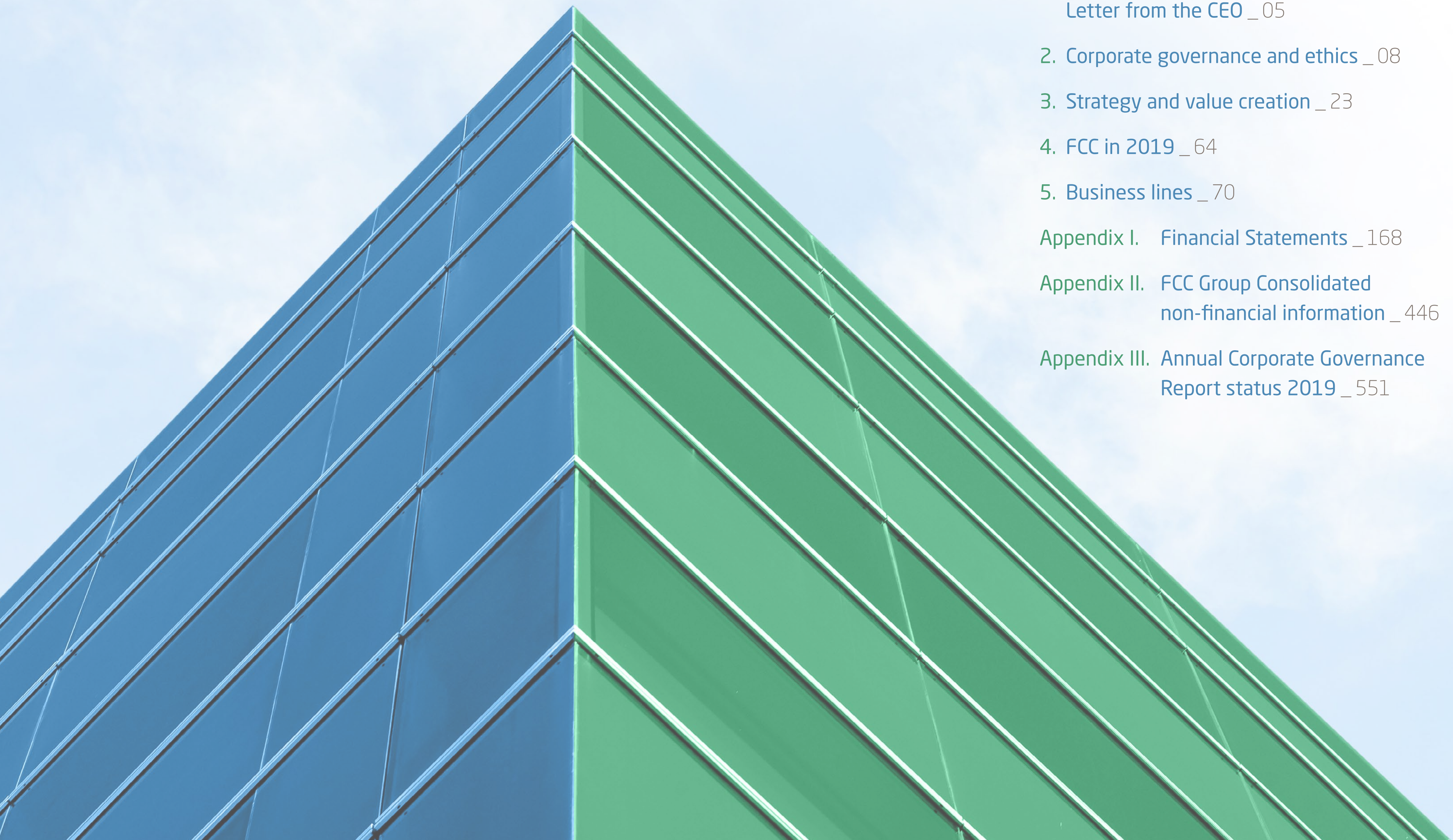
Annual Report 2019



Letter from the Chairperson

Dear shareholders,

The global challenges we are facing as a result of the COVID-19 pandemic can only be managed and navigated by tapping into our resilience and adapting to the changes with sufficient flexibility, transforming difficulties into opportunities and thereby overcoming this historic period we are going through.

Our Group has shared difficult experiences together before, moments of uncertainty that we have always faced together with a positive spirit, convinced we would continue moving forward through hard work and determination. And it has worked.

This Annual Report outlines everything we have done over the last year, a year in which we continued the growth and improvement from recent years. By reinforcing our operational elasticity and capacity, and maintaining our strong team spirit, we have managed to continue to set FCC apart in the competitive environment we operate.

In the last year, the FCC Group obtained a net income of €339.9 million, 21.5% more than the previous year. Meanwhile, the net attributable income was €266.7 million, an increase of 6% on the previous year.

Together, more than ever.

Esther Alcocer Koplowitz
Chairperson of the FCC Group

In 2019, the net sales rose 4.8% on the previous year to €6.28 billion.

At 2019 year-end, the gross operating income was €1.03 billion, an increase of 19.1%. An increase that was supported by the greater income generated in all the business areas and improved operational efficiency.

On 31st December, the Group's backlog closed at €31.04 billion, an increase of 7.1%. In terms of volume of contribution, the 86.9% increase of Construction in Spain, due to winning important contracts, was relevant, as well as the order book increase in the Environment area from new contracts awarded overseas, primarily in the USA.

The consolidated net financial debt closed on 31st December at €3.58 billion, a 33% increase on December 2018.

Meanwhile, the Group's net equity rose to €2.47 billion, an increase of 26.3% on the previous year.

Throughout 2019, the different business areas have reached significant milestones, which are detailed within this Report. These milestones were made possible thanks to the commitment and effort of the people who make the reality of FCC possible in every single country we operate.

This commitment, effort, passion and determination is what has made it possible for the company to celebrate on 3rd July, 120 years of providing key services to society.

An important turning point in the company's history took place in 2014 when the Carso Group, headed by engineer Carlos Slim, acquired shares in our company following the financial crisis. Thanks to their executive work, FCC underwent a crucial change to significantly reduce its debt and the cost of this debt. This new situation has enabled us to tackle new challenges in optimal financial conditions, including recovery of the dividend.

As we address the socio-economic consequences of a historic pandemic, it is vital to have efficient and committed leaders and teams. We have them at FCC.

It is thanks to them, our customers and all of you, that the FCC Group will continue being a stable, long-lasting project with a common spirit and long-term vision, thereby redoubling our confidence and optimism for a future we wish to see for everyone. I am convinced we will achieve this by working together.

Kind regards,

Esther Alcocer Koplowitz
Chairperson of the FCC Group

Throughout **2019**, the different business areas **have reached significant milestones, made possible thanks to the commitment and effort of the people working for the FCC Group in every single country** we operate.

Letter from the CEO

To all shareholders,

I would like to start this letter by expressing my gratitude to society as a whole, to the professionals whose essential work and tireless efforts have been exemplary from the start of the COVID-19 crisis, and to our employees, who have been fundamental to fulfilling our commitment to ensure citizens have the services expressly classified as essential. These include waste collection and treatment, street cleaning, end-to-end water service and the management and maintenance of transport infrastructure, which are all critical operations to ensure the proper functioning of cities and citizens' wellbeing.

Our company experiences special moments every year. This year is a historic year as our Group celebrates 120 years of working side by side with citizens and sharing great moments. Our commitment, professionalism and continuously improving service to our customers has defined our whole history.

This year, I would like to mention a set of fundamental actions revolving around operational, structural and financial principles implemented in 2015. Since then, the FCC Group has carried these out along the road to profitability and continues to be an international leader in citizen services. This plan of initiatives, driven by the new FCC shareholder structure, which since then has been led by Carso Group, has enabled our Group to obtain a solid position in all aspects over the last five years.

A **consolidated and renovated Group** with a **solid financial structure**.

Pablo Colio Abril
CEO of the FCC Group

FCC is ready to face the future, and the company's good results in 2019 have led it to focus on growth as part of its strategy.

In the **operational area**, FCC managed to recover its position as a Group specialising in environmental services management, end-to-end water management, and infrastructure development and management. It also improved the risk management systems, increased ethical commitment in all projects and promoted synergies between the business areas and the corporate brand value of the Group in order to increase the profitability of operations and customer satisfaction.

In the last five years in the structural area, the Group has reinforced its profitability and operating cash flow by implementing strict expense containment and reducing structural and corporate costs to be more agile and competitive.

Finally, in the **financial area**, the Carso Group leadership proved to be essential in carrying out a combined consolidation process of the capital structure, with two expansions: one in December 2014 and the other in March 2016. These expansions increased it to €1.71 billion, which served as a base for a thorough restructuring and subsequent reduction of the company's debt.

These three areas of action have enabled a complete strengthening and renovation of the FCC Group as it now has a solid financial structure.

Corporate culture: integrity, professionalism and transparency

FCC Group's global dimension and vast international presence make it imperative to have a strong commitment to applying the highest standards of integrity and ethical and regulatory compliance in its activities and businesses.

Therefore, in the context of an ever-changing regulatory framework, the Group's commitment to the fight against corruption and to the application of good practices in the businesses, the FCC Board of Directors approved a new Code of Ethics in February 2018. This aimed to encourage any people related to any company in the FCC Group to follow the behavioural guidelines to the letter in their commitment to complying with the laws, regulations, contracts, procedures and ethical principles

The Code also includes a new definition of the values on which the FCC corporate culture is based. These values translate into: the requirement to be recognised for honest and integral behaviour, worthy of the trust of collaborators, customers and suppliers as leading and long-standing partners (honesty and respect); improving and achieving goals to make FCC a leader in profitability and competitiveness (results-oriented); working with exemplary behaviour and vocation to the service by developing our ability to seek efficient and innovative solutions (rigour and professionalism); favouring diversity by encouraging professional development, and recognising merit and creativity as a stimulus to productivity and progress (loyalty and commitment); and taking into account the value our services provide to society, we are committed to protecting the natural world, and the development and well-being of communities (well-being and development of communities).

These values are the most important identifying features of our Group, whose vision is to be a leading international Group in citizen services, offering global and innovative solutions to efficiently manage resources and improve infrastructure, contributing to improving the quality of life of citizens, and the sustainable progress of society.

FCC is ready to face the future, and the company's good results in 2019 have led it to focus on growth as part of its strategy.

The value creation levers that have contributed to the company's stability have been and continue being: efficiency, innovation; efficient management of resources; the continuous search for excellence in its activities; strengthening in consolidated markets and the increase of international activity in the strategic areas with growth potential where FCC is present; and of course, as mentioned previously, the synergies between business areas and financial discipline to preserve profitability and continue adding value.

Meanwhile, sustainable development, based on the circular economy, transparency and commitment to society are also priorities for the company. Just as it is to advance in the digital era, incorporating tools that facilitate new ways of working every day, adjusting to different needs, and applying smart solutions to improve collaboration, creativity and productivity.

Net income rose by 21.5%

The Group's contribution to economic and social development, the result of the work and coordination among the different business areas and in the different countries in which it operates, have led to the company obtaining good results in 2019.

In 2019, the company obtained net income of €339.9 million, 21.5% more than the previous year.

Meanwhile, the net attributable income was €266.7 million, an increase of 6% on the previous year. This was achieved despite the increase in income for minority shareholders from €28.2 million in 2018 to €73.2 million in 2019.

In 2019, the net sales of the FCC Group rose 4.8% on the previous year to €6.28 billion. This increase was reflected in all the business areas, with the biggest movements in Water (6.4%) and Cement (10.8%). In Construction, income rose by 3.9% and Environment recorded growth of 3.3%.

During the year, each of the FCC business areas led important events:

Water consolidated its presence in the United Arab Emirates with new contracts worth €100 million and acquired the end-to-end water management company Services Publics et Industries Environnement (SPIE) in France. Similarly, in Spain, it bought Agua y Gestión and purchased a share in Codeur. The combined amount of these acquisitions was €38 million.

Environment strengthened its presence in the USA by adding the solid urban waste collection contract for the cities of Omaha in Nebraska, and Volusia in Florida. With this fifth contract won in Florida and together with the contracts in Orlando (Orange County) and Lakeland (Polk County), FCC's presence in the USA was consolidated. The total volume of FCC's portfolio in the country, where it already has 10 contracts in Texas, exceeded €1 billion at year-end and provides service to over 8 million citizens.

At year-end, **Construction** reached a portfolio of projects to be developed of €5.62 billion, 24.5% more than the previous year. In the last quarter, the company was awarded a two-year contract for the construction and subsequent maintenance of a section of the A-9 motorway circling Amsterdam and its airport, worth €845 million. In Spain, the remodelling of the Santiago Bernabéu Stadium for €475 million euros was added to the portfolio, as was the project for closing the ring road in Tenerife for another €203 million.

In **Cementos Portland Valderrivas**, it is worth noting its main activity, manufacturing cement, which accounted for approximately 90% of the subgroup's total income in 2019. The remaining percentage being from the concrete, aggregate and mortar businesses. With regard to its geographical diversification, 40% of revenue came from international markets in 2019. The CPV Group's main objective is to remain competitive in terms of both costs and market share in the markets in which it operates, retaining its status as an industry benchmark in all the countries in which it has a presence.

In the **corporate area**, special mention must be made of the flexible dividend distribution which the company implemented for the first time in its history in 2019. With this transaction, FCC announced the return to dividend payments, which had been suspended since 2013. In 2019, the company paid €0.40 per share to shareholders who opted to receive the company's flexible dividend in cash or its equivalent amount in shares released by the company.

In 2019, the company obtained **net income of €339.9 million**.

It is also worth noting that at the end of the year, the FCC Campus project was launched. This is the FCC Group's corporate university, which fulfils the company's commitment to promoting people. This is a virtual learning space where the professionals who are part of the FCC Group are trained.

We want to continue being references in our sectors, and in order to do this we need our teams, a set of professionals who contribute with their experience and ability to improving the wellbeing of people and the cities we live in every day. With these teams, we want to continue progressing, growing and constructing the future of the FCC Group together.

Pablo Colio Abril
CEO of the FCC Group

Corporate governance and ethics

Good Governance

The FCC Group, as part of its strong commitment to Good Governance, aligns its actions with the recommendations of the Code of Good Governance of Listed Companies of the National Securities Market Commission (CNMV) and especially with those recommendations that include Corporate Social Responsibility among the functions of the Board of Directors.

In its Code of Good Governance, this body includes a series of recommendations that allow companies to work under the highest international standards of corporate governance. In this regard, the FCC Group's commitment is to fully or partially comply with 84.5% of the recommendations by 2019.

In addition, in line with its commitment to continuous improvement and to be at the forefront of ethics and good governance, the FCC Group pays attention to international good practices such as those issued by the International Corporate Governance Network (ICGN) and other organisations that provide corporate governance.

In addition, as it does every year, the company publishes its Annual Corporate Governance Report and its Annual Remuneration Report, following the reporting guidelines of the CNMV and its subsequent communication to that body.

The Group has a formal definition of the responsibilities of the governing body, supervision of the strategy and proper functioning of its activity, decision-making and supervision of risks, which is set out in the Bylaws and Regulations of the Board of Directors.

FCC complies with **84.5%** of the recommendations of the CNMV **Code of Good Governance** for Listed Companies.

FCC BYLAWS

REGULATIONS OF THE BOARD OF DIRECTORS

These formally include:

- The responsibilities of the company's governing body.
- The identification of risks of any kind that may affect the business.
- Supervision of proper operational functioning.
- Decision-making that ensures the protection of the company's long-term interests.

Group Governing Bodies

The governance of the FCC Group consists of five essential bodies that allow the company to work with the utmost efficiency, carrying out each of the functions and duties assigned to them.

In this sense, the General Meeting of Shareholders is the Company's overriding decision-making body in matters for which it is responsible and that are specified in the Regulations for the General Meeting of Shareholders.

FCC has a Board of Directors which has overriding powers to manage, direct, administer and represent the company and to fulfil its corporate purpose, focusing its activity primarily on supervising the ordinary management of the Company entrusted to executive directors and senior management, as well as on the consideration of all matters that are of particular significance to the Group. For greater efficiency and transparency in the performance of their functions, the Board of Directors has three committees: The Executive Committee, the Audit and Control Committee and the Appointments and Remuneration Committee. The latter is responsible for submitting proposals for the appointment and re-election of independent directors to the Board.

Governing bodies and associated responsibilities

General Shareholders' Meeting

It is governed by the provisions of the Law, the Company's Bylaws, and the Regulations laid down by the General Meeting. There is a guarantee of equal treatment for all shareholders in terms of information, participation and the right to vote at the General Meeting.

Board of Directors

It is responsible for the management and representation of the FCC Group. It is the body responsible for supervision and control of the company's management, entrusted to the Executive Directors and Senior Management.

Executive Committee

Permanently delegated body designated by the Board of Directors, which in turn defines the responsibilities that are attributable to it, as well as the Directors who are members of it. It is responsible for taking decisions with regard to FCC Group Investments, access to credit, loans, guarantee, lines of collateral and other financial instruments.

Audit and Control Committee

It supports the Board by reviewing the preparation of economic-financial information, the internal control and the independence of the external auditor. Its members need to have technical knowledge of the Group's activity sectors. Furthermore, at least one of the members must have suitable knowledge of accounting and/or auditing.

Appointments and Remuneration Committee

It is the body responsible for: information, advising and proposal regarding the appointment, re-election, ratification and dismissal of directors, remuneration of the directors and senior executives of the FCC Group, as well as the control of possible conflicts of interest and related operations, without prejudice to any other functions, whatever their nature, attributed by Law, the Company's Bylaws or the Regulations of the Board of Directors.

Composition of the Board of Directors and Committees[1]

Board	Executive Committee	Audit and Control Committee	Appointments and Remunerations Committee
Esther Alcocer Koplowitz Chairperson (Proprietary)	○		○
Esther Koplowitz Romero de Juseu Vice President (Proprietary)			
Pablo Colio Abril Chief Executive Officer	○		
Alicia Alcocer Koplowitz Proprietary	○		
Carmen Alcocer Koplowitz Proprietary			
Gerardo Kuri Kaufmann Executive	○		
Álvaro Vázquez de Lapuerta Independent		○	P
Carlos Slim Helú Proprietary			
Alejandro Aboumrad González Proprietary	P		
Alfonso Salem Slim Proprietary			
Juan Rodríguez Torres Proprietary	○	○	○
Antonio Gómez García Proprietary			
Manuel Gil Madrigal Independent		P	○
Henri Proglio Independent		○	

P: Committee President

[1] Shows the members of the Board of Directors at the end of the business year. On 9 May 2019, Carlos M. Jarque Uribe resigned as a director for personal reasons.

Gender diversity on the FCC Group Board of Directors

Diversity and socially responsible inclusion are issues that have become very important in the FCC Group over the years. In fact, this commitment was formalised in 2014 through an agreement with the Ministry of Health, Social Services and Equality. Through this commitment, the Board of Directors of FCC undertakes to:

- Make progress in complying with the recommendation of Article 75 of Organic Law 3/2007 of 22 March, on effective equality between women and men.
- Make the data on directors public and keep it duly updated, in accordance with the recommendations of the Code of Good Governance for Listed Companies.
- Include in the internal regulations explicit references to the promotion of balanced participation of women and men on the board, as well as seek to incorporate members of the under-represented gender on the board.

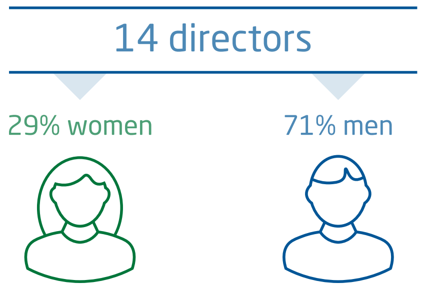
The company's commitment to ensuring equality is not only present and reflected in its workforce, but also in its various governing bodies. The percentage of female directors on the Board of Directors of the FCC Group has increased, and at 31 December 2019 it was 29%, one percentage point higher than the year before. In addition, 50% of the members of the Board of Directors are of nationalities other than Spanish (Mexican and French), contributing to diversity and well-balanced participation.

Along these lines, article 38.4.h of the Rules of the Board establishes, in accordance with the duties of the Appointments and Remuneration Committee: "Assist the Board in its role of ensuring that the selection procedures of its members favour diversity of gender, experience and knowledge and do not suffer from implicit biases that may imply any discrimination and, in particular, that facilitate the selection of female Directors, so that the Company deliberately seeks and includes among the potential candidates, women who meet the intended professional profile, with the Board having to explain, where applicable, through the Annual Corporate Governance Report, the reason for the scant or non-existent number of female Directors and the initiatives taken to correct this situation".

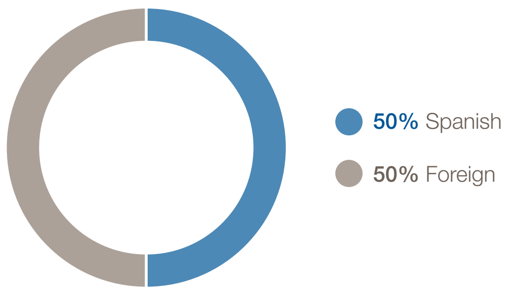
The composition of the Board of Directors of the FCC Group is shown in a graphic below:

With 29% women on the board of directors, FCC is above the average for IBEX 35 companies, which is 27% on average[1].

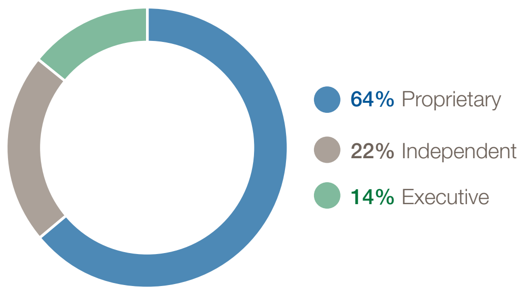
Gender diversity on the Board of Directors



Nationalities of the FCC Board of Directors



FCC Board of Directors



[1] VIII Report on Women on IBEX 35 Boards

Operation of the Board and its Committees

The FCC Group's Board of Directors met a total of eight times in 2019, with an average attendance of 96.52%. The company complies with the requirements of article 34.1 of the Regulations for the Board of Directors that stipulate that "The Board of Directors shall meet with the necessary frequency to effectively perform its duties, and in any case, at least once a quarter, and whenever the interest of FCC requires it, following the schedule of dates and issues established at the beginning of the business year".

Along this same line, article 31.2 of the Bylaws is also fulfilled, which states that "The Board of Directors shall meet at least once a quarter, and whenever agreed by the Chairman, or whoever is acting as such, or when requested by the Executive Committee or at least one third of the members of the Board".

In addition, each of the Board's committees has also held a large number of meetings in order to ensure the Group's proper management.

In addition, in accordance with Article 34.4 of the Regulations of the Board of Directors, directors are provided with the necessary information to enable them to form an opinion and vote on the matters submitted for consideration, in order to ensure that meetings are efficient.

Average attendance at **Board meetings** in 2019 was **97%**.

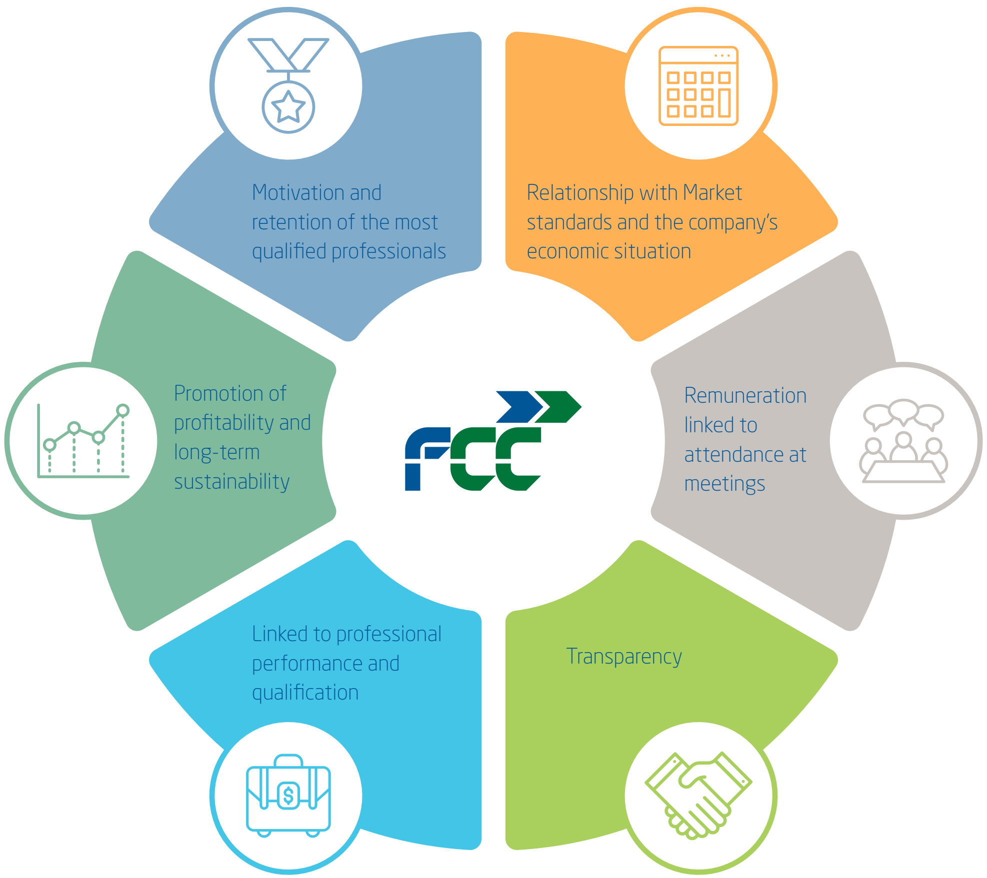
The remuneration policy

The General Meeting is the body responsible for agreeing the distribution of remuneration among the members of the Board, taking into account both the duties and the responsibilities fulfilled by each of the members, either within the Board itself or within the internal Committees.

In addition, directors' attendance at meetings of the Board and its Internal Committees is also remunerated and it is the General Meeting that determines the amount corresponding to this concept in each year. It should be noted that remuneration for attendance at meetings is only effective when the director attends in person, and not by proxy or remote communication. The executive directors also receive a varying amount, linked to the fulfilment of the social objectives.

Article 28.2 of the Regulations of the Board of Directors stipulates that the remuneration of directors should be in reasonable proportion to the importance of the company, its economic situation at all times and the market standards for comparable companies. The aim of the established remuneration system is to promote the long-term profitability and sustainability of the company, and should include the necessary precautions to avoid excessive risk taking and reward for unfavourable results.

The FCC Remuneration Policy, as well as the individualised remuneration accrued by directors during the 2019 business year are published in the Annual Remuneration Report, available on the FCC Group's corporate website.



