence: the compliance model, the Code of Ethics and Conduct, its policies and procedures].

A company cannot be sustainable if it does not guarantee respect for people's dignity and fundamental rights. Respect for people is an essential element for the FCC Group in all its activities. This is reflected in the company's current Code of Ethics and Conduct, which includes the guidelines of conduct that guide the behaviour of FCC professionals in matters of an ethical, social and environmental nature.

In 2018, the FCC Group decided to adopt a compliance model, based on the highest international standards, in order to strengthen the company's ethical culture and prevent illegal behaviour.

In February, FCC's Board of Directors approved a new Code of Ethics and Conduct for the Group. In addition, in a statement, the entire Group was reminded of its commitment to applying the highest standards of integrity and regulatory compliance in its businesses.

In July 2018, a series of documents were approved that make up the FCC Group's Compliance Model. These are the Anti-Corruption Policy, Relationship with Shareholders Policy, Crime Prevention Manual, Compliance Committee Regulations, Ethical Channel Procedure and the so-called Investigation Procedure, also incorporating the so-called Sexual or Occupational Harassment Protocol, which was already in force.

Later, during the month of September, the Group's Compliance Committee was constituted, for which the Group's Compliance Officer is the chairman; and as ex officio members, the General Director of Legal Counsel and the Director of HR Coordination and Development, attending as guests were the Compliance Officers of the businesses and the Internal Auditor.

The Group's Compliance Committee is the high level internal and permanent collegiate body, with autonomous powers of initiative and control, to which the Board of Directors has assigned the duties of being in charge of promoting the ethical culture in the organisation and ensuring regulatory and normative compliance, both internally and externally.

Likewise, in the different areas, compliance committees have been created, of which the Compliance Officer of the area, Legal Director and the respective HR Director are part.

The review of the Code of Ethics and Conduct in 2018 reinforces and ratifies FCC's commitment to exemplary conduct by all its members, including issues relating to human rights, corruption, bribery, health and safety, and their application by FCC people and in their relations with third parties.

The current Code of Ethics and the regulatory block on Compliance (Compliance Policies and Systems, Risk Management and Criminal Compliance and Anti-Corruption, Manual on Prevention and Response to Crime, Ethical Channel, Response Committee, Internal

Regulations on Conduct in Relation to the Securities Market, Code of Fiscal Conduct, Tax control framework regulations, adherence to the Code of Good Tax Practices and the General Regulations Manual), are the essential instruments to which the actions of all the Group's companies and all its employees are subject and must be constantly reviewed and updated in order to adapt to best business practices.

All FCC employees and executives must be familiar with these instruments and guide their actions by the principles and regulations that make up the culture of compliance within the FCC Group, promoting their application and collaborating intensively and giving priority to their improvement, when required to do so or on their own initiative. Staff are reminded of the obligation to communicate potential irregularities or malpractices through the confidential channels set up for this purpose, of which they may become aware of.

Furthermore, in order to express the FCC Group's commitment to respect human rights within the framework of the CSR 2018-2020 Master Plan, the FCC Group has drawn up a Human Rights Policy which is expected to be approved by the Board of Directors between the first and second quarters of 2019, as detailed below in the specific section on human rights in this report.

### 2.3.1. Safeguarding Ethics and Integrity at FCC

Control mechanisms are necessary in order to guarantee compliance with the principles contained in the Code of Ethics and Conduct. The Audit and Control Committee oversees the efficiency of the company's internal control, including the assessment of risks related to Ethics, Integrity and Compliance and integrating these into the risk management and control system.

Prevention, detection and response to crime within the company is the responsibility of the FCC Response Committee. In addition, this committee is also responsible for supervising the reporting of incidents involving criminal offences and breaches of the Code of Ethics and Conduct.

FCC also provides all group employees with an internal communication channel to report possible breaches of the Code of Ethics and Conduct. Employees are provided with an e-mail address (canaletico@fcc.es) for this, as well as a mailing address addressed to the Chairman of the Response Committee.

During 2018 FCC gave classroom-based training on the Code of Ethics and Conduct, the Compliance Model and on the controls and processes designed to minimise criminal risks and harassment. This class-room based training was attended by the entire corporate management team of FCC and the FCC divisions, as well as the owners of controls and processes identified in the criminal risk matrix.

134

people attended these trainings in 2018

In 2018 a total of 45 notifications were received through the FCC Group's Ethical Channel, either through the corporate intranet, e-mail or post office box.

Of these 45 notifications received, 20 have been classified as high risk, 9 as medium risk and 16 as "other notifications".

The high and medium risk notifications received are mainly in relation to labour conflicts or potential harassment at work.

With respect to the remaining "other notifications", the topics have revolved around labour complaints, commercial issues or queries of all kinds.

### Responsibilities and control mechanisms in FCC



### 2.3.2. Respect for Human Rights at FCC

The FCC Group does not envisage its activity without the protection and respect of human rights and acts, within its sphere of influence and in accordance with the legal framework of each country, encouraging its compliance.

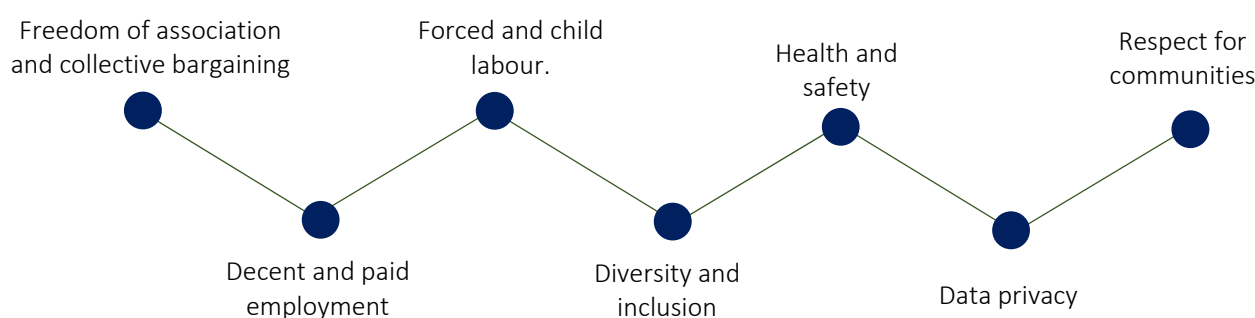
In particular, it expresses its total rejection of child labour, forced labour and work carried out in conditions that are harsh, extreme, subhuman or degrading, and undertakes to respect freedom of association and collective bargaining, as well as the rights of ethnic minorities and indigenous peoples in the places where it carries out its activities.

This commitment is reflected in the Human Rights Policy, drawn up in 2018 within the framework of the current CSR Master Plan, approved by the CSR committee and which will be submitted for consideration by the Board of Directors in 2019.

This policy is based on a diagnosis of the impact of its activity on all the societies and communities in which the Group operates, and on the exercise of due diligence for the prevention, detection and eradication of violations, contemplating a formal declaration on human rights, establishing responsibility for its management, implementing training and awareness in human rights, and establishing mechanisms to identify, prevent and mitigate potential negative consequences on human rights.

In this Policy, the Group reflects its commitments around seven basic pillars to ensure respect for Human Rights.

### The Pillars of the Human Rights Policy



Approval of FCC Group's Human Rights Policy, as well as supervision of its compliance, will fall to the Board of Directors, which in general is responsible for supervising the company's Corporate Social Responsibility Policy, through the Executive Committee.

In 2018, the FCC Group did not receive any complaints on human rights violations through its Ethical Channel.

With its Human Rights Policy, FCC strengthens its adherence to the following international frameworks for the respect of Human Rights



### 2.3.3. The fight against corruption and bribery

The FCC Group has an ethics and compliance model that is developed through internal policies, procedures and controls, which are reviewed and updated periodically.

Through this model, the FCC Group aims to prevent and detect risks of non-compliance, including those linked to criminal offences, and to minimise their possible impacts.

As mentioned above, the Code of Ethics and Conduct forms the basis of the FCC Group's Compliance Model and includes FCC Group's commitment to strict compliance with applicable laws, as well as the prevention of fraud, corruption, money laundering and irregularities in payments, the use and protection of assets, the handling of information, the management of possible conflicts of interest, and the management of sponsorships, patronages and collaborations, among others.

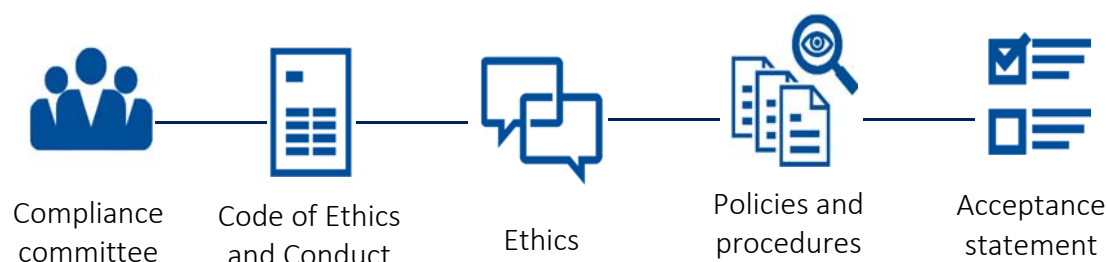
In June 2018, FCC Group's Board of Directors approved its Anti-corruption Policy in order to implement compliance in these areas. This Policy responds to the principles contained in the Code of Ethics and Conduct, in which fraud and corruption activities are not tolerated.

### The Principles of the FCC Group's Anti-Corruption Policy

- 1 Compliance with legality and ethical values
- 2 Zero tolerance for bribery and corruption
- 3 Prevention of money laundering and transparent communication
- 4 Transparent relationship with the community
- 5 Conflicts of interest
- 6 Surveillance of ownership and confidentiality of data
- 7 Rigour in control, reliability and transparency
- 8 Extension of commitment to business partners
- 9 Promotion of continuous training on ethics and compliance

The FCC Group has mechanisms to prevent, detect, investigate and sanction possible cases of fraud and corruption in order to implement its Anti-corruption Policy.

## Due control in anti-corruption matters



The FCC Group's commitment to zero tolerance of any type of non-compliance related to corruption and bribery is also included in the Criminal Compliance Model. The fundamental tools for prevention, detection and response to the risk of committing criminal offences are also included therein. This includes the identification and prioritisation of risk behaviours for committing criminal offences, including those related to corruption, bribery, influence peddling, fraud, money laundering and fraud, the prevention and mitigation of which is a priority for the Group, through specific controls and actions. An analysis has been carried out of the exposure to the risk of criminal offences in operations and in all the geographical areas in which the Group operates so as to prepare the risk and control matrix, and specifically the anti-corruption matrix. This matrix is implanted in Spain and is progressively being implanted internationally.

FCC is committed to communication and training so as to strengthen the culture of compliance among the people who form part of the company.

Both the Directors and the Senior Executives of the Group are obliged to periodically report any transaction, on their own account, involving the subscription, purchase or sale of affected securities or instruments, whether carried out personally or by related parties, in accordance with the provisions of the FCC Group's Internal Code of Conduct in the Securities Market.

Information on non-profit associations and entities is notified in Chapter 5 of this report.

### 2.3.4. Procedures for assessing counterparty risk

The FCC Group's compliance model provides for a system to assess counterparties that include agents, business partners, suppliers and third parties. This assessment involves carrying out an assessment of the counterparty in economic, financial, occupational risk prevention, environmental, social and integrity matters, so that before a relationship is started with a third party, appropriate checks have been carried out in order to prevent any exposure to a counterparty risk. These counterparty evaluations, which will be launched in 2019, will be carried out through data analysis and *business intelligence*, which allow FCC to obtain the most complete information to make a decision in any contractual relationship or collaboration agreement.

In particular, for sponsorship and donation operations, not only must the suitability of the counterparty be verified, but the object of sponsorship or donation, as well as the

amount, must be approved by the Communications Officer of the group. The compliance function should be consulted if there is any doubts regarding the transaction.

All operations under this model are reviewed by internal audit.

### 2.3.5. Fiscal transparency: Accountability

In compliance with the transparency requirements of the new Law 11/2018, a breakdown of income tax information in the countries where FCC has a presence is given below, together with information on public subsidies received in 2018.

#### *Profits obtained by the Group in 2018 and income tax paid in 2018 country by country<sup>2</sup>*

| FCC Group Countries  | Profit before tax in 2018<br>(thousands of euros) | Income tax paid in 2018<br>(thousands of euros) |
|----------------------|---------------------------------------------------|-------------------------------------------------|
| GERMANY              | 54.00                                             |                                                 |
| SAUDI ARABIA         | 29,170.00                                         | 5,386.91                                        |
| ALGERIA              | 15,193.00                                         | 1,908.30                                        |
| AUSTRIA              | 5,609.00                                          | -23.92                                          |
| BELGIUM              | 6,481.00                                          | 5.73                                            |
| BOSNIA HERZEGOVINA   | -10.00                                            | 0.00                                            |
| BRAZIL               | -1,367.00                                         | 41.02                                           |
| BULGARIA             | -284.00                                           | 135.91                                          |
| CANADA               | 10,515.00                                         | 0.00                                            |
| CHILE                | -4,461.00                                         | 271.31                                          |
| COLOMBIA             | 2,079.00                                          | 677.89                                          |
| COSTA RICA           | -3,747.00                                         | 50.11                                           |
| ECUADOR              | 420.00                                            | 22.41                                           |
| EGYPT                | 3,469.00                                          | 746.64                                          |
| UNITED ARAB EMIRATES | 5,122.00                                          | 0.00                                            |
| SLOVAKIA             | 3,285.00                                          | 1,224.82                                        |
| SPAIN                | 249,902.00                                        | 71,662.05                                       |
| UNITED STATES        | -29,993.00                                        | 2,153.90                                        |
| FINLAND              | 418.00                                            | 0.00                                            |
| GREECE               | 1,000.00                                          | 2.12                                            |
| GUATEMALA            | -550.00                                           | 21.75                                           |
| HAITI                | -649.00                                           | 0.00                                            |
| HONDURAS             | 177.00                                            | 0.00                                            |
| HUNGARY              | 2,069.00                                          | 61.53                                           |
| IRELAND              | 1,671.00                                          | 0.00                                            |
| ITALY                | 5,440.00                                          | 2,346.69                                        |
| LATVIA               | -103.00                                           | 0.00                                            |
| LUXEMBOURG           | -78.00                                            | 0.00                                            |
| MOROCCO              | 228.00                                            | 0.27                                            |
| MEXICO               | 3,118.00                                          | 2,963.62                                        |
| MONTENEGRO           | -1,157.00                                         | 4.61                                            |

<sup>2</sup> The countries that do not report taxes are due to any of the following causes: accumulated losses, negative results, tax loss carryforwards from previous years, insubstantial material or because the profit is not taxed through Income Tax in the country in question.

| FCC Group Countries | Profit before tax in 2018<br>(thousands of euros) | Income tax paid in 2018<br>(thousands of euros) |
|---------------------|---------------------------------------------------|-------------------------------------------------|
| NICARAGUA           | -2,373.00                                         | 120.78                                          |
| OMAN                | 161.00                                            | 0.00                                            |
| THE NETHERLANDS     | -1,848.00                                         | 34.90                                           |
| PANAMA              | 6,138.00                                          | 11,743.42                                       |
| PERU                | 2,266.00                                          | 323.24                                          |
| POLAND              | -15,189.00                                        | -32.51                                          |
| PORTUGAL            | 5,096.00                                          | 1,170.68                                        |
| QATAR               | 5,179.00                                          | 538.74                                          |
| UNITED KINGDOM      | 14,929.00                                         | 267.35                                          |
| CZECH REPUBLIC      | 20,136.00                                         | 4,343.57                                        |
| DOMINICAN REPUBLIC  | 238.00                                            | 0.00                                            |
| ROMANIA             | 8,321.00                                          | 275.62                                          |
| SERBIA              | -90.00                                            | -145.23                                         |
| TUNISIA             | 12,486.00                                         | 2,074.66                                        |
| URUGUAY             | 12.00                                             | 0.00                                            |
| <b>TOTAL</b>        | <b>358,483.00</b>                                 | <b>110,378.86</b>                               |

#### Public subsidies received in 2018

In 2018, the FCC Group received a total of 19,441 thousand euros in public subsidies:

| Areas                  | (thousands of euros) |               |
|------------------------|----------------------|---------------|
|                        | 2018                 | 2017          |
| Construction           | —                    | —             |
| Services               | 3,137                | 4,099         |
| Aqualia                | 11,397               | 11,056        |
| Cement                 | 135                  | —             |
| Concessions            | 4,772                | 2,295         |
| Real-estate            | —                    | —             |
| Central Services       | —                    | —             |
| <b>Total FCC Group</b> | <b>19,441</b>        | <b>17,450</b> |

### 3. OUR PEOPLE

FCC works every day to achieve excellence in the performance of its employees, to promote the talent of its teams and foster an inclusive, healthy and non-discriminatory working environment with a long-term vision. The Group reflects this commitment to employees in its Human Resources Policy and demonstrates it through numerous internal procedures, programmes and actions that it reviews and continuously improves.

**Behind every FCC project there is a great team of people willing to make it happen.**

The common nexus between all professionals is a common culture, based on the FCC Group's own values. The entire team shares a vision: to be a benchmark International Group in services to citizens, which offers global and innovative solutions for the efficient management of resources and the improvement of infrastructures, contributing to improve the quality of life of citizens, and to the sustainable progress of society.

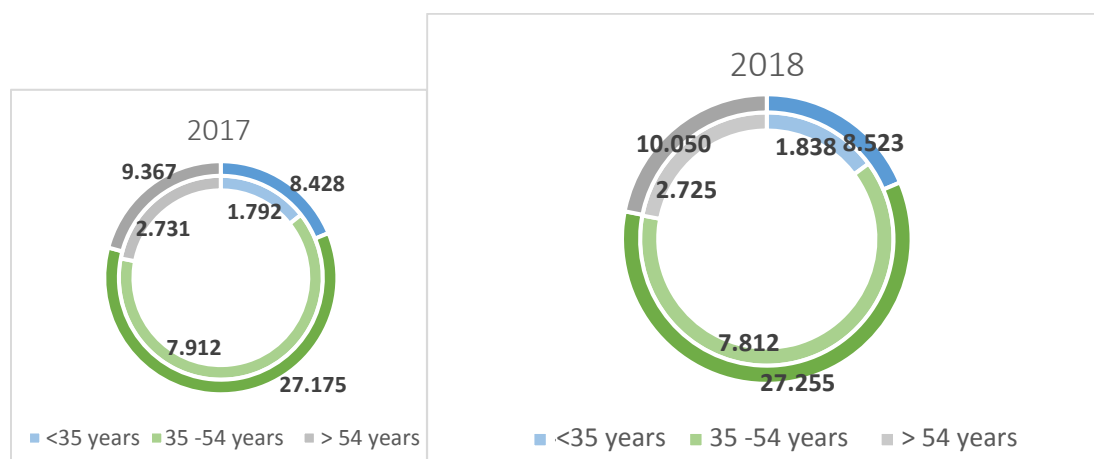
Except in those cases where it is specifically stated, the data provided include those of international scope. In the cases in which it is not included, the diversity of the different applicable legislations must be taken into account, as well as the difficulty of having homogeneous data due to the existence of different information systems and the pending consolidation of the internal criteria defined in this respect.

### 3.1. Key FCC employment data

The activities carried on by the FCC Group are diversified into business areas of a different nature. For this reason, the company needs to have a diverse workforce, made up of different professional profiles.

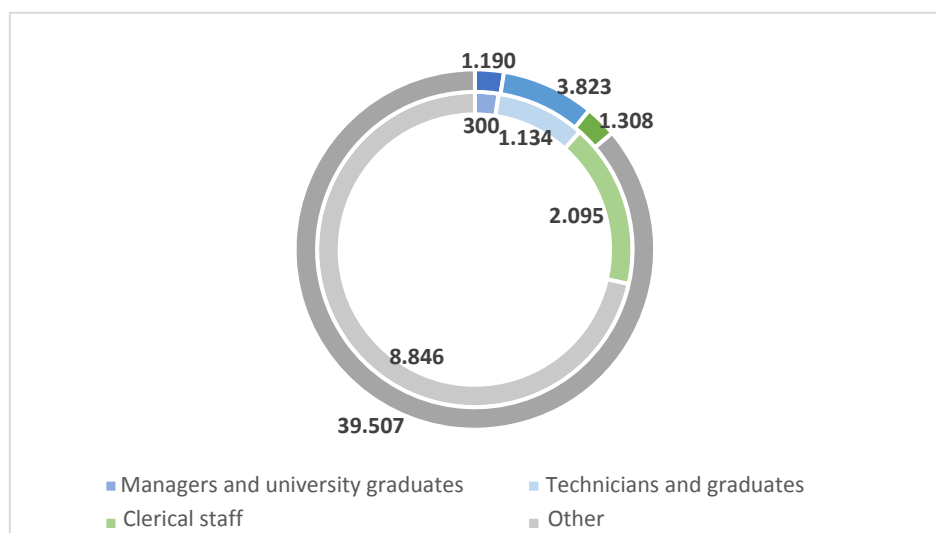
#### Diversity in the FCC Group workforce

##### Comparison of workforce by gender and age - 2017 and 2018



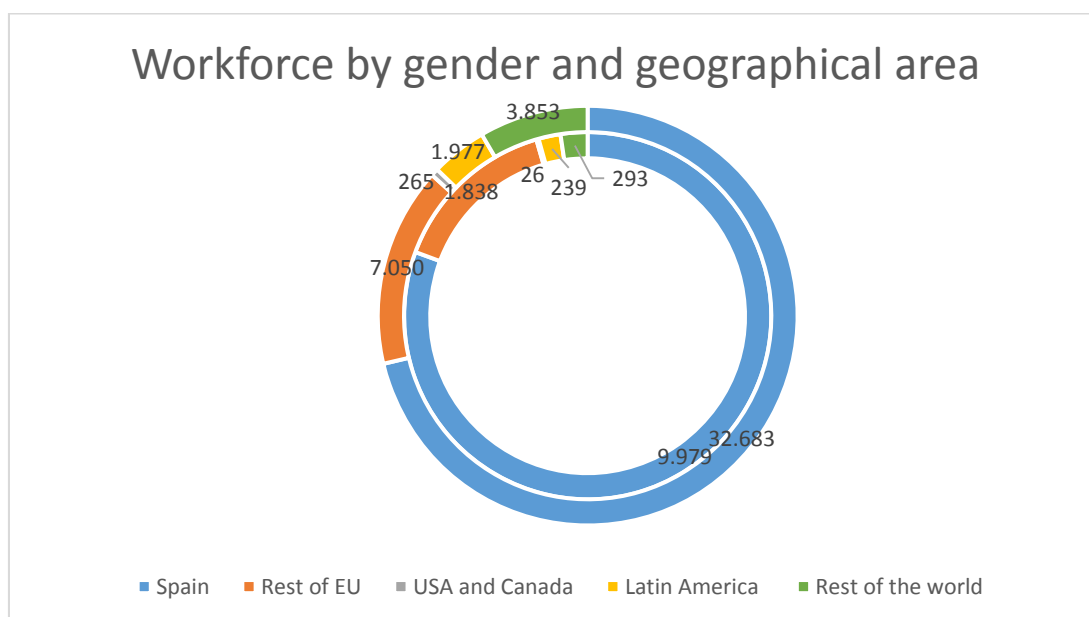
Inner circle: Women  
Outer circle: Men

##### Workforce by gender and position 2018



Inner circle: Women  
Outer circle: Men

## Workforce by gender and geographical area



Inner circle: Women

Outer circle: Men

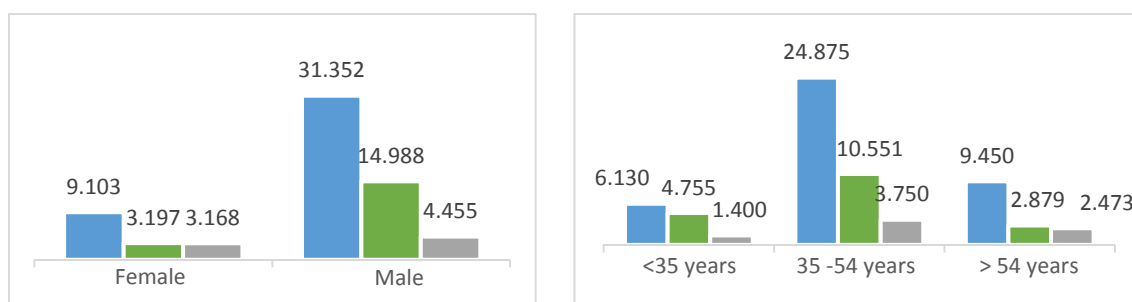
The corresponding employment contracts are formalised, depending on the specific needs of each of the activities carried out by the business areas.