Due diligence of the FCC Group

Compliance Model, Code of Ethics and Conduct, Policies and Procedures

One of the essential elements that constitute and shape all the company's activities and guarantee the sustainability of the Group is respect for people, dignity and fundamental rights.

In this context, since 2018 the FCC Group has specially strengthened the compliance system it initiated several years ago, to ensure that all Group companies and employees are governed according to certain ethical principles, established in the Code of Ethics and Conduct with a view to strengthening internal control so as to avoid committing any criminal offence. It sets out the standards of conduct that guide the actions and behaviour of FCC's professionals in ethical, social and environmental matters.

The following actions were taken in order to establish an ethical and compliance culture in the company and to guarantee due diligence:

Strengthening of the FCC Group Compliance Model (2018-2019)

- An **organisational compliance structure** was designed, assigning responsibilities aimed at guaranteeing regulatory compliance within FCC.
- A regulatory body consisting of **policies, manuals and procedures** was approved.
- A **Compliance Committee was created and corporate and business *Compliance Officers*** were appointed to be responsible for overseeing the Compliance Model.
- A **criminal risk analysis** was conducted, identifying any crimes that may be committed within the organisation in the undertaking of its business activity.
- **Controls were identified to mitigate the risks** detected.
- A system was created for **biannual self-assessment** of the **effectiveness** of the Model by means of a software tool.
- A **review of the system in the annual work plan** for Internal Auditing was included.
- An **ethical channel to report possible non-compliance** was created.
- A series of t**raining and communication plans** were designed to raise awareness amongst FCC employees of the importance of regulatory compliance.

The Group's Code of Ethics and Conduct, the central element of the FCC Compliance Model, was reformulated in 2018 and updated to include some slight changes in August and September 2019.

The Code of Ethics and Conduct is binding on all Group employees, in all geographical areas where FCC operates.

Measures taken by FCC for the prevention of crimes

2006
- Corporate Responsibility Committee.
- General Standards Manual.
- Economic-Financial Manual.

2007
- Training and awareness activities.

2008
- Code of Ethics.
- Whistleblowing Channel.
- Reports channel for financial and accounting matters.
- Bullying channel.
- Internal Code of Conduct Follow-Up Committee.
- Dissemination activities for the Code of Ethics and reporting channels.
- FCC Construcción Welcome Manual.

2009
- Training and awareness activities for the Code of Ethics (managers).

2010
- FCC Construcción global risk map.
- Training and awareness/dissemination activities for the Code of Ethics (extension for employees).
- Code of Ethics remodelling.
- Specific procedures for the FCC Construcción Management System.
- General Standards Manual.

2011
- FCC Construcción criminal risk assessment (prioritised catalogue).
- Training activities to raise awareness of the Code of Ethics.

2012
- Crime Prevention and Response Manual.
- Crime Response Committee.
- Code of Ethics remodelling.
- Unification of report channels.
- Policies, procedures and controls (criminal risks).
- External legal report on the Organisation and Management Model.
- Dissemination activities (Code of Ethics and Crime Prevention and Response Manual).

2013
- Report on the working of the internal controls established in the Catalogue for the prioritisation of crimes and risk behaviours.

2014
- Crime Prevention and Response Manual.

2015
- Request for employees to comply with the Code of Ethics.

2016
- **ISO 37001 "Anti-Bribery Management Systems".**
  - Compliance System and Policy.
  - Risk Management System and Policy.
  - Criminal Compliance System and Policy.

2017
- **UNE 19601 "Criminal compliance management systems".**
  - Review of purchasing regulations.

2018
- Prioritised risk analysis.
- Criminal or business risk and control matrices.
- Compliance Model Maturity Analysis.
- New Code of Ethics and Conduct.
- Compliance Committee Regulations.
- Criminal Offence Prevention Manual.
- Reports channel manual.
- Investigation and response procedure.
- Business partners relationship policy.
- Anti-corruption policy.
- Risk and control matrix certification by control and process owner.
- Compliance Committee activity reports to the Audit and Control Committee.

2019
- Gift policy.
- Agent policy.
- Human Rights policy.
- Remodelling of Code of Ethics and Conduct.
- Risk and control matrix certification by control and process owner.

The FCC Group is committed to running its business in accordance with the highest ethical principles. With this in mind, it implemented a Compliance Model consisting of internal policies, procedures and controls that are regularly reviewed and updated.

Through this model, the company aims to prevent and detect non-compliance risks, including risks related to criminal offences, and minimise their possible impacts.

This Model is designed to ensure compliance with laws and regulations where the Group operates, and to warrant the trust of its clients, shareholders, employees and business partners. The Model extends beyond legal obligations in a series of matters on which FCC has strong convictions.

To ensure that the Compliance Model functions correctly, FCC established a Compliance Committee, the Group's Criminal Prevention body that enjoys autonomous powers of initiative and control, and which is composed of:

- The Corporate Compliance Officer (president).
- The Legal Advice Department General Manager (voting member).
- The Human Resources Director (voting member).

The General Manager of the Internal Audit Department participates as a voting member in cases where his/her participation is required. Likewise, the Compliance Officers for each of the businesses (Aqualia, FCC Construcción, FCC Medio Ambiente and Cementos Portland Valderrivas) may attend Compliance Committee meetings as guests. The Compliance Committee answers directly to the Audit and Control Committee of the FCC Board of Directors, reporting regularly.

The main responsibilities of the Compliance Committee are:

Main responsibilities of the Compliance Committee

Code of Ethics and Conduct

The Committee is the main guarantor of the dissemination, knowledge and compliance with the principles and values established in the FCC Code of Ethics and Conduct, adapting it at all times to any new regulatory requirements and identified risks. It also promotes the approval of specific rules and procedures.

Criminal Prevention Model

The Committee is the governing body for the FCC Criminal Prevention Model, responsible for evaluation and supervision, as well as promoting its culture and compliance through dissemination and training programs.

The Model should be adapted to new regulations and to the update of the risks that affect it.

Behaviours and investigations

The Committee should designate the person responsible for leading the investigation of reports classified as high risk received via the Ethical Channel, coordinate the investigations, and suggest the final resolution or proposal for measures to the proper body.

Safeguarding of Ethics and Integrity at FCC

To ensure compliance with the Code of Ethics and Conduct and the rules arising from it, effective reporting mechanisms need to be established that enable workers and other related groups to present notifications when detecting potential breaches.

During the 2019 business year, a total of 83 notifications were received on the FCC Group's Ethical Channel, between the corporate intranet, e-mail and the P.O. Box, which were classified and managed in accordance with the approved Ethical Channel Procedure.

The number of notifications resolved as at 31 December 2019 was 71, representing 85.5% of the total notifications received.

The 2019 business year featured an outstanding effort in the dissemination and training chapter of the Compliance Model, both in Spain and internationally.

The communication plan was implemented by different means, on physical and electronic supports such as posters, brochures, the internal magazine, and communicated by e-mail and other media such as lifts, information stands, videos and tutorials, etc.

In addition to in-person training and workshops for certain levels of the organisational structure, and for those responsible for criminal prevention controls, in order to achieve a broader scope for training within the organisation and inclusion in the *"Welcome pack"*, in 2019 the company developed an on-line course on the Code of Ethics and Conduct which they distributed throughout the whole organisation to those with access to the network in Spain, and certain international subsidiaries. 5,712 employees completed the course in Spain, which represents a success rate of 97%. At an international level, this training had already been given in Portugal, Qatar, Saudi Arabia, Great Britain, Colombia, Ecuador, Mexico, Panama and the Netherlands by the end of 2019.

In addition, during the 2019 business year, two (six-monthly) certifications of the Compliance Model were completed, through the Group's Compliance Tool, as well as the review of the design of 100 criminal prevention controls selected in the corporation and businesses. These assessments subsequently led to the review and better adaptation of the matrices for crimes, risks, approved controls and new regulatory developments.

- Throughout 2019, there have been **two certifications of the Compliance Model**.
- The design of 100 **selected corporate and business criminal offence** prevention controls have been reviewed.
- 2019 has been marked by the effort made in the **communication plan to disseminate the Compliance Model** in all the Group's regions. 5,712 employees completed the course in Spain, which represents a success rate of 97%.

Respect for human rights in the FCC Group

The daily activity of the FCC Group cannot and should not be viewed to be something that does not involve the protection of and respect for human rights. Therefore, the company acts within its sphere of influence and in accordance with the legal framework of each country, promoting compliance with this.

FCC expresses total rejection of child labour, forced labour and work in painful, extreme, subhuman or degrading conditions, guaranteeing freedom of association and collective bargaining, as well as the rights of ethnic minorities and indigenous peoples wherever the Group operates.

In accordance with this commitment, FCC adheres to the main international frameworks in this area: principles of the United Nations Global Compact, Universal Declaration of Human Rights Framework, Declaration of Children's Rights, a number of ILO conventions and other agreements with the International Federation of Construction and Wood Workers (BWINT).

The Board of Directors is responsible for the approval of the Group's Human Rights Policy and for monitoring its compliance. It is also responsible for overseeing the company's Corporate Social Responsibility Policy through the Executive Committee.

The Group's CSR 2020 Plan includes the *XHumanRights* programme that seeks to make a diagnosis of the impact of FCC activities on Human Rights, with the participation of the Corporate Responsibility, Human Resources, Purchasing and Internal Audit directorates.

After this initial diagnosis, due diligence should be exercised for the prevention, detection and eradication of violations, contemplating a formal declaration in the field of human rights, establishing the responsibility for its management, implementing training and awareness on the matter, and establishing mechanisms to identify, prevent and mitigate any potential negative consequences.

The FCC Board of Directors approved the Group's Human Rights Policy

The FCC Board of Directors approved the Human Rights Policy in 2019.

Through this Policy, aligned with the Guiding Principles on Businesses and Human Rights, approved by the United Nations Human Rights Council (2011), and with the Global Compact to which FCC adhered in 2006, the Group declares its commitment to respect the human rights contained in the United Nations Universal Declaration of Human Rights, and those contained in the International Labour Organization's (ILO) Declaration on Fundamental Principles and Rights at Work, as well as in the ILO's eight fundamental agreements. The FCC Group understands that human rights should be protected and guaranteed by all States, but feels that it is essential that the company itself, within its sphere of influence and in accordance with the legal framework for each country, should respect them and encourage compliance with them.

The FCC Group hereby expressly undertakes to comply with the following principles: on freedom of association and collective bargaining, decent and paid employment, forced labour and child labour, health and safety, data privacy and respect for communities.

Fight against corruption and bribery and money laundering

The FCC Group has its own Code of Ethics and Conduct, which forms the basis of its Compliance Model and reflects the FCC Group's commitment to strict compliance with applicable laws and to the prevention of fraud, corruption, money laundering and payment irregularities, the use and protection of assets, the handling of information, the management of potential conflicts of interest, and the management of sponsorships, patronage and collaborations, among others.

In order to achieve this compliance, the FCC Group has approved various policies to implement it. This is the case of the Anti-Corruption Policy, which includes the following principles:

Principles of the Anti-Corruption Policy

1 Compliance with legality and ethical values.

2 Zero tolerance of bribery and corruption.

3 Prevention of money laundering and transparent communication.

4 Transparent relationship with the community.

5 Conflicts of interest.

6 Surveillance and data property and confidentiality.

7 Rigorous control, reliability and transparency.

8 Extension of commitment to business partners.

9 Promotion of continuous training on ethics and compliance.

During the 2019 business year, FCC approved two new policies regarding the fight against bribery and corruption:

- **Agent Policy:** This established a series of general principles that should preside over the FCC Group's relationship with any agent or business developer, as well as the basic elements in the procedures for selecting, negotiating and controlling the activity of these operators, in order to guarantee their adherence to the FCC Group Code of Ethics and Conduct or the accreditation of a third-party compliance model in coordination with that of the FCC Group.
- **Gift Policy:** This establishes the principles relating to giving and receiving gifts and hospitality by the FCC Group, with the aim of guaranteeing that gifts are always received or given transparently and always avoiding any circumstance that could give rise to doubts about the impartiality, objectivity or legality of the behaviour of the FCC Group and its employees.

FCC applies due control in matters of anti-corruption, with zero tolerance of any type of non-compliance in this regard. Due control is also includes all the essential tools for prevention, detection and response with regard to the risk of committing a criminal offence. Special mention should go to the identification and prioritisation of risk behaviours, including those relating to bribery, corruption, influence peddling, fraud and money laundering. The prevention and mitigation of these crimes is undertaken through specific controls and actions, this being a priority issue for the Group.

The possible crimes in this field that it is aimed to avoid with regard to the Group's activities include: bribes to public officials, bribes in the private sector, influence peddling and illegal financing of political parties. Each of these crimes has an associated risk that could materialise. The matrices of crimes, risks and controls contain the design of processes and controls for the observance of regulatory compliance.

Regarding the procedures related to the control of bribery and corruption, the following deserve special mention:

- Control applied to sponsorships and donations, through a request to be reviewed and approved by the Corporate Communication Department.
- The employee selection procedure based on a skills system to ensure transparency and equality in all selection processes.
- The annual training plan in matters of criminal prevention and anti-corruption.
- The approval of travel and representation expenses.
- The Purchasing Manual and the procedure for the communication and approval of the purchase required.
- The reconciliation of bank statements for the detection of outstanding or unreasonable movements.
- The management of the legal representatives for each company.
- The *Due Diligence* required prior to contracting certain partners and agents.

When it comes to preparing the risk and control matrix, and in particular the anti-corruption matrix, an analysis was made of exposure to the risk of criminal offences in operations in countries where the Group operates. This anti-corruption matrix has been implemented in Spain and in most of the geographical areas in the international arena.

The FCC Group is committed to communication and the training of its employees in order to strengthen the culture of compliance within the company. In fact, both the directors and the senior executives of the Group are obliged to regularly report any transaction, on the company's own account, of the subscription, purchase or sale of affected securities or instruments, both those carried out personally and those carried out by related persons, as established in the FCC Group's Internal Code of Conduct related to the Securities Market.

Furthermore, for the purpose of avoiding money-laundering crimes and during a period of assessment prior to the preparation of crime, risk and control matrixes, different risk events for the Group's activity were identified for which a series of controls have been envisaged whose purpose is to ensure regulatory compliance.

The risk events detected were the following: non-compliance in the review of control and identification procedures for clients indicated in the Law on the Prevention of Money Laundering (LPBC in Spanish), non-compliance with obligations regarding information collected in the application of the LPBC and the non-application of the established internal control measures for those subject to the LPBC.

The following procedures were established for the control of these risk events:

- The identification of the parties concerned in a real estate asset, in order to assess the operation's risk.
- Training employees on money laundering.
- Including a Money Laundering Prevention clause in real estate promotion marketing contracts.
- The review of contracts for sale of goods, lease and lease with option to purchase.
- A Money Laundering Prevention Manual.
- Creation of a body for the supervision and monitoring of money laundering preventive measures.
- The review of legal representatives for the revocation of powers for those who have left the company.
- The establishment of an internal advisory and reporting line.

Accountability and fiscal transparency

As part of its commitment to accountability with stakeholders, FCC hereby presents the after-tax profits and tax on profits paid by country in 2019 in those countries in which FCC has a presence.

Public grants received

In 2019, the FCC Group received a total of 19,061 thousand euros in public subsidies:

Public grants received

Thousands of €

Areas	Public grants received 2018	Public grants received 2019
Construction	-	
Environmental Services	3,137	3,726
Water	11,397	10,725
Cement	135	-
Concessions	4,772	4,610
Real Estate	-	-
Central Services	-	-
TOTAL	**19,441**	**19,061**

Profits and taxes paid in 2019

Thousands of €

Group Countries	Pre-Tax Profit 2019	Tax paid 2019 on profit
Germany(*)	-1,237.30	
Saudi Arabia	24,917.03	6,956.15
Algeria	17,486.04	5,065.07
Argentina(*)	-0.87	
Austria	6,860.00	353.78
Belgium	1,038.54	0.44
Bosnia and Herzegovina	-0.15	0.00
Brazil	-409.87	14.01
Bulgaria	13,580.23	115.63
Canada	-839.09	0.00
Chile	-2,672.34	0.00
Colombia	8,936.73	2,398.68
Costa Rica	1,308.56	0.00
Croatia(*)	-115.05	
Ecuador	1,164.01	94.61
Egypt	4,215.57	255.09
El Salvador	287.48	9.61
United Arab Emirates	2,691.59	0.00
Slovakia	4,145.00	1,275.39
Spain	321,880.29	151,511.32
United States	-22,689.41	2,748.34
Finland	-223.00	0.00
France(*)	1,770.73	
Greece	0.28	0.00
Guatemala	8,242.99	12.77
Haiti	-861.16	0.00

Group Countries	Pre-Tax Profit 2019	Tax paid 2019 on profit
Honduras	1.94	0.00
Hungary	2,868.00	63.50
Ireland	-4,504.76	0.00
Italy	3,694.22	1,569.04
Latvia	-27.06	0.05
Luxembourg(*)	8,952.67	
Morocco	198.30	0.28
Mexico	32,267.33	2,356.37
Montenegro(*)	-156.84	
Nicaragua	72.80	175.32
Oman(*)	258.54	
Netherlands(*)	-2,214.97	
Panama	-22,522.10	16,918.17
Peru	5,180.66	732.60
Poland	-5,514.15	15.10
Portugal	5,683.30	1,540.84
Qatar	2,184.49	616.17
United Kingdom	27,281.56	1,038.20
Czech Republic	24,706.53	4,870.53
Dominican Republic(*)	705.12	
Romania	2,509.36	969.92
Serbia	-557.43	5.21
Sweden(*)	-442.08	
Tunisia	19,005.15	4,152.01
Uruguay	-117.00	9.50
Total	**488,990.41**	**205,843.69**

(*) Countries that did not report any taxes. This was due to one or more of the following reasons: accumulated losses, negative results, negative tax bases from previous business years, profit was very small or Corporate Income Tax was not payable on profit in the country in question.

3 Strategy and value creation

Mission, vision and values of the FCC Group

FCC's vision defines the future sought by the company and provides a purpose for its actions. In this way, all its members share the same culture and are part of the same project: a single FCC.

To achieve its vision, FCC develops and manages environmental services, comprehensive water management and large infrastructures, maintaining the highest standards of operational excellence and applying the strictest ethical principles set out in the FCC Group's Code of Ethics and Conduct, in all its regions and activities.

For the members of the company, this Code of Ethics and Conduct is the highest standard in the FCC Group's policies and procedures, enabling it to strengthen a culture of compliance and support the creation of long-term value for its projects.

MISSION. What we do

Efficiently and sustainably design, perform and manage environmental services, comprehensive water management and large infrastructure construction projects to improve the lives of citizens.

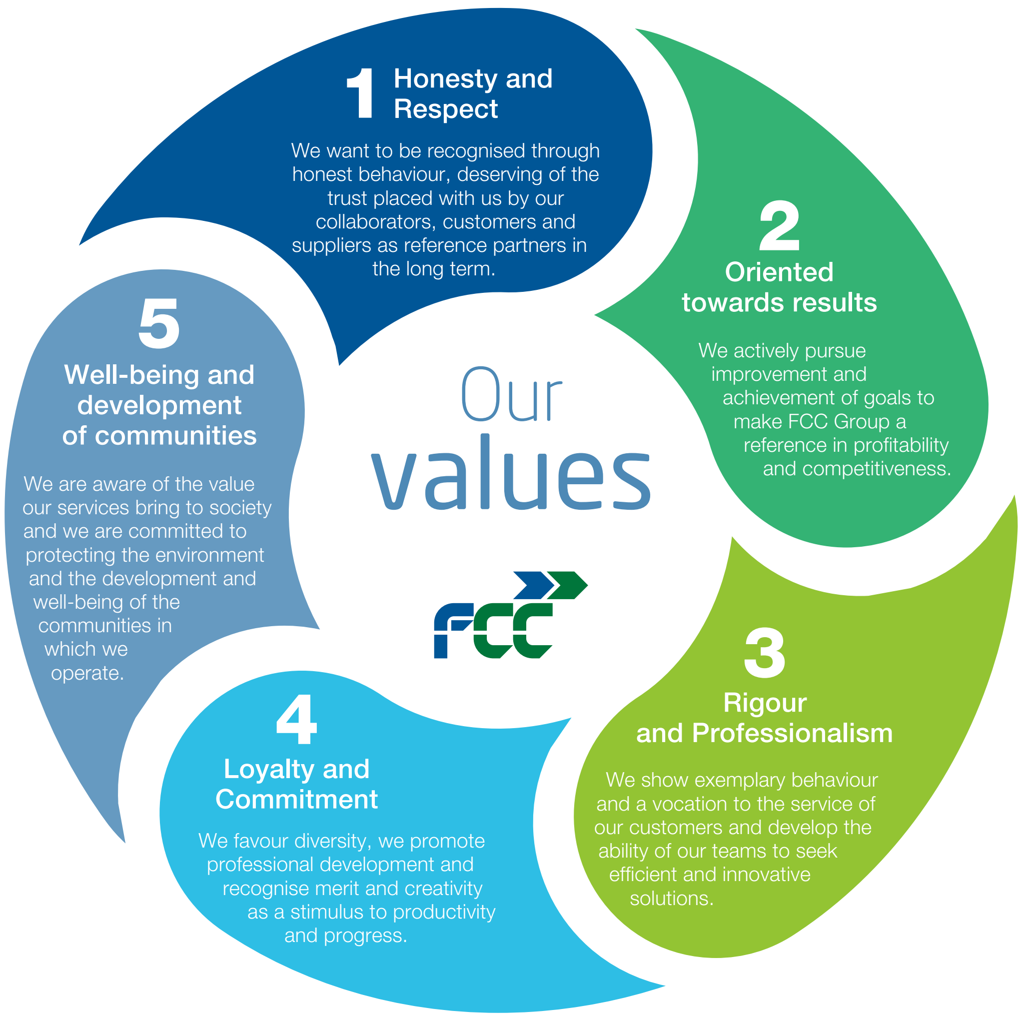
VISION. What we want to be

To be an international benchmark group for citizen services with global and innovative solutions for efficiently managing resources and infrastructure improvement, contributing to improve the quality of life of citizens and the sustainable progress of society as a whole.

In addition to its leading position in the different businesses, which is key for future communities and is the result of its technical and professional capabilities, FCC has established a number of essential behavioural guidelines, which are essential for the Group to operate successfully in a sustainable and responsible manner. It is about values

These values form part of the FCC Group's new Code of Ethics and Conduct and aim to transmit the principles to all the company's employees and instil them.

- **WE HAVE** over 59,000 professionals operating in more than 30 countries.
- **WE SHARE** a common challenge: to improve the quality of life of citizens and contribute to sustainable progress.
- **WE FOLLOW** the same path guided by the principles of the new FCC Code of Ethics and Conduct.



PRINCIPLES of action of the FCC Group

Honesty and Respect

1 We respect the law and ethical values.

2 Zero tolerance of bribery and corruption.

3 We fight against money laundering and the financing of terrorist activities.

4 We protect free competition and good market practices.

5 We behave ethically in the stock market.

6 We avoid conflicts of interest.

Rigour and Professionalism

7 Rigorous control, reliability and transparency.

8 We protect the Group's reputation and image.

9 We use the company's resources and assets efficiently and safely.

10 We protect the ownership and confidentiality of data and information.

Loyalty and Commitment

11 Our clients are in the core of our business.

12 Personal health and safety are paramount.

13 We promote diversity and fair treatment.

14 We are committed to our environment.

15 We have a transparent relationship with the community.

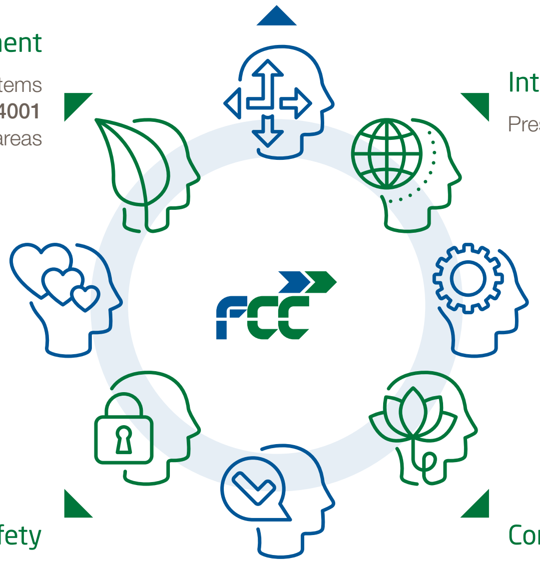
16 We extend our commitment to our business partners.

Strengths of the business

Model of value creation

FCC Group's business model is based on the specialisation of its synergistic business areas in the field of design, infrastructure execution and the provision of services to cities. This value creation proposal is characterised by four aspects that are common within the Group and across all the businesses:

1. To be an operator with a hundred years' experience in these businesses, with a differentiated technical specialisation, able to lead large consortia in complex projects.
2. To have a highly specialised, highly committed team, which has their health and safety among its priorities.
3. To have local roots in the places where it operates, enabling it to become part of the communities and to build relationships based on trust.
4. To have a solid international position with broad perspectives for development in markets with big opportunities.



Keys to a diversified business

Environment

- Waste collection.
- Street cleansing.
- Urban waste treatment and recycling
- Conservation of green areas.
- Maintenance of sewerage networks.
- Industrial waste treatment and recycling.
- Recovery of contaminated soils.
- Facility Management.

End-to-end water management cycle

- Comprehensive management of public services.
- Operation, maintenance and technical assistance services.
- Design, construction and financing of water infrastructure.