## Total and average annual employees by contract type - 2018

Of the total workforce of 58,203 people, 41,215 have a permanent contract and 16,988 have a temporary contract. It should be noted that many of the temporary contracts mentioned enjoy great stability in employment, bearing in mind that there are many workers attached to contracts in sectors in which there is a contractual subrogation obligation. In addition, 7,902 employees have a part-time contract and 50,301 have a full-time contract.

Regarding the annual average number of contracts, 40,455 correspond to permanent contracts, while 18,185 are temporary contracts. Of the annual average number of contracts, 7,623 are part-time, while 51,017 are full-time.

## Average annual contract type by gender, age and category - 2018



|                                   | Permanent | Temporary | Part-time |
|-----------------------------------|-----------|-----------|-----------|
| Managers and university graduates | 1,400     | 158       | 20        |
| Technicians and graduates         | 4,069     | 1,863     | 100       |
| Clerical staff                    | 2,509     | 706       | 182       |
| Other                             | 32,477    | 15,458    | 7,321     |

■ Permanent
■ Temporary
■ Part-time

### Number of redundancies by gender, age and professional classification - 2018

In 2018, as was already the case in 2017, it has not been necessary to resort to collective redundancy files, once the intense financial crisis of years ago had been overcome. In 2018, the terminations of contracts for reasons not attributable to the employee have been due to specific needs for adjustments in different contracts, in order to adapt to the productive and organisational reality of the different businesses and contracts. The number of redundancies according to gender, age and classification is as follows<sup>3</sup>:

| Number of redundancies (Spain) | 2018 |
|--------------------------------|------|
| Female                         | 73   |
| Male                           | 246  |

| Number of redundancies (Spain) | 2018 |
|--------------------------------|------|
| <35 years                      | 72   |
| 35-54 years                    | 176  |
| > 54 years                     | 71   |

| Number of redundancies (Spain)    | 2018 |
|-----------------------------------|------|
| Managers and university graduates | 15   |
| Technicians and graduates         | 29   |
| Clerical staff                    | 17   |
| Other                             | 258  |

<sup>3</sup> As for the international area, the different classification of the nature of extinctions, evaluated according to the different legislations, makes it difficult to analyse the data. For future exercises we will work on a formula that allows us to treat the data in a standardised way.

### Average remuneration and gender pay gap

For the FCC Group, transparency and equality are a reflection of its commitment to the people who make up the company. For this reason, the FCC Group publishes the remuneration of the Board of Directors annually in its Annual Remuneration Report, which is communicated to the CNMV. In addition, data relating to Directors' remuneration are provided in chapter 2 of this report.

With respect to the management team<sup>4</sup>, the Group's average overall fixed remuneration in Spain amounts to 95,595 euros, corresponding to 98,882 euros for the average salary of men and 75,316 euros for women. In the international sphere, for 2018 there was no homogeneous definition of management positions that would allow average remuneration to be obtained for this purpose. This data will be available to the Group in 2019.

In addition, the remuneration system in the FCC Group generally adapts to the salary structure established in the applicable collective bargaining agreements, which, as a general rule, consists of basic salary, seniority and bonuses linked to the conditions, quality and/or quantity of work.

Currently, as part of its long-term sustainability objectives, the Group is working on: (i) the definition and framework of all staff at the corresponding functional levels, and (ii) the definition of posts. On this basis, the average remunerations and their evolution disaggregated by gender and age will be able to be obtained. This process is very complex given the number of collective agreements and agreements that apply (more than 800).

Insofar as qualitative and quantitative information on compensation is not available, it is currently not feasible to carry out the relevant calculations for the analysis of the gender pay gap, given the enormous complexity described above and the multiple independent variables that influence a person's salary. The FCC Group's structure includes the following: collective bargaining agreements, "inherited" working conditions, mandatory contractual subrogation in many of its activities and seniority, among others.

FCC is progressively working on this calculation of the gender pay gap by area. FCC Industrial has been the first line of business to begin and is currently finalising the study. Aqualia has also begun this calculation, and due to the complexity of the process, it is expected that it will be completed shortly. In the coming months, studies will begin in Construction, Environmental Services and Corporate Services.

It should be noted that the FCC Group does not have any payment systems or savings provisions for its employees.

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<sup>4</sup> Both senior management (direct reporting to the Managing Director) and the employees who hold management positions and positions of responsibility in the FCC Group are part of the management team.

### 3.2. Attract, motivate, develop and retain talent

The FCC Group promotes a suitable working environment with the aim of attracting, motivating, developing and retaining the best professionals.

The first step to achieve this is in the employee selection process. FCC resorts to external recruitment sources and seeks to have a significant presence in many of them: LinkedIn, Infojobs, websites of public employment services or universities and professional associations. These not only offer a large number of potential employees, but also provide greater visibility for FCC as an employer.

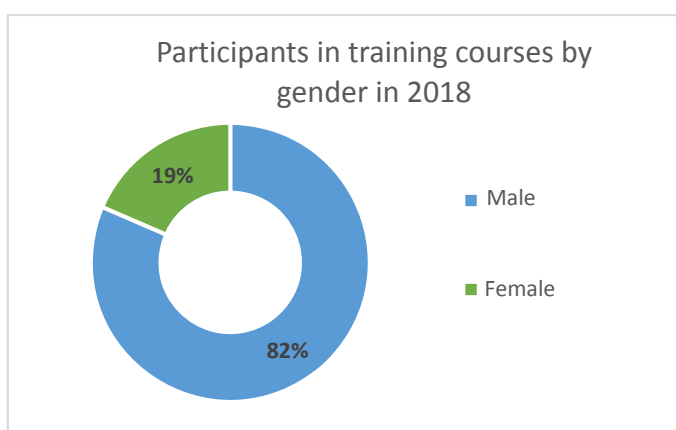
However, its most common recruitment source is the internal mobility that FCC offers its professionals. It provides new development opportunities and facilitates mobility between businesses and countries, improving informal networks, cross communication, increasing synergies and knowledge transfer between businesses.

**314** internal  
mobility offers in  
**2018**

With regard to recruitment, it should be noted that the FCC Group understands that depersonalised selection processes avoid possible discrimination, so with this in mind, in 2017 the FCC Group joined the Ministry of Health, Consumer Affairs and Social Welfare Project to promote an anonymous C.V. for job offers for executives.

Once talent has been attracted, the Group focuses its efforts on contributing to the development of its professionals with a dual objective, who not only have advanced technical and management skills, but who end up becoming leaders and benchmarks in the sector.

#### Training in the FCC Group in 2018



## Percentage of training hours by business area

|                        | 2017  | 2018  |
|------------------------|-------|-------|
| Environmental Services | 72.1% | 60.5% |
| Water Products         | 13.6% | 17.9% |
| Construction           | 11.3% | 15.6% |
| GCPV                   | 2.6%  | 4.2%  |
| Corporate Services     | 0.4%  | 1.8%  |

## Number of hours performed by participants and professional levels in 2018<sup>5</sup>

|                        | Executives | Middle management | Technicians | Qualified personnel | Unqualified personnel |
|------------------------|------------|-------------------|-------------|---------------------|-----------------------|
| Environmental Services | 1,405.3    | 10,851.4          | 11,124.8    | 39,041.8            | 94,301.7              |
| Water Products         | 3,014.0    | 26,128.0          | 12,431.0    | 9,497.0             | 30,034.0              |
| Construction           | 869.5      | 9,292.0           | 28,213.0    | 26,974.0            | 5,333.0               |
| GCPV                   | 535.0      | 3,415.0           | 3,265.0     | 6,892.0             | 770.0                 |
| Corporate Services     | 2,148.0    | 1,272.0           | 3,010.0     | 1,609.5             | 0.0                   |

At a transversal level, in 2018 a series of high-impact training actions were carried out in absolute accordance with the values and culture of the FCC Group:

- Launch of the Code of Ethics and Conduct training plan, with the aim of establishing the principles that guide behaviour in the Group and strengthening the culture of compliance with internal laws and regulations. It is planned to extend this training to the international area in the coming years.
- Training in risks and controls, with the aim of identifying strategic, operational, compliance and financial risks that facilitate ongoing management through action plans
- Training in data protection in view of the application of the General Data Protection Regulations.

In addition, the FCC Group develops and participates in training programmes aimed at creating an enriching working environment, free from discrimination and favouring diversity. Among the actions carried out, it is worth mentioning three initiatives for the training and development of women in leadership positions.

<sup>5</sup> The data provided corresponds to the national area. A system is planned to be implemented for future years to standardise professional groups in order to provide data from the international sphere.

Promociona Project, specialising in preparing women for senior management positions and boards of directors. Coordinated and co-financed by the CEOE, with the participation of the Ministry of Health, Social Services and Equality and the collaboration of ESADE. Three women from FCC have participated.

Development programme aimed at women with high potential from the Escuela de Organización Industrial (School of Industrial Organisation) (EOI) In 2018, 10 women completed this training.

3rd edition of the Mentoring Programme and Scholarship Programme “Mujeres STEM 2018/2019” of the Sepi Foundation, in Aqualia.

Finally, the programmes for the training of new talents developed by the company's different business lines are of special interest:

- International Programme for Young Talents launched in the Construction area: the training aims to promote the development of recent graduates in order to ensure that positions in the company's international projects are covered.
- Trainee positions at Aqualia: in 2018 it has incorporated trainees who have completed the Master's Degree in Water Engineering from the EOI, with which the company has had a collaboration agreement since 2015.
- International trainee positions of the End of Master's Project that have been carried out since 2015 in the Environmental Services area, providing students in the last year of the ICAI Master with an international project to carry out their “*end of master work*”.

### 3.3. Organisation of employment

In order to guarantee the wellbeing of its employees, the FCC Group considers it essential to properly manage the organisation of work and has different initiatives to achieve its objective.

## Pillars of FCC's culture for the design of the employment organisation:



### Participatory design

Involve Group members in implementing initiatives that take into account their perspectives and experiences



### Development of personal skills and resources

To provide people with a body of knowledge that allows them to have a global vision of their work



### Flexibility plans

Match employees' time to their individual needs



### Information Technology

Distribute knowledge throughout the organisation



### Group company networks

Deliver complex solutions that meet the needs of customers and projects

Among the different actions carried out, the Group places special emphasis on work-life balance, flexibility, co-responsibility and disconnection, which are adapted to the different organisational or production realities and needs of each centre, function or activity.

## Work-life balance

Some of the measures carried out in Spain are:

- Continuous working day in summer periods
- Continuous working day on Fridays
- Flexibility in the choice of when holidays are enjoyed and extension of the period they are enjoyed outside the calendar year
- Flexibility of coming in and leaving the offices and at lunchtime
- Extension of lactation time, reduction of working hours or leave to care for family members
- Partial early retirement
- Extension of the period for reserving a job in the event of leave of absence to care for children or family members
- Extension of leave due to birth, serious illness or death, with additional extension for travel

There is currently no information that can be processed uniformly, given the difficulty derived from diversity in applicable legislation and policies for the international area. The Group has policies and commitments (adherence to the UN Global Compact, Framework Agreement between FCC Construcción, S.A., and the CCOO and UGT Construction and Wood Trade Union Federations, etc.), which are applicable in all the countries in which

the Group is present. Work will be done on a system to measure these policies at international level, for future years.

Information leaflets prepared by the Environment area on the Equality Plan have been used, in order to disseminate the work-life balance and co-responsibility measures, in which information on the subject has been included. A new brochure was published in 2018, which expressly mentions that men avail themselves of measures for work-life and family-life balance, thus promoting and favouring co-responsibility.



## Disconnection

The FCC Group is committed to the well-being of its workers and recognises the right to digital disconnection as a fundamental element to achieve a better organisation of working time in the interest of respecting personal and family life.

The company's philosophy is that users of technological resources should not connect to them outside of their working hours, as long as they do not have to comply with any obligation or responsibility regarding their job that cannot be postponed.

Along these lines, the Group is preparing a policy proposal, which will be implemented together with certain training actions, in order to raise awareness and train workers on the reasonable use of technological tools, avoiding the risk of computer fatigue.

On the other hand, and for this, it is important to point out the technological developments that allow a proper work-life balance and disconnection:

1. **Management of own affairs:** Request for holidays or access to payroll through the new SAP digital platform, IRIS, which allows access from any device and place in a simple, fast manner.
2. **Launch of Connect 365:** A smart solution for a new way of working. It provides a digital workstation with more secure, flexible and easy-to-use tools to manage documents and workflows in the cloud. A change that involves the whole company and enables an environment full of possibilities to improve the way people work.

### 3.4. Diversity management in the FCC Group

FCC implements policies to promote equal opportunities and the diversity of its workforce through programmes, internal procedures and actions aimed at creating a working environment free of any type of discrimination.

In this regard, FCC has opted to create ethical principles and values to promote equal opportunities in all aspects of people management, from the process of selecting new candidates to the training programme for its employees.

The implementation of these values is ensured through an ongoing dialogue with the social actors. This dialogue translates into achieving important milestones in the field of equality and diversity, such as the development of female employment in under-represented sectors, the integration of people with disabilities or marginalised groups, among others.

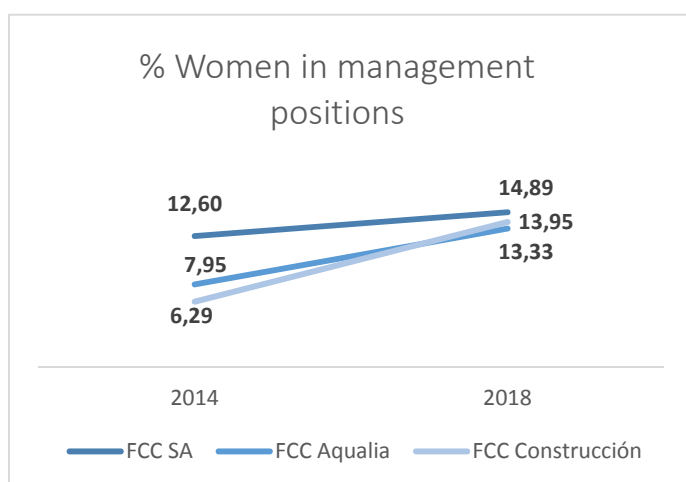
For the international area, we refer to what is included in the Work-life balance section.

#### Equality between men and women

For FCC, the principle of equal opportunities is an unwavering commitment to action, set out in its Code of Ethics and Conduct, which reflects FCC's responsibility in this area. Women represent 21% of the Group's workforce.

#### Commitments undertaken by FCC to guarantee gender equality

- FCC adheres to the principles of the United Nations Global Compact, which help companies to examine their policies and practices that they apply for the empowerment of women.
- FCC's main companies, such as Environmental Services, Construcción and Aqualia, have signed an agreement with the Ministry of Health, Consumption and Social Welfare to increase the presence of women in positions of responsibility.



The balance of these agreements has been very satisfactory, having achieved an increase in the percentage of women in positions of responsibility, as can be seen in the graph below, which explains the evolution from the time of signing (2014) to the end of the agreement (2018).

- FCC has eight **Equality Plans** drawn up and implemented with the main trade union organisations. These Equality Plans are applicable to the entire workforce in Spain since they extend their scope of application to companies with fewer than 250 workers. In addition, up to four companies in the Group have the *Equality Seal in the Company*, a mark of excellence awarded by the Ministry with the Equality portfolio.

Other initiatives launched to enhance the value and visibility of the business commitment to Equality have been:

- Environmental Services participated in the XV Women's Race 2018 in Madrid, registering nearly 60 women workers and their families, who joined the "pink tide" called to this initiative in which a total of 35,000 women participated.



- On the website that Aqualia has specifically for Equality, <http://www.aqualiaigualdad.com/>, in 2018 the United Nations campaign, "Now is the time", has been highlighted among the publications, to reflect on how to speed up attaining the Sustainable Development Goals that most directly affect women and girls around the world, within the Agenda 2030 framework. A video has also been posted on its homepage on Aqualia Women 2018.



### Commitment against gender violence

FCC has a public and ongoing commitment against gender violence based on two fundamental principles: zero tolerance and support for the social and professional integration of the victims. The company continues to collaborate with the "Companies for a Society Free of Gender Violence" network in its work to disseminate and raise awareness, as well as to support the labour inclusion of victims.

In order to develop this commitment, the company has the support of specialised entities such as Integra Foundation and the Red Cross, both for dissemination and awareness, as well as for the labour inclusion of women who have been victims of gender violence. Specifically, the Integra Foundation has given special recognition to the work carried out in FCC's Environmental Services area, having employed nearly 80 women in 2018, reaching the target of 122%.

In addition, on 25 November every year the FCC Group makes an appeal within the company to remember its principles and to report on its commitment and vision: zero tolerance of gender violence and promotion of the social and professional integration of female victims. For this occasion, FCC Medio Ambiente generated its specific "by your side" brand and campaign aligned with the company's values of equality, non-

discrimination, diversity and social and labour action, and was launched to celebrate the international day to eliminate violence against women.

### Protocol for the Prevention and Eradication of Harassment

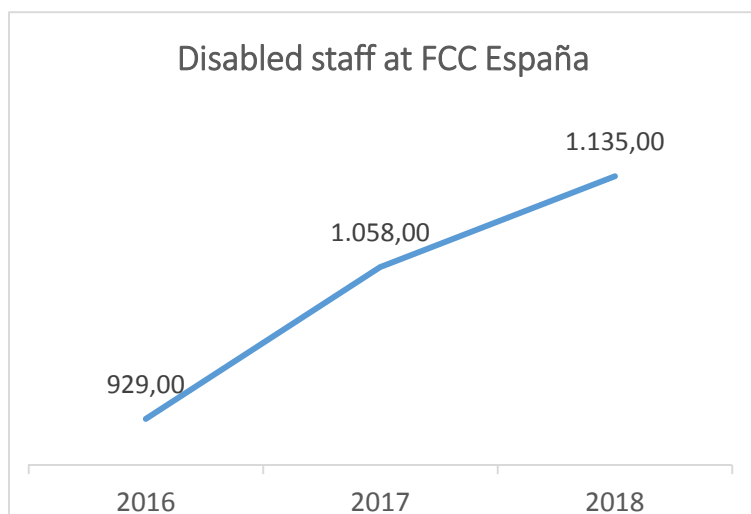
The Group has a *Protocol for the Prevention and Eradication of Harassment* which aims to prevent, resolve and punish harassment that may occur at work, whether sexual or that is based on gender discrimination. The protocol, which must be complied with, sets out the principles of the FCC Group's commitment in this area, aimed at guaranteeing the dignity, integrity and equal treatment of all persons. FCC has enabled a confidential online email address and complaint form.

In 2018, the FCC Compliance Committee received a total of 22 complaints of a labour nature through its complaints channel - mostly due to incidents in the area of respect between people.

### Disability

FCC maintains and reinforces its commitment to people with disabilities by advancing its commitment to being an increasingly diverse and socially responsible company, promoting actions and projects that promote inclusion, accessibility and equality through employment. An example of this is the high number of employees with a disability recognised in FCC Spain, which are 1,135.

#### Evolution of disabled workers in FCC Spain<sup>6</sup>:



One of the most noteworthy projects in the field of integrating disabled people into the workplace is FCC EQUAL CEE, promoted by the Environmental Services area. This is a special employment centre, in which 30 people with disabilities already participate, which seeks to offer job opportunities and provide skills and competencies for professional development in the company.

<sup>6</sup> Specifically, as for the international area, the different classification of disabled persons, evaluated according to the different legislations, makes it difficult to analyse the data. For future exercises we will work on a formula that allows us to treat the data in a standardised way.

Likewise, in the Construction area, the *La Diversidad Sum* project, has been launched, and a space has been created in the intranet for Equality and Diversity for this, called *enpositivofcc.com*, which includes the principles and values of the company, its mission, vision and the actions implemented for effective equality between women and men.

The project has been created fundamentally to strengthen its strategy of diversity and support for groups at risk of social exclusion. Within the framework of this development, *Disability Day* was held, which included a series of workshops and activities organised by FCC Construcción and FCC Industrial with the Adecco Foundation.



In addition, the Group actively collaborates with specialised organisations that advise on the management of recruitment and employment support for people with disabilities. The main organisations with which we collaborate are the following:

- Incorpora Foundation (La Caixa): Environmental Services has signed a collaboration agreement with Incorpora for the insertion of the groups with the greatest difficulties in labour insertion, which includes 372 labour insertion entities, which has allowed it to multiply the number of insertions exponentially, doubling its figures in less than three years.



- ONCE Foundation (*Inserta Programme*): FCC supports different projects and promotes social and labour inclusion through workshops, training courses and other actions, such as awareness-raising campaigns.

- Adecco Foundation(*Family Plan*): an action programme focused on increasing autonomy, integration and subsequent access to the labour market for family members with disabilities, which is present in Construction and Aqualia.
- Prevent Foundation (*Learning and Entrepreneurship Programme*): FCC has once again participated in a training and *mentoring* programme in collaboration with the ESADE business school, which provides knowledge and training for entrepreneurs with disabilities.
- The Down Syndrome Foundation: Aqualia has an agreement signed with the Foundation for the incorporation of workers with intellectual disabilities to its staff. It has been recognised by the entity one more year, with the Stela 2018 award.
- Recycling to Change Lives Programme (ECOEMBES): Environmental Services has been collaborating with the specific insertion programme for people disconnected from the world of work, being the main actor in the public presentation of the programme in the presence of the Minister of Employment and Social Security, as a sector entity committed to this social sustainability project.



## Accessibility

The inclusion of people with disabilities is not possible if accessible and barrier-free environments are not guaranteed for all people in the Group, regardless of their needs.

In 2018 FCC participated in the First Diagnosis of Accessibility in the Community of Madrid: The Value of Accessible Environments, carried out by the Prevent Foundation and promoted by the Regional Health and Safety Institute. This consisted of a basic study of accessibility in the working environment at the corporate headquarters of the entire FCC Group, which is located in Las Tablas (accessibility criteria have been applied which corresponded to nearly 80 indicators). The company has also implemented a control and monitoring procedure to record all improvement actions undertaken and to carry out periodic checks on their maintenance.

Finally, it should be noted that the company's website has been developed in compliance with Level AA according to Standard UNE 139803:2004, which in turn is based on the

Accessibility Guidelines for Web Content 1.0 of the W3C, adopting a series of measures with the aim of ensuring accessibility to the content:

- Facilitate user access regardless of their capabilities or environment.
- Allow access with different user agents.
- Include clear and well-structured content.
- Improve browsing and user experience.

Web accessibility is AENOR certified and covers all areas except cement.

### 3.5. Social Relationships

FCC understands that in order to establish a link with its employees, it is necessary to have social dialogue and communication with its workers, their legal representatives, trade unions and other social agents in order to promote the implementation of agreements through collective bargaining and that the different collective processes are carried out transparently, setting up monitoring committees and providing employees and workers' representatives with all the necessary information.

The Labour Relations function deals with the monitoring of collective procedures, collective bargaining and social dialogue (which is the main tool for identifying the needs and sensitivities of the different interest groups) and also defines the general criteria for action, monitoring and coordination of the equality and diversity and disability management plans and seals.

#### Collective bargaining, balance of collective agreements

All FCC Spain personnel are covered by a collective bargaining agreement, regardless of the area of activity.

In the Construction and Cement areas, collective bargaining is mainly channelled through sectoral agreements (state and provincial agreements). It also participates, through different business associations, in the negotiation of different sector collective agreements within the different areas and activities of FCC.

In the Environmental Services and Water divisions, collective agreements for contracts and work centres are of great importance in addition to the sectoral agreements. During 2018, these areas have had a presence in numerous roundtables for the negotiation of agreements or collective bargaining agreements in the workplace, and have actively participated in sectoral collective bargaining (at both state and provincial levels).

**Thus, more than 800 collective bargaining agreements or agreements, of different scope and extension, are applicable.**

#### Special mention of occupational health and safety in collective agreements

In a large number of the collective bargaining agreements applicable in Spain, special attention is paid to those encompassing occupational health and safety.

Thus, the General Agreement on Construction devotes an entire book to this subject and the Chemical Industry, in 2018, signed a chapter for this.

In the various company or workplace agreements, special attention is also paid to health and safety. The clauses that have been most frequently included in the collective bargaining agreements entered into with respect to occupational health and safety are as follows:

- Existence of prevention plans: risk assessment and technical-preventive action
- References to the continuous improvement of the general conditions of workplaces
- Specific preventive measures such as personal protective equipment, and in emergency situations or work with special risks
- Communication and dialogue with prevention services
- Health monitoring issues: periodic medical check-ups
- Regulations in relation to workers' rights: participation, training and information
- Legal representation of workers: health and safety committees and prevention officers

Finally, it should be pointed out that work continued on Aqualia's Charter for Occupational Health during 2018, in which representatives of the major trade unions and the company's management collaborated in the improvement of health and welfare conditions through dialogue and planning good practices at a global level.

### 3.6. Health and safety

FCC is working to create a preventative culture to create risk-free environments for its employees. Health and safety is a commitment for the organisation, through the constitution of its own joint prevention services in each of the business areas.

#### **FCC's preventive management**

The Code of Ethics and Conduct, approved in 2018, states that the prevention of risks at work is a differentiating and indispensable element for FCC to protect the health and safety of employees and partners. It also adds that the FCC Group is committed to generating a healthier lifestyle culture.

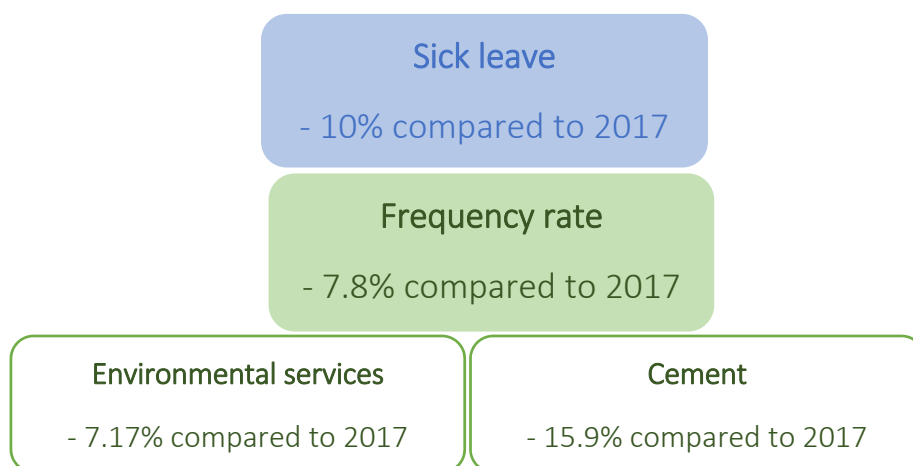
Preventive management is carried out on the basis of a Prevention Plan or Management System certified and audited internally and externally throughout the Group each year. In 2018, the OHSAS 18001 certification was renewed in all areas, gradually starting to adapt the systems to the new ISO 45001 standard.

In 2018, a joint prevention service was set up to cover Corporate Services, considering this model to be more in line with their organisational reality. Thus, the areas of Infrastructures, Environmental Services, Water Management and Corporate Services have an equivalent organisational model for health and safety management, consisting of a joint prevention service that covers the companies operating in each area, which are formally adhered to this service.

In addition, the FCC Group has been recognised in several areas for its management and implementation of a preventive culture, such as the National ACEX Road Maintenance Safety Award.

In terms of its participation in specialised forums, FCC is a member of AESPLA (Asociación Española de Servicios de Prevención Laboral), a national benchmark organisation in the field of occupational risk prevention.

#### How FCC has decreased the accident rate



#### Evolution of Accident Rates:

|           | 2016  | 2017  | 2018  | Contents  |
|-----------|-------|-------|-------|-----------|
| Total FCC | 27.31 | 26.15 | 24.08 | Frequency |
|           | 0.91  | 0.91  | 0.82  | Severity  |

#### Accident rates by geographical area 2018

|           | Freq Acc. | Severity | Scope  |
|-----------|-----------|----------|--------|
| Total FCC | 29.94     | 1.07     | Spain  |
|           | 24.08     | 0.82     | Global |

#### Accident rates by gender 2018

|           | Freq.Acc. | Severity | Incident | Gender |
|-----------|-----------|----------|----------|--------|
| Total FCC | 31.73     | 1.14     | 4.74     | Male   |
|           | 24.93     | 0.99     | 3.48     | Female |

## Indices for Absenteeism due to work accident and common illness 2018

|           | 2016 | 2017 | 2018 | Type           |
|-----------|------|------|------|----------------|
| Total FCC | 0.72 | 0.73 | 0.54 | Acc. Work      |
|           | 6.82 | 7.24 | 7    | Illness Common |

## Fatal Workplace Accidents

|           | 2016 | 2017 | 2018 | Type          |
|-----------|------|------|------|---------------|
| Total FCC | 2    | 4    | 4    | Own           |
|           | 7    | 2    | 4    | Subcontracted |

During 2018, the company continued to promote the "Zero Accidents" objective in its works. Aqualia has developed special attention contracts to reduce accident rates, with specific preventive measures and monitoring plans. In the Environmental Services area, a health and safety management model has been designed and launched in a waste treatment centre, which will be exported to the rest of the company's centres.

The Group has also organised the fourth edition of its health and safety awards, the purpose of which is to reward initiatives carried out by FCC's departments, teams, business areas or individuals, which contribute to strengthening the culture of prevention and the promotion of health and well-being in the workplace.

### FCC's medical service

FCC Medical Services in Spain is responsible for promoting the physical, mental and social wellbeing of workers, preventing damage caused by working conditions and protecting against health risks caused by agents outside the working environment.

In 2018, a new IT tool to manage the monitoring of health was put into service, which substantially improves agility in obtaining information, applying protocols and complying with personal data protection regulations. It is possible to homogenise and integrate the work of the different medical services with this new application.

Also noteworthy is the implementation of a protocol for action in the event of a health emergency in corporate buildings.

### Medical check-ups

+ 4% compared to 2017

### FCC healthy company

The promotion of health and well-being is another of the organisation's primary objectives. In recent years this has resulted in multiple initiatives and the incorporation of procedures and processes that have as a reference the renowned management models of healthy company, such as AENOR.

With regard to the main milestones in this area, the following should be highlighted in Spain:

- Certification of the Healthy Company Model in all delegations of the FCC Medio Ambiente Nacional division.
- Health promotion campaigns, and active participation in external initiatives such as the Ehealth Challenge.
- Assessment of psycho-social factors in head offices, with high staff participation (>75%).
- Training activities and promotion of the physical, social and emotional well-being of employees.

## 4. MANAGING IMPACTS, WORKING NEW OPPORTUNITIES

The FCC Group integrates three businesses through which it seeks to contribute to improving the environment, the well-being of citizens and their surroundings.

In particular, the *raison d'être* of FCC Medio Ambiente is the protection and improvement of natural and urban environments, providing services such as the collection, treatment, recycling, energy recovery and elimination of solid urban waste; street cleaning; maintenance of sewer networks; maintenance and conservation of green areas; recycling, recovery, treatment and elimination of industrial waste, as well as the decontamination of soils and groundwater.

In the case of Aqualia, its activity not only contributes to the care and well-being of its customers but also to the preservation of the value of natural resources, such as water resources and the protection of biodiversity.

In the Infrastructures (Construction and Cement) area, the Group contributes to promoting the sustainable and inclusive development of cities, mitigating their impact on the environment through measures to optimise the use of the necessary resources, investments in the control and reduction of emissions, and continuous monitoring provided by its environmental management systems.

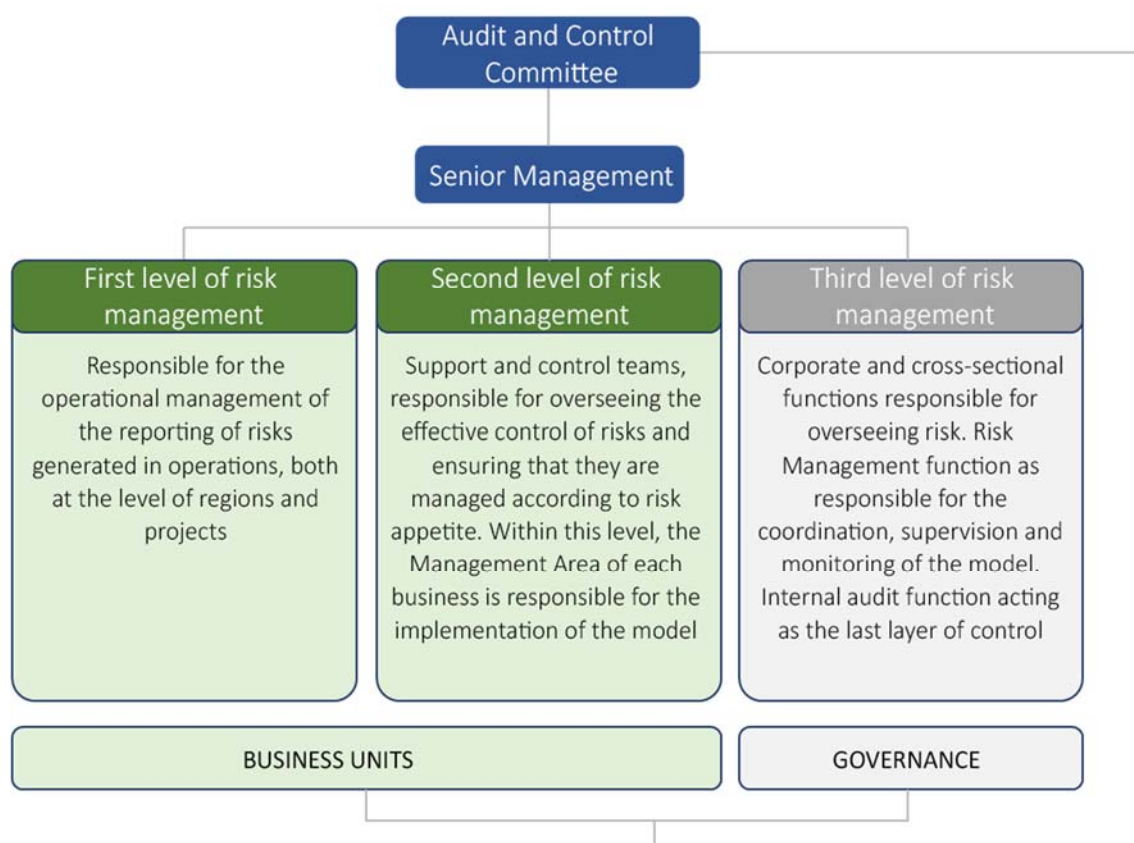
### 4.1. Caring for and protecting the environment

In each of its business lines, FCC promotes caring for and respecting the environment and aims to improve the efficiency of its activities, minimising their impact, managing resources responsibly and protecting biodiversity.

In order to do so, it monitors its processes with the aim of identifying, evaluating and managing the impacts produced, adopting the necessary practices to minimise them.

### Risk management at FCC

FCC applies the precautionary principle to risk management. The model used by the Group is based on three independent levels of management, but which act in a coordinated manner to maximise their efficiency and enhance their effectiveness.



In addition, the Group carries out a detailed analysis of the environmental risks it faces for each of its business lines and how these may affect health and safety.

#### 4.1.1. FCC's management of the main environmental risks faced by the Group's business lines

| Environmental Services                                                                                                                                                                                                                                                                                                                                                      |                                                                                                                                                                                                                                                                                                                                      |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>Main environmental risks</b></p> <ul style="list-style-type: none"> <li>• Surface water pollution due to overloading of treatment systems</li> <li>• Sewer system failures due to extreme weather events</li> <li>• Situations of potential conflict over water use</li> <li>• Stricter regulation regarding waste treatment and energy recovery processes</li> </ul> | <p><b>FCC's management approach</b></p> <p>FCC is committed to the circular economy so as to mitigate these risks, thus seeking new business channels and opportunities.</p> <p>In addition, it focuses its efforts on improving the efficiency of its processes, especially those related to the reuse of wastewater and waste.</p> |

| Aqualia                                                                                                                                                                                                                                                                                                                                              |                                                                                                                                                                                                                                                                                                                                                                                                          |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Main environmental risks</b> <ul style="list-style-type: none"> <li>• Potential risk of supply disruptions due to water shortages and drought periods</li> <li>• Situations of potential conflict over water use</li> <li>• Implementation of a more restrictive regulatory framework for water use</li> <li>• Areas with water stress</li> </ul> | <b>FCC's management approach</b> <p>Aqualia has increased its investment in innovation and development in this area, with the aim of designing solutions that guarantee the supply of water, especially in areas of scarce availability of the resource.</p> <p>Aqualia is also committed to reuse as an alternative to maximise the use of water in distribution, supply and consumption processes.</p> |

| Construction                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                                                                                                                                                                                                                                                                                                              |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Main environmental risks</b> <ul style="list-style-type: none"> <li>• Design of infrastructures with less environmental impact and greater resilience</li> <li>• Vulnerability of infrastructures to extreme weather events</li> <li>• Changes in transport patterns associated with climate change</li> <li>• Modification of the regulatory framework related to environmental issues</li> <li>• Increase in the price of resources used</li> <li>• Development of infrastructures in geographic markets with greater vulnerability and environmental exposure</li> <li>• Technology breakthrough and new production models</li> </ul> | <b>FCC's management approach</b> <p>FCC Construcción promotes innovation applied to the identification, monitoring and management of structural risks in buildings and infrastructures.</p> <p>It also uses systems to strengthen and reinforce structures and materials to mitigate the risks it faces.</p> |

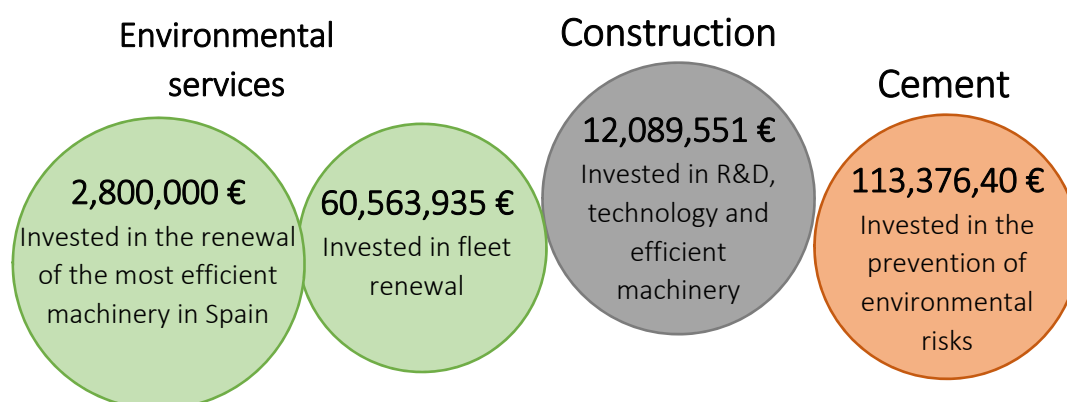
| Cement                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                                                                                                                                                                                                                                                                                                                                                                            |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>Main environmental risks</b></p> <ul style="list-style-type: none"> <li>• Predictable increase in pressure from availability of water resources and competition with other uses</li> <li>• Changes in regulatory framework and price of the resource</li> <li>• Development of protocols for emergency action in the event of extreme weather events.</li> <li>• The restriction of activity by climatic criteria in the regulation of the sector</li> <li>• Increases in the costs of production, operation and maintenance processes</li> <li>• Legal or reputational risks related to the development of activities in sensitive areas or on sensitive resources</li> </ul> | <p><b>FCC's management approach</b></p> <p>Cement focuses its efforts on mitigating greenhouse gas emissions through:</p> <ul style="list-style-type: none"> <li>• Replacing natural raw materials with other low carbon ones</li> <li>• Replacing fossil fuels with alternative biomass fuels</li> <li>• Carrying out actions for the energy recovery of waste</li> </ul> |

### Dedicated resources for environmental risk prevention

In 2018, the Group's Risk Map was updated to reflect the actions designed to mitigate the main risks. Monitoring and control measures have been identified and established for the following environmental risks:

- Generic risk of non-compliance with applicable environmental regulations.
- Obtaining and development of energy recovery permits.
- Future impact and adaptation to the change of the European regulation of<sub>2</sub>.

Thus, the different areas of FCC have set aside an allocation of their investments for the identification and development of preventive measures to reduce possible damage to the environment.



#### Amount of FCC Group provisions and guarantees for environmental risks

Accidental pollution coverage is insured through the general civil liability policy, covering third parties for any damage derived from pollution. The gradual pollution coverage is insured through the environmental civil liability policy. The geographical scope is global and acts in contrast to the limits of the local policies contracted.

#### 4.1.2. FCC Group policies on environmental issues

FCC has an Environmental Policy, approved in 2009 by the Board of Directors, in which it sets out its commitments for the preservation of the environment and the use of available resources:

- Continuous improvement of all its activities
- Control and monitoring
- Climate change and prevention of pollution
- Observation of the environment and innovation
- The life cycle of its products and services

In addition, both FCC's Code of Ethics and Conduct and its CSR Policy (2016) include the principles governing the Group with regard to reducing any negative effects that may arise from its activities.

It should be noted that in 2012 the Group designed its Climate Change Strategy, currently under review; the main objective of it is to reduce greenhouse gas emissions into the atmosphere by improving efficiency in the use of resources.

FCC also has an Energy Efficiency Technical Guide to encourage both energy efficiency and savings and the reduction of polluting emissions at its corporate facilities.

The CSR 2020 Master Plan reinforces the company's environmental positioning and is aligned with the United Nations Sustainable Development Goals through 4 main points: the circular economy, the fight against climate change, the response to water stress and the protection of biodiversity.

#### 4.1.3. Environmental management system<sup>7</sup>

The FCC Group's objective is to achieve that 100% of its activity is certified in accordance with the UNE-EN ISO 14001:2015 standard. In 2018, certified activity coverage for FCC is close to 90%, as shown in the table. The variation from one year to the next is due to the new work and activities that are beginning to be certified in order to obtain the objective to get as close as possible to 100%.

|                                               | 2016  | 2017  | 2018 |
|-----------------------------------------------|-------|-------|------|
| FCC Activity with environmental certification | 84.4% | 92.2% | 88%  |

FCC Medio Ambiente is also UNE-EN ISO 14001, EMAS and UNE-EN ISO 50001 certified.

In 2017 FCC Construcción adapted its Management and Sustainability system to the new ISO quality and environmental standards, applied in 27 countries around the world.

In the same way, during 2017, Aqualia adapted the Quality and Environmental Management System, at international level, to the new 2015 versions of the UNE-EN ISO 9001 and 14001 standards.

All cement factories in Spain are ISO 14001 certified and registered in EMAS (The European Eco-Management and Audit Scheme), a voluntary tool designed by the European Commission for the registration and public recognition of those companies and organisations that have implemented an environmental management system that allows them to assess, manage and improve their environmental impacts, thus ensuring excellent performance in this area.

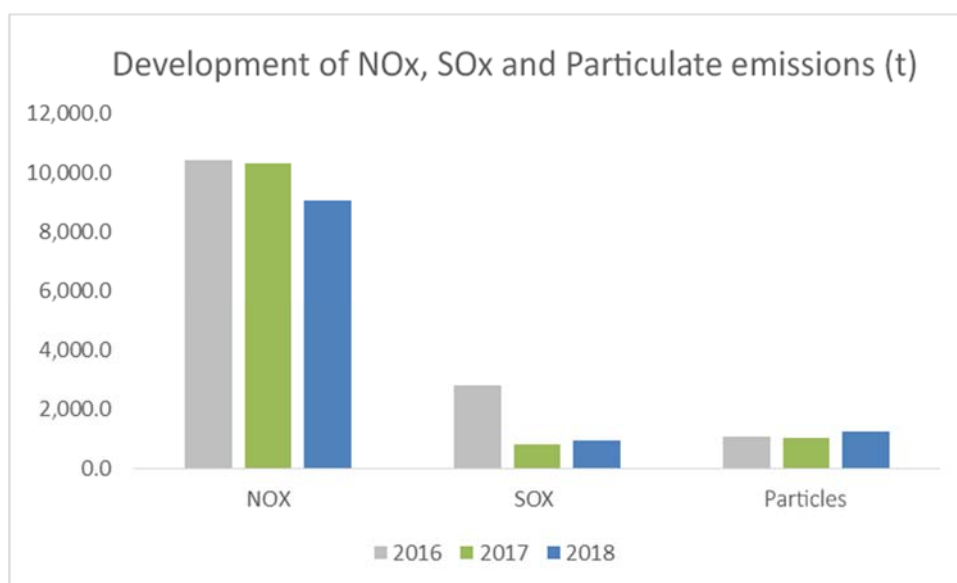
#### 4.2. How FCC reduces its polluting emissions

FCC's business lines carry out different initiatives that contribute to reducing emissions associated with combustion. This has a direct impact on the reduction of particulate, NOx and SOx emissions.

The Group's facilities have gas purification and filtering systems, each of which is adapted to the characteristics of the process that generates the pollutants. All the Group's centres are subject to Integral Environmental Authorisation (according to IPPC Law 16/2002) and have their own limits for emission into the atmosphere for all their emission sources. They have control and monitoring systems for this, which allow them to monitor these emissions and their evolution.

<sup>7</sup> See scope table in Annex I for the scope of the reported indicator.

## Evolution of NOx, SOx and particulate emissions<sup>8</sup>



FCC's businesses also contribute, through their own initiatives, to reducing the effects of their activities on the environment and, where appropriate, on health and safety.<sup>9</sup> [1.2.1 - LINF 11/2018]:

| Cementos Portland Valderrivas                                                      |                                                                                                                                                                                                                                                                                                                                                                                |
|------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Measures to reduce NOx, SOx and particulate emissions                              | GCPV guarantees strict compliance with the emission limits established in the Integrated Environmental Authorisations, implementing the best available techniques in its factories, which guarantee the best performance regarding the main emissions into the atmosphere. In addition, these techniques are continuously optimised in order to maintain operating conditions. |
| Measures to prevent and mitigate the effects of noise pollution on the environment | GCPV is concerned about noise emissions from its factories to the exterior and has therefore implemented technical measures that reduce exposure to noise. Among others, the implementation of silencers or acoustic screens and replacing equipment that becomes obsolete.                                                                                                    |

<sup>8</sup> See scope table in Annex I for the scope of the reported indicator.