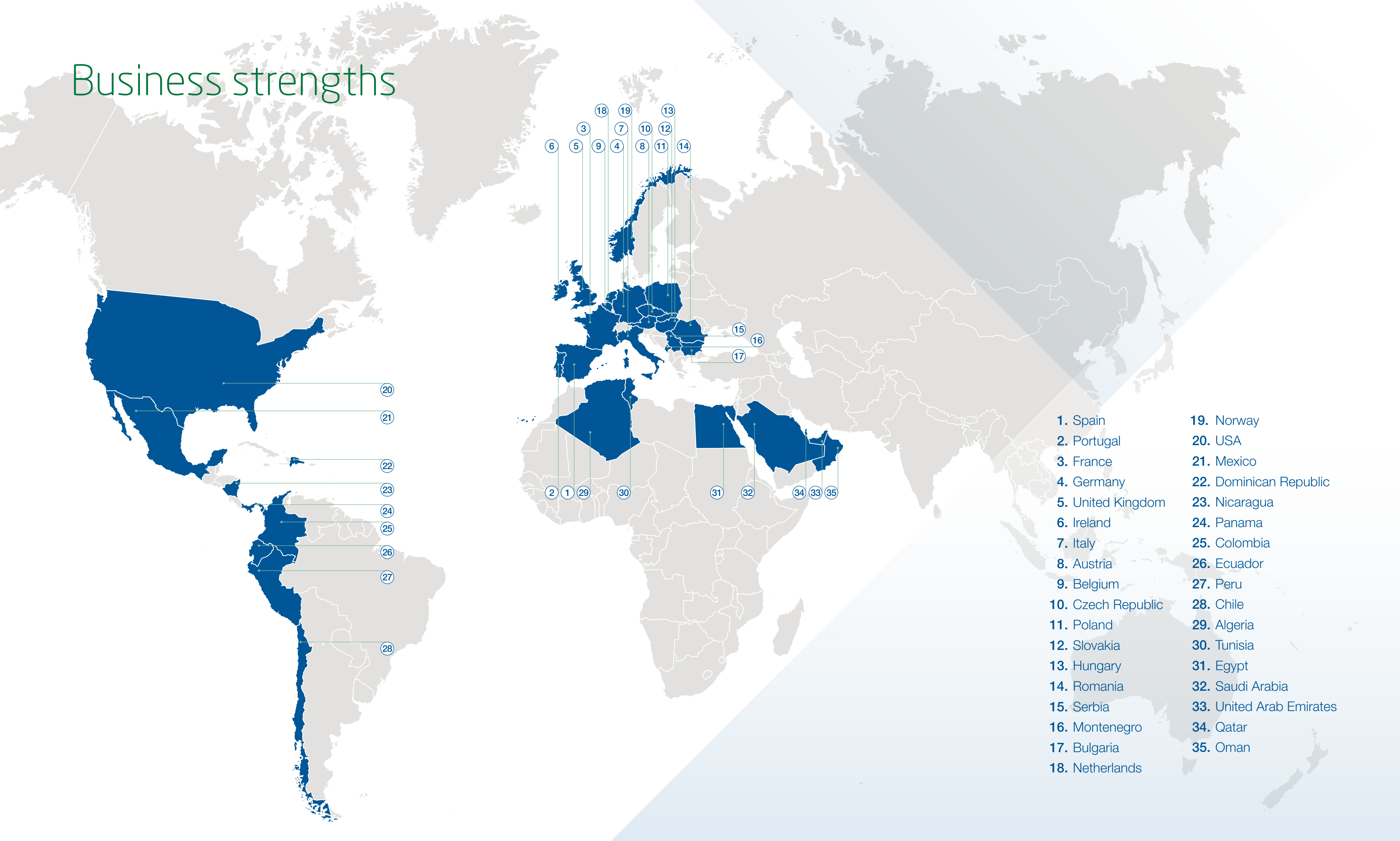
Infrastructure

- Civil engineering.
- Construction.
- Industrial.
- Concessions.
- Infrastructure maintenance.
- Prefabricated materials.
- Brand image.

Cement

- Cement.
- Trading.
- Other businesses (concrete, aggregate, mortar and waste management in the USA).

Business strengths



1. Spain
2. Portugal
3. France
4. Germany
5. United Kingdom
6. Ireland
7. Italy
8. Austria
9. Belgium
10. Czech Republic
11. Poland
12. Slovakia
13. Hungary
14. Romania
15. Serbia
16. Montenegro
17. Bulgaria
18. Netherlands
19. Norway
20. USA
21. Mexico
22. Dominican Republic
23. Nicaragua
24. Panama
25. Colombia
26. Ecuador
27. Peru
28. Chile
29. Algeria
30. Tunisia
31. Egypt
32. Saudi Arabia
33. United Arab Emirates
34. Qatar
35. Oman

RSC policy: creating social value

Sustainability in the FCC Group

The sustainable development of cities entails major challenges such as population growth, climate change, resilience to natural disasters or inequality and scarcity of natural resources, among other things. For the FCC Group, these challenges contribute to fostering and promoting solutions, as well as detecting opportunities linked to its own business model. The main tool used by the Group to identify those factors and trends that may lead to changes in the future development of the company, and through which it works on possible responses to such challenges, is Corporate Social Responsibility (CSR).

For the FCC Group, the progress of its own business is just as important as social and economic progress in the cities where it operates. This means that the success of the Group is only possible if the well-being of people, respect for human rights and the care and preservation of the environment in the communities involved are guaranteed.

This is why for over 100 years, the FCC Group has been committed to the development and transformation of the cities in which it has operated, launching projects and initiatives in the field of corporate social responsibility and making the sustainability of its business model tangible.

In 2005 FCC's Board of Directors voluntarily published the first CSR and sustainability report in order to make its commitment to the well-being of people and the environment in which they live visible to and understood by the different stakeholders, by demonstrating its socially responsible actions. Likewise, the rest of the companies that make up the company decided to implement this initiative by regularly publishing their CSR reports for each business line.

On 28 July 2016, the Board of Directors of the FCC Group approved the Corporate Social Responsibility policy ("CSR Policy"). At the same time, the commitments of each Group company in terms of integrity and business ethics, respect for the environment and contribution of value in the communities were implemented.

The FCC Group Executive Committee is responsible for supervising the company's CSR Policy that responds to recommendations 53 and 54 of the Spanish National Securities Market Commission (CNMV) Code of Good Governance and is the framework in which its main strategic lines for commitment to sustainable development are established.

The framework for action regarding this policy covers all the markets in which FCC operates, as well as all the activities undertaken by each of its companies. In this regard, the CSR Policy is closely aligned with the Group's Code of Ethics, approved in February 2012, as it responds to a set of rules and principles that should guide the behaviour of all those who are part of the company.

The aim of the entire FCC team's activity and good work is to position the company as a benchmark for the sustainable development of the cities in which it provides citizen services. After more than 100 years with an established corporate culture and strong values that represent the Group, the different companies have forged a relationship of mutual benefit and trust with their stakeholders, contributing to the development of lasting and transparent relationships.

Likewise, together with the Code of Ethics and Conduct, the CSR Policy and the 2020 CSR Master Plan, the company has additional policies and action plans, with the aim of responding to the challenges faced by the Group in social, labour and environmental matters.

The RSC 2020 Master Plan: committed to sustainable development

With the aim of contributing to the challenge represented by the 2030 Agenda and in order to comply with the provisions of CSR Policy, in November 2017 the FCC Group Board of Directors approved the IV CSR Master Plan for 2018-2020. The CSR Master Plan is the result of an in-depth analysis of the needs and trends in the medium and long term, detected by the Group regarding social and environmental issues. The result of this analysis has contributed to the definition of 15 action programmes based on three main pillars:

SUSTAINABLE DEVELOPMENT GOALS

A **CSR Master Plan** in line with the **2030 Agenda**

THE RSC 2020 MASTER PLAN

1 FCC Connected

FCC is a catalyst for citizens to play a leading role in a sustainable city

Development of initiatives aimed at understanding the needs of different stakeholders in order to bring about changes in communities that promote cleaner, smarter and more inclusive development.

This axis consists of projects focused on the whole of society, both people and cities, from different perspectives: social action programmes, solidarity actions, educational and awareness-raising initiatives, sustainable mobility projects and methods for measuring socio-economic impact.

2 Smart Services

FCC is a leader in designing the sustainable cities of the future

This includes actions and initiatives to develop new abilities in the company to create more sustainable solutions, provide more energy efficient and less resource consuming services, and incorporate value added innovations to the services provided by the company.

This axis, therefore, deals with projects on the circular economy, the Climate Change Strategy, water impact and the protection of biodiversity, among other things.

3 FCC Ethics

FCC is an example of authenticity in its commitment

This axis includes the Group's commitments in terms of Ethics and respect for Human Rights, Integrity and Good Governance. It includes the development of Compliance, responsible purchasing, Human Rights, and those related to the improvement of selection processes, talent management and employee development programmes.

Axis I
FCC Connected - Connection with citizens

FCC workers donate books to the MELIOR Foundation

FCC + Acción

The collection, scheduled from 29 August and completed on Tuesday, 10 September managed to collect a total of 22 full boxes with over 500 books.

The Melior Foundation responded to the solidarity of the employees in the Tablas and Federico Salmón buildings with a letter of thanks addressed to the entire company.

In this letter, Marina Pérez Martinez, director of content and projects for the foundation, thanked the staff for their help in financing the “Not without my textbooks” solidarity campaign, which helped students of families with limited financial resources and avoided school dropout. This is how the FCC Group and the Melior Foundation collaborated in contributing to the achievement of Sustainable Development Goal 4: High-quality education through social projects to promote inclusive, equitable and high-quality education as a tool for social change.

Axis II
Smart Services

CEAAN Coto de la Isleta Chameleon Programme

Protecting biodiversity

This project is part of the FCC Group Corporate Social Responsibility Policy (RSC) 2020 and managed through a contract with the Coto de la Isleta de El Puerto de Santa María Centre for Environmental Education and Nature Activities (CEAAN).

The common chameleon is listed in Spain as an endangered species and it is mainly threatened by: habitat destruction, capture, ill-treatment and predation by pets. The main tools for their conservation consist of scientific studies and environmental education.

The main objective of this project is to restore the common chameleon population (Chamaeleo chamaeleon) in the Coto de la Isleta pine forest, analysing the distribution of the species and applying scientific methodology to obtain updated and useful information.

This information will be used for the proper management and protection of coastal ecosystems like El Coto de la Isleta pine forest, for upcoming scientific studies and works, and especially to involve residents in the territory through environmental education and dissemination initiatives.

Due to the marked educational nature of the Coto de la Isleta CEAAN, a public centre run by the Municipality of Puerto de Santa María and managed by FCC Medio Ambiente since 2013, it is intended for this to become a benchmark centre for the study of the common chameleon and its protection through citizen awareness. Active partnerships and collaboration with a number of entities are also being sought in order to enrich the project.

Axis III
FCC Ethics - Exemplary performance

Family members and employees of FCC participated in the 3rd Child Road Safety Education Workshop in Alcobendas (Madrid)

Health and Safety comes first

In collaboration with the Municipality of Madrid, FCC organised the 3rd Children's Road Safety Workshop. This family activity, which took place on Saturday, 1 June in the Alcobendas Road Safety Education Park, was designed for children between 7 and 12 years old and focused on education in safe travel behaviour.

The workshop included recreational and training activities on road safety. The programme was in two parts, with a theoretical module aimed at raising awareness on suitable behaviour by pedestrians, travellers and cyclists, and a practical module that took place on the park circuit, with walking, cycling and go-kart tours arranged by the park to develop these activities. Both activities were directed by the Alcobendas Local Police.

This experience fell within the framework of the "Health and Safety Comes First" programme in the FCC Group Corporate Responsibility Master Plan and aimed to raise awareness of the importance of the values we transmit daily with our attitude and actions at the wheel, while sharing a relaxed and entertaining time with colleagues from Group companies and their families.

FCC contribution to the 2030 Agenda

The Group's CSR programs and the CSR 2020 Master Plan are aligned with the 17 Sustainable Development Goals (SDGs) approved by the UN in 2015. Thanks to the development and implementation of its CSR Policy, the company has internalised and included these commitments in its business model and actively participates in its contribution in line with the 2030 Agenda.

The activities undertaken by the FCC Group taking into account each of its different business lines, contribute mainly to the following SDGs:

FCC contribution to the Sustainable Development Goals

	1 NO POVERTY	2 ZERO HUNGER	3 GOOD HEALTH AND WELL-BEING	4 QUALITY EDUCATION	5 GENDER EQUALITY	6 CLEAN WATER AND SANITATION	7 AFFORDABLE AND CLEAN ENERGY	8 DECENT WORK AND ECONOMIC GROWTH	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	10 REDUCED INEQUALITIES	11 SUSTAINABLE CITIES AND COMMUNITIES	12 RESPONSIBLE CONSUMPTION AND PRODUCTION	13 CLIMATE ACTION	14 LIFE BELOW WATER	15 LIFE ON LAND	16 PEACE, JUSTICE AND STRONG INSTITUTIONS	17 PARTNERSHIPS FOR THE GOALS
FCC Medio Ambiente			▲		▲			▲	▲	▲		▲					
Aqualia						▲						▲					▲
FCC Construcción			▲					▲				▲			▲	▲	▲
Grupo Cementos Portland Valderrivas									▲		▲	▲	▲				

The people in the centre

The FCC Group shares a common culture based on the values of respect, honesty, transparency, diversity and meritocracy. It also promotes the safety, health and well-being of its staff and collaborators and carries out its activities in accordance with strict ethical standards and operational excellence. In addition, all FCC employees share the same vision: to be an international benchmark group for citizen services with global and innovative solutions for efficiently managing resources and infrastructure improvement, contributing to improve the quality of life of people and the sustainable progress of society as a whole.

Human capital is one of the FCC Group's priorities. For this reason, the company works every day to achieve excellence in terms of the performance of its collaborators, to promote the talent of its different teams and to foster an inclusive, healthy and non-discriminatory working environment, with a long-term vision. This commitment is embodied in the Group's Human Resources policy and in the different internal plans and procedures, actions and programmes that it evaluates and reviews in order to keep improving continuously.

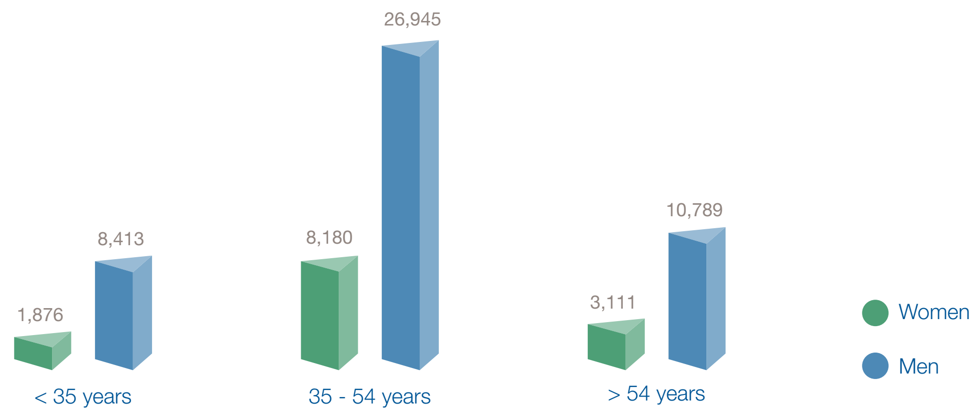
Key employment figures

The activities carried out by the FCC Group are divided into different types of business, which is why the company's workforce consists of almost 60,000 professionals (77.8% men and 22.2% women) in over 30 countries around the world. It should be noted that most of the employees who make up FCC have an indefinite contract, more than 42,000 professionals in all.

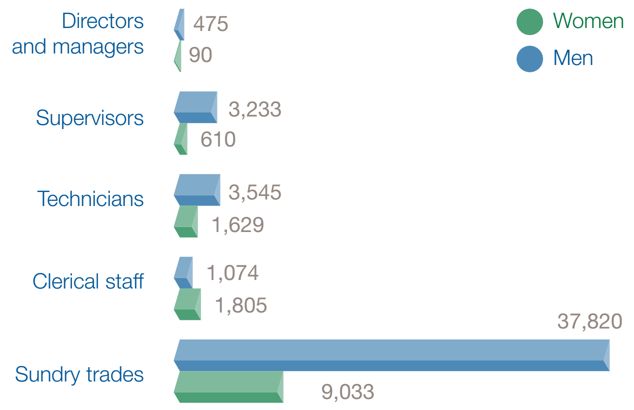
The FCC Group has a workforce of almost **60,000 professionals**, 59,314, 1,111 more than in 2018 (58,203), which represents a **1.9%.** increase in the workforce.

More than **42 thousand workers** of the Group have an indefinite contract, which represents **71.4%** of the staff (0.6% more than in 2018).

Workforce by gender and age in 2019



Workforce by gender and functional level in 2019



Workforce by gender and geographical area

FCC Group country network

Country	Men	Women	Total
Spain	33,584	10,781	44,365
Czech Republic	2.161	655	2,816
United Kingdom	2,045	348	2,393
Romania	556	144	700
Austria	530	162	692
Bulgaria	316	179	495
Poland	382	94	476
Portugal	373	88	461
Slovakia	361	93	454
Italy	207	37	244
Hungary	127	52	179
Serbia	100	34	134
USA	372	50	422
Panama	484	88	572
Colombia	240	51	291
Egypt	1,025	3	1,028
Tunisia	239	19	258
Saudi Arabia	2,294	195	2,489
United Arab Emirates	326	6	332
Rest of World (*)	425	88	513

(*) Rest of the world includes countries with a workforce of less than 100 people.

Nearly **400,000 hours** of training have been given (in Spain) at different functional levels of the organisation.

Attract, motivate, develop and retain talent

The success of the FCC Group depends on the talent of its workforce. This is why the company fosters a suitable work environment with the aim of attracting, motivating, developing and retaining the best professionals. During 2019, a total of 384,733 hours of training were given at different functional levels in Spain and a series of high-impact training activities were carried out in keeping with the values and culture of the FCC Group:

- Establishment of the FCC Corporate University.
- Training on the Group's Code of Ethics and Conduct (school of values)
- Training on the Connect 365 platform (digital school).

The FCC Group is also working on a skills training programme, aimed at fostering and developing the necessary skills associated with each person's role in the Group.

Employee organisation

In order to guarantee increased well-being for the company's employees, the FCC Group focuses on the appropriate management of the organisation of work, which is considered a crucial issue for all Group companies. For this reason, the company has various initiatives in terms of work-life balance, flexibility, co-responsibility and disconnection, which are adapted to the different contexts and organisational or productive needs of each centre, role or activity.

Training hours in Spain by functional level and business area 2019

	Directors and Managers	Supervisors	Technicians	Clerical staff	Sundry trades	TOTALS
FCC Medio Ambiente	9,010	11,612	91,768	484	85,861	198,735
Aqualia	2,930	20,914	17,179	5,762	30,014	76,799
FCC Construcción	1,513	10,340	36,167	4,005	28,350	80,375
Cementos Portland Valderrivas	2,454	4,192	5,300	2,284	5,487	19,717
Servicios Centrales	1,969	889	4,957	1,270	22	9,107
Totales	**17,876**	**47,947**	**155,371**	**13,805**	**149,734**	**384,733**

About 14 per cent of the total number of such positions are held by women, **two percentage points more than in 2018** (11.68 per cent).

Managing diversity in the FCC Group

Diversity in the FCC Group is vitally important in each of its companies and in the various operations that the company implements, from the process of selecting new candidates to the training programme for its employees. For this reason, the company continues to be committed to maintaining ethical principles and values for the promotion of equal opportunities in all aspects of people management.

FCC's commitments to guarantee gender equality

- The FCC Group has approved a Human Rights Policy in line with the UN's Guiding Principles on Business and Human Rights and the Global Compact.
- The company has renewed its commitment to the Spanish Diversity Charter for the period 2019-2021, acknowledging its policies and commitments to equality and diversity.
- The FCC Group currently has nine equality plans in Spain and four of the Group's companies have been awarded the Equality Seal (a mark of excellence awarded by the Ministry in this area).

Commitment against gender violence

The FCC Group's commitment against gender-based violence has been constant throughout its history as a company and is based on two essential principles, zero tolerance and support for the social and professional integration of victims. The company collaborates with the "Companies for a Gender Violence Free Society" network in tasks of dissemination and awareness, as well as supporting job insertion for women suffering from its after-effects. In addition, the company has the support of specialised entities such as Incorpora Foundation (La Caixa), Integra Foundation and the Red Cross. This relates to dissemination and awareness-raising, and the employment of women who are victims of gender violence. Every 25 November, the FCC Group makes an appeal within the company to remember its principles and report on its commitment and vision.

Protocol for the Prevention and Eradication of Bullying

The Group has a Protocol for the Prevention and Eradication of Bullying, the purpose of which is to prevent, resolve and punish cases of workplace, sexual or gender-based harassment that may occur. The protocol is binding and includes the principles of the FCC Group's commitment in this field, aimed at guaranteeing the dignity, integrity and equal treatment of everyone. FCC has also provided an e-mail address and a confidential online report form.

FCC's disability strategy

FCC maintains a strong commitment to disabled persons and is becoming a more and more diverse and socially responsible company, promoting actions and projects to foster inclusion, accessibility and equal opportunities through employment. Proof of this is the high number of workers with recognised disabilities in the FCC Group, amounting to 1,280 in Spain, 145 more than in 2018. There has been continuous growth in the last 3 years. The company also actively collaborates with specialist organisations that assess the management of recruitment and labour support for people with disabilities.

The inclusion of people with disabilities is not possible if accessible and barrier-free environments are not guaranteed for everyone in the Group. In the 2019 business year, FCC participated in the II Diagnostic on accessibility organised by the Regional Institute of Health and Safety of the Autonomous Community of Madrid at the corporate headquarters in Madrid (Las Tablas) and improvements were made in terms of accessibility from its participation in the previous edition.

FCC has **1,280 professionals with disabilities** in Spain, 145 more than in 2018.

Social relationships

FCC understands that social dialogue and direct communication with its workers, their legal representatives, unions and other social agents are required to create a bond with its employees, for the purpose of encouraging new agreements to be signed as a result of collective bargaining, and that different processes of a collective nature need to be established with transparency, with the creation of follow-up committees and providing employees and employee representatives with all the necessary information.

The Labour Relations area is responsible for monitoring collective procedures, collective bargaining and social dialogue (which is the main tool to identify the needs of different stakeholders), while also defining the general criteria for action, monitoring and coordination of gender equality plans and distinctive aspects and of diversity and disability management. In 2019, the areas had a presence at a large number of bargaining tables for collective and work centre agreements. They actively participated in collective bargaining for the sector (both at state and provincial levels).

Health and safety

FCC works to strengthen a culture aimed at creating and maintaining environments that are free of risks to people's health, as this is the company's main objective in terms of health and safety. The well-being of the employees constitutes an unquestionable value and commitment for the organisation, which is why it is constantly being improved and developed, adapting to the most demanding standards and the development of the business models themselves. As a result of FCC's commitment to preventive management, its health, safety and welfare policy was renewed and approved in 2019 within the framework of the Code of Ethics and Conduct, as part of its business strategy and responsibility as a social agent.

FCC empresa saludable

The promotion of health and well-being is another of the organisation's primary objectives. In recent years it has resulted in multiple initiatives and the incorporation of procedures and processes that take well-known healthy business management models as a reference, such as that of AENOR.

FCC's Live Healthy project is the Group's commitment to the well-being of people, both collectively and individually. The main milestones in 2019 in this area have been:

- Training, information and awareness by means of workshops on healthy eating habits, promotion of physical activity, mindfulness, restful sleep, giving up smoking, etc.
- FCC Healthy Life Portal: platform for healthy challenges, information on health advice, preventive management, current affairs, health, safety and well-being.
- Agreements to offer external benefits to employees regarding the promotion of health and physical activity (Gympass).
- FCC Medical Service: support and promotion for the implementation of a management system adapted to the requirements of a healthy company, including health surveillance and the design of actions aimed at improving collective health indicators.

Health and Safety Management System

In 2019, the **Construction, Environment and Cement** business areas renewed the external certification of their management systems, with regard to the recent **ISO 45001:2018 Standard**, whilst Aqualia renewed the certification with regard to the **OHSAS 18001:2007 Standard.**

Accident Rate Indexes

Frequency rate: 23.98
- **0.41%** compared to 2018

Severity rate: 0.91
+ **10.97%** compared to 2018

Work accidents

No work accidents involving **own employees**
- **4** compared to 2018

Only 2 work accidents by **subcontractors**
- **2** compared to 2018

Mitigating the impact, working on new opportunities

Since its foundation, the FCC Group has fostered the resilience of cities, contributing through its different business lines to improving the quality of life and to promoting the sustainable development of society, providing solutions that will help us improve adaptation to the impacts and protect biodiversity.

FCC takes care to protect the environment, constantly working to reduce the current and foreseeable effects of its activity on the environment. In order to identify and manage its impact on communities, the FCC Group closely monitors its processes and assesses and manages the impact associated with each of the Group's business lines, as well as the environmental risks associated with its activity and how they may affect health and safety.

Throughout 2019, the FCC Group has allocated a total of **30.6 million euros for the prevention of environmental risks.**

FCC Group policies regarding environmental issues

With the aim of promoting the sustainable development of society and as a result of the Group's commitment to environmental protection, in 2009 the FCC Environmental Policy was approved by the Board of Directors. This policy encompasses all the companies and addresses the obligations of each one in matters of preservation of the environment and the use of resources, taking the following into consideration:

- Continuous improvement in all its activities.
- Control and follow-up.
- Climate change and pollution prevention.
- Observation of the environment and innovation.
- The life cycle of its products and services.

Alongside the Group's Environmental Policy, each of the FCC business lines has its own Environmental Policy, focusing on the scope of its commitment in each of the countries in which it operates and in each of the activities it undertakes.

Environmental Management System

As well as continuous improvement, one of the company's ambitions in the field of environmental protection and preservation is to ensure that all its activities are environmentally certified. In 2019, the coverage of environmentally certified activity for FCC was **87%**.

The **2020 Corporate Social Responsibility Master Plan** reinforces the company's environmental positioning and aligns with the United Nations **Sustainable Development Goals** through **4 axes**:

- the circular economy
- the fight against climate change
- the response to water stress
- the protection of biodiversity

FCC reduces its polluting emissions

With the aim of strengthening its commitment to the communities in which it operates, the FCC Group is committed to reducing the pollutant emissions associated with its different lines of business. In this sense, each of them carries out different initiatives that contribute to the reduction of their atmospheric emissions associated with the processes of each business. This has a direct impact on the reduction of particulate emissions, of NOx and SOx. The Group's facilities have gas purification and filtering systems, each adapted to the characteristics of the process that generates pollutants. Some of the Group's industrial centres are subject to Integrated Environmental Authorisation (in accordance with IPPC Law 16/2002) and have established their own atmospheric emission limits for all their emission sources. To this end, they have control and monitoring systems that make it possible to track these emissions and their development.

The following is a breakdown of NOx, SO_2 and particle emissions in tons for the FCC Group, during the last business year:

Emissions not contributing to climate change

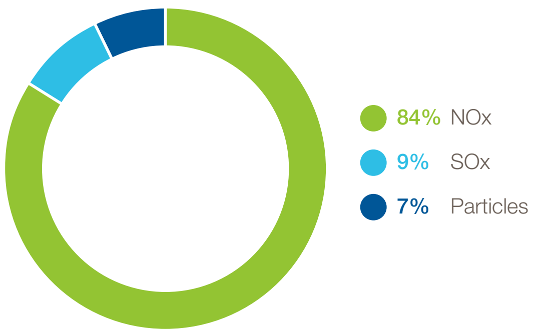
(tons)

Business line	NOx	SOx	Particles
Aqualia	76.28	0.03	—
Cementos Portland Valderrivas	8,745.35	663.00	189.17
FCC Construcción	77.18	6.11	741.66
FCC Medio Ambiente	2,267.84	524.79	41.34
Total	**11,166.65**	**1,193.93**	**972.17**

FCC's contribution to the circular economy

With the aim of meeting its commitment to sustainable development and to mitigating the effects associated with climate change, in 2017 FCC signed the Pact for a circular economy, promoted by the Spanish Government's Ministry of Agriculture and Fisheries, Food and Environment together with the Ministry of Economy Industry and Competitiveness. The involvement of the FCC Group with compliance with ethical and socially responsible standards has led to the company going one step further and this led, in November of the same year, to the preparation of a programme called the FCC Plan for a Circular Economy as a key pillar of its CSR 2020 Master Plan.