<sup>9</sup> No Aqualia division initiatives are presented because their impact in terms of pollution: sound, light, particles and non-GHG emissions is not significant in comparison with the impacts of the rest of the businesses.

| Cementos Portland Valderrivas                                                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
|------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Measures to prevent and mitigate the effects of light pollution on the environment | In order to comply with the established requirements and to avoid or mitigate light pollution from its operations, GCPV gradually replaces the oldest outdoor luminaires in its factories with others of greater efficiency (LED and sodium vapour).                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| FCC Construcción                                                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| Measures to reduce NOx, SOx and particulate emissions                              | <p>FCC Construcción implements measures to reduce or prevent these emissions in all its projects. It is worth mentioning the cover of trucks that transport powdery material, the use of tubes for dumping rubble from heights, the irrigation of roads and stockpiles, the control of the speed of vehicles on site, the location of machinery and activities that emit dust to cause the least possible impact and the use of machinery with a humidifying system to reduce emissions when drilling.</p> <p>In the case of combustion gas emissions produced by the use of machinery and transport, actions are undertaken such as limiting the speed of construction vehicles or preventive maintenance of the machinery used.</p> |
| Measures to prevent and mitigate the effects of noise pollution on the environment | In order to minimise noise pollution, FCC Construcción carries out various actions such as the installation of soundproof screens, the prior execution of parts of the work that can work as such, the use of more modern and quieter machinery, as well as its correct maintenance, or carrying out tasks that can cause more noise at times that are in line with the area, among others.                                                                                                                                                                                                                                                                                                                                           |

| FCC Construcción                                                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
|------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Measures to prevent and mitigate the effects of light pollution on the environment | <p>With a preventive approach, FCCCo uses environmentally friendly night-time lighting devices to mitigate light pollution and thus minimise its impact on biodiversity.</p> <p>A type of lighting is chosen depending on the project in question, its lighting needs and the characteristics of its surroundings. The specific measures carried out include the installation of timers, presence detectors to illuminate only for the time required, or directional lighting that illuminates only the required area so that it does not directly affect the environment.</p> |

| Environmental Services                                                             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
|------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Measures to prevent and mitigate the effects of noise pollution on the environment | <p>Noise pollution attributable to FCC Medio Ambiente's activity is mainly caused by the motorisation of service equipment. As the Environment area is aware of the negative effects of this type of pollution, it carries out numerous actions to reduce and mitigate the noise generated during the performance of services:</p> <ul style="list-style-type: none"> <li>- Electric-hybrid and pure electric vehicles that during the service execution phase reach the minimum noise level that is blended together with ambient noise.</li> <li>- Providing vehicles with natural gas engines with lower noise emission rates.</li> <li>- Reduction of noise emissions in side-loading waste collection vehicles. Soundproofed (encapsulated) cabinets for the water impulsion drive pump in cisterns and container washers.</li> <li>- New technologies in the construction of lifts.</li> <li>- All hoppers are insulated and lined. Automatic braking systems for deceleration.</li> </ul> |
| Measures to prevent and mitigate the effects of light pollution on the environment | <p>The Environmental Services area carries out different initiatives with the aim of preventing light pollution in all its operations, some examples are:</p> <ul style="list-style-type: none"> <li>- Outdoor lighting switches</li> <li>- The installation of motion sensors to connect the outdoor lighting</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |

### 4.3. FCC joins the circular economy

For FCC, the precepts of the circular economy are directly integrated into its lines of business.

From the Environment area, urban and industrial waste is collected, treated, recycled and valued. In addition, research is being focused on better use of waste "as resources" on the path towards a circular economy.

At Aqualia, the water used for its activities is purified and returned to the medium from which it was obtained, guaranteeing that this return is carried out in optimum conditions of the resource, in such a way that it does not harm the environment.

In addition, FCC Construcción and Cementos Portland Valderrivas incorporate this concept into their daily management through practices such as the reuse of materials in the case of Construction or the consumption of alternative materials in the case of Cement.

The FCC Group, in its desire to demonstrate its commitment to sustainable development, has designed a programme called the FCC Circular Economy Plan, as part of its CSR 2020 Master Plan. This plan defines three priority lines of action:

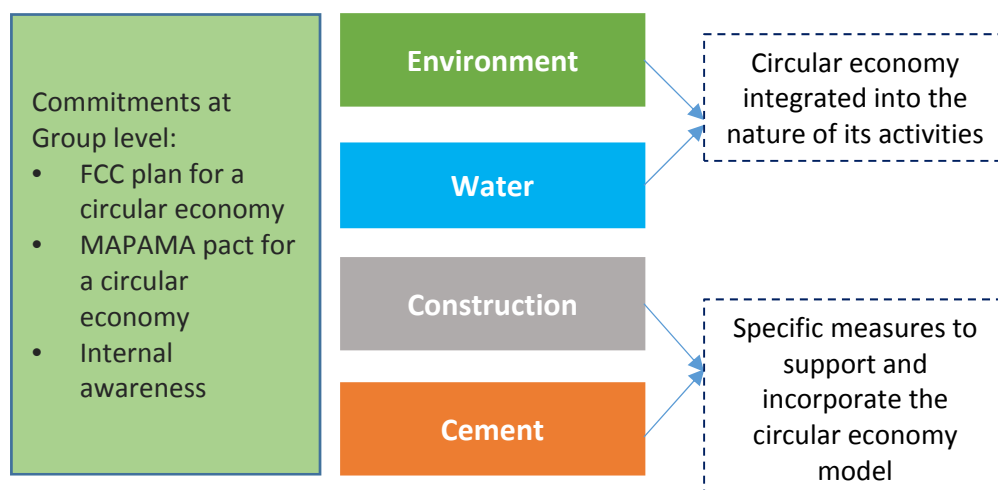
- A *gap* analysis to identify the alignment of the Group's current activities with the European Union's circular economy package
- FCC's positioning in the global circular economy model through a formal statement.
- The definition of specific objectives for the reduction, reuse and recovery of outflow.

In addition, the company works across the board to improve internal knowledge of the circular economy, with the aim of keeping professionals abreast of regulatory developments and in the field of innovation. Considering that raising the awareness of employees will be one of the driving forces behind FCC's cultural transformation towards a genuine circular economy<sup>10</sup>.

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<sup>10</sup> No information is reported about FCC's food waste despite being required by law to be a non-material matter for the FCC Group.

## Understanding the circular economy in the FCC Group



To formalise its commitment to the circular economy, FCC joined the MAPAMA (Ministry of Agriculture and Fisheries, Food and the Environment of the Spanish Government, now the Ministry for Ecological Transition) circular economy pact in 2017. The objective of this initiative is to involve the country's main economic and social agents in the effective transition to the circular economy through a series of commitments that the parties involved must agree.

The FCC Group has joined this initiative through its three parent companies: Aqualia, FCC Medio Ambiente (Spain) and FCC Construcción, committing itself to ten actions:

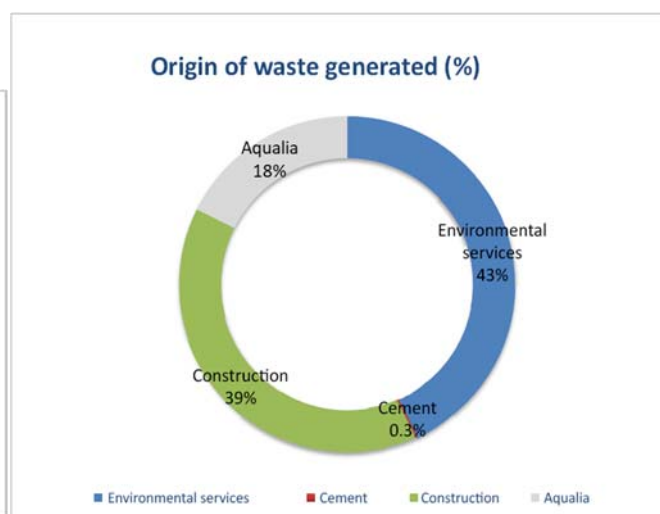
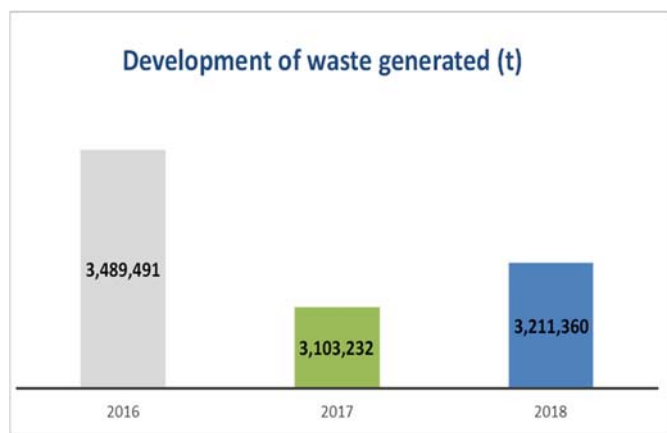
1. Move forwards in the reduction of the use of non-renewable natural resources and reuse of waste.
2. Promote analysis of the life cycle of the products and the inclusion of eco-design criteria.
3. Encourage the effective application of the waste hierarchy principle.
4. Promote guidelines which increase the innovation and efficiency of production processes.
5. Promote innovative forms of sustainable consumption.
6. Promote a responsible consumption model, based on the transparency of information.
7. Facilitate and promote the creation of suitable channels to facilitate the exchange of information.
8. Disseminate the importance of moving from the linear economy towards a circular economy, promoting the transparency of processes, awakening and awareness of citizens.
9. Use indicators which allow the circular economy's degree of implementation to be known.
10. Promote the inclusion of social and environmental impact indicators.

#### 4.4. Efficient waste management

Efficient and responsible management of FCC waste is necessary to guarantee that the environment is cared for. FCC's different business areas have specific plans that guarantee this sustainable management:

|                                      |                                                                                                                                                                                                                                                                                                                                                                                                 |
|--------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Cementos Portland Valderrivas</b> | <p>Selective collection of the waste generated in each of its work centres.</p> <p>Prioritisation of recycling, reuse or recovery as opposed to disposal.</p>                                                                                                                                                                                                                                   |
| <b>FCC Construcción</b>              | <p>Environmental Management System with special focus on the management of waste from works: land, rocks, clean rubble, etc..</p> <p>Prioritisation of recycling or recovery versus disposal in landfill.</p>                                                                                                                                                                                   |
| <b>Aqualia</b>                       | <p>Investment in innovation and technology to identify new ways of reducing waste:</p> <ul style="list-style-type: none"> <li>- Production of biogas from organic waste from the bacteria present in the digesters</li> <li>- Reuse and recovery of sludge derived from purification processes to reduce discharges.</li> </ul>                                                                 |
| <b>FCC Environmental Services</b>    | <p>The company values its contribution to the circular economy, through the recovery and recycling of waste and innovation in these areas to increase efficiency. The collection and treatment of waste is one of its main activities. With it, it contributes to meeting the readiness targets for reuse and recycling set by the State Waste Management Framework Plan (PEMAR) 2016-2022.</p> |

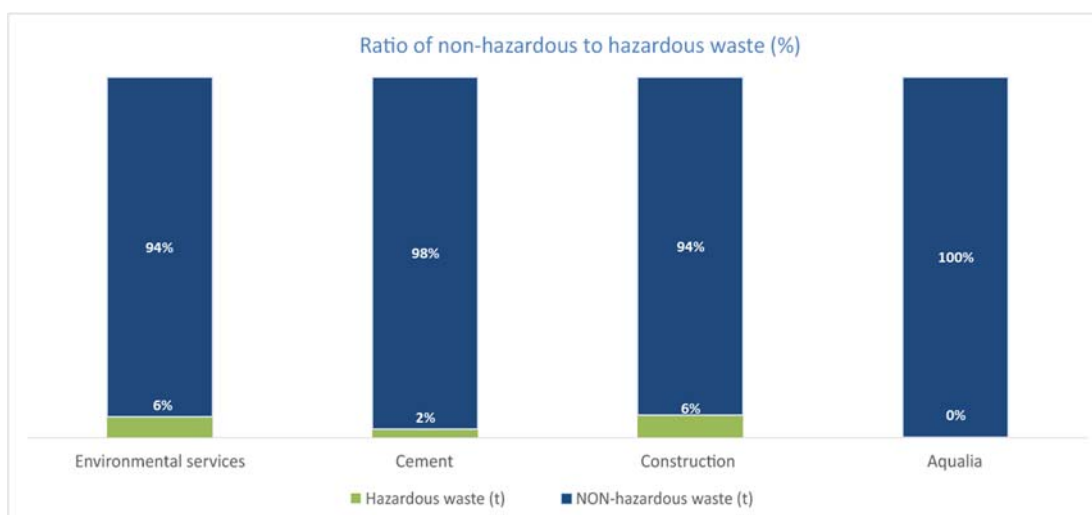
## Evolution and origin of waste generated by FCC<sup>11</sup>



The graph above shows the evolution of waste generated in FCC since 2016 and the percentage generated by each business line. In 2018, the tons have increased by 3% compared to 2017.

### Relationship between generated hazardous and non-hazardous waste

The relationship between generated hazardous and non-hazardous waste is shown below. It should be noted that the percentage of hazardous waste from FCC Construcción has increased due to the removal of contaminated soil from a construction site in Romania.



<sup>11</sup> See scope table in Annex I for the scope of the reported indicator.

## 4.5. Responsible use of resources at FCC

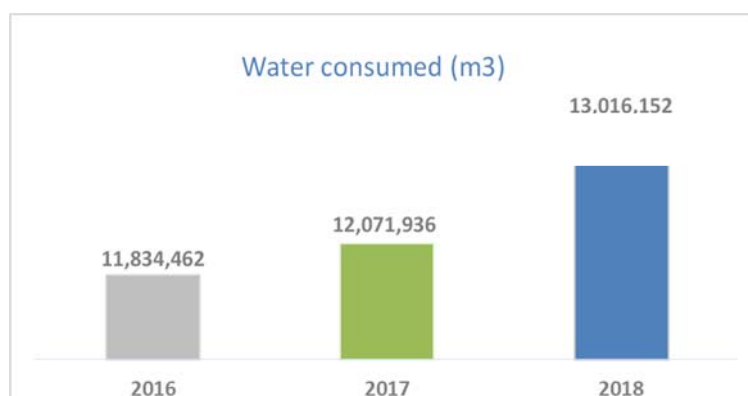
The availability and distribution of resources is threatened by the current consumption model. For this reason, FCC places special emphasis on the use of these resources from its different business lines, each of which focuses on those resources that are most material to its activities.

### 4.5.1. Responsible water management

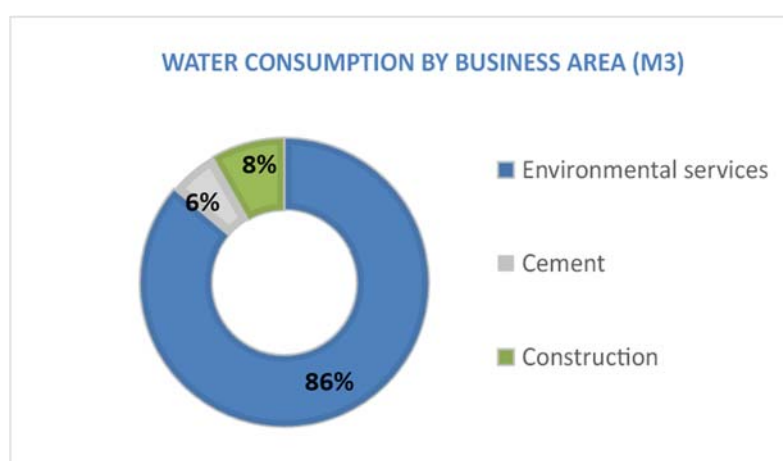
Water resources, as a fundamental element for life, with an ever-increasing demand and its effect on climate change is translated into scarcity and extreme weather events, make responsible management a priority for FCC. The FCC Group takes into account the availability of water at each place of operation by putting in place mechanisms to make the most efficient use of the resource, all businesses comply with local limitations.

The evolution of FCC Group's water consumption is shown below. Consumption in 2018 has increased by 8% compared to 2017, with a total volume of 13,016,152m<sup>3</sup> in that year.

#### Evolution of Water Consumption in the FCC Group<sup>12</sup>



The percentage of total consumption corresponding to each business area is as follows<sup>13</sup>:



<sup>12</sup> See scope table in Annex I for the scope of the reported indicator.

<sup>13</sup> Aqualia's water consumption is insignificant compared to that of other areas.

## Measures to improve the efficiency of water use in Environmental Services

86% of the FCC Group's water consumption comes from the Environmental Services area and is a key factor in the performance of its activities. The rational and efficient consumption of this resource has become a priority for the organisation in order to adapt to the consequences of climate change and mitigate, as far as possible, its adverse effects.

In order to improve FCC Medio Ambiente's water efficiency, the following initiatives, among others, have been carried out:

### Optimisation of water use in parks and gardens:

- Increase use of water from alternative sources
- Conduct drilling in large parks for groundwater abstraction
- Promotion of automatic irrigation
- Implementation of risk remote management systems
- Optimise the supply of water by a localised, underground or drip system or by applying nocturnal irrigation.
- Installation of drainage paving in water basins to improve the use of irrigation water.
- Selection of drought-resistant plant species
- Application of long-lasting surfactants to promote the circulation and distribution of water in the soil.

### Reduction of water consumption in urban cleaning:

- Incorporation of high pressure and low flow pumping systems in flushing cisterns.
- Installation of adjustable flushing systems with programmable automaton
- Reduction of the water consumption of the Dual Flushing System compared to the normal flushing systems

### Management that adapts to the reduction in water availability in SUW treatment plants:

- Installation of rainwater collection systems together with recovery ponds that allow its use in biological waste treatment processes and road cleaning.

### Use of water from alternative sources in FCC Environment's vehicle fleets and workshops

- System for capturing and storing rainwater, phreatic and purified water for transfer to mixed cleaning equipment and other uses.
- Purification and recycling of water from the toilets for reuse in the car wash.
- Recirculation of the water from the car wash that allows it to be reused.
- Capture and retention of rainwater from the roof for use by container-washing vehicles

### Internal awareness for the rational use of water:

Savings in water consumption are encouraged among operating personnel through the Ecological Office initiative and the Comprehensive Sustainability Training Plan, which has an impact on the rational use of this resource. The facilities are also equipped with:

- Taps with "fluxor" device
- Direct-acting thermostatic pushbuttons
- Flow reducers in the showers and timed pushbuttons with flow limiters in the washbasins

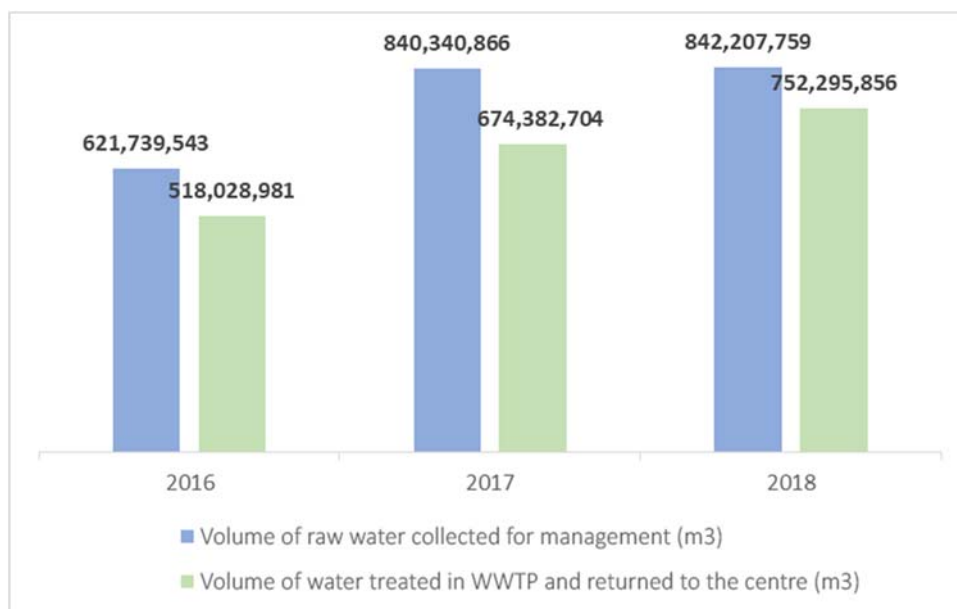
Responsible water management also includes control of discharges and spills by the Group with the aim of minimising possible damage to the environment.

For this, the FCC Group treats the wastewater produced by its activities before it is discharged. The treatments are adapted to the degree of pollution and the origin of these waters. In this way, FCC complies with the discharge limits established by regulations and formalises its commitment to the environment.

### Water management by Aqualia:

It is worth mentioning that Aqualia's aim - as a company specialising in all phases of the integral water cycle - is the efficient management of water, guaranteeing maximum quality in the provision of the service and, at the same time, protecting water resources.

The evolution of the volume of water collected by Aqualia for its management and the volume of treated water is shown below:

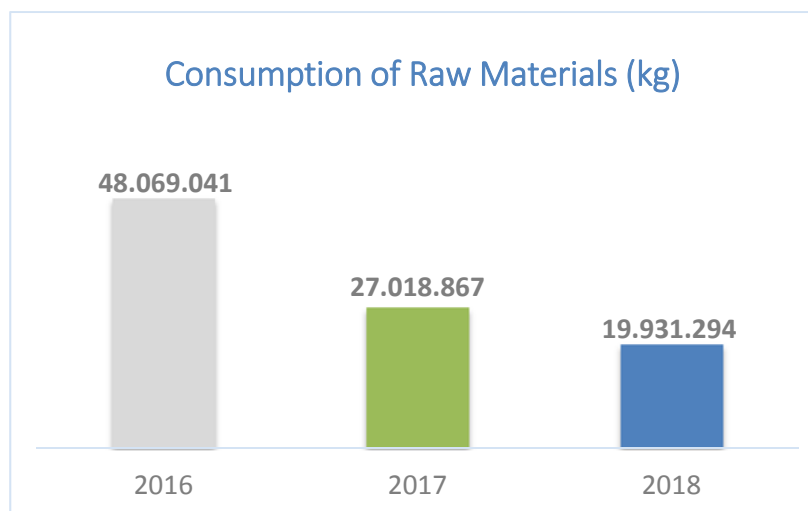


As can be seen in the graph above, the total volume of water captured by Aqualia in 2018 was 842 million m<sup>3</sup> and the volume of treated water increased by 12% compared to the figure for 2017.

#### 4.5.2. Consumption of raw materials<sup>14</sup>

FCC consumes significant quantities of raw materials due to the nature of its activities. To minimise the impact of this consumption on the environment, FCC follows the principle of reduction, reuse and recycling, through different initiatives.

Evolution of the consumption of raw materials in FCC:



During 2018, the percentage of raw materials has decreased by more than 25%, this is due to the fact that the Construction area - where the highest consumption comes from - has significantly reduced this consumption due to the lower number of works in some countries, such as Spain, Mexico, Colombia or Peru or due to the fact that in other countries, such as Qatar and Saudi Arabia, metro works are in their final stages of execution, having already carried out the bulk of earthmoving works and this is characterised by a lower consumption of materials in general and raw materials in particular.

Since the consumption of these raw materials comes essentially from FCC Construcción, this business area has implemented numerous initiatives that seek to improve the sustainability and efficiency of their consumption.

The works carried out by FCC Construcción require not only the occupation of the land, but also earth moving for their execution. One way to reduce land consumption is to compensate the clearing and embankments within the same project by using the materials extracted as land fill on site, always subject to prior verification of compliance with the appropriate characteristics and requirements demanded. In this way, it is possible to reduce the necessary volume of material on loan, with respect to the volume initially foreseen in the project.

<sup>14</sup> See scope table in Annex I for the scope of the reported indicator.

Other good practices generally implemented in projects carried out by FCC are the reuse of topsoil previously removed for grubbing and clearing, the use of inert material from other works, the choice of recycled aggregates instead of loan contribution material or the recycling of construction and demolition waste for use as gravel.

#### 4.5.3. Energy consumption

Improving the energy efficiency of companies, reducing consumption and substituting fossil energy sources with renewable sources is key to directing the Group towards more sustainable and environmentally responsible business models.

The FCC Group is aware of this priority and therefore integrates it into its daily activities as part of its strategy.

The transformations associated with the manufacture of cement imply a very high consumption of energy. This energy comes mainly from fuels - thermal energy - and electricity. The Group, aware of the depletion to which fossil fuels are subject, promotes investment in new facilities and the maintenance of existing ones so they can use heat from renewable sources, such as the use of biomass fuels, which are neutral for the purpose of emitting greenhouse gases.

Among the initiatives carried out by the Group to achieve this objective, it is worth highlighting:

- The implementation and certification of the Energy Management System in accordance with the UNE - EN ISO 50001:2011 standard.
- The Energy Efficiency Technical Guide for its corporate facilities
- The progressive increase in the consumption of renewable fuels

#### Energy efficiency in Cementos Portland Valderrivas:

In order to reduce energy consumption and emissions into the atmosphere, most cement factories use the best available techniques. In addition, the cement industry continuously analyses the energy consumption associated with production and the improvements that can be made, as this is one of the cost reduction areas with the greatest potential and of great importance for the Group's competitiveness.

#### Energy efficiency in FCC Construcción:

In order to be more efficient in the use of energy, FCC Construcción gives priority, whenever possible, to the use of renewable energies and tries to increase the performance of conventional systems or use more efficient alternative systems. The good practices applied in this area aim to reduce energy consumption and in turn reduce greenhouse gas emissions. Some examples are the installation of presence detectors, the replacement of halogens or fluorescents with LED luminaires, the switching off of equipment that is not being used and the maximum use of natural lighting.

Throughout 2018, a Basic Guide of Good Practices for Efficient Energy Management in Works has been drawn up, which contains measures that will contribute to the works consuming less energy while maintaining the same quality.

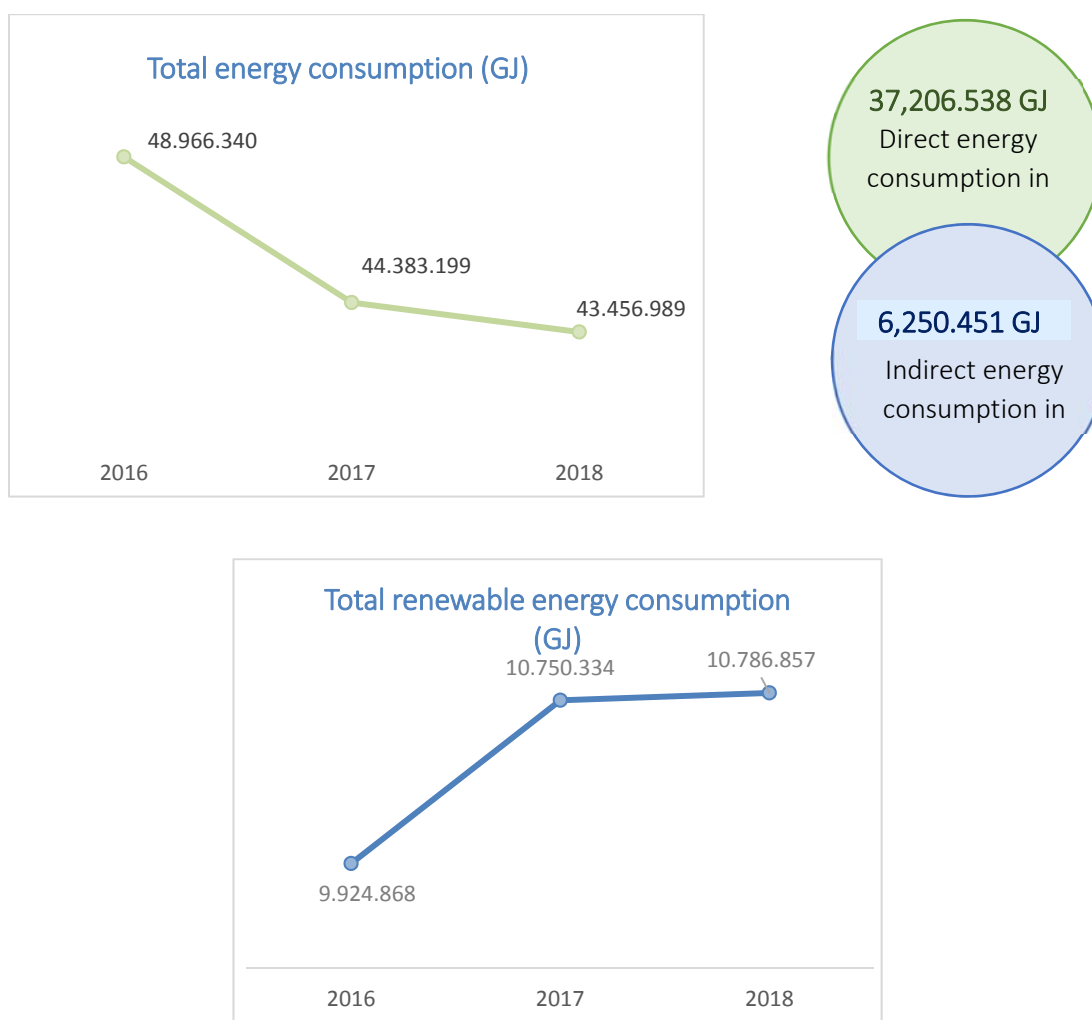
### Energy efficiency in FCC Medio Ambiente:

One of the strategic lines of R+D+I in the Environment area focuses on the development of more efficient machinery, highlighting in this sense the development of the VEMTESU project which maximises efficiency in the use of energy: the first vehicle developed with this platform consumes 50% less energy than a conventional vehicle with the same features.

### Energy efficiency at Aqualia

Aqualia, in order to improve its energy efficiency, has implemented an Energy Management System certified in accordance with the ISO 50001 standard, which involves establishing quantifiable objectives to optimise the use of energy resources in its activity.

### Evolution of energy consumption in FCC 2016 - 2018<sup>15</sup>



<sup>15</sup> See scope table in Annex I for the scope of the reported indicators.

In addition, as part of its activities, FCC generates electricity through the energy recovery of waste or through biogas from landfills and water management complexes. It also has photovoltaic panels and wind turbines to generate electricity. Once this energy has been generated, it is either fed into the grid or it is self-consumed.

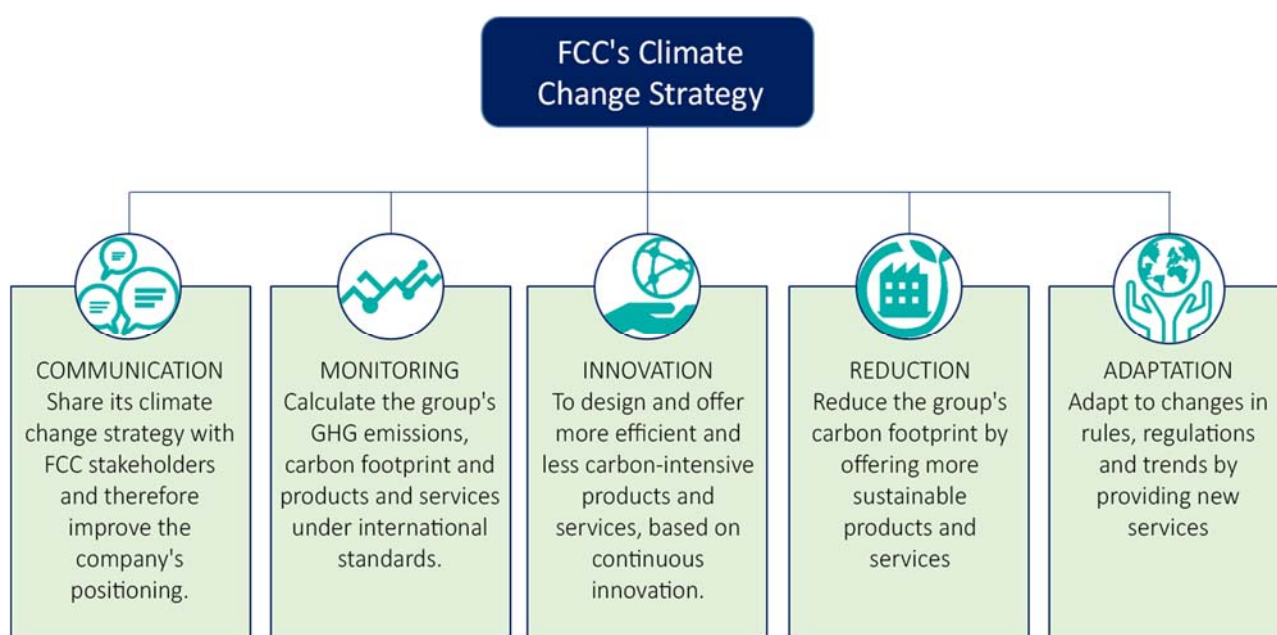
#### 4.6. FCC and climate change

Since 1972, when the United Nations Conference on the Human Environment took place, the role of business in mitigating and adapting to climate change has become clear. The last summit (COP24), held in KATOWICE (Poland) in December 2018, once again positions companies as a fundamental part of achieving a common solution.

Therefore, the FCC Group develops policies, control systems and initiatives with the aim of combating climate change, reducing its greenhouse gas emissions and integrating the targets and indicators established in the Sustainable Development Goals as part of its strategy.

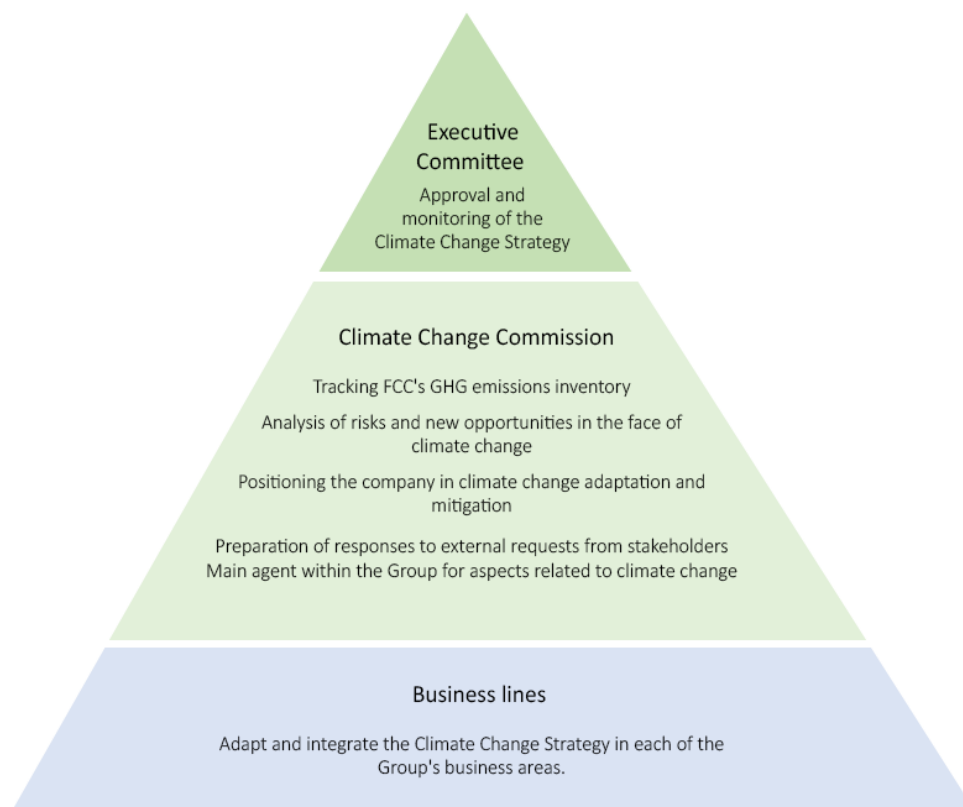
The company has a corporate climate change strategy, approved in 2012 and currently under review under the framework of the new CSR 2020 Master Plan, to adapt it to new legislation and the most recent agreements.

The objective of this strategy is to mitigate the risks associated with climate change by also taking advantage of the business opportunities identified, which is based on five fundamental pillars:



The FCC Group has assigned different responsibilities in relation to this management at all operational levels, with the Climate Change Committee - made up of representatives from all business areas - being responsible for coordinating the implementation of the Climate Change Strategy.

## Responsibilities for FCC's Climate Change Strategy



## FCC Group metrics and objectives

In order to ensure that climate change management is moving in the right direction, the FCC Group has set targets for this. Currently, and as part of the review process of the Climate Change Strategy approved with the CSR 2020 Master Plan, the targets set are being adjusted in order to adapt them to the current reality.

To establish these objectives, the potential of each of the businesses to contribute to the Group's GHG emission reduction target has been analysed. Following this analysis, a series of actions have been defined which, in turn, respond to the five pillars of the Strategy.

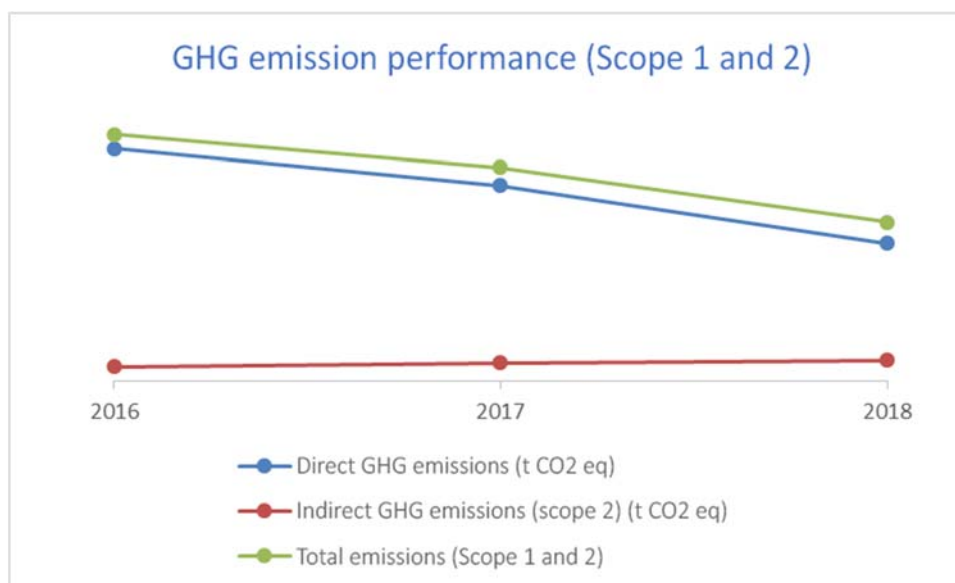
The quantitative objectives are differentiated into two groups, one corresponding to the cement business and the other to the other units. This is due to the peculiar characteristics of the cement sector, in which most of the emissions are due to processing and therefore require differentiated treatment. The objectives will be medium and long term: 2030, 2040 and 2050.

Within these objectives, the Group establishes goals related to the reduction of emissions, energy efficiency and recovery, uses of renewable energies and others.

## FCC Group direct and indirect GHG emissions<sup>16</sup>

|                                                         | 2016        | 2017        | 2018        |
|---------------------------------------------------------|-------------|-------------|-------------|
| Direct GHG emissions (t CO <sub>2</sub> eq)             | 8,661,234.0 | 7,296,889.0 | 5,165,273.5 |
| Indirect GHG emissions (scope 2) (t CO <sub>2</sub> eq) | 521,105.0   | 665,962.0   | 768,792.3   |
| Total emissions (Scope 1 and 2)                         | 9,182,339.0 | 7,962,851.0 | 5,937,065.8 |

## Evolution of the FCC Group's GHG emissions



The above graphs do not include scope emissions 3<sup>17</sup> although they are already calculated in some of the FCC Group areas; this is due to the fact that the calculation is not homogeneous and aggregation is not possible. As part of the objectives of the Climate Change Strategy, specific action plans are being established to homogenise the calculation and define reduction targets.

## Measures adopted by the FCC Group to adapt to the consequences of climate change

Due to the different nature of each of the Group's business areas, each develops and implements particular measures in order to adapt to the consequences of climate change:

### Cementos Portland Valderrivas (CPV):

CPV works on the reduction and mitigation of CO<sub>2</sub>. The cement industry emits significant amounts of this gas, which is mainly due to the decarbonation process of the limestone and the combustion of fossil fuels in the furnace.

<sup>16</sup> See scope table in Annex I for the scope of the reported indicator.

<sup>17</sup> Scope 3 emissions are those that result from company activities, but occur at sources that are not owned or controlled by the company.

#### *Actions and measures developed by CPV:*

- Replacing fossil fuels with alternative biomass fuels
- Substitution of natural raw materials by totally or partially decarbonised raw materials.
- Energy recycling
- Promotion of the use of natural resources through the recovery of materials obtained from industrial by-products.

Among the objectives set by CPV, it is worth highlighting the gradual approach to the European *benchmark* value of CO<sub>2</sub> emission value per ton of clinker (766kg CO<sub>2</sub>/T clinker).

#### **FCC Construcción (FCCCo):**

FCC Construcción is working to progressively reduce its GHG emissions and carbon footprint. For this reason, since 2011 it certifies its GHG emissions -which are calculated with a centralised approach that collects data from works to fixed centres and integrates them at corporate level- and since 2012 it also verifies its carbon footprint, through the AENOR "Verified CO<sub>2</sub> Environment" seal.

#### *Actions and measures developed by FCCCo:*

- Identifying risks and opportunities, assuming the potential impacts that climate change could have on its value chain
- Reporting emissions of its activities and calculating its carbon footprint, in addition to recording it in public registries.
- Implement good environmental practices on site to avoid GHG emissions, setting an annual target of reducing these emissions by 5%.
- Communicate its position in relation to climate change, both internally and externally
- Include the perspective of risk into the integrity of the company's projects by action of climate impacts

#### **Aqualia:**

Aqualia's activities can have an impact on global warming mainly due to the energy consumed in its operations. Therefore, it focuses its resources on improving the efficiency of its processes and decreasing the use of resources.

#### *Actions and measures developed by Aqualia:*

- Since 2010, Aqualia has progressively extended the scope of its Energy Management System in accordance with the UNE ISO 5000 standard, and since 2017 it has managed to certify the entire organisation in compliance with Royal Decree 56/2016 on energy efficiency. Thanks to the implementation and certification of this management system, Aqualia has managed to improve its efficiency and significantly reduce its carbon footprint.
- In 2017, Aqualia implemented new computer software for the control of electronic invoicing that allows the different levels of the organisation to adjust the contracting of power, control consumption and analysis of bids.

## Environmental Services

The main objective of Environmental Services in the area of climate change is to reduce emissions derived from energy consumption, through different initiatives and the strengthening of its positioning in relation to its commitment to the environment.

### *Actions and measures developed by Environmental Services:*

- Recovery of biodegradable materials, which are currently disposed of in landfills
- Degassing of cells that directly emit biogas into the atmosphere without being caught
- Calculation, monitoring and verification of its carbon footprint
- Recording the calculation of the carbon footprint in the Register of the Spanish Climate Change Office (OECC)
- Certification of the Energy Management System in the 17 delegations it maintains in Spain in accordance with the UNE-EN ISO 50001:2011 standard.
- Use of energy-efficient vehicles
- Use of renewable energies in facilities
- Efficient driving training for workers
- Replacing energy-consuming equipment with more efficient ones
- Route optimisation systems

### 4.7. Protecting biodiversity

FCC has two business lines - Environmental Services and Water Management - which, among other activities, are dedicated to preserving eco-systemic wealth.

In addition, the Group carries out various measures and initiatives aimed at ensuring that this vision is respected for all of the Group's operations and activities.

In 2013 FCC joined the Spanish Business and Biodiversity Initiative (IEEB), whose aim is to promote biodiversity as a key factor in companies' strategic decisions.

Of the activities carried out by the Group, the one that can have the greatest effect on the natural environment is the operation of quarries and gravel beds to obtain raw materials in the Cement business. In order to minimise the impact of this activity, restoration plans have been drawn up:

| Restoration plans                                                                                              |                                                     |
|----------------------------------------------------------------------------------------------------------------|-----------------------------------------------------|
| Transfer Mining                                                                                                | Benching down method                                |
| Allows the use of the earthworks generated during the extraction process to restore other areas simultaneously | Begins restoration of already exploited upper banks |

From the Construction area, and given that the impact on local communities is one of its most significant effects, a special focus is placed on the protection of biodiversity and the restoration of spaces.

During the execution and upon completion of our construction projects, we implement different measures to protect the environment and restore ecosystems that have been altered by our company's activities, drawing up specific biodiversity plans in this regard accordingly. This is a commitment that FCC Construcción has been fulfilling for years and with which it intends to respond to the United Nations' Sustainable Development Goal of protecting ecosystems and preventing their degradation.

**Land in or adjacent to, protected areas and areas of high biodiversity value outside protected areas.**

|                                                                                       | 2017         |                              | 2018         |                              |
|---------------------------------------------------------------------------------------|--------------|------------------------------|--------------|------------------------------|
|                                                                                       | No. of works | Surface (T. m <sup>2</sup> ) | No. of works | Surface (T. m <sup>2</sup> ) |
| Location in protected natural areas or areas of high biodiversity value               | 7            | 3.44                         | 9            | 5.22                         |
| Location in an area with a landscape classified as relevant                           | 8            | 11.59                        | 10           | 13.76                        |
| Effects on natural watercourses in a protected area                                   | 4            | 0.21                         | 6            | 0.30                         |
| Effects on natural watercourses in areas with high biodiversity value                 | 4            | 9.38                         | 4            | 8.44                         |
| Effects on watercourses with a very high value or relevant to local and indigenous c. | 11           | 9.95                         | 13           | 8.90                         |
| Effects on classified or protected vegetation                                         | 11           | 10.90                        | 12           | 13.85                        |
| Effect on classified or protected animal species                                      | 10           | 9.75                         | 12           | 13.67                        |

**Protected sensitive areas and restored affected areas (ha)**

|                               | 2017   | 2018   |
|-------------------------------|--------|--------|
| Protection of sensitive areas | 543.65 | 533.76 |
| Restoration of affected areas | 551.72 | 544.14 |

The company also carries out other actions to protect the biodiversity of ecosystems such as the physical protection of specimens, the transplantation of plant species, the transfer of nests or animal species, the creation of wildlife refuges or, simply, the planning of work based on the life cycles of the species.

#### 4.8. Summary table of environmental indicators<sup>18</sup>

|                                                                     | 2016       | 2017       | 2018       |
|---------------------------------------------------------------------|------------|------------|------------|
| Activities with environmental certification (%)                     | 84.4       | 92.2       | 87.6       |
| NO <sub>x</sub> (t) emissions                                       | 10,407,683 | 10,351,115 | 9,073,947  |
| SO <sub>x</sub> (t) emissions                                       | 2,791,146  | 782,249    | 909,790    |
| Particle missions (t)                                               | 1,049,633  | 1,002,379  | 1,481,442  |
| Waste generated (t)                                                 | 3,489,491  | 3,103,232  | 6,724,919  |
| Hazardous waste (t)                                                 | 93,493     | 127,313    | 159,776    |
| Non-hazardous waste (t)                                             | 3,009,739  | 3,362,178  | 6,565,143  |
| Water consumption (m <sup>3</sup> )                                 | 11,834,462 | 12,071,936 | 13,016,152 |
| Total energy consumption of fossil fuels and renewable sources (GJ) | 43,251,445 | 38,109,622 | 37,206,538 |
| Electricity consumed (GJ)                                           | 5,714,895  | 6,273,576  | 6,250,451  |
| Total energy consumption (GJ)                                       | 48,966,340 | 44,383,199 | 43,456,989 |
| Use of renewable energy (GJ)                                        | 9,924,868  | 10,750,334 | 10,786,857 |
| Consumption of Raw Materials (t)                                    | 48,069,041 | 27,018,867 | 19,931,294 |
| Direct GHG emissions (t)                                            | 8,661,234  | 7,296,889  | 5,165,273  |
| Indirect GHG emissions (t)                                          | 521,105    | 665,962    | 768,792    |

<sup>18</sup> See scope table in Annex I for the scope of the reported indicators.

## 5. CREATING SOCIAL VALUE

The FCC Group promotes the growth and sustainable development of society, not only through its *raison d'être*, but also through its commitment to its customers, its contribution to the communities in which it operates, its social programmes and the extension of its good practices throughout its value chain, from its suppliers to its customers.

The 'well-being and development of communities' principle is enshrined in its Code of Ethics and Conduct, guiding FCC employees in their task of knowing the needs and expectations of the citizens to whom the company provides its services.

In order to achieve its objectives, the Group considers it essential to communicate these commitments to all its stakeholders and therefore to be a transparent company with its management and activities.