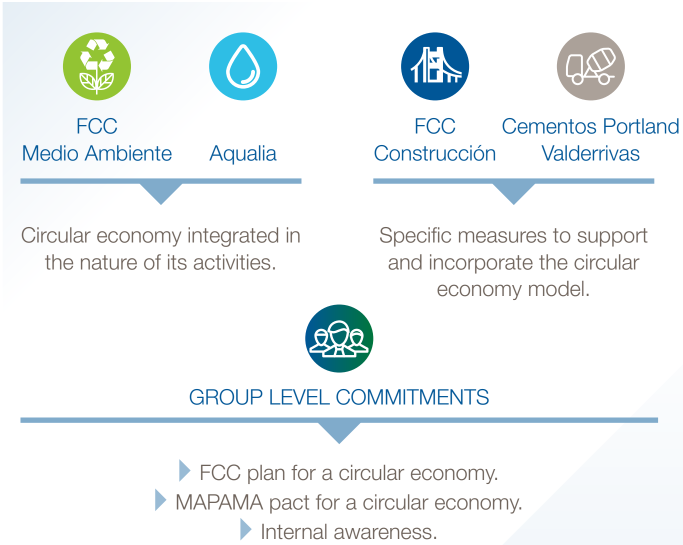
Emissions of NOx, SOx and particles (%)



This plan defines three lines of action:

1. Assessment of gaps in current activities compared to the package of measures proposed by the European Union.
2. The preparation of an official statement regarding FCC's position on the global circular economy model.
3. Establishment of work lines and the formalisation of the objectives for reduction, re-use and revaluation.

In addition, the company works in multiple areas on improving internal knowledge of the circular economy, with the aim of keeping professionals up to date with regulatory developments and in the field of innovation. Bearing in mind that raising awareness among employees will be one of the catalysts of the cultural transformation at FCC towards a true circular economy.



Efficient waste management at FCC

Due to the nature of the company and the different activities undertaken in its business lines, responsible waste management is a particularly significant issue for the Group. This is why action plans are designed, developed and executed for the purpose of guaranteeing the efficient and sustainable management of waste in each of the FCC Group's lines of activity.

In 2019, nearly 5.5 million tonnes of waste were generated, **98%** of which were **non-hazardous**.

Cementos Portland Valderrivas

In terms of efficient waste management, the company carries out selective collection of the waste generated at each of its work centres. Priority is given to recycling, reuse or recovery over disposal or landfill.

Aqualia

Aqualia prioritises investment in innovation and technology to identify new ways of reducing waste, such as: production of biogas from organic waste from bacteria in digesters or reuse and recovery of sludge from water treatment processes to reduce discharges.

FCC Construcción

FCC Construcción has an Environmental Management System that pays special attention to waste management at each of its works and fixed locations. Likewise, priority is given to recycling or recovery as opposed to disposal in a landfill.

FCC Medio Ambiente

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 the development of this activity, it contributes to meeting the targets for preparing for reuse and recycling set by the State Framework Waste Management Plan (PEMAR) 2016-2022.

Responsible use of resources at FCC

Growing demand for natural resources makes their efficient management one of the pillars on which the FCC Group must base its strategy as a company. Therefore, internal measures are implemented in each business line that help to minimise the impact of the activities carried out.

Responsible water management

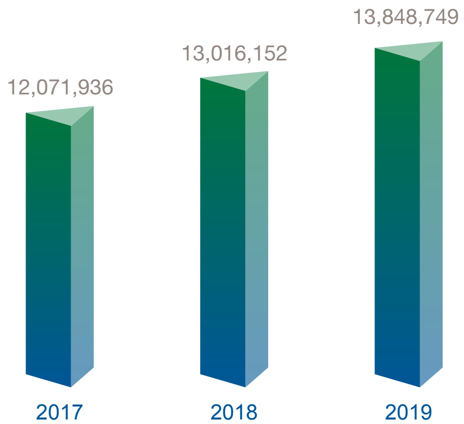
Water is one of the scarcest of what are considered to be vitally important resources. The FCC Group guarantees efficient water management in each of its activities, taking into account the infrastructure and availability in the area. The FCC Group has established and made available all the mechanisms required to manage this scarce resource as efficiently as possible.

It is worth mentioning that Aqualia's objective, as a company specialised in all phases of the comprehensive water cycle, is efficient water management, guaranteeing the utmost quality in the provision of the service and at the same time protecting water resources.

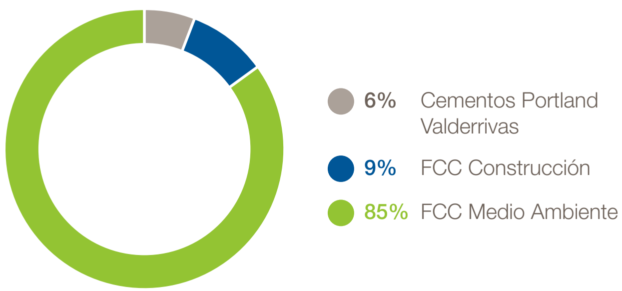
Consumption of raw materials

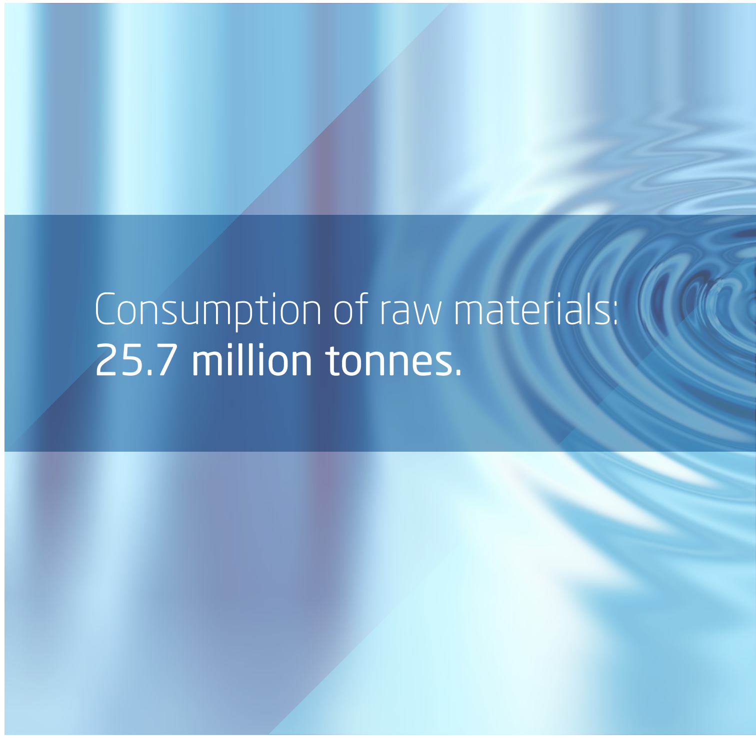
FCC's activity makes the management and search for efficiency in the consumption of raw materials a matter of priority for all business areas. Taking into account that the consumption of raw materials is inherent to the business, FCC encourages optimisation to make sure they are used responsibly.

Development ofwater consumption (m³)



Water consumption by business area (%)





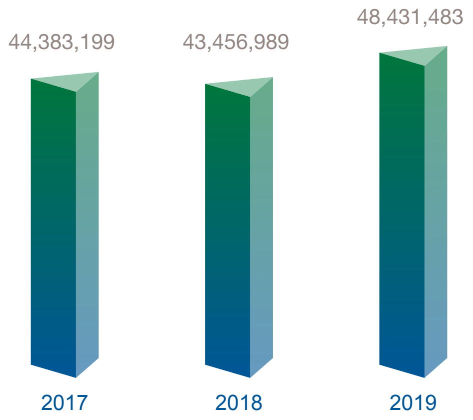
Energy consumption

FCC's commitment to the sustainable development of its activity requires a reduction in energy consumption through greater process efficiency, investment in R&D&I and increased consumption of renewable energies. Among the initiatives carried out by the Group to achieve this objective are the implementation and certification of the Energy Management System in accordance with the UNE - EN ISO 50001:2011 standard by FCC Medio Ambiente or the progressive increase in renewable energy consumption.

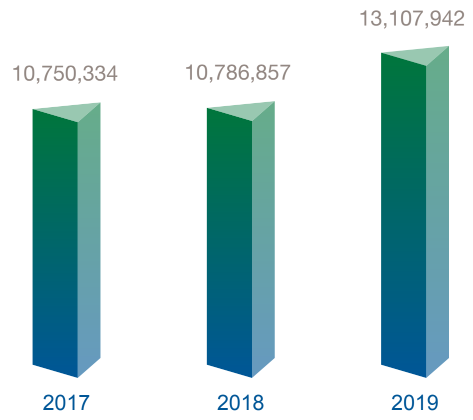
In addition, as part of its own business model, FCC generates electricity by recovering energy from waste or biogas from landfills and water management complexes. It also has photovoltaic panels and wind turbines to generate electricity for its own consumption

Group objective: Improve the energy efficiency of businesses, reduce consumption and replace fossil energy sources with renewable energy sources.

Direct and indirect energy consumption (GJ)



Renewable energy consumption (GJ)



In 2019 there has been a **22%** increase compared to 2018 in the **consumption of renewable energies**, as a result of our commitment to clean and environmentally friendly energies.

FCC and climate change

The FCC Group develops policies, control systems and initiatives aimed at 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. As a response to its commitment to the environment and based on a SWOT analysis prepared by the Group, the company has created its own climate change adaptation strategy for 2050 and that includes all of its business lines.

The objective of this strategy is to mitigate the risks associated with climate change by also taking advantage of the business opportunities identified:

In 2019, the FCC Group has approved the **FCC Group strategy for adaptation and mitigation of climate change** for **2050**.

Strategy for adapting the FCC Group to climate change

COMMUNICATION

To share FCC's climate change strategy with its stakeholders and thus improve the company's position.

REDUCTION

To reduce the group's carbon footprint by offereing more sustainable products and services.

INNOVATION

To design and offer more efficient and less carbon-intensive products and services, based on continuous innovation.

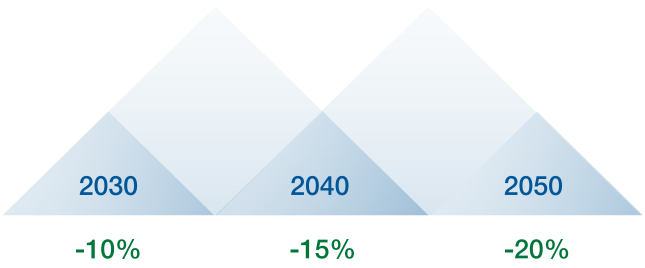
MONITORING

To carry out calculations of the Group's GHG emissions, carbon footprint and products and services under international standards.

ADAPTATION

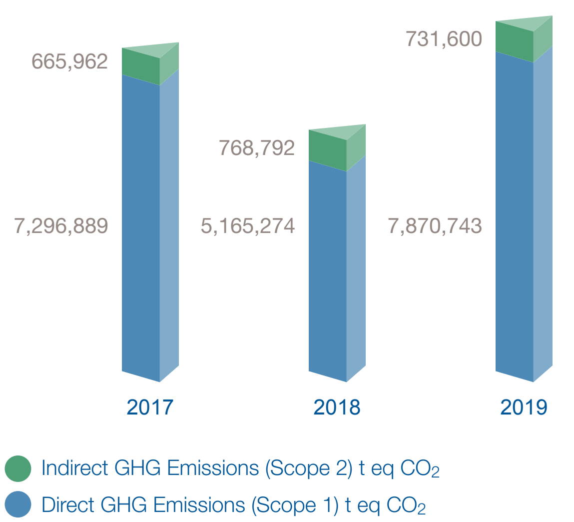
To adapt to changes in rules, regulations and trends by providing new services.

The **GHG emissions reduction targets** cover the following:



Development of the Group's GHG emissions

(tCO_2e)



The role of FCC in the fight against climate change

- The Group's CEO, Pablo Colio, was present at the 2019 United Nations Climate Action Summit in New York.
- FCC Construcción participated in the Climate Infrastructure Forum, the most important international infrastructure sustainability event of the year.
- FCC Medio Ambiente was present at the International Climate Change Conference, Change the Change, to motivate citizens towards making a personal commitment to climate change.

Protecting Biodiversity

FCC has two lines of business, Environmental Services and Water Management, which, among other activities, are dedicated to the preservation of eco-systemic value. In addition, the Group carries out various measures and initiatives aimed at ensuring that this vision is respected in all the Group's operations and activities.

In the last year, thanks to the efforts of the entire Group, FCC managed to **protect 1,127 hectares of vulnerable areas** (more than twice as many as in 2018) and **restored 604 hectares of affected areas**, a figure that has increased compared to 2018.

Creating social value

The sustainable growth and development of both society and the communities in which FCC operates is focussed on social action programmes and the materialisation of a commitment to clients and suppliers. The Group's Code of Conduct includes the principle of "Wellbeing and Community Development" that drives its employees to understanding the needs and expectations of the citizens for whom the company provides its services with a view to acting accordingly.

About **30 ESG** (environmental, social and governance) **projects** launched in 2019.

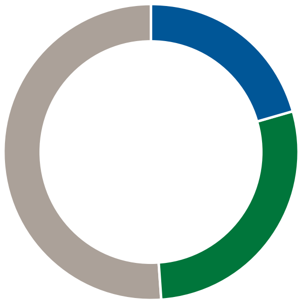
FCC's commitment to its customers

FCC's Code of Ethics and Conduct was updated in September 2019 and in item 11 it includes the Group's commitment to its clients, making this the focal point of its activity. This commitment hinges on the establishment of lasting relationships, based on mutual trust, honesty, professional responsibility and adding value. In order to meet its customers' expectations, each of FCC's areas develops and implements different initiatives:

- **Aqualia**, meanwhile, seeks to achieve excellence in customer service by developing services tailored to the needs of its users. The health and safety of clients is guaranteed as a result of a thorough quality control system for the treated water. During 2019, Aqualia has continued to make progress in its strategic orientation towards the end customer, paying special attention to the quality of the channels of interaction with its users. In fact, 96.70% of customers are satisfied with the quality of the service.
- **FCC Construcción.** All the companies that make up FCC Construcción guarantee the health and safety of their consumers by complying with the legal requirements that apply to projects, services and products. In addition, FCC Construcción has a client interlocutor in charge of dealing with suggestions, processing the information received, managing collaboration and notifying actions to be taken or taken as a result of suggestions received. The company also makes "final surveys of the works" that give customers the chance to rate the service by assessing different aspects of it. Most of the customers surveyed in 2019 state that they are very satisfied with FCC Construcción's performance, evaluating it as good or very good.
- **Cementos Portland Valderrivas** guarantees compliance with the legal requirements that apply to its products, which include health and safety requirements. In addition, all customers are provided with the safety data sheets of the products marketed, all of them labelled in accordance with European regulation (CLP). In addition, it keeps in contact with customers consistently through various channels, allowing it to analyse the most relevant information and act accordingly.
- **FCC Medio Ambiente, FCC Environment CEE** and **FCC Environment UK** offers their customers local and tailored services in every corner where they operate. FCC Medio Ambiente has an intelligent platform for Citizen Services Management called Vision that allows it to respond automatically to the needs of its customers. FCC Medio Ambiente's industrial waste management business conducted a customer satisfaction study which in 2019 obtained an overall average rating at group level of 8.6, slightly higher than the year before.

- The FCC Group has allocated a total of **4.8 million euros to social action, non-profit entities and foundations.**
- More than **120 projects** in the UK, thanks to the **WREN Foundation**.

The FCC Group's contribution in 2019 (€)



- **991,292** Donations to non-profit organisations and foundations
- **1,352,782** Sponsorships
- **2,435,910** Contributions to associations

FCC's commitment to the sustainable development of the communities in which it operates

The FCC Group associates its own business strategy with social action, contributing to job creation, social and economic progress in the different communities in which it operates and encouraging the participation of its employees in charitable actions to contribute social value and build trust. However, the company's responsibility for community development goes even further. Through contributions to non-profit organisations, the FCC Group spent a total of 4.8 million euros last year on donations to non-profit organisations, foundations and associations, contributing to the achievement of the SDGs and in line with its commitment to being a part of the Agenda 2030 solution.

The FCC Group value chain

For the FCC Group, the ethical principles and standards that govern its activities also have to govern its value chain. FCC is therefore working to promote responsible management of the purchases and services it provides, seeking to ensure they are as sustainable as possible.

The FCC Group has a Purchasing Manual that includes three essential principles: transparency, competitiveness and objectivity. Currently, said Purchasing Manual is being reviewed within the framework of the CSR 2020 Master Plan, to expand its scope to social and environmental criteria. To this end, an analysis of the risk map (environmental, social and governance) for suppliers and contractors is being carried out, taking into account:

- Identification of potential risks regarding sustainability.
- Inclusion of sustainability criteria in the definition of a critical supplier.
- Strengthening of the monitoring and control system for those suppliers presenting the highest risk.

Likewise, the FCC Code of Ethics and Conduct includes the basic principles that all partners, collaborators and suppliers should respect.

In 2019 the ethical clauses of the General Conditions for Contracting that suppliers have to accept were reformulated, including references that the supplier declares to fully understand the content and scope of the new FCC Group Anti-Corruption Policy, among others.

The FCC Group does not currently have a procedure for the official approval and supervision of suppliers. However, a standardisation process for the registration and official approval procedure is being developed, with the advice of an independent consultant. This will indicate the requirements that suppliers must meet to work with any of the Group's companies.

Law 11/2018 Non-Financial Information and Diversity

On 29 December 2018, Law 11/2018 on Non-Financial Information and Diversity (LINF) was officially published in the Official State Gazette (BOE). This concludes the process of transposition 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 raises the requirements for transparency and is one of the most advanced transpositions in Europe.

In response to the publication of the Law and in order to comply with it, FCC has prepared its Non-Financial Information Statement, which has been included in the consolidated Management Report, following the recommendations and guidelines established in the Law. This report was approved by the Board of Directors on 27 February 2020.

The reader can find further information on the FCC Group's social, labour and environmental performance in 2019 in the non-financial information report included as an annex to this annual report.

Response to the challenges of cities of the future

Our evolving environment

A business model which responds to the challenges of cities of the future

FCC is one of the leading international operators specialising in environmental, end-to-end water management and infrastructure construction and management services, as well as the production of associated materials, with a presence in over 30 countries. Around 45% of its turnover is generated in international markets, primarily in Europe (28%), the Middle East and North Africa (9.16%), Latin America (6.2%) and the USA (1.37%).

FCC's vision is to contribute to the development and progress of cities, creating value for all citizens, and also for their customers, shareholders and partners. A century-old corporate culture and solid values make it possible for FCC's businesses to grow on the basis of long-lasting, transparent and mutually beneficial relationships with those stakeholders with whom the Group works.

FCC's responsible action principles, included in its Code of Ethics and Code of Conduct, and in its CSR2020 Master Plan, imbue its way of doing business. These include: constantly seeking improvement, innovation and anticipating customer needs; respect of the rights and dignity of people in all regions; obtaining the maximum yield by optimising resources; working hand-in-hand with the communities where its activity is carried out to promote their well-being and development.

GLOBAL TRENDS

Population pressure and concentration of the population in cities

By 2050, the global population is expected to have increased by 2 billion people, from 7.7 billion to 9.7 billion, according to a new report published by the United Nations in 2019. This report also indicates that 4.5 billion people (55% of the global population) currently live in cities, and the urban population is expected to reach 6.5 billion in 2050.[(1)]

In light of this situation, sustainable development and new technology will be the main aspect for adapting the conception and planning of cities to this growth model.

FCC's response to the challenges and opportunities posed

Challenges	Opportunities
1 Guarantee the population's access to basic services, as well as mobility and inter-urban connections, which will require the development of more complex transport infrastructure.	**FCC Construcción** contributes 120 years of experience in executing large transport infrastructure, railway, port, hydraulic works, airport and construction (residential and non-residential) projects, demonstrating a great capacity for managing public interest projects that are unique and with a high degree of specialisation. It carries out its projects with high standards of occupational health and safety, a high degree of sustainability in its activities, as well as an immense responsibility to the local communities in which it operates. It is an agent connected to citizens, improving their quality of life by carrying out infrastructure projects, encouraging connectivity between regions and making it possible to access and improve the well-being of society.
2 Manage waste generated in cities, protecting the value of urban ecosystems requires in-depth knowledge of the sector to address an increasing population.	**FCC Medio Ambiente** encompasses environmental services related to urban and industrial end-to-end waste management where treatment, recycling and energy recovery stand out; and municipal services such as waste collection, street cleansing and the maintenance of parks and gardens.
3 Invest in quality materials that meet new infrastructure needs, providing greater durability and resilience and making them more sustainable.	**Cementos Portland Valderrivas** is a leading producer of high-quality products adapted to the needs of its customers and each construction project. It also innovates to improve the quality and increase the range of its products' qualities.

[(1)] 2019 United Nations Report.
[(2)] United Nations World Water Development Report 2019.
[(3)] 2019 United Nations Report.
[(4)] International Energy Agency. World Energy Outlook 2019.

4.5 billion people, 55% of the global population, **live in cities**. By 2050, the urban population is expected to reach 6.5 billion people.[(1)]

20% to 30% increase of global water demand **until 2050.**[(2)]

Cities occupy only 3% of the Earth, but account for **60% to 80% of energy consumption** and at least 70% of the carbon emissions.[(3)]

25% in the energy demand until 2040.[(4)]

Climate change and water stress on the global agenda

At COP25 held in Madrid, an agreement called "Chile-Madrid Time for Action" was adopted to decrease carbon dioxide emissions and respond to the climate emergency and the need to "make efforts to limit the temperature increase to 1.5°C".

Before the next climate summit, which will be held in Glasgow (Scotland), the countries must present their climate commitments, so the United Nations can create a document before COP26 indicating where we are in terms of achieving the objective of the Paris Agreement, which established a global plan of action for reducing carbon dioxide emissions.

Meanwhile, and as indicated in the United Nations World Water Development Report 2019, "if the degradation of the natural environment and the unsustainable pressure on global water resources continue at current rates, 45% of global GDP, 52% of the global population and 40% of global grain production will be at risk by 2050."[5]

The measures to ensure access to drinking water and sanitation systems require the involvement not only of governments, but also all the actors involved in the management.

The United Nations Refugee Agency indicates that, according to data from the World Resources Institute (WRI), over 1 billion people currently live in regions with water scarcity and it is forecast that this number may rise to 3.5 billion by 2025.[6]

[5] United Nations World Water Development Report 2019.

[6] The United Nations Refugee Agency indicates that, according to data from the World Resources Institute (WRI).

- **~1ºC Increase** of the average **temperature** since 1880.[7]
- **Over 1 billion people** live in regions with **water scarcity** and it is forecast that this number may rise to 3.5 billion by 2025.
- If everything continues at the current rate, **45%** of global GDP, 52% of the global population and **40%** of global grain production **will be at risk by 2050.**[5]
- **Greenhouse gas emissions must reduce by 44%** to meet the commitment of <2ºC.[8]

[5] United Nations World Water Development Report 2019.
[7] NASA Earth Observatory. Global Temperatures.
[8] European Council. 2030 Climate and Energy Policy Framework.

FCC's response to the challenges and opportunities posed

Challenges	Opportunities
1 To guarantee access to water, in quantity and quality, for a growing population, taking measures that protect the resource.	**Aqualia**, with its experience in the sector, is highly specialised in end-to-end water management, offers solutions to increase the population and guarantees access to communities and ensures it is efficiently managed.
2 To develop desalination, cleansing and purification technologies, managing water resources sustainably and committing to technological innovation.	**Aqualia** is capable of dealing with highly specialised projects for any water use: human, industrial or agricultural. The activity, with an ever increasing use of technology, is part of an expansion strategy into markets with very different water needs and the application of technological innovation for efficiency in the use of water.
3 Facilitate access to water in developing countries, taking advantage of the availability of financing.	**FCC Construcción,** by carrying out hydraulic infrastructure, contributes to water access in developing countries, especially in particularly vulnerable communities. This development enables sanitation, distribution and purification, at the same time encouraging a cultural change in the population. In addition, its activity enables the implementation of industrial sectors that together make development possible in the region.
4 Improve architecture and urban design in light of climate change and the risks of disasters.	**FCC Construcción** plays a key and fundamental role as an agent for the improvement and development of intelligent infrastructure, as well as the reconversion and adaptation of obsolete infrastructure.
5 The fight against climate change and achieving the Sustainable Development Goals (SDG).	Knowledge of urban services and of implementing electric mobility in heavy vehicles, and investment in R+D have enabled **FCC Medio Ambiente** to develop the first affordable 100% electric chassis-platform for heavy urban service vehicles. This technology will be decisive in transforming cities to the electric model and reducing their carbon footprint as it not only represents a zero level of polluting emissions and great noise reduction, but is also an example of the efficient use of resources as it consumes 50% less energy than a conventional collector.
6 Reduce CO_2 emissions into the atmosphere.	**Cementos Portland Valderrivas** is gradually increasing the use of alternative biomass fuels in its production process to reduce net CO_2 emissions into the atmosphere and participate in R+D projects that enable CO_2 to be captured and reused..

The circular and sustainable economy

The extraction of material resources (biomass, fossil fuels and non-metallic minerals) reached 88.6 billion tonnes in 2017, which is three times the amount of resources in 1970, according to the Global Resources Outlook 2019 report[9]. On the other hand, the increase of waste, especially plastic, has caused social alarm, which has led to several measures to tackle this problem. In 2050, there will be 12 million tonnes of plastic at landfills.

The circular economy, despite not being an original concept, has gained strength in recent years due to the growing concern about the scarcity of resources and the generation of waste, a product of the current economic model.