### FCC Group communication channels [5.1.3 - LINF 11/2018]



CSR report for each  
business area

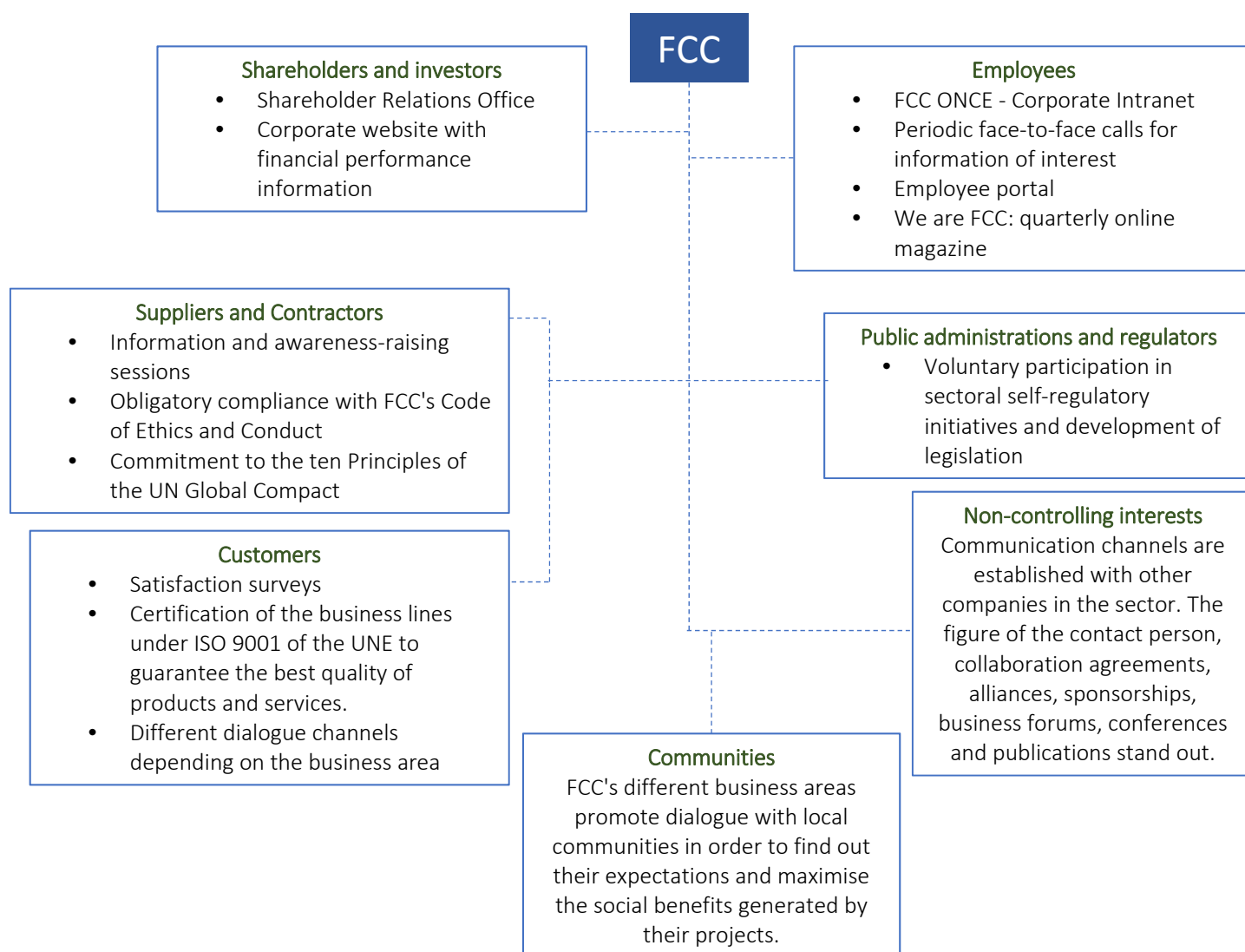


FCC corporate  
website



FCC social networks  
55,627 followers on [LinkedIn](#)  
525 subscribers on [YouTube](#)  
19,900 followers on [Twitter](#)

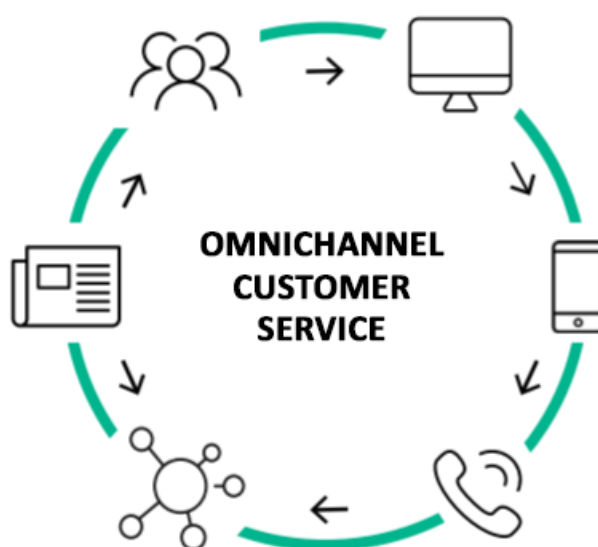
## FCC stakeholders and dialogue tools



### 5.1. FCC's commitment to its customers

The FCC Group reflects its commitment to its customers in the values underpinning its Code of Ethics and Conduct. Through which it displays its thoroughness, professionalism, honesty and respect for its customers. The Group's business that has a direct relationship with the end customer/user is Aqualia.

In order to satisfy the expectations of its customers, Aqualia has an omnichannel service that integrates face-to-face office, online office, telephone service and mobile device channels, all interacting in real time. In this way, the customer who has started a conversation through any of these channels can continue it through another without having to start it again and give information already provided.



Aqualia also carries out customer satisfaction surveys in order to find out their concerns and the degree of satisfaction with the service provided. The main results for 2018 are shown below.

- 77.6% of customers were satisfied with the quality of service.
- The face-to-face customer service office is the best known and at the same time the preferred means for dealing with the company.
- 74.9% of respondents were satisfied with the water supply

One of the essential objectives of FCC Construcción continues to be excellence in the carrying out of its activities and customer satisfaction, through excellent personalised care and a continuous dialogue to ensure that expectations are met.

Public administrations are increasingly demanding in terms of sustainability requirements in public procurement. Recent regulations, such as Royal Decree 6/2018, which creates the inter-ministerial commission for the incorporation of ecological criteria in contracts or the requirement by public administrations and customers of the use of BIM methodology, highlight this fact.

In order to respond to these needs and facilitate communication, FCC Construcción has the figure of the *customer's contact person*, who is responsible for attending to the suggestions received, dealing with the information provided, managing collaboration and communicating the actions to be undertaken and carried out as a result of the suggestions received.

In addition, the company carries out the so-called 'end of work surveys', by means of which customers evaluate the service, rating different aspects. In addition, FCC Construcción has a system for managing complaints and claims, requests for information and measuring satisfaction, which enables it to monitor and have a basis for developing improvement plans.

In 2018, 23 end-of-works surveys were carried out, the results of which were generally positive. In more than 90% of the questions asked, customers rated the company either good or very good. The aspects most valued by customers are related to the quality of the professional team, compliance with commitments, quality plans applied to works, and respect for the environment.

Cementos Portland Valderrivas has management systems in place to ensure the quality of its products and services. In addition, it maintains continuous contact with its customers through various channels, allowing it to analyse the most relevant information and act accordingly.

FCC Medio Ambiente offers its customers local services tailored to the needs of communities in every corner of Spain, thanks to its regionalised commercial structure. In addition, it has an intelligent platform for the Management of Citizen Services called vision that allows it to respond to the needs of its customers automatically.

The FCC Group guarantees the health and safety of its consumers by complying with the legal requirements applicable to its services, which include health and safety requirements.

## 5.2. FCC's commitment to the sustainable development of the communities in which it operates

In order to contribute to the development of communities, the company's business strategy is strongly linked to social action.

The FCC Group contributes to the community through contributions to non-profit organisations, sponsorships, donations, etc. Specifically, the company's total social action amount was 6,206,038.13 euros, of which 3,367,583.62 euros went to collaborations and sponsorships and the remainder was donations to non-profit organisations.

The Group's most significant contribution to the social and economic progress of communities is job creation. In addition, it develops different actions that link its own employees to relate to society in general and to local communities in particular, creating value and generating trust.

Through these actions, FCC also contributes to the achievement of those SDG commitments that are related to economic progress, the reduction of inequalities and the training of communities.

### Intra-company actions

The Group's internal actions include those aimed at the integration of underprivileged groups and support for employees' families. Environmental awareness actions are also carried out for employees.

#### Actions for the integration of underprivileged groups and support for employees' families.

Since 2008, after signing an agreement with the Adecco Foundation, the FCC Group has been promoting the employment and social integration of people with disabilities through training and job orientation activities and employment programmes and itineraries for the future incorporation into the world of work of FCC employees' disabled family members.

Some examples of the initiatives are:

- Development of social skills and attitudes that facilitate their integration into the world of work.
- Guidance and advice in the search for employment
- Leisure activities that contribute to cognitive, physical, emotional, social and occupational development

In 2017, FCC and the ONCE Foundation renewed the *'Inserta' Agreement*, to which it first adhered in 2009. This renewal has meant 425 additional contracts since the beginning of the collaboration.

Additionally, the Group collaborates with the *'Never Give Up' Plan* which aims to boost the employment of young people with disabilities under the age of 30.

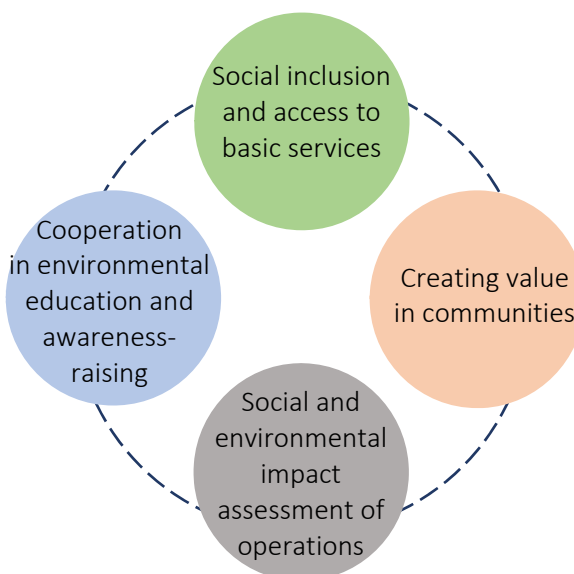
#### Environmental awareness of employees

Training and awareness-raising activities aimed at encouraging FCC Group employees' commitment to sustainable environmental and social development. In this way, employees become benchmarks for good practice.

One of the actions carried out is the FCC internal bulletin, which highlights environmental projects and shares good practices and recommendations for their implementation in all businesses.

## Actions in the community

In order to contribute to the social progress of communities, the Group focuses its projects around four priority lines of action:



### Social inclusion and access to basic services

The services offered by FCC through its different business areas provide local communities with access to basic services such as drinking water and electricity. In addition, the Group develops solidarity initiatives related to sanitation, improved health and access to services and resources, especially in the communities with the greatest needs in these areas.

### Creating value in communities

Beyond having an impact on access to basic services, the FCC Group's activities have a positive impact on its socio-economic development, especially through the creation of value in the Infrastructure service, generating jobs and wealth in the environment through the hiring of local suppliers and subcontractors.

### Social and environmental impact assessment of operations

The company evaluates its contribution to communities and their environment, and analyses the impacts of the development of its activity. Within the framework of the 2020 CSR Master Plan, consideration is being given to the development of a method for measuring the environmental, social and economic impact of all FCC projects.

### Cooperation in environmental education and awareness-raising

FCC, with the aim of sharing and disseminating knowledge, collaborates with different educational institutions. Most of its projects in this sense focus on those aspects related to sustainability and the responsible use of resources.

## WREN Foundation

WREN is a non-profit organisation created to allocate funds to community projects of a social nature, in the field of biodiversity and heritage protection, based on contributions from FCC Environment.

Since its foundation in 1997, it has invested over £200 million in more than 7,000 projects in the UK.

WREN currently provides and distributes funds through two programmes, the FCC Community Action Fund, for the funding of projects located in England and Wales; and the FCC Scottish Action Plan, for applicants in Scotland. The projects range from actions to restore and protect biodiversity, health initiatives, heritage restoration actions, spreading of local knowledge, refurbishment of public spaces, conservation of cultural heritage, to a wide programme of projects related to communities and the environment.

## Volunteer actions

In the areas in which the FCC Group focuses its social action, it offers its employees the opportunity to participate in the different programmes that are developed on a voluntary basis. With the participation of volunteers, it not only contributes to generating value and welfare in the communities, but also increases the personal welfare of employees by devoting more time to their personal interests.

Among the actions contemplated in the 2020 CSR Master Plan is the development of a global volunteer programme for Group employees. This Plan also includes the creation of the *Immediate Emergency Unit* to align and promote the contribution of the company's professionals when emergency situations occur.

### 5.3. Strengthening the value chain [5.2.1; 5.2.2; 5.2.3 - LINF 11/2018]

For the FCC Group, the principles and ethical standards that govern its activities must also govern its value chain. For this reason, it promotes responsible management of purchases, making sure in its supply chain, both the acquisition of products and the contracting of services, is as sustainable and respectful as possible.

The Group has a Purchasing Policy that encompasses the entire company and is based on the principles of transparency, competitiveness and objectivity. This policy is currently being revised within the framework of the 2020 CSR Master Plan with the essential objective of extending its scope to social and environmental criteria. In order to ensure compliance with this Policy in the most efficient way possible, the Purchasing department is managed centrally by reporting to General Management for Administration and Finance.

The Group's commitments to responsible sourcing are not only reflected in its Purchasing Policy, but also through:

- The relationship that FCC creates with its suppliers; a long-term relationship of trust. This commitment is particularly relevant to critical suppliers, and enables

the search for synergies to be reinforced and operational efficiency to be maximised.

- Demands on its suppliers to assume its ethical, social and environmental principles. The contracts between the two parties include a clause obliging the supplier to declare its knowledge of and commitment to the FCC Code of Ethics and Conduct and the Ten Principles of the United Nations Global Compact. This obligation is implemented at a national level and in development at an international level.

The FCC Group's commitment to equality is also present in its value chain. All FCC orders and contracts in which any type of work is subcontracted always include the suppliers' commitment clause, which requires respect for the principles and obligations deriving from the Organic Law on Effective Equality of Women and Men, in order to prevent sexual harassment or gender-based harassment, and any type of direct or indirect discrimination, as well as respect for the principles of the United Nations Global Compact.

In order for the supply chain to comply with the legal, sustainability and ethical requirements established by the Group, the environmental, social and economic risks associated with the value chain are assessed through an analysis of new suppliers prior to the drawing up of the contract.

Among other actions, this analysis includes:

- Visits to suppliers' facilities
- Personal visits with Management
- Request for relevant information

The evaluation of suppliers is carried out through a categorisation according to the product portfolio of the company's three head offices and the Central Services. The categorisation of suppliers is established by means of satisfaction surveys sent to users, carrying out a detailed investigation of those with considerably low scores.

In 2018, 1529 processes have been evaluated. Responses were obtained from 52% of those surveyed and of these, 1.8% were given special treatment for low scores.

Also, in the framework of the 2020 Master Plan, a new way of assessing risks is provided for. FCC will develop a map of environmental, social and government risks for suppliers and contractors that it will take into account:

- ✓ Identification of potential sustainability risks
- ✓ The inclusion of sustainability criteria in the definition of a critical supplier
- ✓ The strengthening of the monitoring and control system for those suppliers with the highest risk, through approval and evaluation processes.

In addition, environmental, social and ethical issues will be integrated into the approval of suppliers from 2019 onwards. In this way, suppliers will be required to comply with them during the group's contractual relationship with suppliers.

## ANNEX I: SCOPE AND MATERIALITY

This report reports the Statement of Non-Financial Information of the FCC Group as required by Law 11/2018 on Non-Financial Information and Diversity (LINF). In order to respond to the indicators required by law, the report is structured into four essential areas: Values and Good Governance; Our People; Managing Impacts and Creating Social Value.

The specific contents correspond to the exercise of materiality, the last approval of which took place in 2018.

Information on the FCC Group's ethical, environmental and social performance to date has been reported in accordance with the Sustainability Reporting Guidelines of the Global Reporting Initiative (GRI). For the 2018 report, and in order to fully adapt to the requirements of the Law, the GRI standard has not been strictly followed. However, the information reported can be largely linked to that requested by GRI. Annex II shows the link between the information reported in accordance with the Law and the GRI indicators.

### Scope of the Report

The scope of the information provided in this report corresponds to the perimeter of integration used for financial consolidation, according to which 100% of the investees over which management control is held are considered, regardless of their ownership interest.

The scope of specific indicators is detailed below; in some cases, the last month has been estimated as the necessary information was not available in February 2019 to finalise it; some exclusions to the scope are also indicated, which are insignificant and the reason for which is detailed below:

|                                                 | Exclusions to the scope                                                                                                                                                                                                               |
|-------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Activities with environmental certification (%) | USA, FCC CEE and UK are not included because the information is not available.                                                                                                                                                        |
| NO <sub>x</sub> (t) emissions                   | Not included in the UK, FCC CEE (due to not having this data until the end of February) and Aqualia (due to its emissions being negligible compared to the total, <1% in 2017). FCC Construcción estimate for the last month of 2018. |
| SO <sub>x</sub> (t) emissions                   | Not included in the UK, FCC CEE (due to not having this data until the end of February) and Aqualia (due to its emissions being negligible compared to the total, <1% in 2017). FCC Construcción estimate for the last month of 2018. |
| Particle missions (t)                           | Not included in the UK, FCC CEE (due to not having this data until the end of February) and Aqualia (due to its emissions being negligible compared to the total, <1% in 2017). FCC Construcción estimate for the last month of 2018. |
| Waste generated (t)                             | The following Aqualia countries are not included in the scope due to the impossibility of obtaining data: Algeria, Saudi Arabia, Abu Dhabi and Chile. FCC Construcción estimate for the last month of 2018.                           |

|                                                                     | Exclusions to the scope                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|---------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Hazardous waste (t)                                                 | The following Aqualia countries are not included in the scope due to the impossibility of obtaining data: Algeria, Saudi Arabia, Abu Dhabi and Chile                                                                                                                                                                                                                                                                                                    |
| Non-hazardous waste (t)                                             | The following Aqualia countries are not included in the scope due to the impossibility of obtaining data: Algeria, Saudi Arabia, Abu Dhabi and Chile                                                                                                                                                                                                                                                                                                    |
| Water consumption (m <sup>3</sup> )                                 | Aqualia is not included in the scope because its consumption is negligible compared to the rest. FCC Construcción estimate for the last month of 2018.                                                                                                                                                                                                                                                                                                  |
| Total energy consumption of fossil fuels and renewable sources (GJ) | Not including Aqualia in Italy and Saudi Arabia with regard to fossil energy consumption, and Aqualia in Portugal, Italy, Egypt, Algeria, Saudi Arabia, Abu Dhabi and Chile with regard to renewable energy consumption. Not including FCC CEE in Bulgaria with regard to the consumption of fossil fuels and renewables. FCC Construcción estimate for the last month of 2018.                                                                         |
| Electricity consumed (GJ)                                           | Not including FCC CEE in Poland with regard to electricity consumption. FCC Construcción estimate for the last month of 2018.                                                                                                                                                                                                                                                                                                                           |
| Total energy consumption (GJ)                                       | Not including Aqualia in Italy and Saudi Arabia with regard to fossil energy consumption, and Aqualia in Portugal, Italy, Egypt, Algeria, Saudi Arabia, Abu Dhabi and Chile with regard to renewable energy consumption. Not including FCC CEE in Bulgaria with regard to the consumption of fossil fuels and renewables. Not including FCC CEE in Poland with regard to electricity consumption. FCC Construcción estimate for the last month of 2018. |
| Use of renewable energy (GJ)                                        | Not including FCC CEE and Aqualia in Portugal, Italy, Egypt, Algeria, Saudi Arabia, Abu Dhabi and Chile.                                                                                                                                                                                                                                                                                                                                                |
| Consumption of Raw Materials (t)                                    | Not included in FCC CEE scope (due to unavailability of data to date) and Aqualia (due to negligible consumption). FCC Construcción estimate for the last month of 2018.                                                                                                                                                                                                                                                                                |
| Direct GHG emissions (t)                                            | Not including Aqualia in Egypt and Chile. In the UK there is no data available from the landfill under operational control. FCC Construcción estimate for the last month of 2018.                                                                                                                                                                                                                                                                       |
| Indirect GHG emissions (t)                                          | Not included in the UK, FCC CEE due to insignificance and Aqualia in Egypt and Chile. FCC Construcción estimate for the last month of 2018.                                                                                                                                                                                                                                                                                                             |

## Materiality Study

The FCC Group carries out an annual review of its materiality study with the aim of paying attention to those social, environmental and economic issues that have the greatest impact on its activity and that have the greatest effect on its stakeholders.

In this way, FCC measures the importance of the most important aspects of business strategy and corporate responsibility, identifies the expectations of sector leaders and provides responses to their needs.

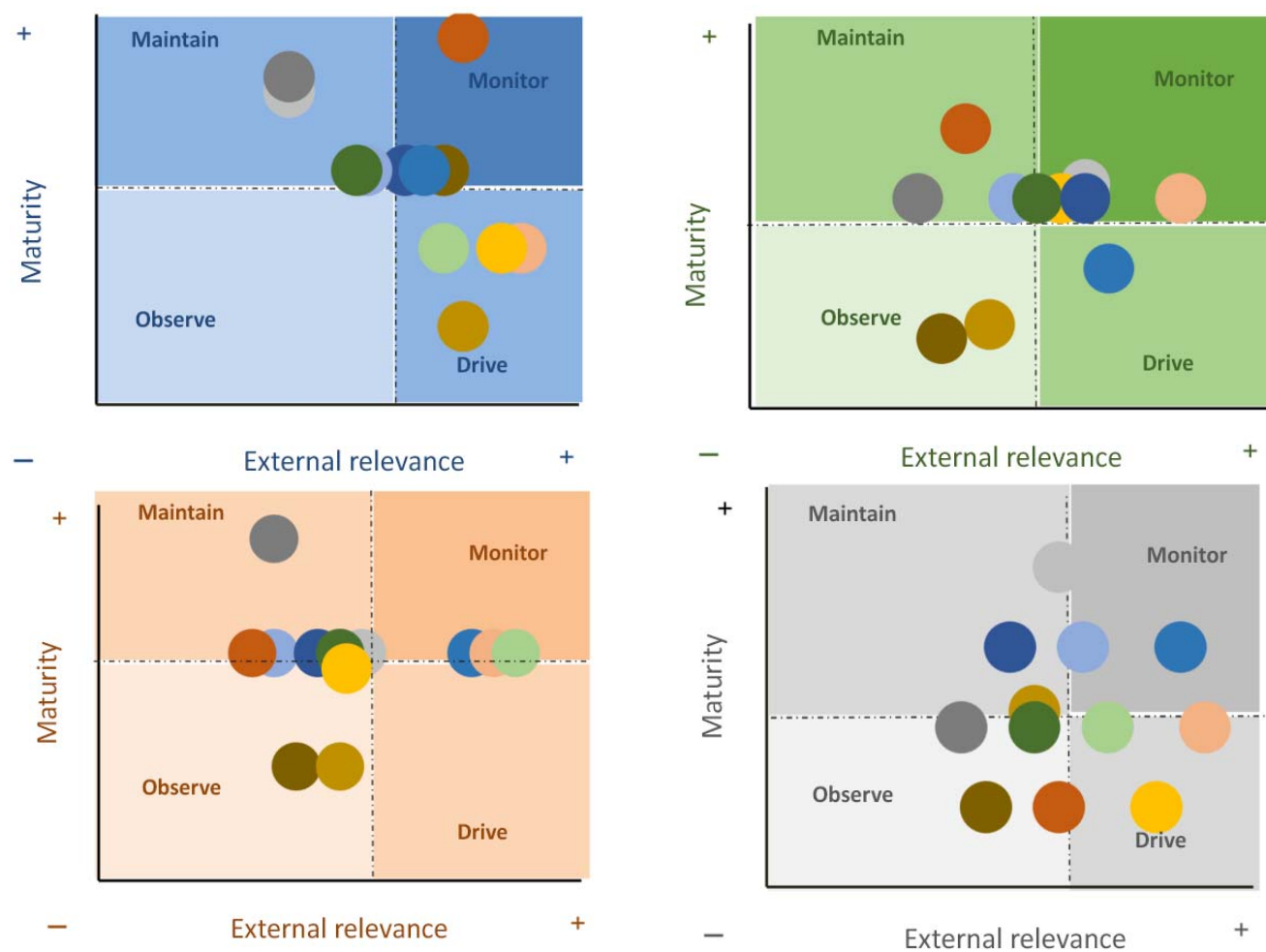
### Material matters identified

- Promotion of and respect for human rights
- Technological development and cyberattack prevention
- Employee well-being and professional growth
- Occupational health of employees and contractors
- Protection of scarce natural resources
- Corruption prevention and mitigation systems
- Liability for suppliers and contractors
- Policies to contain the effects of climate change
- Innovation and sustainability
- The customer experience
- Local development
- Responsible hiring criteria

In order to present a detailed result, the analysis is presented in four matrices, one for each business line: Aqualia, Environmental Services, FCC Construcción and Cementos Portland Valderrivas. Given the specific characteristics of each of the businesses, the prioritisation of material matters is structured on the basis of the particular impacts of the different activities.

Each parent orders material matters according to a classification of four quadrants, to monitor, drive, maintain and observe, according to the action that the company must carry out in order to manage them properly.

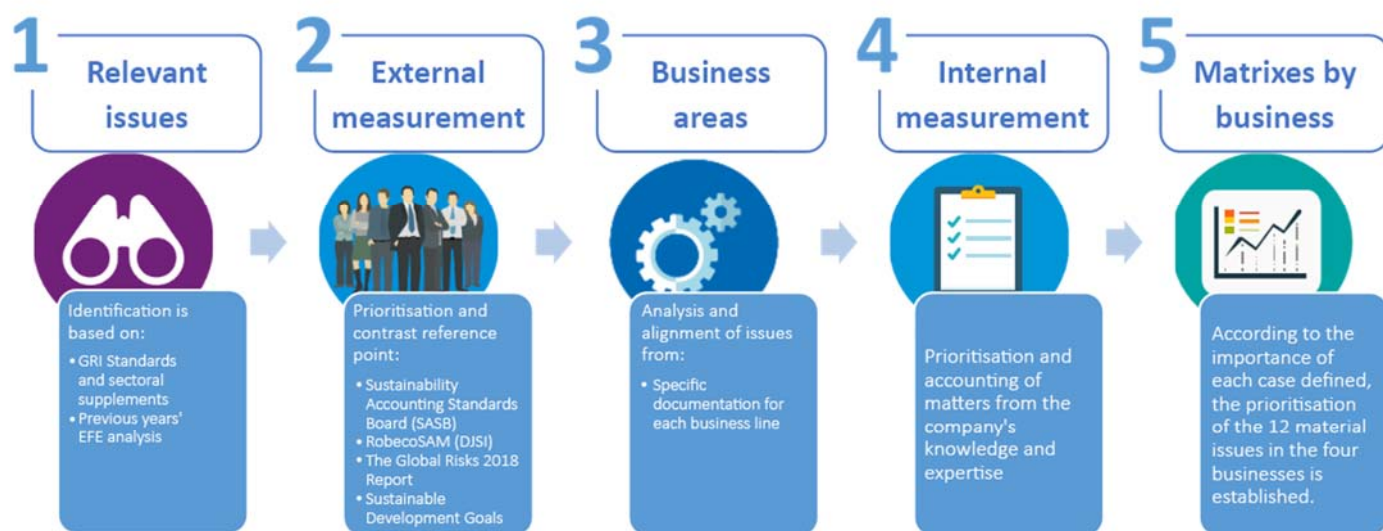
## Materiality matrices by business area



- Aqualia
- Environment
- Cementos Portland
- Construction

## Methodology

The study of materiality is divided into five phases:



## ANNEX II: Table of Indicators Law 11/2018 - GRI Relationship

| Law 11/2018 | Indicator Code                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | Reporting standard                                                                                                                                                      | Page/direct response                                                           |
|-------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------|
| 0.          | <b>General information</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                                                                                                                                                                         |                                                                                |
| 0.A         | A brief description of the group's business model, including its business environment, organisation and structure, the markets in which it operates, its objectives and strategies, and the main factors and trends that may affect its future progress.                                                                                                                                                                                                                                                                                                                                                                                               | 102-2 Activities, brands, products and services<br>102-3 Location of headquarters<br>102-4 Location of operations<br>102-6 Markets served<br>102-7 Size of organisation | [102-3] Av. Del Camino de Santiago, 40<br>28050 Madrid, Spain<br><br>Pages 5,6 |
| 0.B         | A description of the policies applied by the group with regard to these issues [environmental and social issues, respect for human rights and the fight against corruption and bribery, as well as personnel, including any measures taken to promote the principle of equal treatment and opportunities for women and men, non-discrimination and inclusion of persons with disabilities, and universal accessibility], including the due diligence procedures applied for the identification, evaluation, prevention and mitigation of risks and significant impacts and for verification and monitoring, including what measures have been adopted. | 103-2 The management approach and its components                                                                                                                        | Pages 6-10                                                                     |

| Law 11/2018 | Indicator Code                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | Reporting standard                                                                              | Page/direct response |
|-------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------|----------------------|
| O.C         | The results of these policies, including relevant non-financial key performance indicators that allow progress to be monitored and evaluated and that facilitates comparability between companies and sectors, in accordance with the national, European or international reference frameworks used for each subject. <b>[These indicators are requested in detail below]</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | 103-2 The management approach and its components<br>103-3 Evaluation of the management approach | Pages 6 -12          |
| O.D         | The main risks related to these issues [environmental and social issues, respect for human rights and the fight against corruption and bribery, as well as personnel, including any measures taken to promote the principle of equal treatment and opportunities for women and men, non-discrimination and inclusion of persons with disabilities, and universal accessibility] linked to the activities of the group, between them, where relevant and appropriate, their commercial relations, products or services which may have negative effects in these areas, and how the group manages these risks, explaining the procedures used to identify and evaluate them in accordance with the national, European or international reference frameworks for each subject. This should include information on the impacts that have been identified, giving a breakdown of these impacts, in particular on the main risks in the short, medium and long term. | 102-15 Main impacts, risks and opportunities                                                    | Pages 11 -16         |

| Law<br>11/2018 | Indicator Code                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | Reporting standard                                                                                                                                          | Page/direct<br>response                                                                                                         |
|----------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------|
| O.E            | Key non-financial performance indicators that are relevant to the particular business and that meet the criteria of comparability, materiality, relevance and reliability. In order to facilitate the comparison of information, both over time and between entities, special use will be made of non-financial key indicator standards that can generally be applied and that comply with the European Commission's guidelines in this area and the <i>Global Reporting Initiative's</i> , standards and the national, European or international framework used for each subject should be mentioned in the report. Non-financial key performance indicators should be applied to each section of the statement of non-financial information. These indicators should be useful, taking into account the specific circumstances and consistent with the parameters used in their internal risk management and assessment procedures. In any case, the information presented must be accurate, comparable and verifiable. | 103-1 Explanation of the material topic and its coverage<br>103-2 The management approach and its components<br>103-3 Evaluation of the management approach | Chapter 2 - Company Fundamentals<br>Chapter 3 - Our People<br>Chapter 4 - Managing impacts<br>Chapter 5 - Creating Social Value |

|            |                                                                                                                                                                                             |                                                                                       |               |
|------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------|---------------|
| <b>1.</b>  | <b>Environmental Matters</b>                                                                                                                                                                |                                                                                       |               |
| <b>1.1</b> | <b>Detailed general information</b>                                                                                                                                                         |                                                                                       |               |
| 1.1.1      | On current and foreseeable effects of the company's activities on the environment and, where appropriate, on health and safety                                                              |                                                                                       | Pages 53 – 56 |
| 1.1.2      | On environmental assessment or certification procedures                                                                                                                                     |                                                                                       | Pages 53 – 56 |
| 1.1.3      | On the resources dedicated to the prevention of environmental risks                                                                                                                         |                                                                                       | Pages 53 – 56 |
| 1.1.4      | On the application of the precautionary principle                                                                                                                                           | 102-11 Precautionary principle or approach                                            | Pages 53 – 56 |
| 1.1.5      | On the amount of provisions and guarantees for environmental risks                                                                                                                          |                                                                                       | Pages 53 – 56 |
| <b>1.2</b> | <b>Pollution</b>                                                                                                                                                                            |                                                                                       |               |
| 1.2.1      | Measures to prevent, reduce or remedy emissions that seriously affect the environment; taking into account any activity-specific form of air pollution, including noise and light pollution | 305-7 Nitrogen oxides (NOx), sulphur oxides (SOx) and other significant air emissions | Pages 58 – 60 |
| <b>1.3</b> | <b>Circular economy and waste prevention and management</b>                                                                                                                                 |                                                                                       |               |
| 1.3.1      | Measures for prevention, recycling, reuse, other forms of recovery and disposal of waste; actions to combat food waste                                                                      | 306-2 Waste by type and disposal method                                               | Pages 61 – 64 |
| <b>1.4</b> | <b>Sustainable use of resources</b>                                                                                                                                                         |                                                                                       |               |
| 1.4.1      | Water consumption and water supply according to local restrictions                                                                                                                          |                                                                                       | Pages 65-68   |
| 1.4.2      | Consumption of raw materials and measures taken to improve the efficiency of their use                                                                                                      | 301-1 Materials used by weight or volume                                              | Pages 68 - 69 |
| 1.4.3      | Direct and indirect energy consumption                                                                                                                                                      | 302-1 Energy consumption within the organisation                                      | Pages 69 – 71 |
| 1.4.4      | Measures taken to improve energy efficiency                                                                                                                                                 | 302-4 Reduction of energy consumption                                                 | Pages 69 – 71 |
| 1.4.5      | Use of renewable energy                                                                                                                                                                     | 302-1 Energy consumption within the organisation                                      | Page 71       |

|            |                                                                                                                                                             |                                                                                                                                                       |               |
|------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------|---------------|
| <b>1.5</b> | <b>Climate change</b>                                                                                                                                       |                                                                                                                                                       |               |
| 1.5.1      | Significant elements of greenhouse gas emissions generated as a result of the company's activities, including the use of the goods and services it produces | 305-1 Direct GHG emissions (Scope 1)<br>305-2 Indirect GHG emissions from energy generation (Scope 2)<br>305-3 Other indirect GHG emissions (Scope 3) | Pages 71 – 75 |
| 1.5.2      | Measures taken to adapt to the consequences of climate change                                                                                               |                                                                                                                                                       | Pages 71 – 75 |
| 1.5.3      | Voluntary medium- and long-term reduction targets to reduce greenhouse gas emissions and the means implemented to that end                                  | 305-5 Reduction of GHG emissions                                                                                                                      | Pages 71 – 75 |
| <b>1.6</b> | <b>Protection of biodiversity</b>                                                                                                                           |                                                                                                                                                       |               |
| 1.6.1      | Measures taken to preserve or restore biodiversity                                                                                                          | 304-3 Habitats protected or restored                                                                                                                  | Pages 76 - 78 |
| 1.6.2      | Impacts caused by activities or operations in protected areas                                                                                               | 304-2 Significant impacts of activities, products and services on biodiversity                                                                        | Pages 76 - 78 |

|            |                                                                                                                                                                                                       |                                                     |                  |
|------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------|------------------|
| <b>2.</b>  | <b>Social and employee-related matters</b>                                                                                                                                                            |                                                     |                  |
| <b>2.1</b> | <b>Employment</b>                                                                                                                                                                                     |                                                     |                  |
| 2.1.1      | Total number and distribution of employees according to criteria representative of diversity (gender, age, country, etc.).                                                                            | 102-8 Information about employees and other workers | Pages 34 – 35    |
| 2.1.2      | Total number and distribution of employment contract types, annual average number of permanent contracts, temporary contracts and part-time contracts by gender, age and professional classification. | 102-8 Information about employees and other workers | Pages 35 – 36    |
| 2.1.3      | Number of redundancies by gender, age and professional classification                                                                                                                                 |                                                     | Page 36          |
| 2.1.4      | The average remuneration and their progression broken down by gender, age and professional classification or an equal value.                                                                          |                                                     | Page 37          |
| 2.1.5      | Gender pay gap, the remuneration for equal or average jobs in society                                                                                                                                 |                                                     | Page 37          |
| 2.1.6      | The average remuneration of directors and executives, including variable remuneration, per diems, indemnities, etc.                                                                                   |                                                     | Page 37; Page 23 |
| 2.1.7      | Payment to long-term savings pension systems and any other payment broken down by gender                                                                                                              |                                                     | Page 37          |
| 2.1.8      | Implementation of right to disconnect policies                                                                                                                                                        |                                                     | Page 42          |
| 2.1.9      | Employees with disabilities                                                                                                                                                                           | 405-1 Diversity in governing bodies and employees   | Pages 45 – 47    |
| <b>2.2</b> | <b>Organisation of work</b>                                                                                                                                                                           |                                                     |                  |
| 2.2.1      | Organisation of work time                                                                                                                                                                             |                                                     | Pages 40 – 42    |

|            |                                                                                                                                       |                                                                                                                                                                      |               |
|------------|---------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------|
| 2.2.2      | Number of absence hours                                                                                                               | 403-2 Types of accidents and frequency rate of accidents, occupational diseases, days lost, absenteeism and number of deaths due to occupational accident or disease | Page 51       |
| 2.2.3      | Measures aimed at facilitating the enjoyment of work-life balance and encouraging the co-responsible exercise of this by both parents |                                                                                                                                                                      | Pages 40 – 42 |
| <b>2.3</b> | <b>Health and safety</b>                                                                                                              |                                                                                                                                                                      |               |
| 2.3.1      | Occupational health and safety conditions                                                                                             |                                                                                                                                                                      | Pages 49 – 52 |
| 2.3.2      | occupational accidents, in particular their frequency and severity, as well as occupational diseases; broken down by gender.          | 403-2 Types of accidents and frequency rate of accidents, occupational diseases, days lost, absenteeism and number of deaths due to occupational accident or disease | Pages 49 – 52 |
| <b>2.4</b> | <b>Social relationships</b>                                                                                                           |                                                                                                                                                                      |               |
| 2.4.1      | Organisation of social dialogue, including procedures for informing, consulting and negotiating with staff                            | 102-43 Approach to stakeholder engagement                                                                                                                            | Pages 48 – 49 |
| 2.4.2      | Percentage of employees covered by collective bargaining agreements by country                                                        | 102-41 Collective bargaining agreements                                                                                                                              | Page 48       |
| 2.4.3      | The balance of collective agreements, particularly in the field of health and safety at work                                          | 403-4 Health and safety issues addressed in official agreements with trade unions                                                                                    | Page 49       |

|            |                                                                                                                                                                                                                                                                                      |                                                                                  |               |
|------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------|---------------|
| <b>2.5</b> | <b>Training</b>                                                                                                                                                                                                                                                                      |                                                                                  |               |
| 2.5.1      | The policies implemented in the field of training                                                                                                                                                                                                                                    | 404-2 Programs for upgrading employees skills and transition assistance programs | Pages 38 – 40 |
| 2.5.2      | The total number of hours of training per professional category                                                                                                                                                                                                                      | 404-1 Average hours of training per year per employee                            | Pages 38 – 40 |
| <b>2.6</b> | <b>Universal accessibility for persons with disabilities</b>                                                                                                                                                                                                                         |                                                                                  |               |
| 2.6.1      | Universal accessibility for persons with disabilities                                                                                                                                                                                                                                |                                                                                  | Pages 47 – 48 |
| <b>2.7</b> | <b>Equality</b>                                                                                                                                                                                                                                                                      |                                                                                  |               |
| 2.7.1      | Measures taken to promote equal treatment and opportunities for women and men                                                                                                                                                                                                        |                                                                                  | Pages 43 – 45 |
| 2.7.2      | Equality plans (Chapter III of Organic Law 3/2007, of 22 March, covering the effective equality of women and men), measures adopted to promote employment, protocols against sexual and sex-based harassment, integration and universal accessibility for persons with disabilities. |                                                                                  | Pages 43 – 45 |
| 2.7.3      | The policy against all types of discrimination and, where appropriate, the management of diversity                                                                                                                                                                                   |                                                                                  | Pages 43 – 45 |

|            |                                                                                                                                                                                                                                                                                                                                                              |                                                                                                              |               |
|------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------|---------------|
| <b>3.</b>  | <b>Respect for human rights</b>                                                                                                                                                                                                                                                                                                                              |                                                                                                              |               |
| <b>3.1</b> | <b>Human rights</b>                                                                                                                                                                                                                                                                                                                                          |                                                                                                              |               |
| 3.1.1      | Implementation of human rights due diligence procedures; prevention of risks of human rights violations and, where appropriate, measures to mitigate, manage and redress possible abuses committed                                                                                                                                                           | 412-2 Training of employees in human rights policies or procedures                                           | Pages 25 – 28 |
| 3.1.2      | Complaints of human rights violations                                                                                                                                                                                                                                                                                                                        |                                                                                                              | Pages 27 – 28 |
| 3.1.3      | Promotion of and compliance with the provisions of the essential conventions of the International Labor Organization relating to respect for freedom of association and the right to collective bargaining; elimination of discrimination in employment and the occupation; elimination of forced or compulsory labour; effective abolition of child labour. | 406-1 Cases of discrimination and corrective action taken                                                    | Pages 27 – 28 |
| <b>4.</b>  | <b>Anti-corruption and bribery</b>                                                                                                                                                                                                                                                                                                                           |                                                                                                              |               |
| <b>4.1</b> | <b>Corruption and bribery</b>                                                                                                                                                                                                                                                                                                                                |                                                                                                              |               |
| 4.1.1      | Measures taken to prevent corruption and bribery                                                                                                                                                                                                                                                                                                             | 102-16 Values, Principles, Standards and Rules of Conduct<br>102-17 Advisory mechanisms and ethical concerns | Pages 28 – 30 |
| 4.1.2      | Measures to combat money laundering                                                                                                                                                                                                                                                                                                                          | 205-2 Communication and training on anti-corruption policies and procedures                                  | Pages 28 – 30 |
| 4.1.3      | Contributions to foundations and non-profit entities                                                                                                                                                                                                                                                                                                         | 201-1 Direct economic value generated and distributed                                                        | Page 83       |

|       |                                                                                                                |                                                                                                                                                                                                       |                       |
|-------|----------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|
| 5.    | Information on the company                                                                                     |                                                                                                                                                                                                       |                       |
| 5.1   | Company commitments on sustainable development                                                                 |                                                                                                                                                                                                       |                       |
| 5.1.1 | The impact of the company's activity on employment and local development                                       | 413-1 Operations with local community participation, impact assessments and development programmes                                                                                                    | Pages 83 – 86         |
| 5.1.2 | The impact of the company's activity on local populations and the territory                                    | 413-1 Operations with local community participation, impact assessments and development programmes<br>413-2 Operations with significant negative impacts - actual or potential - on local communities | Pages 83 – 86         |
| 5.1.3 | The relations maintained with the actors of the local communities and the ways of communicating with them      | 102-43 Approach to stakeholder engagement                                                                                                                                                             | Pages 80, 81, 83 - 86 |
| 5.1.4 | Association or sponsorship actions                                                                             |                                                                                                                                                                                                       | Pages 83 – 86         |
| 5.2   | Subcontracting and suppliers                                                                                   |                                                                                                                                                                                                       |                       |
| 5.2.1 | Inclusion of social, gender equality and environmental issues in the purchasing policy                         |                                                                                                                                                                                                       | Pages 86 – 88         |
| 5.2.2 | Consideration in relations with suppliers and subcontractors of their social and environmental responsibility. |                                                                                                                                                                                                       | Pages 86 – 88         |
| 5.2.3 | Supervision and audit systems and their results                                                                |                                                                                                                                                                                                       | Pages 86 – 88         |

|            |                                                             |                                                                                       |               |
|------------|-------------------------------------------------------------|---------------------------------------------------------------------------------------|---------------|
| <b>5.3</b> | <b>Consumers</b>                                            |                                                                                       |               |
| 5.3.1      | Measures for the health and safety of consumers             |                                                                                       | Pages 82 – 83 |
| 5.3.2      | Complaint systems, complaints received and their resolution | 102-43 Approach to stakeholder engagement<br>102-44 Key issues and concerns mentioned | Pages 82 – 83 |
| <b>5.4</b> | <b>Tax matters</b>                                          |                                                                                       |               |
| 5.4.1      | Profits obtained country by country                         | 201-1 Direct economic value generated and distributed                                 | Pages 30 – 32 |
| 5.4.2      | Income tax paid                                             | 201-1 Direct economic value generated and distributed                                 | Pages 30 – 32 |
| 5.4.3      | Public grants received                                      | 201-4 Financial assistance received from the government                               | Page 32       |

\*The contents of Law 11/2018 have been codified to make it easier for the reader to follow, although the nomenclature chosen does not correspond to any expressly included in the text of the Law.

## **AENOR Verification Statement for FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A. and SUBSIDIARIES**

**relating to the reporting of non-financial information in  
accordance with Law 11/2018 corresponding for the year ended  
31 December 2018**

**FILE: 1994/0241/GEN/04**

FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A. (hereinafter the company) has commissioned AENOR to carry out a verification under a limited level of assurance of the state of non-financial information (hereinafter NFI reporting), in accordance with Law 11/2018 amending the Commercial Code, the consolidated text of the Capital Companies Law approved by Royal Legislative Decree 1/2010, of 2 July, and Law 22/2015, of July 20, on Account Auditing, in matters of non-financial information and diversity (hereinafter, Law 11/2018), for the verification period of its activities, fiscal year ended December 31, 2018, included in the report dated 26 February 2019, which is part of this Statement.

AENOR, in accordance with the aforementioned Law, has carried out this verification as an independent provider of verification services.

In this sense, AENOR has carried out the present verification under the principles of integrity, independence, ethics, objectivity, professional competence and diligence, confidentiality and professional behaviour that are required based on the accreditations that it has, within the general scope of application of ISO/IEC 17021-1:2015 and ISO 14065, and individuals, such as the Accreditation granted by the United Nations Convention on Climate Change (UNFCCC) for verification and validation of Clean Development Mechanism (CDM) projects.

AENOR, as required by the aforementioned Law, declares that it has not participated in processes prior to the verification of the NFI reporting.

Company data: FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A.  
headquartered in: Calle Balmes, 36 08007 Barcelona

Representatives of the Organization for the purposes of statement of non-financial information: Javier LOPEZ-GALIACHO PERONA as Director of Corporate Compliance and Responsibility for the FCC Group

FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A. had the responsibility to report its non-financial information status in accordance with Law 11/2018.

## Purpose

The purpose of the verification is to provide interested parties with a professional and independent judgement about the information and data contained in the non-financial information statement of the aforementioned organization, prepared in accordance with Law 11/2018.

## Scope of Verification

FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A. and SUBSIDIARIES as of December 31, 2018 included in the EINF, Non-financial Information Report. FCC Group, dated February 26, 2019 and listed in the annex to this statement.

## Materiality

For verification purposes, it was agreed to consider material discrepancies those omissions, distortions or errors that can be quantified and result in a difference greater than 5% with respect to the total declared.

## Criteria

The criteria and information that have been taken into account as a reference for carrying out the check have been:

- 1) Law 11/2018 of 28 December amending the Commercial Code, the revised text of the Capital Companies Law approved by Royal Legislative Decree 1/2010 of 2 July and Law 22/2015 of 20 July on the Auditing of Accounts, on non-financial information and diversity.
- 2) Standard ISAE 3000 (revised), relating to the commissioning of different insurances or the review of historical financial information.
- 3) The criteria established by the global sustainability reporting initiative at GRI standards when the organization has opted for this internationally recognized framework for the disclosure of information related to its corporate social responsibility.