- The **annual consumption** of resources is now **three times higher** than in 1970.[9]

- In 2050, there will be **12 million tonnes** of plastic at landfills.[10]

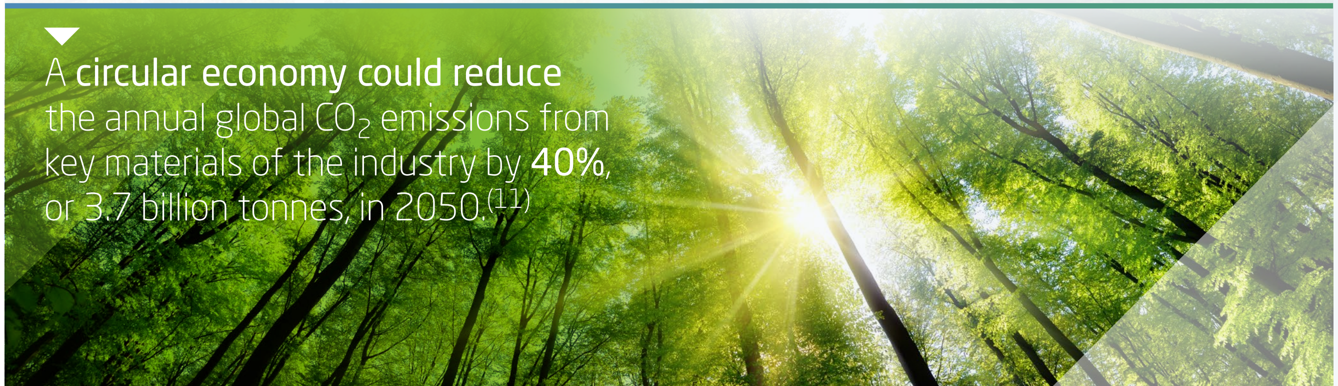
[9] Global Resources Outlook 2019: Natural Resources for the Future We Want. UN Environment Programme.

[10] United Nations.

[11] Ellen MacArthur Foundation, Completing the Picture: How the Circular Economy Tackles Climate Change (2019).

FCC's response to the challenges and opportunities posed

Challenges	Opportunities
1 Reduction of raw material use in the economic production.	**FCC Construcción** is committed to reducing the use of natural resources, mainly using materials used in the projects. It is a pioneer in applying the "Zero Waste" certificate to its activities as a lever of change to excellent environmental protection. **Cementos Portland Valderrivas** uses secondary raw materials and alternative fuels in all stages of the production process, reducing extraction and consumption of mineral resources.
2 To integrate the circular economy in the management of materials and resources.	**FCC Medio Ambiente** integrates the circular economy and sustainable development with the management of waste. **FCC Construcción** is aware of the problem which may occur through inappropriate management of industrial assets so it reuses materials to advance a circular economy model that promotes rational and efficient consumption of resources and the recovery of waste. It includes the Sustainable Development Goals in its business strategy as an instrument to structure social and business growth. **Aqualia** has its own technology that promotes the recovery and reuse of water for different production process.
3 Transformation of society to a circular economy model and achievement of the European Union recycling and landfill redirection objectives for 2030-35. This trend manifests itself not only at a European level, but also globally, including on the American continent.	**FCC Medio Ambiente** uses innovation as a lever of change for that transformation, developing R+D projects focused on improving plastic recycling (Plasmix, Life4Film) and energy recovery of waste (MethaMorphosis, Landfill Biofuel), all within the European programme LIFE. Remaining at the forefront of technology means the company accumulates opportunities for developing its recycling and waste treatment business. FCC will further develop existing business models based on selective collection, waste treatment and recycling (classification and composting), and waste energy recovery (Waste-to-Energy).



The disruption of new technologies

The existence of disruptive technologies could have a potential economic impact of $14-33 billion per year in 2025[12]. The challenge centres on knowing how to take advantage of what technology can offer society.

The digital transformation marks the growth patterns of the sectors in which the FCC Group is present, much more dynamic and linked to the development of information and communication technologies, in response to the demands of consumers that are much more empowered.

FCC's response to the challenges and opportunities posed

Challenges	Opportunities
1 Develop business models that respond to the future needs of its customers and of society in general.	**FCC Medio Ambiente**, as a company that carries out its activity hand-in-hand with society and public administrations, is working to implement a new business model following the Smart Cities concept and the use of big data to manage the services. **Aqualia** is aware of the advantages that applying new technologies could bring to the water sector. The application of big data, smart services, platforms and tools bring about a change in the company's business model, which is necessary to respond to the needs and challenges of the future. **Cementos Portland Valderrivas** applies digitalisation and automation to its production processes, with a focus on efficiency and sustainability, which contributes to the transformation and provides new digital tools to customers, suppliers and employees. **FCC Construcción** works on performing its activities so that customers' and society's needs of mobility and services are met. This is in addition to the different challenges society must face.
2 Sustainably construct and manage infrastructure, adapting it to the new needs and applying new technologies.	**FCC Construcción** is at the forefront of new ways to build infrastructure, such as BIM (Building Information Modelling), a collaborative work methodology that enables virtual constructions, generating three-dimensional models, which represents an improvement in productivity through automation.

Disruptive technologies could have an impact of **$14-33 billion** per year in 2025.[12]

In 2020: **26 million** internet connections

4.5 million users

4,540 billion internet users, almost 60% of the global population.[13]

[12] Bank of America Merrill Lynch.

[13] We Are Social Report and Hootsuite 2020.

The increase of public-private collaboration

The system of public-private collaboration is currently seen as a situation that will grow in markets where it is difficult for public administrations to invest.

This is especially evident in emerging markets and developing economies because as these countries address greater needs for growth in infrastructure, while facing the highest debt levels ever, the public-private associations present an efficient mechanism for governments to supply, implement and manage infrastructure and fundamental public services by using the resources and experience of the private sector.[13]

In 2018, the **aggregate value of the PPP transactions** that reached financial closure in the European market amounted to **€14.6 billion**, a **4% decrease** on 2017 (€15.2 billion).[14]

[13] We Are Social Report and Hootsuite 2020.

[14] Review of the European PPP Market in 2018. European Investment Bank.

[15] Bridging infrastructure gaps: Has the world made progress McKinsey Global Institute. The World Bank's definition of Infrastructure includes utilities (gas and electricity, water supply, telecommunications, sewerage and waste and water treatment), roads, dams, canals and other construction of transport (railways, ports and airports).

FCC's response to the challenges and opportunities posed

Challenges	Opportunities
1 To take full advantage of innovation in the private sector, combining public and private capital.	**FCC Construcción**, with 120 years of history, is a leader in carrying out civil engineering, construction and industrial projects. It has extensive experience in projects under the concession system. It has a strong capacity for resolving technically complex projects, with leading technical services at the vanguard of the sector.
2 Incorporate best practices and efficiency by using the specialised private management model.	**Aqualia** develops a business model based on contracts awarded for end-to-end water management. It also based on O&M contracts and infrastructure concessions, through DBOT contracts, whereby the company designs, constructs, finances and operates long-term infrastructure, often treatment plants. These skills mean the company is a clear option for this type of opportunity.
3 Stimulate investment and strengthen growth in infrastructure and provision of services.	**FCC Construcción** remains alert to the trends in the different countries where it operates, including possible regulations of the public-private associations, or privatisation and investment plans in these aspects. **Aqualia** incorporates all the phases of water management in its business, from the design of facilities to the management of large investment projects in water systems.
4 Sound financing structure for activities in the Environment area, in a financial market that is demanding more investment projects based on environmental sustainability and the fight against climate change.	Practically all the projects carried out by **FCC Medio Ambiente** can be considered beneficial to the fight against climate change and environmentally sustainable. This makes it possible to capture funds in the bond markets focused on environmental projects, or Green Bonds. Initially reached a value of €1.1 billion. Standardisation of the project and financial information aligned with the 'Green Bond Principles' in the 'Green Bond Framework'.

The added value of the **public-private associations** in Europe **increased by 22%** in 2017 compared to 2016.[13]

There is a **global investment gap** of **$5.5 billion** in infrastructure between now and 2035.[15]

FCC's strategy: focus on growth with profitability

FCC is ready to face the future and the company's good results in 2019 have led it to focus on growth as part of its strategy.

FCC's levers to create value are:

- **Strengthening the company's** presence in consolidated markets and increasing international activity in markets with growth potential where FCC is present, becoming part of the communities for whom it works.
- **Sustainable development**, based on the circular economy and the promotion of transparency and commitment to society.
- The **strength of the synergies** between the businesses to promote efficient operations and to take advantage of the high level of specialisation held by the professionals in all areas.
- **Financial discipline**, to preserve profitability, improve long-term growth and management, which has enabled the company to steer towards growth in recent years, delivering positive results in 2019.
- **Innovation and the continuous search for improvement** are also our raison d'être and the key to our good results. In addition to all this is the dedication and loyalty of people at FCC, a highly qualified and motivated team of professionals capable of providing innovative solutions, and concerned with improving people's lives every day.

FCC's international footprint places the company in more than 30 countries, which are mostly strategic markets due to their growth potential, both in terms of activity and sophistication of the type of services required.

In 2019, FCC billed €6.28 billion, of which 55% came from the domestic market, Spain, and about 45% from international markets, primarily in Europe (28%), the Middle East and North Africa (9.16%), Latin America (6.2%) and the USA (1.37%).

FCC Group perspectives

FCC wants to remain a leader in the countries where it operates, maintaining its competitive position in the consolidated markets by preserving the quality and continuity of its services. On the other hand, the increase in the international portfolio of projects requires an accurate assessment of the potential and risks and synergies between the different business areas.

In the international sector, FCC aspires to be a facilitating company for its customers, establishing long-term relationships with the reliability of a big leading company, while also remaining local and focused on each of the regions where it operates.

In this respect, the internationalisation plans as a strategy of diversifying regional risks are already bearing fruit. This year, FCC Medio Ambiente and Aqualia have focused their activity in Europe, North Africa and the Middle East, the USA and Latin America. Meanwhile, FCC Construcción has focused on carrying out large infrastructure projects obtained in 2017, 2018 and 2019 and also the contribution of markets in America (Central America, Chile, Peru and Colombia), Middle East (Saudi Arabia and Qatar) and Europe (the Netherlands, Nordic countries, United Kingdom, Ireland and Romania).

The Group's strategic planning process identifies the objectives to achieve in each of the areas of business activity, based on the improvements to be implemented, market opportunities and the level of risk considered acceptable. This process serves as a basis for the preparation of the operating plans which specify the goals to be reached each year.

International growth opportunities

For all areas of the FCC Group there are opportunities of interest in the markets in which it operates. In the Middle East and North Africa (MENA), there are projects of interest of seawater desalination and wastewater treatment in the Water area, technologies which are among Aqualia's specialist areas.

America is also a market with a high development potential for the area of Environmental Services thanks to the *know-how*, experience and use of the most advanced and efficient technologies in the provision of services. For the Water area, the obsolescence of the hydraulic infrastructures and the low penetration of private operators in the sector are the source of the main growth opportunities for the company in certain countries.

In Environment, the export of RDF (refuse derived fuels) to Europe is expected to continue to decline, although other opportunities will still arise for the Group due to its degree of diversification in the production chain.

Finally, for the Construction and Concessions areas, the public-private partnership system is being shaped as a concept likely to grow in markets with investment difficulties encountered by public administrations.

This is especially true in emerging markets and developing economies. As these countries face increased infrastructure growth needs, in the face of budget constraints, it makes public-private partnerships an effective mechanism for governments to provide, implement and manage critical infrastructures and public services, using the private sector's resources and expertise. In this sense, FCC's experience in the entire development of a project, from the design to the operation of assets, is undoubtedly an advantage for the future at a national and international level.

Sustainable development

For FCC, sustainable development is a vision of its daily operations, which incorporates quality in the service, continuous improvement, the safety of employees as a priority and environmental care as a differential value that contributes to efficiency and to addressing growing demands from customers and regulators.

FCC and its contribution to the SDGs

As part of the Corporate Social Responsibility Policy, approved by the FCC Board of Directors on 28 July 2016, the Group has shown that it wants to be part of the solution to the challenge posed by the 2030 Agenda for Sustainable Development and its Goals (SDG), approved by the United Nations in 2015, and therefore better take advantage of the opportunities in its markets. With this in mind, the company's CSR Master Plan has been created using the United Nations (UN) 2030 Agenda as a reference. The plan considers the latest international trends regarding sustainability and translates them into different corporate actions and initiatives that provide tangible value for the business, which the different areas of the Group can all benefit from.

The challenges posed by the Sustainable Development Goals are perfectly integrated into the company's sustainable strategy. And one year on, as we have been doing for over a decade, we are renewing our commitment to the United Nations Global Compact for another year.

Development of the circular economy

FCC is a responsible and committed company, with a strong position as a key player in defining solutions for tackling climate change. Promoting research into processes and solutions that enable a strengthening of the circular economy, the recovery and reuse of resources and by-products, as well as the monitoring and improvement of feedback from customers, stakeholders and society in general, is one of the Group's strategic lines.

Aqualia focuses its research and development on improving the end-to-end water management cycle to optimise consumption and minimise its environmental impact. The improvement in quality and the drive towards intelligent management in customer relations are also relevant.

FCC Medio Ambiente moving towards a circular economy model, enhancing waste recovery in a waste-to-energy model and thereby reducing greenhouse gas emissions. It also uses innovation as a lever of change for that transformation, developing R+D projects focused on improving plastic recycling and energy recovery of waste.

In **FCC Construcción**, the company is committed to a circular economy, improving the efficiency of productive activities, extending the life and optimising the use of the resources we use and minimising the waste we generate. In 2017, FCC Construcción structured its progress towards the circular economy around the Ellen MacArthur Foundation's ReSOLVE framework and in 2018 it acceded to the Pact for a Circular Economy, promoted by the Spanish Ministries of Environment and Economy.

Cementos Portland Valderrivas Group uses the most advanced technologies in all its production processes, seeking to achieve economic optimisation and respect for the environment, adapting to the needs of the surroundings to ensure the competitiveness of its activities in the market.

In this field, promoting cooperation between FCC Group's different business areas is an essential goal for the company. The identification of synergies between the different activities and centralising all the common processes to all the areas enables the elimination of duplicates and optimises the use of resources that have been underused until now.

Promote transparency and commitment to society

FCC has a broad record of incorporating compliance at all levels and has the advantage of having quality management systems, occupational risk management systems and certified environmental systems in all business areas.

Our Group's global dimension and extensive international presence make it essential to increase our commitment to applying the highest standards of integrity and compliance with laws, regulations, contracts, procedures and ethical principles in all our activities, all the regions in which we operate and for all the people connected to any company in the FCC Group.

FCC's comprehensive behavioural guide is the Code of Ethics and Code of Conduct, which states the behaviour expected of people who form part of the company in their day-to-day activities and relationships with third parties. For the FCC Group, this document represents the highest standard in the set of policies and procedures, which also includes the new company values that form part of the culture of compliance.

Financial discipline

Preserve profitability and long-term value creation

Profitability is a priority for the FCC Group, embodied in a set of actions that improve the capital structure and use of external resources, the generation of cash and the optimisation of financial costs. The FCC Group is making steady progress, strengthening its operational capacity and the economic potential which has endorsed the company since its formation more than a century ago.

It is worth noting some of the transactions carried out in 2019, such as the issue of simple bonds by FCC Servicios Medio Ambiente Holding, S.A.U. worth €1.1 billion. The main destination of these funds was the voluntary early repayment of all FCC's syndicated financing, which was signed in September 2018 and had a value of €1.2 billion. Meanwhile, in November 2018, FCC S.A. registered a promissory note programme worth €300 million, which was subsequently increased to €600 million in March 2019, and in 2019, new financing facilities were arranged in the form of credit policies and bilateral loans.

These operations have enabled the debt reduction process and financial organisation to be completed five years after they started, and have also made it possible to continue with the policy of diversifying financing sources. This all contributes to achieving a much more solid and efficient capital structure with financing costs, amounts and periods adapted to the nature of the different business areas.

The measures aimed at increasing productivity have had an impact on reducing structural costs by 6.1% compared to the previous year. The consolidated net financial debt closed in December 2019 with an increase of 33% on the previous year, due primarily to the effect of Cedinsa's change to global consolidation, which accounts for €730.2 million and, to a lesser extent, the investments in growth made in Environment and Water, and the exceptional tax payment in May 2019.

FCC seeks excellence in its activities as an instrument for long-term value creation, one of the aspects that has contributed to the company's stability. In this way, the Group is sustained by a selective portfolio of projects, portfolio of services and collaborating third parties, which ensures compliance with the Group's commitments. Similarly, the company is supported by local development in its highly qualified and committed teams.

Finally, the FCC Group's risk management policy and model ensure that they are included in all areas and at all levels of the organisation, forming part of the values and the culture of the Group. This means that FCC aims to guarantee the achievement of the strategic and financial objectives, effectiveness and efficiency in operations and transparency and regulatory compliance. This means FCC's risk management finally becomes an instrument that supports the company's profitability and provides reliability and trust.

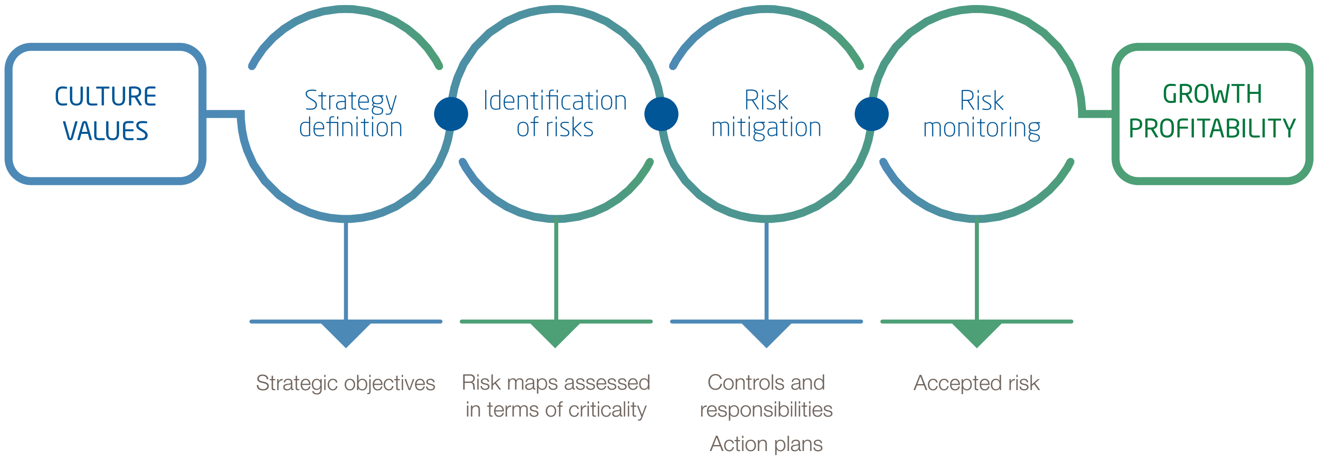
Risk Management Model in the FCC Group

The FCC Group operates in a wide variety of countries and in different sectors, so its activities are subject to a variety of socio-economic environments and regulatory frameworks. In this context, the FCC Group is exposed both to the risks inherent to its activities and to the risks related to global economic and geopolitical developments.

In order to generate sustained value in this environment, the FCC Group has a Risk Management Model, designed with the aim of identifying and assessing the potential risks that could affect the Group's different units, as well as establishing mechanisms incorporated into the organisation's processes that make it possible to manage risks within the accepted levels, providing the Board of Directors and Senior Management with reasonable assurance regarding the achievement of the main objectives defined.

The activities included in the FCC Group's Risk Management Model include the assessment of risks, in terms of impact and probability of occurrence, giving rise to risk maps, and subsequently the establishment of prevention and control activities to mitigate the effect of such risks. In addition, this Model includes the establishment of reporting flows and communication mechanisms at different levels, which allow both decision-making and its review and continuous improvement.

The alignment of the FCC Group's culture with the strategy and risk accepted as the key to sustainable growth

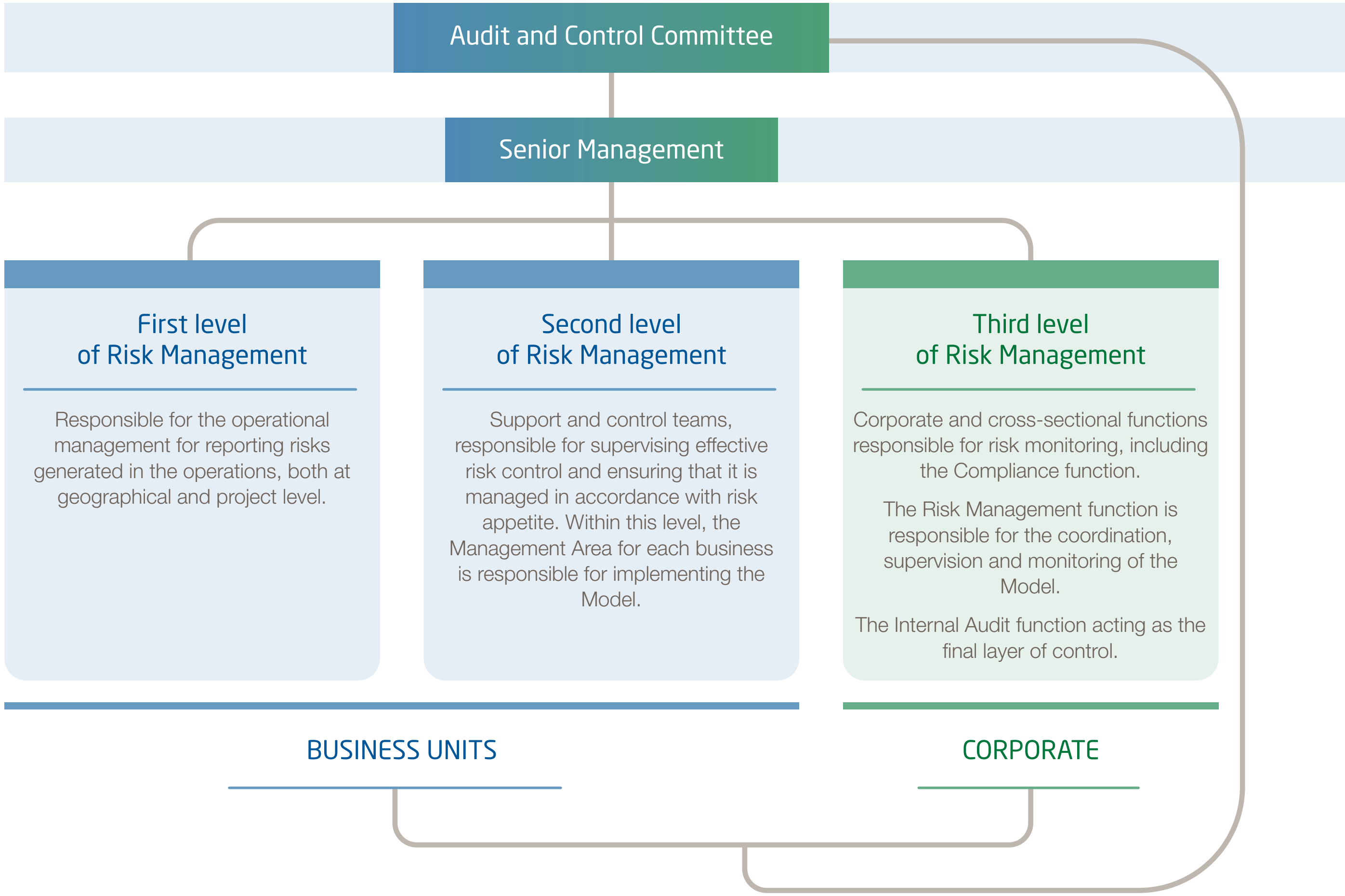


Organisational structure for risk management

The risk management process is carried out across different sections throughout the organisation, establishing different levels that act in a coordinated way to maximise efficiency and boost effectiveness.

The Board of Directors is responsible for approving the FCC Group's risk control and management policy, identifying those risks that are considered to be major risks by the company and implementing and monitoring the appropriate internal control and information systems.

One of the functions of the Audit and Control Committee is to supervise and analyse the effectiveness of the internal control and risk control and management policy.



Risk scenarios

Strategic

- Political and socioeconomic changes in countries and/or regions.
- Loss of market share.
- Cut in investment and demand forecasts.
- Damage to reputational image.

Response plans

- Consolidation of international position.
- Maintaining market share in mature markets.
- Search for new formulas of public-private collaboration for the development of the comprehensive water cycle, environmental services and infrastructure.
- Integration of business in the circular and low-carbon economy.
- Investment in technology, innovation and process control.

Financial Instruments

- Restricted access to financial markets.
- Impairment of the commercial fund.
- Recoverability of deferred tax assets.
- Fluctuation of exchange rates.
- Fluctuation of interest rates.
- Liquidity risk.

Response plans

- Continuous monitoring of liquidity lines and financing.
- Optimisation of exposure to variable rate debt.
- Establishment of frameworks and regulations for tax risk control.
- Risk transfer mechanisms (insurance).
- Analysis of interest rate hedging instruments.
- Control of asset risk management.

Compliance

- Partial non-compliance with the Code of Ethics.
- Regulatory or contractual non-compliance.

Response plans

- Monitoring of contractual and regulatory requirements in project management plans.
- Structured and formalised compliance model.
- Organisational structure of compliance at different levels.
- Controlled systems with detailed procedures.

Operational

- Climate change
- Termination or unilateral modification of a contract, contractual issues and legal disputes.
- Catastrophic events
- Uncertainty and volatility of raw materials, energy and subcontracted services.
- Loss of human capital.
- Labour conflict.
- Project reprogramming.
- Environmental damage.
- Cyber attacks.
- Health and safety risks.
- Risks arising from links with third parties.

Response plans

- Formal planning and contractual management systems with customers and third parties.
- Coordination and development of the Group's Human Resources.
- Business-defined strategies for the challenges and opportunities of climate change and ecological transition.
- Quality management, environmental management and occupational risk prevention systems in accordance with international standards.
- Operating unit and information security management system also in accordance with international standards.
- Monitoring plans for specific project risks.
- Suitable insurance coverage

4 FCC in 2019

Milestones of the year 2019

January

- FCC Medio Ambiente is awarded extensions to several of its most relevant contracts worth €27 million (Spain).
- Aqualia strengthens its position as a leader in UAE by winning two new contracts.
- FCC Construcción awarded the remodelling of Plaza de España (Madrid, Spain).

February

- FCC included in the prestigious sustainability stock market index FTSE4Good.
- Suffolk County (United Kingdom) awards FCC Environment the contract for operating eleven recycling centres.
- Aqualia's new water plant in Oviedo becomes a national reference (Asturias, Spain).
- Aqualia presents a pioneering circular economy project at the Guijuelo treatment plant (Salamanca, Spain).
- FCC Construcción starts construction on the "North Runway" project for a new runway at Dublin airport (Ireland).
- FCC Construcción obtains the carbon footprint, compensation and CO_2 absorption projects of the Ministry for the Ecological Transition.
- FCC Construcción starts construction of the Glina waste water treatment plant (Bucharest, Romania).