AENOR expressly disclaims any responsibility for investment or other decisions based on this statement.

## Verification process carried out

During the verification process carried out, under a limited level of assurance, AENOR conducted interviews with the staff in charge of collecting and preparing the non-financial information statement and reviewed evidence relating to:

- Activities, products and services provided by the organization
- Consistency and traceability of the information provided, including the process followed to compile it, sampling information on the reported one.
- Completion and content of the statement of non-financial information in order to ensure the completeness, accuracy and truthfulness of its content.

## Conclusion

Based on the foregoing, in our opinion, there is no evidence to suggest that the statement of non-financial information included in the included in the report dated 26 February 2019 and for the year ended December 31, 2018, is not a faithful representation of the FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A. and SUBSIDIARIES performance in social responsibility matters under Law 11/2018. Specifically, in relation to environmental, social and personnel issues, including the management of equality, non-discrimination and universal accessibility, human rights, the fight against corruption and bribery and diversity.

Madrid, 26 February 2019

## ANNEX

### LIST OF COMPANIES INCLUDED IN THE STATE OF NON-FINANCIAL INFORMATION

#### SUBSIDIARIES (FULLY CONSOLIDATED)

##### Company

##### ENVIRONMENTAL SERVICES

Alfonso Benítez, S.A.

Aparcamientos Concertados, S.A.

Armigesa, S.A.

Azincourt Investment, S.L.

Beootpad d.o.o. Beograd

Castellana de Servicios, S.A.

Compañía Catalana de Servicios, S.A.

Corporación Inmobiliaria Ibérica, S.A.

Dédalo Patrimonial, S.L. Unipersonal

Ecoactiva de Medio Ambiente, S.A.

Ecodeal-Gestao Integral de Resíduos Industriais, S.A.

Ecogenesis Societe Anonime Rendering of Cleansing and Waste Management Services

Ecoparque Mancomunidad del Este, S.A.

Egypt Environmental Services, S.A.E.

Ekostone Áridos Siderúrgicos, S.L.

Empresa Comarcal de Serveis Mediambientals del Baix Penedés – ECOBP, S.L.

Enviropower Investments Limited

Europea de Tratamiento de Residuos Industriales, S.A.

FCC (E&M) Holdings Ltd.

FCC (E&M) Ltd.

FCC Ámbito, S.A. Unipersonal

FCC Environment Developments Ltd.

FCC Environment Portugal, S.A.

FCC Environment Services (UK) Limited

FCC Environmental Services (USA) Llc.

## Company

FCC Equal CEE, S.L.

FCC Equal CEE Andalucía, S.L.

FCC Equal CEE Murcia, S.L.

FCC Equal CEE C. Valenciana, S.L.

FCC Medio Ambiente, S.A.

Gamasur Campo de Gibraltar, S.L.

Gandia Serveis Urbans, S.A.

Gestió i Recuperació de Terrenys, S.A. Unipersonal

Gipuzkoa Ingurumena BI, S.A.

Golrib, Soluções de Valorização de Resíduos Lda.

Grupo FCC CEE

.A.S.A. Hódmezővásárhely Köztisztasági Kft

ASMJ s.r.o.

FCC Abfall Service Betriebs GmbH

FCC Austria Abfall Service AG

FCC BEC s.r.o.

FCC Bratislava s.r.o.

FCC Bulgaria E.O.O.D.

FCC Centrum Nonprofit Kft.

FCC Ceska Republika s.r.o.

FCC České Budějovice s.r.o.

FCC Dacice s.r.o.

FCC EKO d.o.o.

FCC EKO Polska sp. z o.o.

FCC EKO-Radomsko sp. z o.o.

FCC Entsorga Entsorgungs GmbH & Co. Nfg KG

FCC Environment CEE GmbH

FCC Environment Romania S.R.L.

FCC Freistadt Abfall Service GmbH

## Company

FCC Halbenrain Abfall Service GmbH & Co. Nfg  
KG

FCC HP s.r.o.

FCC Industrieviertel Abfall Service GmbH & Co.  
Nfg KG

FCC Inerta Engineering & Consulting GmbH

FCC Kikinda d.o.o.

FCC Liberec s.r.o.

FCC Litovel s.r.o.

FCC Lubienec sp. z.o.o.

FCC Magyarország Kft

FCC Mostviertel Abfall Service GmbH

FCC Neratovice s.r.o.

FCC Neunkirchen Abfall Service GmbH

FCC Prostějov s.r.o.

FCC Regios AS

FCC Slovensko s.r.o.

FCC Tarnobrzeg.sp. z.o.o.

FCC Textil2Use GmbH

FCC TRNAVA s.r.o.

FCC Uhý s.r.o.

FCC Únanov s.r.o.

FCC Vrbak d.o.o.

FCC Wiener Neustadt Abfall Service GmbH

FCC Zabcice s.r.o.

FCC Zabovresky s.r.o.

FCC Zisterdorf Abfall Service GmbH

FCC Znojmo s.r.o.

FCC Zohor.s.r.o.

IB Odpady SP z.o.o.

## Company

Miejskie Przedsiębiorstwo Gospodarki Komunalnej sp. z o.o.

Obsed A.S.

Quail spol. s.r.o.

RSUO Dobritch

Siewierskie Przedsiębiorstwo Gospodarki  
Komunalnej sp. z o.o.

Grupo FCC Environment

3C Holding Limited

3C Waste Limited

Allington O & M Services Limited

Allington Waste Company Limited

Anti-Waste (Restoration) Limited

Anti-Waste Limited

Arnold Waste Disposal Limited

BDR Property Limited

BDR Waste Disposal Limited

Darrington Quarries Limited

Derbyshire Waste Limited

East Waste Limited

FCC Buckinghamshire Holdings Limited

FCC Buckinghamshire Limited

FCC Buckinghamshire (Support Services) Limited

FCC Energy Limited

FCC Environment (Berkshire) Ltd.

FCC Environment (Lincolnshire) Ltd.

FCC Environment (UK) Limited

FCC Environment Limited

FCC Environmental Services UK Limited

FCC PFI Holdings Limited

| Company |
|---------|
|---------|

|                                           |
|-------------------------------------------|
| FCC Recycling (UK) Limited                |
| FCC Waste Services (UK) Limited           |
| FCC Wrexham PFI (Phase II) Ltd.           |
| FCC Wrexham PFI (Phase II Holding) Ltd.   |
| FCC Wrexham PFI Holdings Limited          |
| FCC Wrexham PFI Limited                   |
| Finstop Limited                           |
| Focsa Services (UK) Limited               |
| Hykeham O&M Services Limited              |
| Integrated Waste Management Limited       |
| Kent Conservation & Management Limited    |
| Kent Energy Limited                       |
| Kent Enviropower Limited                  |
| Landfill Management Limited               |
| Lincwaste Limited                         |
| Norfolk Waste Limited                     |
| Pennine Waste Management Limited          |
| RE3 Holding Limited                       |
| RE3 Limited                               |
| Telford & Wrekin Services Limited         |
| T Shooter Limited                         |
| Waste Recovery Limited                    |
| Waste Recycling Group (Central) Limited   |
| Waste Recycling Group (Scotland) Limited  |
| Waste Recycling Group (UK) Limited        |
| Waste Recycling Group (Yorkshire) Limited |
| Wastenotts (Reclamation) Limited          |
| Wastenotts O & M Services Limited         |
| Welbeck Waste Management Limited          |
| WRG (Midlands) Limited                    |
| WRG (Northern) Limited                    |
| WRG Acquisitions 2 Limited                |
| WRG Environmental Limited                 |

WRG Waste Services Limited

| Company |
|---------|
|---------|

Integraciones Ambientales de Cantabria, S.A.

International Services Inc., S.A. Unipersonal

Jaime Franquesa, S.A.

Jaume Oro, S.L.

Limpieza e Higiene de Cartagena, S.A.

Limpiezas Urbanas de Mallorca, S.A.

Manipulación y Recuperación MAREPA, S.A.

Recuperació de Pedreres, S.L.

Servicio de Recogida y Gestión de Residuos Sólidos  
Urbanos del Consorcio Vega Sierra Elvira, S.A.

Serveis Municipals de Neteja de Girona, S.A.

Servicios de Levante, S.A.

Servicios Especiales de Limpieza, S.A.

Sistemas y Vehículos de Alta Tecnología, S.A.

Societat Municipal Medioambiental d'Igualada, S.L.

Tratamientos y Recuperaciones Industriales, S.A.

Valoración y Tratamiento de Residuos Urbanos, S.A.

Valorización y Tratamiento de Residuos, S.A.

## Company

### AQUALIA

Abrantaqua – Serviço de Aguas Residuais Urbanas do Municipio de Abrantes, S.A.

Acque di Caltanissetta, S.p.A.

Aguas de Alcaidesa, S.L. Unipersonal

Aguas de Alcázar Empresa Mixta, S.A.

Aguas de las Galeras, S.L.

Aigües de Vallirana, S.A. Unipersonal

Aqua Campiña, S.A.

Aquaervas – Aguas de Elvas, S.A.

Aquafundalia – Agua Do Fundão, S.A.

Aquajerez, S.L.

Aqualia Czech, S.L.

Aqualia Desalación Guaymas, S.A. de C.V.

Aqualia Infraestructuras d.o.o. Beograd-Vracar

Aqualia Infraestructuras d.o.o. Mostar

Aqualia Infraestructuras Inzenyring, s.r.o.

Aqualia Infraestructuras Montenegro (AIM) d.o.o. Niksic

Aqualia Infraestructuras Pristina Llc.

Aqualia Intech, S.A.

Aqualia Mace Contracting, Operation & General Maintenance Llc.

Aqualia México, S.A. de C.V.

Aqualia New Europe B.V.

Aquamaior – Aguas de Campo Maior, S.A.

Cartagua, Aguas do Cartaxo, S.A.

## Company

Compañía Onubense de Aguas, S.A.  
Conservación y Sistemas, S.A.  
Depurplan 11, S.A.  
Empresa Gestora de Aguas Linenses, S.A.  
Empresa Mixta de Conservación de La Estación Depuradora de Aguas Residuales de Butarque, S.A.  
Entenmanser, S.A.  
FCC Aqualia, S.A.  
FCC Aqualia América, S.A.U.  
FCC Aqualia U.S.A. Corp  
Hidrotec Tecnología del Agua, S.L. Unipersonal  
Infraestructuras y Distribución General de Aguas, S.L.U.  
Inversora Riutort, S.L.  
Severomoravské Vodovody a Kanalizace Ostrava A.S.  
Sociedad Española de Aguas Filtradas, S.A.  
Sociedad Ibérica del Agua, S.A. Unipersonal  
Tratamiento Industrial de Aguas, S.A.  
Vodotech, spol. s.r.o.

## CONSTRUCCIÓN

ACE Scutmadeira Sistemas de Gestao e Controlo de Tráfego  
Agregados y Materiales de Panamá, S.A.  
Áridos de Melo, S.L.  
Binatex al Maghreb, S.A.  
Colombiana de Infraestructuras, S.A.S.  
  
Concesiones Viales S. de R.L. de C.V.  
Concretos Estructurales, S.A.  
Conservial Infraestructuras, S.L.  
Consorcio FCC Iquique Ltda.  
Construcción Infraestructuras y Filiales de México, S.A. de C.V.  
Construcciones Hospitalarias, S.A.

## Company

Constructora Meco-Caabsa, S.A. de C.V.

Constructora Túnel de Coatzacoalcos, S.A. de C.V.

Contratas y Ventas, S.A.

Corporación M&S de Nicaragua, S.A.

Desarrollo y Construcción Deyco CRCA, S.A.

Edificadora MSG, S.A. (Panamá)

Edificadora MSG, S.A. de C.V. (El Salvador)

Edificadora MSG, S.A. de C.V. (Nicaragua)

FCC Américas, S.A. de C.V.

FCC Américas Colombia, S.A.

FCC Américas Panamá, S.A.

FCC Colombia, S.A.S.

FCC Construcción, S.A.

FCC Construcción América, S.A.

FCC Construcción Chile, SPA

FCC Construcción Costa Rica, S.A.

FCC Construcción de México, S.A. de C.V.

FCC Construcción Perú, S.A.C.

FCC Construções do Brasil Ltda.

FCC Constructii Romania, S.A.

FCC Construction Hungary Kft

FCC Construction Inc.

FCC Construction International B.V.

FCC Construction Ireland DAC (1)

FCC Construction Northern Ireland Limited

FCC Edificadora CR, S.A.

FCC Electromechanical Llc.

- 1) Cambio de denominación. Antes Fomento de Construcciones y Contratas Construction Ireland Limited

## Company

FCC Elliott Construction Limited

FCC Industrial de Panamá, S.A.

FCC Industrial e Infraestructuras Energéticas, S.A. Unipersonal

FCC Industrial Perú, S.A.

FCC Industrial UK Limited

FCC Immobilien Holding GmbH (2)

FCC Servicios Industriales y Energéticos México, S.A. de C.V.

FCC Soluciones de Seguridad y Control, S.L.

Fomento de Construcciones Colombianas, S.A.S.

Fomento de Construcciones y Contratas Canadá Ltd.

Guzmán Energy O&M, S.L.

Impulsora de Proyectos Proserme, S.A. de C.V.

Mantenimiento de Infraestructuras, S.A.

Meco Santa Fe Limited

Megaplás, S.A. Unipersonal

Megaplás Italia, S.p.A.

Participaciones Teide, S.A.

Prefabricados Delta, S.A. Unipersonal

Proyectos y Servicios, S.A. Unipersonal

Ramalho Rosa Cobetar Sociedade de Construções, S.A.

Servicios Dos Reis, S.A. de C.V.

Tema Concesionaria, S.A.

2) Change of name. Before Alpine-Energie Holding AG

| Company |
|---------|
|---------|

## CEMENTS

Canteras de Alaiz, S.A.

Carbocem, S.A.

Cementos Alfa, S.A.

Cementos Portland Valderrivas, S.A.

Dragon Alfa Cement Limited

Dragon Portland Limited

Hormigones de la Jacetania, S.A.

Prebesec Mallorca, S.A.

Select Beton, S.A.

Société des Ciments d'Enfidha

Uniland Acquisition Corporation

Uniland International B.V.

Uniland Trading B.V.

## OTHER ACTIVITIES

Asesoría Financiera y de Gestión, S.A.

Autovía Conquense, S.A.

Bvefdomintaena Beteiligungsverwaltung GmbH

Cemusa Portugal Companhia de Mobiliario Urbano e Publicidade, S.A.

Compañía General de Servicios Empresariales, S.A. Unipersonal

Concesionaria Atención Primaria, S.A.

## Company

Concesionaria Túnel de Coatzacoalcos, S.A. de C.V.

Corporación Española de Servicios, S.A.

Costa Verde Habitat, S.L.

Europea de Gestión, S.A. Unipersonal

F-C y C, S.L. Unipersonal

FCC Concesiones de Infraestructuras, S.L.

FCC Energía Aragón II, S.L. Unipersonal

FCC Midco, S.A.

FCC Topco, S.A.R.L.

FCC Versia, S.A.

Fedemes, S.L.

Geneus Canarias, S.L.

Geral I.S.V. Brasil Ltda.

Per Gestora Inmobiliaria, S.L. (3)

PPP Infrastructure Investments B.V.

Proyecto Front Maritim, S.L.

Vela Boravica Koncern d.o.o.

Vialia Sociedad Gestora de Concesiones de Infraestructuras, S.L.

Zona Verde – Promoçao e Marketing Limitada

## COMPANIES JOINTLY CONTROLLED WITH THIRD PARTIES OUTSIDE THE GROUP (ACCOUNTED FOR USING THE EQUITY METHOD)

| Company                                                        |
|----------------------------------------------------------------|
| <u>ENVIRONMENTAL SERVICES</u>                                  |
| Atlas Gestión Medioambiental, S.A.                             |
| Beacon Waste Limited                                           |
| Ecoparc del Besós, S.A.                                        |
| Ecoserveis Urbans de Figueres, S.L.                            |
| Electrorecycling, S.A.                                         |
| Empresa Mixta de Limpieza de la Villa de Torrox, S.A.          |
| Empresa Mixta de Medio Ambiente de Rincón de la Victoria, S.A. |
| Fisera Ecoserveis, S.A.                                        |
| Gestión y Valorización Integral del Centro, S.L.               |
| Hades Soluciones Medioambientales, S.L.                        |
| Ingeniería Urbana, S.A.                                        |
| Mediaciones Comerciales Ambientales, S.L.                      |
| Mercia Waste Management Ltd.                                   |
| Palacio de Exposiciones y Congresos de Granada, S.A.           |
| Pilagest, S.L.                                                 |
| Reciclado de Componentes Electrónicos, S.A.                    |
| Servicios de Limpieza Integral de Málaga III, S.A.             |
| Servicios Urbanos de Málaga, S.A.                              |
| Severn Waste Services Limited                                  |
| Tratamiento Industrial de Residuos Sólidos, S.A.               |
| Zabalgarbi, S.A.                                               |

## Company

### AQUALIA

Aguas de Langreo, S.L.

Aguas de Narixa, S.A.

Aigües de Girona, Salt i Sarrià del Ter, S.A.

Compañía de Servicios Medioambientales do Atlántico, S.A.

Constructora de Infraestructura de Agua de Querétaro, S.A. de C.V.

Empresa Municipal de Aguas de Benalmádena EMABESA, S.A.

Girona, S.A.

HA Proyectos Especiales Hidráulicos S. de R.L. de C.V.

Orasqualia Construction, S.A.E.

Orasqualia for the Development of the Waste Water Treatment Plant S.A.E.

Orasqualia Operation and Maintenance S.A.E.

### CONSTRUCCIÓN

Administración y Servicios Grupo Zapotillo, S.A. de C.V.

Construcciones Olabarri, S.L.

Constructora de Infraestructura de Agua de Querétaro, S.A. de C.V.

Constructora Durango Mazatlán, S.A. de C.V.

Constructora Nuevo Necaxa Tihuatlán, S.A. de C.V.

Constructores del Zapotillo, S.A. de C.V.

Dragados FCC Canada Inc.

Elaboración de Cajones Pretensados, S.L.

Integral Management Future Renewables, S.L.

North Tunnels Canada Inc.

OHL Co Canada & FCC Canada Ltd. Partnership

Servicios Empresariales Durango-Mazatlán, S.A. de C.V.

## Company

### CEMENTS

Pedreira de l'Ordal, S.L.

### OTHER ACTIVITIES

Ibisan Sociedad Concesionaria, S.A

MDM-Teide, S.A.

Proyecto Front Marítim, S.L.

Sociedad Concesionaria Tranvía de Murcia, S.A.

Subgrupo FM Green Power Investments

Enestar Villena, S.A.

Ethern Electric Power, S.A.

Estructuras Energéticas Generales, S.A. Unipersonal

Evacuación Villanueva del Rey, S.L.

FM Green Power Investments, S.L.

Guzmán Energía, S.L.

Helios Patrimonial 1, S.L. Unipersonal

Helios Patrimonial 2, S.L. Unipersonal

Olivento, S.L. Unipersonal

Teide-MDM Quadrat, S.A.

**Fomento De  
Construcciones Y  
Contratas, S.A.**

Informe de Auditor Referido a la  
“Información relativa al Sistema  
de Control Interno Sobre la  
Información Financiera (SCIIF)”  
correspondiente al ejercicio 2018

*Translation of a report originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails.*

AUDITOR'S REPORT ON THE "INFORMATION RELATING TO THE SYSTEM OF INTERNAL CONTROL OVER FINANCIAL REPORTING (ICFR)" OF FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A. FOR 2018

To the Directors of  
FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A.,

As requested by the Board of Directors of Fomento de Construcciones y Contratas, S.A. ("the Entity") and in accordance with our proposal-letter of 4 February 2019, we have applied certain procedures to the accompanying information relating to the ICFR system of Fomento de Construcciones y Contratas, S.A. for the year ended 31 December 2018, which summarises the internal control procedures of the Entity in relation to its annual financial reporting.

The Board of Directors is responsible for adopting the appropriate measures in order to reasonably guarantee the implementation, maintenance and supervision of an adequate internal control system and for making improvements to that system and for preparing and establishing the content of the information relating to the ICFR system included in section F) of the accompanying Annual Corporate Governance Report (ACGR).

It should be noted in this regard, irrespective of the quality of the design and operating effectiveness of the internal control system adopted by the Entity in relation to its annual financial reporting, that the system can only permit reasonable, but not absolute, assurance in connection with the objectives pursued, due to the limitations inherent to any internal control system.

In the course of our audit work on the financial statements and pursuant to Technical Standards on Auditing, the sole purpose of our assessment of the internal control of the Entity was to enable us to establish the scope, nature and timing of the audit procedures to be applied to the Entity's financial statements. Therefore, our assessment of internal control performed for the purposes of the aforementioned audit of financial statements was not sufficiently extensive to enable us to express a specific opinion on the effectiveness of the internal control over the regulated annual financial reporting.

For the purpose of issuing this report, we applied exclusively the specific procedures described below and indicated in the Guidelines on the Auditor's Report on the Information relating to the System of Internal Control over Financial Reporting of Listed Companies, published by the Spanish National Securities Market Commission (CNMV) on its website, which establish the work to be performed, the minimum scope thereof and the content of this report. Since the work resulting from such procedures has, in any case, a reduced scope that is significantly less extensive than that of an audit or a review of the internal control system, we do not express an opinion on the effectiveness thereof, or on its design or operating effectiveness, in relation to the Entity's annual financial reporting for the year ended 31 December 2018 described in the information relating to the ICFR system included in section F) of the accompanying Annual Corporate Governance Report. Therefore, had we applied procedures additional to those established in the aforementioned Guidelines or performed an audit or a review of the system of internal control over the regulated annual financial reporting, other matters or aspects might have been disclosed which would have been reported to you.

Also, since this special engagement does not constitute an audit of financial statements and is not subject to the audit regulations in force in Spain, we do not express an audit opinion in the terms provided for in those regulations.

The procedures applied were as follows:

1. Perusal and understanding of the information prepared by the Entity in relation to the ICFR system - disclosure information included in the directors' report- and assessment of whether this information addresses all the information required in accordance with the minimum content described in section F, relating to the description of the ICFR system, of the model Annual Corporate Governance Report established in CNMV Circular no. 5/2013, of 12 June 2013, subsequently amended by CNMV Circular no. 7/2015, of 22 December 2015 and CNMV Circular 2/2018, of 12 June ("the CNMV Circulars").
2. Inquiries of personnel in charge of preparing the information detailed in point 1 above for the purpose of: (i) obtaining an understanding of the process involved in the preparation of the information; (ii) obtaining information that permits an evaluation of whether the terminology used complies with the framework definitions; and (iii) obtaining information on whether the control procedures described are in place and functioning at the Entity.
3. Review of the explanatory documents supporting the information detailed in point 1 above, including mainly the documentation furnished directly to those responsible for describing the ICFR system. In this regard, the aforementioned documents include the reports prepared for the Audit and Control Committee by internal audit, senior management and other internal or external specialists.
4. Comparison of the information detailed in point 1 above with the knowledge of the Entity's ICFR system obtained through the procedures applied during the financial statement audit work.
5. Perusal of the minutes taken at meetings of the Board of Directors, the Audit and Control Committee and other committees of the Entity in order to assess the consistency of the ICFR system issues addressed at those meetings with the information detailed in point 1 above.
6. Obtainment of the representation letter in connection with the work performed, duly signed by those responsible for preparing and formulating the information detailed in point 1 above.

The procedures applied to the information relating to the ICFR system did not disclose any inconsistencies or incidents that might affect the information.

This report has been prepared exclusively in the context of the requirements established in Article 540 of the Consolidated Spanish Limited Liability Companies Law and in the CNMV Circulars for the purposes of the description of the ICFR system in Annual Corporate Governance Reports.

DELOITTE, S.L.

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Raquel Martínez Armendáriz

26 February 2019