March

- VIVE SALUDABLE is born, FCC's commitment to people's wellbeing.
- FCC Environmental Services is awarded a contract worth $215 million in Palm Beach (Florida, USA).
- FCC Environment will develop one of Europe's largest energy-from-waste facilities in Lostock (UK), in partnership with the Danish fund Copenhagen Infrastructure Partners (CIP).
- Aqualia is twice recognised by GWI (Global Water Intelligence) as a world leader in desalination.
- Aqualia will purify the water in Ávila (Spain) until 2038.
- The FAST Consortium, led by FCC, starts manual train circulation tests (Riyadh, Saudi Arabia).

April

- FCC renews its commitment to the Diversity Charter.
- FCC Environmental Services holds the grand opening of the new state-of-the-art Material Recycling Facility in Houston (Texas, USA).
- Tenth anniversary of FCC Environment's waste-to-energy facility in Zistersdorf (Austria).
- A report on the fraud committed in the supply networks, winner of the 3rd Aqualia Journalism Award.
- FCC Construcción starts the project to expand Line 2 of the Panama Metro to the airport, as well as operations and implementation of the main line (Panama).

May

- The FCC General Shareholders' Meeting approves the flexible dividend distribution, suspended since 2013.
- FCC Medio Ambiente manages the service of seven of the ten cleanest cities in Spain, according to the 2019 report from the OCU (Organization of Consumers and Users).
- Aqualia wins two new contracts at the Tenerife airports (Canary Islands, Spain).
- The knowledge and experience of Aqualia, present at the Ibero-American Summit of Strategic Communication (CIBECOM).
- FCC Construcción opens the red line of the Doha metro (Qatar).
- FCC Construcción wins the remodelling contract of the Santiago Bernabéu Stadium (Madrid, Spain).

June

- FCC Medio Ambiente is awarded the waste management, street cleansing and beach maintenance contract in Almuñécar (Granada, Spain).
- The French company, Services Publics et Industries Environnement (SPIE), is now part of the Aqualia team.
- The government of the Czech Republic recognises the role of Aqualia, through its subsidiary SmVAK, in the development of the central European country.
- Aqualia publishes the 13th CSR Report, where it notes that "ethics and business are compatible and must be inseparable".
- FCC Construcción leads the way by obtaining the AENOR ISO 44001 certificate for collaborative relationships.

July

- FCC Environmental Services is awarded the urban solid waste collection contract for Volusia Country (Florida, USA).
- Aqualia wins two new contracts for service in 32 French towns.
- Aqualia's All-gas project is a clear example of the opportunity for the green economy in Andalusia (Spain).
- ENR (Engineering News-Record) recognises the Doha Metro (Qatar) and the Wanda Metropolitano (Spain) as the world's best metro project and best sporting infrastructure, respectively, in 2018.

August

- FCC Medio Ambiente is awarded the waste management and street cleansing contract in Jerez (Cadiz, Spain).
- FCC Environmental Services wins the urban solid waste collection contract in Omaha (Nebraska, USA).
- Vocation to the service and maximum involvement of the Aqualia team in Gáldar during the fire in Gran Canaria (Canary Islands, Spain).
- FCC Construcción completes construction of the El Alamein desalination plant (Egypt), a project led by Aqualia.

September

- FCC Environment officially opens the Millerhill energy-recovery and recycling centre for Edinburgh and Midlothian (Scotland, United Kingdom).
- Water regenerated from the treatment plant for the recovery of a biodiverse ecosystem in Medina del Campo (Valladolid, Spain).
- Aqualia launches a 360º communication against fraud attempting to create doubts concerning the quality of tap water.
- FCC Construcción attends the United Nations' Climate Action Summit 2019.

October

- FCC Medio Ambiente renews the domestic waste treatment and transfer service contract for the province of Salamanca (Spain).
- FCC Environmental Services renewed the contract for the management of the biosolid waste from water plants in Houston (Texas, USA).
- Aqualia celebrates one year of exemplary management in the port of Sohar (Oman).
- Aqualia attends EXPOAGUA Peru, the largest fair in the sector in Peru.
- FCC Construcción wins new contracts for the construction of two sections of the Murcia-Almeria High-Speed Corridor platform (Spain).
- FCC Construcción wins the new contract for designing and constructing the A9 motorway in the Netherlands.

November

- FCC Medio Ambiente wins, with its 100% electric modular chassis-platform, the World Smart City Awards 2019 in the category of Innovative Idea (Barcelona, Spain).
- FCC Medio Ambiente carries out the issuance of a green bond worth €1.10 billion.
- Aqualia attends the ANEAS (National Association of Water and Sanitation Utilities of Mexico) Conference, adding value to the public-private collaboration benefitting citizens (Mexico).
- Aqualia celebrates 25 years of commitment and work in Badajoz (Spain).
- FCC Construcción wins its first contract in Norway.
- FCC Construcción wins the "cierre del anillo insular" contract in Tenerife (Canary Islands, Spain).
- FCC Construcción wins the contract for modernising the take-off and landing runway at Bacau (Romania) airport.

December

- Campus FCC, the corporate university of the FCC Group, is born.
- Active participation of FCC Medio Ambiente within the framework of the Climate Change Summit COP25 in Madrid (Spain).
- FCC Medio Ambiente publishes its 7th sustainability report under the slogan "From commitments to action".
- The documentary "Brave Blue World", in which Aqualia participates as an impact partner, takes the future of water to the big screen.
- Aqualia organises "Desalination Week" in Denia (Alicante) to introduce the world's most efficient and innovative technology for desalinating water.
- SmVAK, a subsidiary of Aqualia in the Czech Republic, implements a flexible waste water collection system for homes that are not connected to the sewage system.
- FCC Construcción becomes the first construction company in the world to join the Sustainable Finance group of the United Nations Global Compact.
- FCC Industrial becomes the first construction company to obtain the Zero Waste certificate.

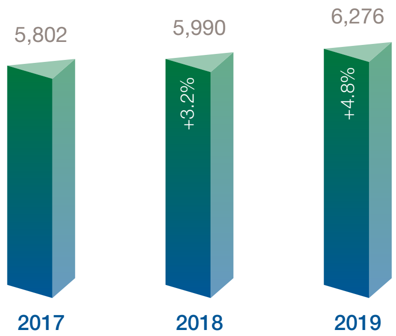
Group
Environment
End-to-end water management cycle
Infrastructure

Play

Key figures

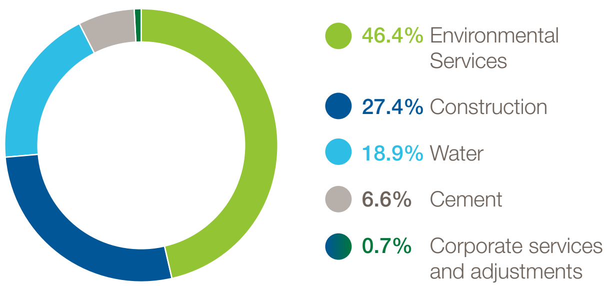
Revenue

Millions of euros



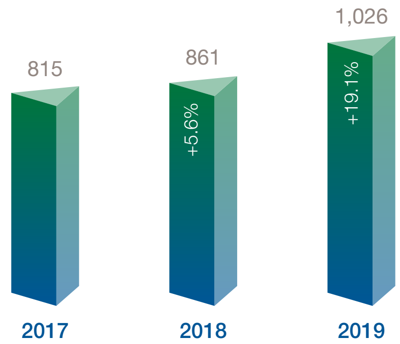
Revenue 2019 by activity

%



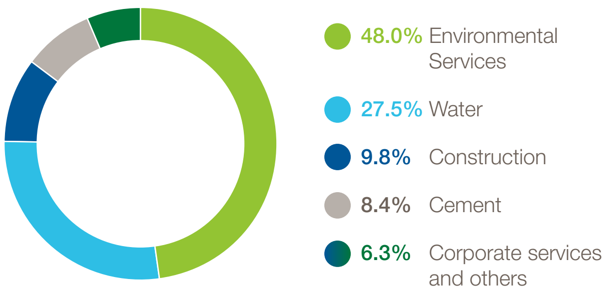
EBITDA

Millions of euros



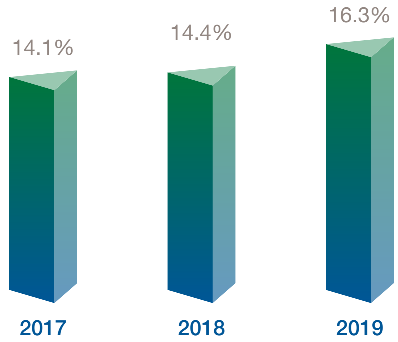
EBITDA 2019 by activity

%



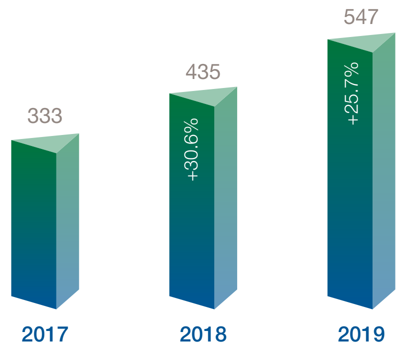
EBITDA margin

%



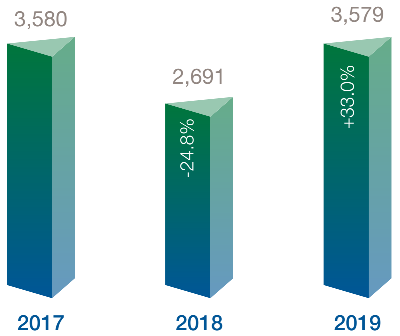
Investments

Millions of euros



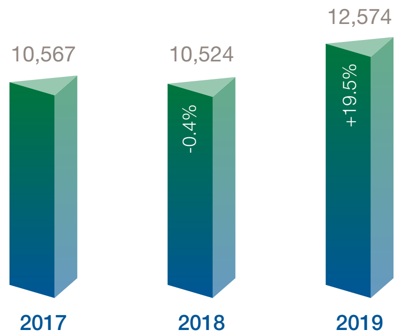
Net financial debt

Millions of euros



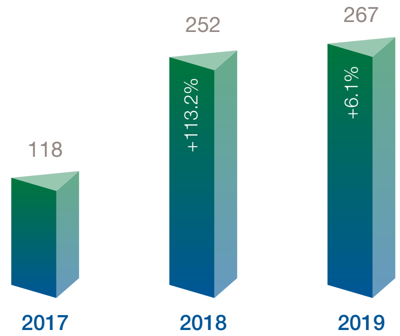
Total assets

Millions of euros



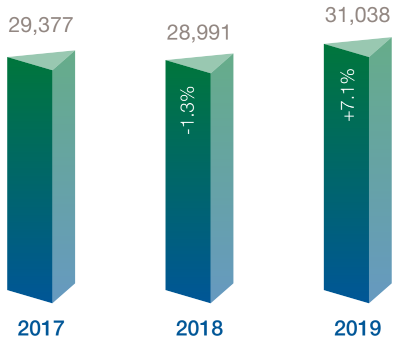
Earnings attributable to the Parent

Millions of euros



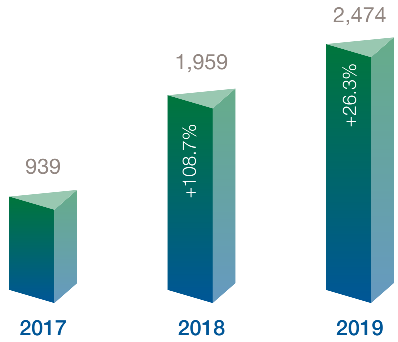
Backlog

Millions of euros



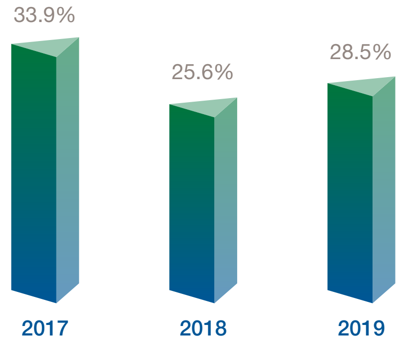
Equity

Millions of euros



Financial leverage. Net debt / Total assets

%



Stock market evolution

Evolution of the stock market and share price

The US Nasdaq index led the main global stock markets in terms of earnings in 2019. It was a booming year for the stock markets, where increases were close to 30% for the S&P 500, the Italian FTSE MIB and the French CAC. In other indices, the increases exceeded 20% during a year marked by interest in the technology sector and the weakness of much of the financial sector, all set within the context of persistently low interest rates. The stock markets lagging behind included the Spanish and British stock markets. The IBEX recorded 11.8% and the British FTSE 100 12.1%.

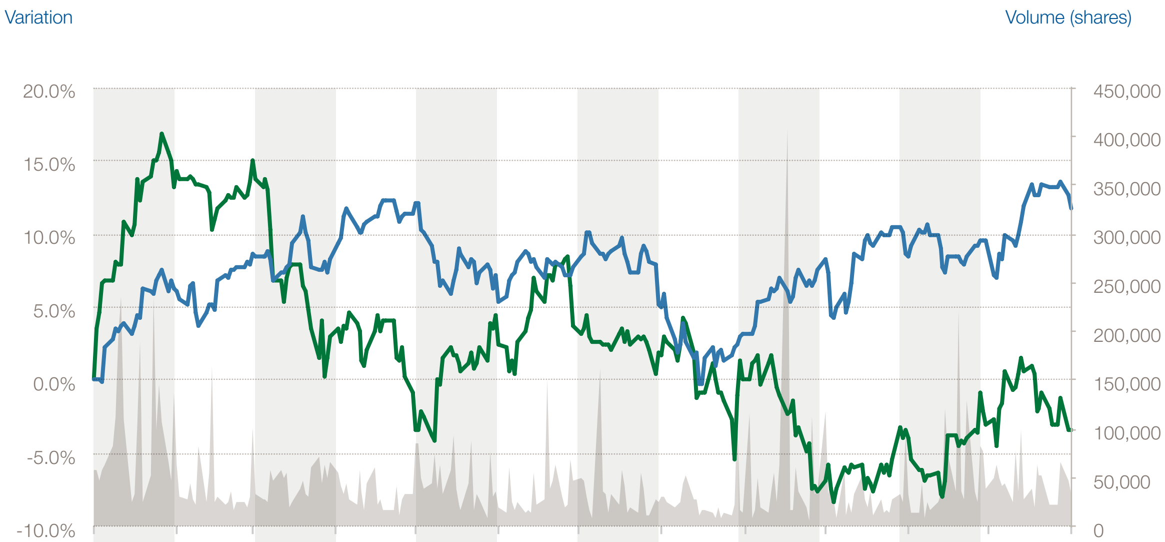
During 2019, the trade negotiations between the USA and China were the main driver of the markets, with plenty of to and fro between both parties and Trump's imposition of tariffs on certain Chinese products arriving in the USA. By the end of the year, both parties had reached an agreement called "Phase 1", which increased optimism among investors.

Nonetheless, the negative effects of this protectionism hit the economy. Growth forecasts were revised down throughout 2019, especially due to the weakness of the industrial sector. This led to a setback in productive investment, which has been reflected in various consumer confidence indices in recent months. At the close of the year, confidence surveys seemed to have stabilised thanks to this first agreement, which led to expectations of deceleration rather than a global recession in 2020.

With regard to emerging economies, the IMF has forecast a growth of 4.4% in 2020 and 4.6% in 2021, with their estimation at 4.5% for 2019. In terms of the global economy, the IMF also lowered its growth forecasts to 3.3% for 2020 and 3.4% for 2021.

Annual evolution of the IBEX 35 and FCC's share price

With regard to the market performance of FCC's shares in 2019, the price decreased 3.4%, closing at €10.92 per share. The maximum price was €13.20 per share on 25 January and the minimum was €10.36 per share on 3 October, the year ending with a capitalisation of €4.28 billion.



	January	February	March	April	May	June	July	August	Sept.	Oct.	Nov.	Dec.	2019
% Chg. FCC	10.4%	0.6%	-10.5%	-6.2%	6.0%	1.2%	-1.9%	-1.7%	-6.9%	3.2%	0.9%	-0.4%	**-3.4%**
% Chg. IBEX 35	6.1%	2.4%	-0.4%	3.6%	-5.9%	2.2%	-2.5%	-1.8%	4.9%	0.1%	1.0%	2.1%	**11.8%**

Trading

Total trading volume in 2019 was over 11.7 million securities, with a daily average of 46,163 shares; 46% less than in the previous year. That is why, the brokered volume is conditioned by the 13% free float and by the type of long-term investors, reflecting the profile of the majority shareholder and, therefore, having a very low turnover ratio.

Dividends

The company's board of directors agreed to carry out a flexible dividend distribution agreement (*scrip dividend*) adopted by the FCC General Shareholders' Meeting on 8 May 2019.

The main milestones of the flexible dividend in 2019 were:

- The rights subscribed from 14 to 28 May inclusive.
- On 30 May, the payment of €0.40 gross per share was made to shareholders who requested it.
- On 12 June, the capital increase of 13,439,320 shares was recorded in the Barcelona Mercantile Registry, raising the capital stock of the company to 392,264,826 shares.

Over 99% of the shareholders opted to receive new shares. It is the first time that the FCC Group strategy has implemented this type of flexible dividend.

Relevant events

This information can be found by clicking here.

Treasury Stock

At 31 December 2019, the FCC Group directly and indirectly holds a total of 1,250,837 FCC, S.A. shares, with which the treasury stock position is 0.319% of the share capital.

Shareholders

FCC, S.A.'s shares use the book entry system and are listed on the four Spanish stock exchanges (Madrid, Barcelona, Valencia and Bilbao). According to the information on file in Spanish National Securities Market Commission (CNMV) records, on the closing date of the year the main shareholders in the company were:

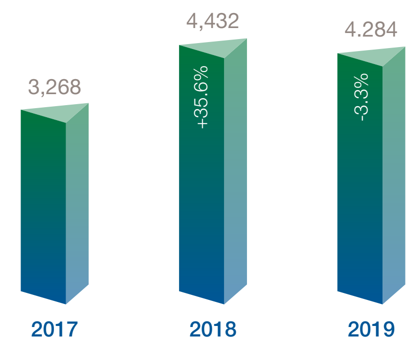
Main Shareholders	% of Share Capital
Inversora Carso, S.A. de C.V.	61.12%
Esther Koplowitz	20.01%
William H. Gates III	5.73%

Price of shares: maximum, minimum and year end

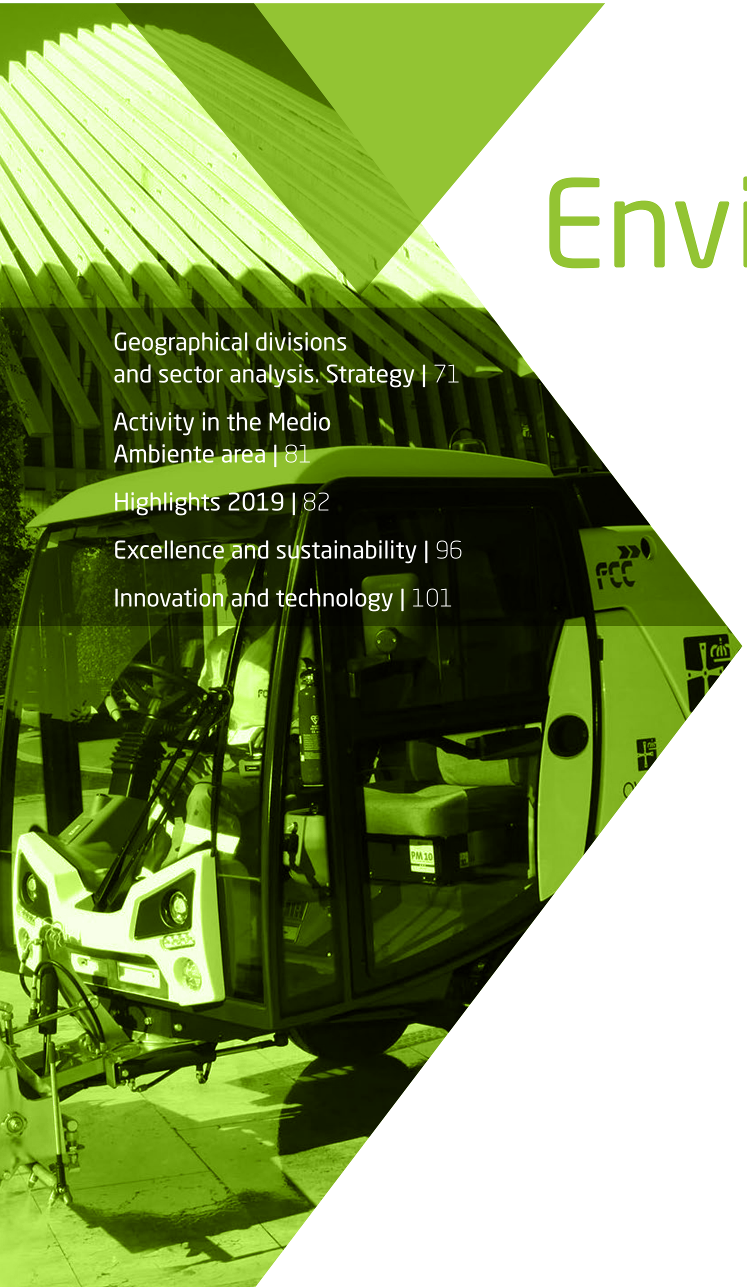
Euros

Market capitalisation

Millions of euros



5 Business lines



Environment

The area's turnover reached **€2.92 billion**, an **increase of 3.29%** on the previous year and the **pre-tax profit increased to €201 million.**

Geographical divisions and sector analysis. Strategy

For over 100 years, the Environmental Services area of the FCC Group has provided municipal services and end-to-end waste management, **serving almost 60 million people** in around 5,000 municipalities. The company operates in a total of 12 countries, providing a range of services, which demonstrates its varied experience in the sector: collection, treatment, recycling, energy recovery and disposal of urban solid waste, public street cleaning, maintenance of sewage systems, ground maintenance, treatment and disposal of industrial waste, and the recovery of contaminated soil.

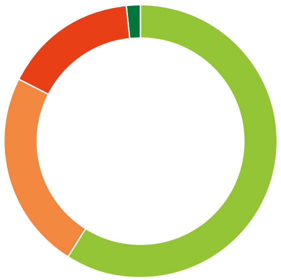
FCC Servicios Medio Ambiente Holding S.A.U, which is the backbone of the Environmental Services activities, is **structured into four geographical divisions**:

- Iberia: FCC Medio Ambiente (Spain), FCC Environment Portugal, FCC Ámbito (Industrial Waste)
- United Kingdom: FCC Environment UK
- Central and Eastern Europe: FCC Environment CEE
- USA: FCC Environmental Services

FCC Servicios Medio Ambiente successfully **issued Green Bonds worth €1.1 billion.**

Turnover 2019. By divisions

FCC Servicios Medio Ambiente



- 59.15% IBERIA (Spain, Portugal, Ámbito)
- 23.40% United Kingdom
- 16.01% CEE Central and Eastern Europe
- 1.44% USA

In 2019, the area's **turnover grew 3.29%** on the previous year to reach **€2.92 billion** and the **pre-tax profit rose to €201 million**, representing a 22.47% increase compared to 2018, increasing from 5.8% to 6.9% of turnover. **Contracting rose 40.6%** on the previous year to €3.03 billion, leaving the **order book volume at €10,37 billion**.

This year, as a fundamental milestone, FCC Servicios Medio Ambiente successfully **issued Green Bonds** worth **€1.1 billion**.

FCC Servicios Medio Ambiente manages about **25 million tonnes of waste** and **produces** close to **3.5 million tonnes** of **secondary raw materials** and refuse-derived fuel (RDF) every year. The company has more than **700 waste management facilities in operation**, of which more than **200** are **environmental compounds** used for **treating** and **recycling** waste, including **11 waste-to-energy projects**, with an annual capacity of **3.2 million tonnes** and **360 MW of non-fossil electricity**.

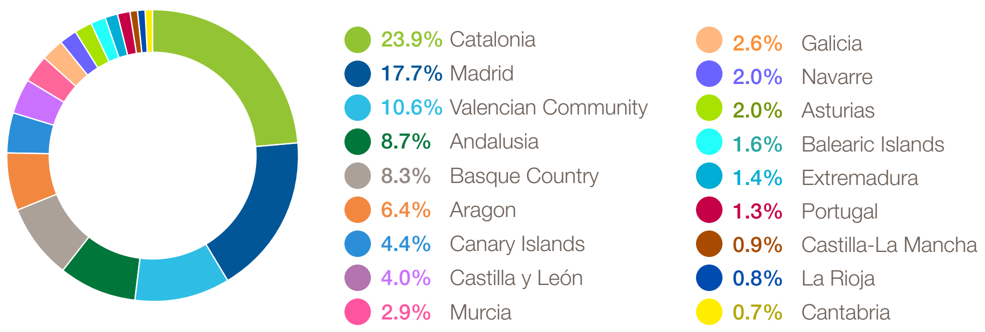
FCC Medio Ambiente Iberia (Spain, Portugal and Ámbito)

FCC Medio Ambiente provides environmental services in over **3,400 municipalities** throughout **Spain** and **Portugal** (FCC Environment), **serving** a **population** of about **30 million inhabitants** with activities including street cleansing, the collection and transport, treatment and disposal of waste, ground maintenance, maintenance of sewage systems, beach cleaning, and energy efficiency services, among others.

During 2019, FCC Medio Ambiente Iberia **managed** almost **12 million tonnes** of urban solid **waste**.

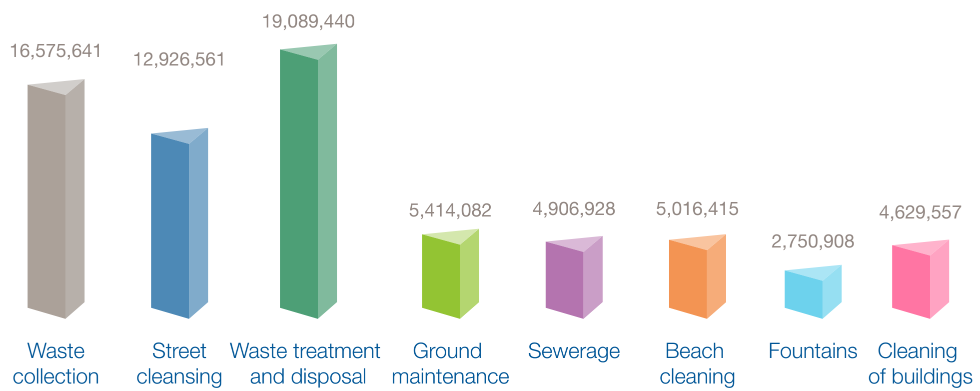
Turnover 2019. Geographic location

FCC Medio Ambiente. Iberia



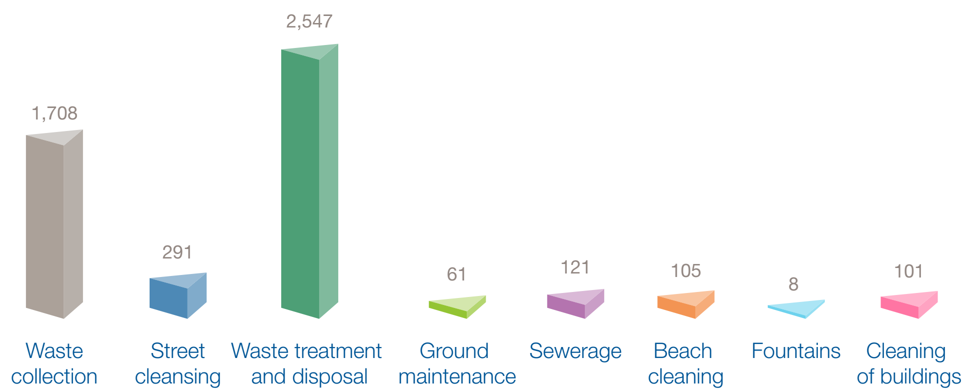
Inhabitants served in 2019

FCC Medio Ambiente. Iberia



Municipalities served in 2019

FCC Medio Ambiente. Iberia



The **turnover** of FCC Medio Ambiente Iberia reached **€1.72 billion**, representing an increase of **6.13%** on 2018, and the gross operating profit also rose to **€279.5 million**.

This year, the **remodelling** of the **waste management master plans** in different autonomous **regions** and large **municipalities**, in order to adapt them to the European Union's recycling and landfill redirection objectives for 2030-35 and to the implementation of the **circular economy social model**, continues to be a source of **business opportunities**. Of note is the City of Madrid's Waste Management Master Plan and the development of the North and South Environmental Complexes of the Community of Madrid.

FCC Medio Ambiente's **business strategy** demonstrates its **commitment to the fight against climate change** and **compliance** with the **Sustainable Development Goals** (SDG) of the United Nations' (UN) 2030 Agenda, with the achievements listed in its **2017-18 Sustainability Report**, under the slogan **"From commitments to action"**. FCC promotes a comprehensive **management model** of **services** to **encourage economically, socially** and **environmentally sustainable cities** in which the fundamental pillars are **policies** of **equality** and social and occupational **integration** of **disadvantaged groups**, in addition to **innovation** applied to **clean energy** and **waste recycling** technologies.

As a result of the **efforts** of its **R&D** teams, FCC Medio Ambiente has launched the **first 100% electric industrial chassis-platform for urban service vehicles**, which was the **winner** of the **World Smart City Awards** in the **Innovative Idea** category at the Smart City Expo World Congress 2019, the global event of reference for smart cities. The **industrial production** of this **Zero Emission Vehicle** (ZEV) **chassis**, which drastically **reduces** noise, pollutant and CO_2 **emissions** and **energy consumption** by **50%**, will make it possible to **implement affordable e-mobility** for **heavy vehicles** in **cities** with the following **environmental benefits**.

In this framework, **annual turnover** of FCC Medio Ambiente reached **€1.72 billion**, an **increase of 6.13%** compared to 2018; **and gross operating profit also increased to €279.5 million**, which is equivalent to **16.21% of the turnover**. **Contracting** in the year reached **€1.25 billion**, an increase of **18.58%**, with the **order book** standing at **€5.44 billion** for activities including street cleansing, the collection, transport, treatment and disposal of waste, ground maintenance, the maintenance of sewage networks, beach cleaning, cleaning and maintenance of buildings and energy efficiency services.

FCC Ámbito (Industrial Waste)

FCC Ámbito specialises in industrial and commercial waste management, the recovery of by-products and decontamination of soil. Through **innovative solutions** for **exploiting** the **resources** contained in different waste, **Ámbito** has become a **strategic partner** of **industries** and **businesses** which, in line with the **circular economy**, carry out their business activities ensuring environmental, social and economic **sustainability**.

It has a total of **40 treatment centres** across **Spain** and **Portugal**, which represents over 67 treatment lines and guarantees the functionality of the facilities. Internationally, FCC Ámbito has notable **presence** in **Portugal**, where it operates through its **ECODEAL** subsidiary.

In the **Spanish market**, it has continued to record an **increase** of industrial and commercial **waste volume** throughout 2019, with a **5.5% increase of tonnes managed**. However, this increase arose within a context characterised by the **intense competition** established by waste producers themselves and facilitated by the lack of subsequent producer responsibility when the waste is delivered to an authorised waste manager. **Legislative changes** coming into force tend to lean towards **greater** control of waste **traceability** by the regional governments. These changes will undoubtedly **favour** management **companies** with **end treatment facilities**, such as FCC Ámbito.

In **Portugal**, there has also been an **increase** of **activity** with the main recurring customers and a recovery of prices. This meant the year closed with a **7% increase** of tonnes.

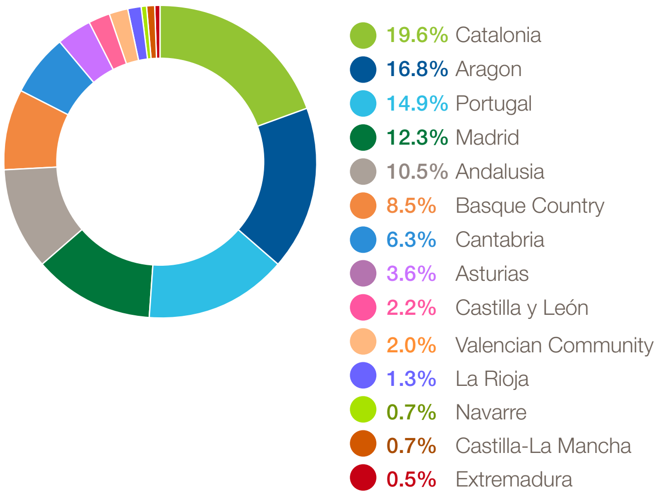
In this context, Ámbito's **annual turnover raised by 4.96%** on 2018, reaching **€122.7 million**. The **gross operating profit** also **increased** by **41.03%** to €26 million, equivalent to 21.22% of turnover.

In 2019, the **industrial waste** activity will continue to **focus** on the **efficiency** of **operations** and **growing** the activity. The incorporation of **new technologies** will allow **FCC Ámbito to consolidate** its position in the **recycling** and waste **recovery** markets, as that of a key player in the **circular economy**.

Ámbito's annual **turnover** increased by **4.96%** on 2018, reaching **€122.7 million**, and the **gross operating profit** also grew by **41.03%**.

Turnover 2019. Geographic location

Ámbito Industrial Waste. Spain and Portugal



United Kingdom FCC Environment UK

FCC Environment is one of the **leading companies** in the **United Kingdom** for comprehensive **waste** management and **recycling**. It holds a unique position for providing services in an ever-changing waste sector. By building on a solid legacy of waste processing, it progresses towards a **greater** volume of **recycling** and the **generation** of **green energy**.

The company has a **wide range of waste management centres** that aim to **minimise** the **waste** disposed at **sanitary landfill sites** by processing the waste to ensure it reaches its full **potential** as a **valuable resource**. This is all carried out on the premise of being a thriving and successful company while also reducing the impact on the environment.

Across the whole country, FCC Environment **serves** over **18 million inhabitants**, and in **2019**, and in 2019 it has managed about **7 million tonnes of waste and 1.4 million tonnes of recovered material and Refuse-Derived Fuel (RDF).**

FCC Environment develops five key business areas: business waste solutions, municipal services, recycling and composting, green energy, and waste processing.

In 2019, the situation caused by Brexit in the United Kingdom led to uncertainty, which came to a head when the new Conservative government, with the support of an absolute majority, **executed Brexit** on **31 January 2020**. It includes a **transition period** until **December 2020**, during which greater clarity **will be sought** regarding the **trade agreement** with the **European Union (EU)**.

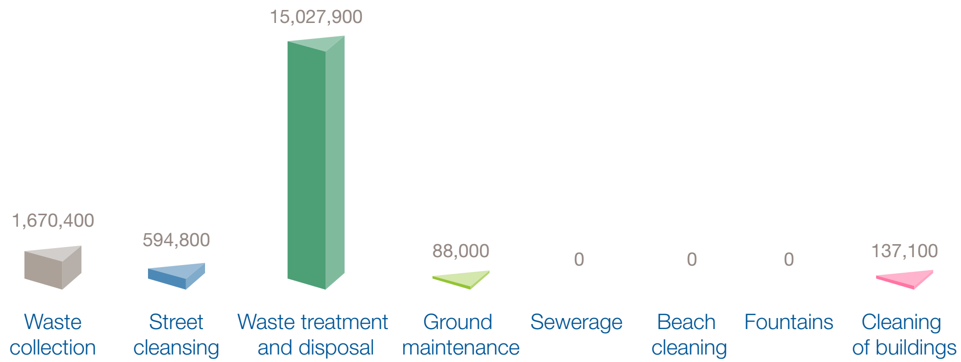
However, the **UK government** has **pledged** to go beyond the **commitments made** with the **EU** regarding **environmental** issues and aspects regarding the fight against **climate change** and **recycling** and waste **disposal objectives**. To this end, a **Resources** and **Waste Strategy** has been drawn up and the **Draft Environment Bill** has been presented in parliament. Once approved, this Bill will lead to significant changes in the management of waste and recycling in the United Kingdom in order to make **gradual progress** in achieving a **greater** level of **recycling** and **to end** the **export** of **waste** and **recyclable material** for their treatment abroad.

FCC Environment UK is working **closely** with the **British government** and with industry peers to help **shape** the **legislative framework** which will help the environmental services **activity** to **continue to thrive** during these times of change.

In this context, annual **turnover stands at €682.0 million, with a gross operating profit of €144.4 million, a 15.18% increase** on the previous year and **21.17% of revenue. Contracting reached €632.4 million** with an **order book of €3.40 billion**.

Inhabitants served in 2019

FCC Environment (UK)



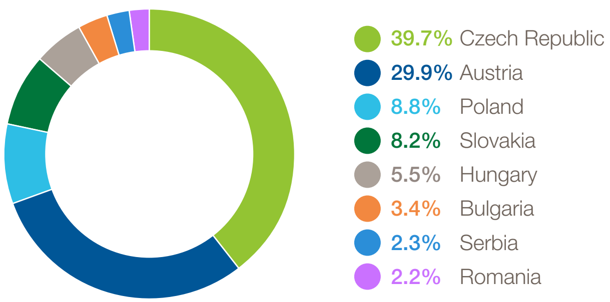
Central and Eastern Europe FCC Environment CEE

FCC Environment is one of the **leading global** groups in **Central** and **Eastern Europe (CEE)** in the **comprehensive management** of urban solid **waste** and **recovery** of **renewable energy**. It applies innovative systems and the cleanest, most advanced technologies in the **provision** of **quality services** that are **sustainable** on the medium and long term and adapted to customers' needs.

This division is present in **eight countries**: **Austria, Czech Republic, Slovakia, Hungary, Poland, Romania, Bulgaria and Serbia**. Across these countries, about **5 million inhabitants** in **1,360 municipalities** are served, and in 2019, almost 6 **million tonnes** of waste and **660,000 tonnes of recovered material and Refuse-Derived Fuel (RDF) were managed**.

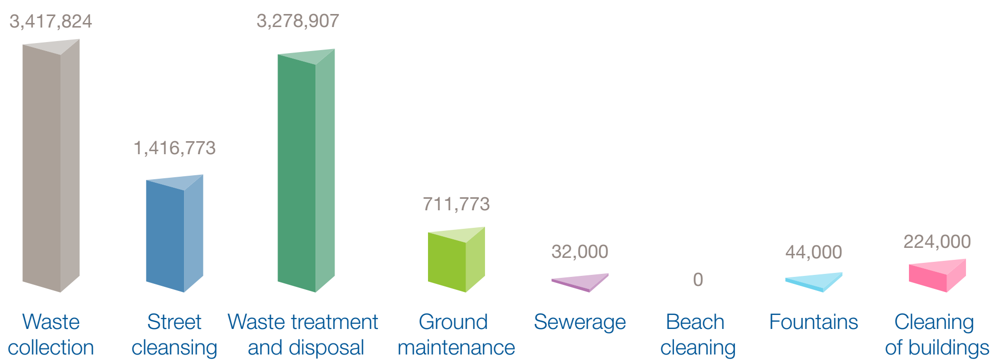
Turnover 2019. Geographic location

Central and Eastern Europe



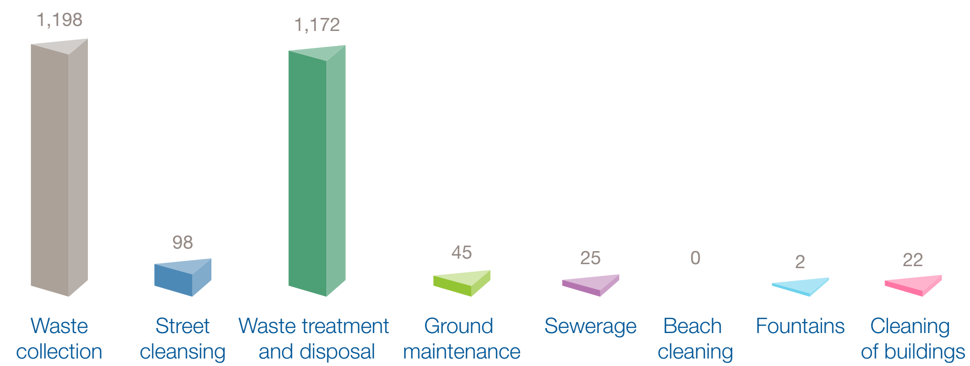
Inhabitants served in 2019

FCC Environment CEE



Municipalities served in 2019

FCC Environment CEE



Urban solid waste energy recovery plant, Zistersdorf (Austria).

The annual **turnover** is **€466.8 million**, an increase of **5.69%** on 2018, and the **gross operating profit** reached **€64.5 million**, an increase of **23.32%**.

The most relevant market drivers in the European Union were the recycling and landfill diversion objectives set for 2030/2035 in the **Circular Economy package**, in accordance with the **Sustainable Development Goals** of the **United Nation's 2030 Agenda**. The most significant objectives proposed include **reducing** municipal waste sent to **landfill** to a **maximum** of **10%** by **2035**, **recycling 65%** of municipal waste by **2035** and **70%** of **packaging** by **2030**.

In the period between 2020 and 2021, the Central and Eastern European countries must transpose the ambitious objectives of the Circular Economy Package into their national legislation and set specific measures for reaching these objectives. In line with the legal requirements in the CEE countries, **FCC will further develop** existing **business models based** on **selective collection**, waste **treatment** and **recycling** (sorting and composting), and **waste-to-energy technology**.

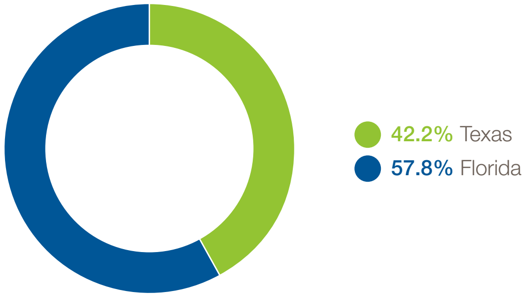
In this context, the **annual turnover is €466.8 million, an increase of 5.69%** on 2018, and the **gross operating profit reached €64.5 million, an increase of 23.32%**. **Contracting grew by 61.91%, reaching €588.8 million**.

The United States FCC Environmental Services USA

FCC Environmental Services is one of the **groups in the USA with the biggest development** in terms of **comprehensive management** and **recycling** of urban solid **waste.** The company **operates** in the **states** of **Texas** and **Florida**, and will **shortly start** providing waste collection services in Omaha, the most populated city in **Nebraska**. Across these states, more than **5 million inhabitants** are served, and in 2019, more than **500,000 tonnes** of **waste** and **140,000 tonnes of recyclable material were managed**.

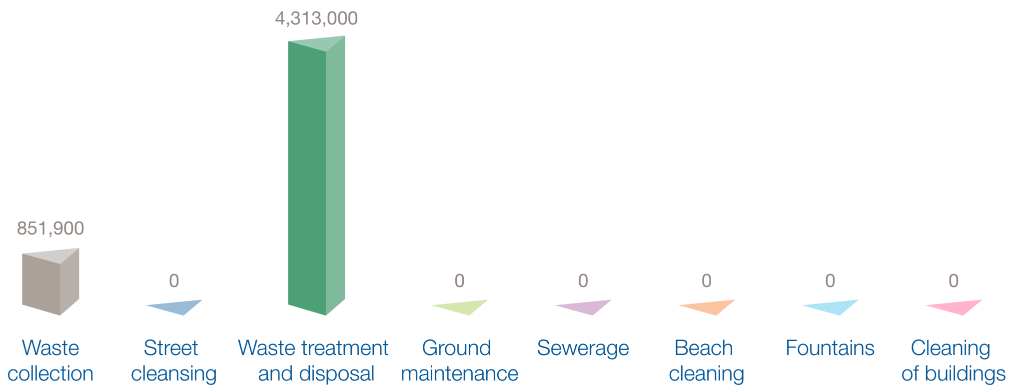
Turnover 2019. Geographic location

FCC Environmental Services USA



Inhabitants served in 2019

FCC Environmental Services USA



Five years after starting environmental activity in the **USA**, the **market** continues **offering** significant **opportunities** in the field of urban solid waste management, for collection, recycling and treatment.

In addition to the collection **contract** in Omaha, are also very valuable the contracts **won** in some of the largest towns in **Florida**, such as **Palm Beach** and **Volusia**.

In terms of waste treatment, FCC Environmental Services has **opened** the **Houston recycling facility (Texas)**. The **contract** with the city of Houston is for **20 years**, with a treatment capacity of **145,000 tonnes per year**.

In these circumstances, the **annual turnover** was **€41.9 million** in 2019, an **increase of 37.18% over 2018**, and this will double in the short term once the contracts awarded have been implemented. **Contracting** grew 163.31% on 2018, reaching a **new record** of **€557.9 million**, placing the **order book** at **$1.00 billion**, and this figure would reach $1.80 billion if the potential contract extensions are added.

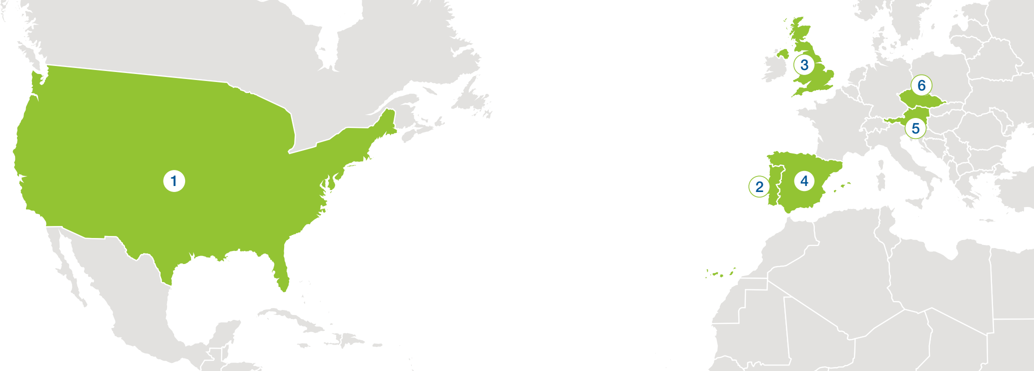
Annual **turnover** was **€41.9 million** in 2019, an increase of **37.18%** over 2018.

FCC Environmental Services Activity

2019

- Opening of the recycling facility in Houston.
- Waste collection contract in Palm Beach County (Florida) for 7 years.
- Commercial waste collection contract in Polk County (Florida) for 4 years.
- Waste collection contract in Volusia County (Florida) for 7.5 years.
- Waste collection contract in the city of Omaha (Nebraska) for 10 years.
- Contract for the management of biosolid waste from water plants in the city of Houston (Texas) for 5 years.
- Recyclable material processing contract in the city of Huntsville (Texas) for 3 years.
- Recycling centre management contract in the city of Omaha (Nebraska) for 5 years.
- Recyclable material processing contract in the city of Laporte (Texas) for 8 years.

Activity in the Environment area



4. Spain

FCC Medio Ambiente

Jerez de la Frontera (Cadiz)
Waste collection and street cleansing.
186.9 million euro.

Almuñecar (Granada)
Waste collection, street cleansing and beach maintenance.
46.4 million euro.

Txingudi (Guipúzcoa)
Waste collection and street cleansing.
42.8 million euro.

Tarragonés (Tarragona)
Waste collection, street cleansing and recycling centre.
42.7 million euro.

Gomecello (Salamanca)
Recycling and treatment plant.
29.8 million euro.

Fuengirola (Málaga)
Waste collection and street cleansing.
22.8 million euro.

Teruel (Aragón)
Domestic waste collection for the Association Agrupación Nº8 - Teruel.
17.2 million euro.

South East Area - Leganés (Madrid)
Pneumatic collection network maintenance, street cleansing and pest control.
17.1 million euro.

Las Palmas (Gran Canaria, Canary Islands)
Schools cleaning.
17.0 million euro.

Madrid
Renovation of the La Gavia park.
14.1 million euro.

Barberá del Vallés (Barcelona)
Waste collection and street cleansing.
13.7 million euro.

San Sebastián (Guipúzcoa)
Cleaning of municipal buildings.
13.1 million euro.

FCC Ámbito

San Fernando, Cadiz, Puerto Real and Rota (Cadiz)
Management of hazardous and non-hazardous waste from Navantia.
3.3 million euro.

La Muñoza (Madrid)
Operation of recycling centres and physical-chemical and biological treatment plants for IBERIA.

Arganda de Rey (Madrid)
Completion of extraction works of the pumpable phase at the acid tar lagoons for TRAGSA.

1. USA

FCC Environmental Services

Omaha (Nebraska)
Waste collection.
220.0 million euro.

Palm Beach (Florida)
Waste collection.
196.0 million euro.

Volusia County (Florida)
Waste collection.
75.0 million euro.

Houston (Texas)
Biosolid waste management.
27.0 million euro.

2. Portugal

FCC Environment Portugal

Vila Real
Waste collection.
1.6 million euro.

FCC Ámbito

Martinhal
Soil decontamination for ECODEAL.

3. United Kingdom

FCC Environment United Kingdom

Lostock (England)
Development of an energy-from-waste facility.
570.0 million euro investment.

Bedfordshire (England)
Waste collection and street cleansing.
92.0 million euro.

Suffolk (England)
Management and Operation of Recycling Centres.
43.0 million euro.

Hertfordshire (England)
Management of transfer and transport operations and waste treatment.
27.0 million euro.

East Lothian (Scotland)
USW thermal treatment.
30.5 million euro.

5. Austria

FCC Environment CEE

Vienna, Lower Austria, Carinthia, Styria
Waste management at railway stations for ÖBB/Austrian Railways.
20.0 million euro.

Kitzbühel
Railway transport and waste incineration.
6.0 million euro.

6. Czech Republic

FCC Environment CEE

České Budejovice
Classification, loading and transport of old landfill waste.
14.7 million euro.

Ostrava
Decontamination and recovery of thixotropic sewage lagoon.
9.9 million euro.

Nosovice
Waste collection, treatment and removal, and dangerous waste treatment.
2.7 million euro.

Highlights_Environment Services

2019

1

January

FCC Medio Ambiente is awarded extensions to several of its most relevant contracts worth €27 million (Spain).

2

February

Suffolk County (United Kingdom) awards FCC Environment the contract for operating eleven recycling centres.

3

March

FCC Environmental Services is awarded a contract worth $215 million in Palm Beach (Florida, USA).

FCC Environment will develop one of Europe´s largest energy-from-waste facilities in Lostock (UK), in partnership with the Danish fund Copenhagen Infrastructure Partners (CIP).

4

April

FCC Environmental Services holds the grand opening of the new state-of-the-art Material Recycling Facility in Houston (Texas, USA).

Tenth anniversary of the FCC Environment´s waste-to-energy facility in Zistersdorf (Austria).

5

May

FCC Medio Ambiente manages the service of seven of the ten cleanest cities in Spain, according to the 2019 report from the OCU (Organization of Consumers and Users).

6

June

FCC Medio Ambiente is awarded the waste management, street cleansing and beach maintenance contract in Almuñécar (Granada, Spain).

7

July

FCC Environmental Services is awarded the urban solid waste collection contract for Volusia County (Florida, USA).

8

August

FCC Medio Ambiente is awarded the waste management and street cleansing contract in Jerez (Cadiz, Spain).

FCC Environmental Services wins the urban solid waste collection contract in Omaha (Nebraska, USA).

9

September

FCC Environment officially opens the Millerhill energy-recovery and recycling centre for Edinburgh and Midlothian (Scotland, United Kingdom).

10

October

FCC Medio Ambiente renews the domestic waste treatment and transfer service contract for the province of Salamanca (Spain).

FCC Environmental Services renewed the contract for the management of the biosolid waste from water plants in Houston (Texas, USA).

11

November

FCC Medio Ambiente wins, with its 100% electric modular chassis-platform, the World Smart City Awards 2019 in the category of Innovative Idea (Barcelona, Spain).

FCC Medio Ambiente carries out the issuance of a green bond worth €1.10 billion.

12

December

Active participation of FCC Medio Ambiente within the framework of the Climate Change Summit COP25 in Madrid (Spain).

FCC Medio Ambiente publishes its 7th sustainability report under the slogan "From commitments to action".

Other highlights

Issuance of Green Bonds

In November this year, as a fundamental milestone, FCC Servicios Medio Ambiente Holding, S.A.U successfully issued Green Bonds worth €1.1 billion. To this end, the company developed a Green Bond Framework, which is aligned with the International Capital Market Association (ICMA) 2018 Green Bond Principles, and has been validated by an independent external body (Green Bond Second Opinion) to ensure that this framework is in fact aligned with the Green Bond Principles. The Green Bond funds will be used to finance projects that will reduce emissions, reduce waste disposal at landfills and promote circular economy actions.

FCC Medio Ambiente Spain

Awarding of the waste management and street cleansing contract in Jerez (Cadiz)

The Jerez city council awarded a joint venture led by FCC Medio Ambiente, and with the concourse of the special employment centre FCC Equal, the urban solid waste management and street cleansing contract for nine years, with a possible one-year extension. The total value of the contract amounts to more than €186 million. There will be more machinery with more sustainable vehicles classified as "Zero Emissions" or "Eco" classifications, such as nine electric vans, six hybrid cars and seven tricycles with auxiliary electric engines, which will contribute to reducing environmental gas and noise pollution. The service will also benefit from advanced geolocation technology. In order to perform the services, FCC will have a staff of 335 employees and it has been forecast that 90 people with disabilities will be employed.

Awarding of the waste management, street cleansing and beach maintenance contract in Almuñécar (Granada)

Almuñécar City Council and FCC Medio Ambiente signed the contract for the collection and transport of solid urban waste, street cleansing, cleaning of beaches and coastlines and management of containers and the recycling centre for 10 years, with an order book value of over €50 million. FCC has provided services in the city since 2008. Up to 89 workers will be employed and 22,000 tonnes of various waste fractions are expected to be collected. Nearly nine kilometres of beaches and 22.17 linear kilometres of coastline will be served with beach conservation and cleaning services and cleaning of floating debris. The selective collection service will be improved, a container placement-and-removal system will be installed in the old towns of Almuñécar and La Herradura, and a municipal recycling centre will be incorporated in the future.

FCC Medio Ambiente wins the World Smart City Awards in the Innovative Idea category for its 100% electric modular chassis-platform

Within the framework of the Smart City Expo World Congress 2019, FCC Medio Ambiente won the World Smart City Award in the Innovative Idea category for its affordable, versatile and highly energy-efficient e-mobility industrial platform for urban service vehicles. It was developed by a consortium led by FCC Medio Ambiente and subsidised by European funds as part of the CDTI's (Centre for the Development of Industrial Technology) CIEN strategic project from the Ministry of Finance, Industry and Competitiveness. The strategic objective of this platform is to facilitate the implementation of affordable electric mobility in urban services with huge environmental benefits. This award is a great recognition of the team effort that allowed to create this technology.

FCC Medio Ambiente Spain

Renewal of the street cleansing and collection contract in Txingudi (Guipúzcoa)

FCC Medio Ambiente renewed the contract of waste collection and street cleansing for the municipal association of Txingudi (Guipúzcoa), made up of Hondarribia and Irún. The contract has a five-year term and amounts to over €42 million. It will have a fleet of 51 vehicles, with some of them being low-emission vehicles with liquefied petroleum gas (LPG) engines. The contract means organic waste, plastic and paper will be collected more frequently, with residual waste being collected less frequently. People in long-term unemployment and with disability greater than 33% are expected to be employed through the Special Employment Centre, FCC Equal. On the other hand, at least 10% of the new employees will be female.

Operation of the transfer and treatment of domestic waste service in the province of Salamanca

FCC Medio Ambiente renewed the contract for the operation of the transfer and treatment of domestic waste service in the province of Salamanca, promoted by the Consortium for the Management of urban solid waste of Salamanca (GIRSA). The contract has a five-year term and represents an order book value of almost €30 million. The services also include the operation and maintenance of the Waste Treatment Centre (WTC) in Gomecello, in which €5 million will be invested for renovation, and which has a urban solid waste pre-treatment area (140,000 tonnes/year), an anaerobic digestion line (20,000 tonnes/year), composting area (50,000 tonnes/year), a landfill for the disposal of non-recyclable waste and a leachate treatment system.

FCC Medio Ambiente wins the contract for urban solid waste collection and street cleansing in Fuengirola (Málaga)

Fuengirola City Council (Málaga) and FCC Medio Ambiente have signed the contract for urban solid waste collection and street cleansing for four years, worth over €22 million, with two possible extensions of one year each. The fleet for this collection service will include three 25m^3 side-loading collectors, three 18 m^3 rear-loading collectors and three open-box vehicles. For the street cleansing service, which covers about 210 kilometres of streets across 25 sectors, the company will have specialised machinery and vehicles such as 20 electric tricycles, 8 open back tipping ancillary vehicles, 3 vacuum mechanical sweepers, 6 wash-down vehicles, a scrubber, one self-propelled washing machine and one high-pressure hydro-cleaning van. FCC Medio Ambiente will have a workforce of 148 employees to cover this contract.

FCC Medio Ambiente Spain

Investment of about €12 million in the renovation of machinery at the El Campello (Alicante) plant to increase the amount of recovered waste

FCC Medio Ambiente will invest close to €12 million for renovating the machinery at the El Campello waste treatment plant in Alicante. The aim is to provide the facility with state-of-the-art equipment, in order to increase the volume of waste recycled. FCC has managed this facility since April 2009 which serves the 52 municipalities of Marina Alta, Marina Baixa and El Campello. The renovation affects the plant's mobile equipment and part of the fixed equipment, and is complementary to the investment approved by Consorci Mare in December 2018 as part of the modification of the management project that will fully optimise the operation of the plant and reduce rejection to landfill. Container-carrying lorries, loader shovels, bulky and vegetable waste shredders, a biostabilised product turning machine and several 10 m^3 containers will all be renovated.

Awarding of the urban waste collection, street cleansing and recycling centre contract in El Tarragonés (Tarragona)

FCC Medio Ambiente signed the urban waste collection, street cleansing and recycling centre contract in El Tarragonés (Tarragona) for 10 years, which is worth over €42 million. All the collection vehicles will be newly purchased and many will use alternative energy. The workforce will consist of 17 workers, who will service the 42,405 inhabitants within a street cleansing length of almost 120 kilometres. The services will be organised and supervised through the comprehensive digital management platform, VISION, which was developed exclusively by FCC Medio Ambiente, while a vehicle geolocation system and digital tools will be used to monitor any incidents.

Renovation of the La Gavia park (Madrid)

The contract of the second renovation phase of the La Gavia park in Madrid has a two-year term and represents an order book value of €14 million. It will include an estuary that will separate an urban area from a forest area with squares and hills designed for recreational, educational and sporting activities. Located in the district of Vallecas, the "Recycling Hill" will be a benchmark in Madrid as it will promote environmental values such as recycling and care of the environment. The total area of the La Gavia park is 39.5 hectares, of which 19.5 are currently designated as municipal green areas. The project will recover the lighting network, extend and improve the existing automatic irrigation and drainage network and more than 2,600 trees and 147,800 bushes will be planted.

FCC Medio Ambiente Spain

Awarding of the urban waste management and street cleansing contract in Barberá del Vallés (Barcelona)

FCC Medio Ambiente has signed the contract for urban waste management and street cleansing in Barberá del Vallés (Barcelona). It is worth €13.67 million and has a four-year term with an option for a one-year extension. The service will have 10 vehicles and a workforce of 44 workers to serve the town's almost 33,000 inhabitants. The services will be organised and monitored through the comprehensive digital management platform, VISION, developed exclusively by FCC Medio Ambiente. This platform enables the established targets and the customer's current and future requirements to be met, while also implementing an identification system on all the containers.

FCC Medio Ambiente is awarded the contract for the maintenance of pneumatic collection, street cleansing and pest control in the south east area of Leganés (Madrid)

FCC Medio Ambiente has signed the contract for the maintenance of the network of pneumatic urban waste collection, street cleansing and pest control in the south east area of Leganés (Madrid) for four years and worth over €17 million. The service will include two road and pedestrian-area sweepers, four water-cleaning vans, one rear- and side-loading collector, container washer lorry and one workshop van. In order to perform the different services, FCC Medio Ambiente will have 135 operators and is planning to hire 7 people with intellectual disabilities through the Special Employment Agency, FCC Equal.

FCC Medio Ambiente will be responsible for the collection and transport of domestic waste from the association Agrupación nº 8 in Teruel (Aragón)

FCC Medio Ambiente has signed the contract for the collection and transport of domestic waste from the municipal association Agrupación nº 8 in Teruel. It has a 12-year term and is worth over €17 million. The service will include 14 rear-loading vehicles and 2 side-loading vehicles, in addition to other vehicles such as container-washing lorries, skip loaders and a tractor unit. The park of containers will be completely renovated with 2,021 rear-loading units for residual waste, 998 for packaging and 1,159 for paper, as well as 175 side-loading containers for packaging and 138 for paper. The workforce will consist of 19 workers. The services will be organised and monitored through the comprehensive digital management platform, VISION, developed exclusively by FCC Medio Ambiente.

FCC Medio Ambiente Spain

Construction and commisioning completed in phase 2 of the Guipúzcoa Environmental Complex (CMG-2)

FCC Medio Ambiente has completed the construction and commisioning of phase 2 of the Guipúzcoa Environmental Complex (CMG-2), located in Zubieta. The contract was signed in September 2018 with an investment of €32.2 million and an estimated order book value of €92 million, and also included the operation of the CMG-2 for 20 years. The new facility has one biomethane plant and another for recycling slag from the energy recovery plant of phase 1 (CMG-1). Both the biomethane and slag plants, together with the CMG-1 facilities, form the comprehensive system for waste treatment in Guipúzcoa.

FCC Medio Ambiente manages the service of seven of the ten cleanest cities in Spain

The Organisation of Consumers and Users (OCU) published its quadrennial study on inhabitants' perception of cleanliness in Spanish cities. Seven out of the ten best-rated municipalities entrust their cleansing services to FCC Medio Ambiente. These cities are Oviedo, Bilbao, Vigo, Logroño, Pamplona, Segovia and San Sebastián. Most of them also received a better score than in the previous study. The OCU report shows that civic education and good management of resources are crucial for maintaining a high level of satisfaction. In this respect, FCC would like to thank all the people, institutions, workers and citizens who ensure the highest cleaning standards in Spain for these cities.

FCC Environment Portugal

Renewal of the urban waste collection contract in Vila Real

The contract for urban solid waste collection in Vila Real has been renewed for two years, representing an order book value of €1.6 million. The population served amounts to 51,850 inhabitants.

Awarding of internal logistics management, and operation of recycling centres and treatment plants at the Iberia centre in La Muñoza (Madrid)

FCC Ámbito will be responsible for managing internal logistics and operating recycling centres and physical-chemical and biological treatment plants at the Iberia centre in La Muñoza, Madrid, where the fleet is maintained. The contract includes collection and management of waste generated at the 19 airports at which Iberia operates.

FCC Ámbito

FCC Ámbito will be responsible for managing Navantia's waste at the Bay of Cadiz for the San Fernando, Cadiz, Puerto Real and Rota plants (Cadiz)

FCC Ámbito will be responsible for managing dangerous and non-dangerous waste generated by Navantia at the Bay of Cadiz for the San Fernando, Cadiz, Puerto Real and Rota plants. The contract has a two-year term, with a possible extension of two years, and the order book amounts to €3.32 million.

FCC Ámbito concludes the extraction work on the pumpable phase of the Arganda del Rey lagoon (Madrid)

In 2019, FCC Ámbito concluded the extraction works on the pumpable phase of the Arganda del Rey lagoon (Madrid) for Tragsa. In 2020, the treatment and management works of the non-pumpable phase will begin. This continues FCC Ámbito's participation in a pioneering acid tar lagoon recovery project in Spain, which arose as a result of the processes of regenerating used automotive oils which have existed since the mid-20th century.

FCC Ámbito has carried out soil decontamination works in Martinhal (Portugal)

Soil decontamination works at a former refinery, which entailed removing more than 122,000 tonnes of contaminated soil that have been valued by ECODEAL.

FCC Environment UK

Municipal waste collection and street cleansing in the District of Central Bedfordshire (England)

The contract was awarded for a period of eight years, with a total order book of €92 million and an option to extend another eight years. A population of over 284,000 people will be served within a district that covers over 718 square kilometres and generates over 120,000 tonnes of waste every year.

Management of municipal recycling centres in the County of Suffolk (England)

The contract for managing and operating 11 municipal recycling centres was awarded to FCC Environment for a period of eight years, with a possible extension of eight more years. The total order book is €43 million. A population of over 738,500 people will be served, a number which is expected to rise significantly over the course of the contract, and more than 62,000 tonnes of waste will be managed.

Waste treatment for the County of East Lothian (Scotland)

In April 2019, FCC Environment was awarded a contract for the thermal treatment of waste in the County of East Lothian, serving a population of around 105,000 people and covering an area of 679 km^2, for a value of €30.5 million. Waste treatment started in November 2019 through the recycling and energy recovery plant in Millerhill, close to Edinburgh, that was developed and is operated by FCC Environment. The contract has a ten-year term, with the possibility of a five-year extension, and manages 35,000 tonnes every year.

FCC Environment UK

Management of the transfer, transport and treatment of residual waste for the County of Hertfordshire (England)

The contract covers the management and operation of waste transfer facilities and the associated transport, together with the treatment and removal of residual waste in the County of Hertfordshire. A population of almost 1.2 million people will be served and it represents an order book of €27 million. The treatment and disposal will be performed through the Greatmoor energy recovery plant and Bletchley landfill, which are both run by FCC Environment.

Development of the Lostock Plant of Sustainable Energy (England)

In April, Copenhagen Infrastructure Partners (CIP) and FCC Environment jointly started the development of a waste-to-energy facility in Lostock, with an investment of €570 million. Located in the north east of England, once it is operational, it will be one of the largest energy-from-waste (EfW) plants in Europe. FCC Environment will supply the 600,000 tonnes of waste the plant will process every year, which will contribute to the British government's strategy to reduce landfills and export of waste. It will produce non-fossil electrical power of 60 MW, which is enough to cover the needs of 110,000 homes and will compensate over 200,000 tonnes of CO_2 per year.

Official opening of the Millerhill Energy Recycling and Recovery Centre for Edinburgh and Midlothian (Scotland)

The Millerhill Energy Recovery and Recycling Centre in Midlothian, close to Edinburgh, has been officially opened. The facility represents an investment of £142 million and was developed by FCC Environment in association with the councils of Edinburgh and Midlothian through a contract for designing, financing, constructing and managing the plant for 25 years. The plant is designed to help both cities meet the Scottish government's Zero Waste objectives in 2025 and divert 155,000 tonnes of non-recyclable waste from landfills every year. It will generate clean electricity to supply 32,000 homes and companies across the region.

FCC Environment CEE

10^{th} anniversary of FCC Environment's waste-to-energy facility in Zistersdorf (Austria)

The FCC Environment waste-to-energy facility in Zistersdorf celebrated its 10^{th} anniversary in March 2019. The facility has exceeded all expectations in terms of ecological and technological performance. During these 10 years, and with an exceptional team of people, 1 billion kWh of electricity have been generated and over 1.5 million tonnes of waste have been diverted from landfill, which has helped place the facility as one of the most reliable in Europe and as a waste management model for other countries.

Contract with ÖBB Austria for the collection and disposal of waste at its railway stations

Once again, FCC Environment Austria won the five-year contract for the collection and treatment of waste from the railway stations of the Austrian Railway Company (ÖBB) in the regions of Vienna, Lower Austria, Carinthia and Styria. The size of the contract, which is almost €20 million, positions the company as the largest private waste management entity in the country. ÖBB has been a client of FCC Austria Abfall Service AG for over 20 years, is the largest mobility services provider in Austria and contributes significantly to the protection of the environment, saving around 3.5 million tonnes of CO_2 per year.

FCC Environment Austria renews the contract with AWV Kitzbühel for the railway transport and incineration of waste

In summer 2019, the Kitzbühel Waste Management Association (AWV) launched a tender for the railway transport and incineration of 9,500 tonnes of domestic and bulky waste. AWV Kitzbühel has been a client of FCC Environment Austria for over eight years and the company has managed to renew the contract for another six years, worth €6 million. FCC Austria is committed to its clients, as well as the environment, economy and ecology, so they form an inseparable unit, meaning the contract must be managed exclusively via railway.

FCC Environment CEE

FCC Environment starts the recovery of the KIV/C1Z sewage lagoon (Czech Republic)

The contract for the decontamination and recovery of the KIV/C1Z sewage lagoon in the Czech Republic, signed with DIAMO s.p. in March 2016 for an approximate value of €9.9 million, started in October 2019 and is expected to be completed in 2024. In order to decontaminate and recover the thixotropic sewage lagoon, technology patented by FCC Environment will be used. This technology is based on the formation of an elastic cover made by shredded tyres and other recovery materials. This efficient and tested method for creating elastic covers on sewage lagoons has already been implemented for the recovery of KIV/E sewage beds.

FCC Environment Czech Republic will manage the waste of Hyundai Motor Manufacturing in Nošovice

FCC Environment won the tender for the complex waste management of Hyundai Motor Manufacturing Czech s.r.o. across the whole Czech Republic, which includes the collection and disposal of all waste, as well as the treatment of recovered raw materials. The company will also be responsible for street cleansing and maintenance in winter and summer, as well as ground maintenance. Hyundai is one of the leaders in the automotive industry in the Czech Republic and has been an FCC Environment client since the company started operating in the country in 2008. In 2019, it represented turnover of about €2.69 million.

Waste removal from a former landfill site in České Budějovice (Czech Republic)

In November 2019, FCC Environment Czech Republic signed the contract as general contractor with the consortium formed by Hochtief CZ a.s., Colas CZ a.s. and M Silnice (Hochtief CZ) for the removal of waste from a former landfill site located in the C6 section of the D3 road in South Bohemia, close to the city of České Budějovice. The contract includes the loading, on-site classification, transport and final disposal (at FCC's own or third-party facilities) of the materials, and has a three-year term. The initial estimated volume of waste to manage is 567,800 tonnes and represents an order book of €14.7 million.

FCC Environmental Services

Opening of the new state of the art Material Recycling Facility in Houston (Texas)

In April 2019, the FCC Environmental Services new state of the art Material Recycling Facility was opened in Houston (Texas), in accordance with the contract awarded in 2018 for the design, construction and operation of the plant for 15 years, and which is extendable by another 5 years. It has a treatment capacity of 145,000 tonnes per year and is the second FCC facility of this kind in the USA following the opening of the plant in Dallas. The total order book will exceed $250 million and will provide service to 2.3 million inhabitants. The process line is totally automated and features the latest technological advances in material separation. After the opening, FCC became the main recycler in Texas. The educational centres of both facilities are considered the best initiative for practical education about sustainability and recycling in the State.

Awarding of the 10-year contract for waste collection in Omaha (Nebraska)

The city of Omaha in Nebraska has awarded FCC Environmental Services the contract for the collection of recyclable, bulky and urban solid waste. It represents an order book of €220 million for a period of 10 years, with a possible extension of another 10 years. FCC will provide service to the 465,000 inhabitants of the city through a fleet of 69 trucks powered by Compressed Natural Gas (CNG). This contract will enable FCC to position itself in the Midwest and develop the business in a strategic area for the company in the USA. It has also recently been awarded the five-year contract for the seasonal yard waste collection in Omaha, with the order book amounting to over €6 million, thereby completing the contractual relationship with the city.

Waste collection contract for 7 years in Palm Beach County (Florida)

Palm Beach County in Florida has awarded FCC Environmental Services the contract for waste collection of areas 2 and 3, out of a total of four. The awarded contract represents an order book of €196 million for a period of 7 years. FCC will provide recyclable, pruning, bulky and urban solid waste collection services to the 680,000 inhabitants of the serviced areas, using a fleet of 92 trucks with 138 employees. The company also acquires the exclusive right to commercial collection, which will be a very significant source of additional income.

FCC Environmental Services

Waste collection contract for 7.5 years in Volusia County (Florida)

Volusia County in Florida has awarded FCC Environmental Services the contract for the collection of recyclable, pruning, bulky and urban solid waste. It represents an order book of €75 million for a period of 7.5 years. FCC will provide collection services to the 538,692 inhabitants of the county, using a fleet of 36 trucks, all of which are powered by Compressed Natural Gas (CNG), and employing 60 people in total.

Five-year contract for the collection and transport of biosolid waste from sewage treatment plants in Houston (Texas)

The city of Houston in Texas has renewed its trust in FCC Environmental Services for collecting and transporting biosolid waste from the city's water treatment plants, awarding it a new five-year contract which represents an order book of €27 million. This means FCC will continue providing the service it started in 2014.

Excellence and sustainability

Service excellence

FCC Medio Ambiente has been helping municipalities for more than 100 years with the management of services they offer their citizens. The company is aware of the importance these services have for the local councils, and this constant consideration for customer satisfaction leads it to establish a commitment to quality, which has been recognised by entities outside the organisation. For example, in 1997, it received the ISO 9001 quality certificate, having been the first company certified by AENOR for such services.

FCC Medio Ambiente has always had the certainty that just satisfying customers it is not enough; in today's society it is fundamental to consider all the stakeholders, so the company's commitment covers other areas, such as caring for the environment, seeking efficiency in services, the health and safety of workers, innovation and, especially, working towards the social and labour integration of the disadvantaged groups that may be at risk of exclusion. Over these more than 20 years, this has led the company to obtain new certificates and recognition. In 2019, these are the most notable events in terms of excellence and inclusion:

- For the sixth consecutive year, FCC Medio Ambiente records the 2018 Carbon Footprint in the OECC (Spanish Office for Climate Change).
- New short- and long-term targets for reducing emissions are set. They are part of the firm's new Climate Change strategy for 2050, in line with the objectives of the EU's Roadmap 2050.
- UNE-EN-ISO 9001:2015, UNE-EN-ISO 14001:2015 and UNE-EN ISO 50001:2011 certification is achieved for the companies FCC Equal CEE Andalucía, S.L and FCC Equal CEE Comunidad Valenciana, S.L., including the access control, concierge and vehicle cleaning activities within the scope of FCC Medio Ambiente.
- Extension of the EMAS records for the FCC Medio Ambiente Montalbán plant (Cordoba) and the FCC Ámbito Castellbisbal plant (Barcelona).
- The "*PELUSA* pedal-assisted bicycle with auxiliary electric motor" project is selected by the Ministry for the Ecological Transition and Demographic Challenge (MITECO) as one of the 101 best private-sector initiatives promoting the fight against climate change in the Community #PorElClima.
- The UNE-EN ISO/IEC 17020:2012 accreditation for contaminated land was extended for the Barcelona office of FCC Ámbito.

Sustainability

The strategy of FCC Medio Ambiente in Spain to maintain its competitiveness focuses on **combining *Know-how***, developed over its more than **100 years of activity, with** the development of **innovative technologies** which allow ***Smart Human Environmental Services*** to be offered to customers, i.e., more effective services which cause the least inconvenience to citizens (the concept of '**friendly**' service), more **respectful** in the consumption of **resources**, and which contribute to making **more sustainable and inclusive cities** a reality.

Of special relevance are the **policies** of **equality** and **labour inclusion** of disadvantaged groups, as well as the promotion of all **actions** that **reinforce the commitment** to the **fight against climate change** and reducing the carbon footprint. The use of **alternative energies** and the efficiency in their use for the provision of urban and environmental services, both in the **facilities** and the service **vehicles**, constitute **two strategic pillars** in which important steps have been taken, especially in the **development of electric vehicle technology** for **the** fleet.

The company's **experience** and **professionalism** have enabled it to **anticipate and address** recent **legislative amendments** and those that are scheduled to take effect, primarily regarding **climate change** and the **circular economy**.

With regard to sustainability, it is worth mentioning the following milestones reached by FCC Medio Ambiente throughout 2019:

- Publication of the seventh **Sustainability Report 2017-2018** under the slogan "From commitments to action", which was verified by AENOR with respect to the Global Reporting Initiative guide and its correlation with the Sustainable Development Goals (SDG).
- The 2nd edition of the **Avanza Awards**, which are held every two years, where the corresponding accolades are handed out.

  These prizes started at FCC Medio Ambiente in 2017 in order to recognise the work and effort made by the organisation's staff to contribute every day to improving the company's competitiveness, enhancing the quality of its processes, social integration within the company, respect for the environment and the development and application of innovative solutions or practices. This is all within the organisation's consideration of sustainable development, promotion of occupational well-being and research, development and innovation. The 2019 edition was very successful, both due to the number of candidates submitted and the quality of these candidates. Below is a brief description of the projects recognised in each category.

AVANZA AWARDS

Social initiatives category

Joint winners:

Street Cleansing Proffesionals.

- **Cultural Change. New role of public cleaning service professionals in L'Hospitalet de Llobregat (Barcelona)**

  Office: Catalonia I.

  Authors: Xavier Vigo Ramonet and Román Belmonte Ramírez.

Design, execution and subsequent assessment of a cultural change process for the FCC workers under the L'Hospitalet de Llobregat (Barcelona) contract, which allows the current mechanical and impersonal work style to be transformed into one that is more professional, closer to the reality of the city's neighbourhoods and with a greater degree of integration and collaboration with its citizens.

Plena Inclusión Training and Awareness Day.

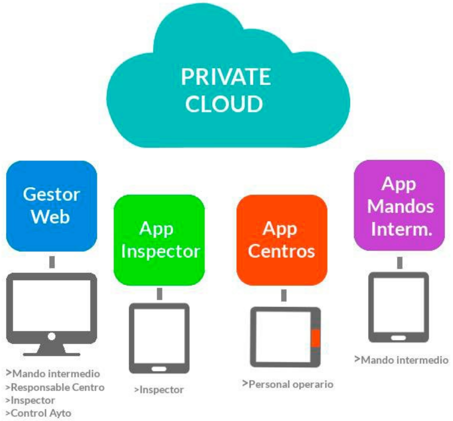
- **Standardise the company to sheltering people (1st Training and Awareness Raising Day - FCC, S.A. and Plena Inclusión Aragón)**

  Office: Aragon-La Rioja.

  Authors: Diego Tejedor Hernández and Carmelo Jiménez Bozal.

Based on the collaboration agreement between FCC, S.A. and Plena Inclusión Aragón, signed on 5 July 2017 to carry out joint activities for the inclusion of people with intellectual disabilities in the workplace, both entities organised a Training and Awareness Raising Day for employees on 31st of May 2018.

Quality Category



Private Cloud Software Outline.

- **Comprehensive IT Service Management Device**

  Office: Murcia-Almeria.

  Author: María Esther García Vargas.

Implementation of software or computer application to control and monitor the work to be carried out. Allows fluid communication between FCC and the City Councill as well as providing a quality control system.

AVANZA AWARDS

Innovation category

Revolutionary system for pruning at heights

Office: Levante I.

Authors: Félix Araque Serrano and Francisco José Molina Cortés.

Environment category

Joint winners:

Comb separator in sewer systems Barcelona.

Comb separator in sewer systems: solid waste separator installation

Office: Capital Barcelona and Balearics.

Authors: Fernando Marzo González and Paulino Romero Nevado.

This new system separates the solid waste present in sewage networks during days or periods of heavy rain to prevent such waste from ending up in the sea. The system is installed in the last section of the sewer network, at the sea discharge points, and is made up of by combs/weirs that have hooks distributed in strategic positions to separate the maximum possible amount of solid waste. The aim is to ensure these combs hold back as much bulky waste as possible, which will be collected after the heavy rain periods with manual equipment by the cleaning team.

FCC Ámbito's facility.

Recovery tower for the treatment of the CSP fraction at a glass recycling plant

Office: FCC Ámbito / Northern Office.

Candidates: Carlos Mallén Loras, Damián Cuesta Martín, Marta Agudo Sánchez and Ana María Luengo Aguilar.

This project includes the construction and operation of a CSP (Ceramics, Stones and Porcelains) fraction recovery tower, which consists of rejects from glass recycling plants, producing a clean and high-quality cullet. It fulfils a dual objective: improving the performance of the treatment process and reducing the amount of final waste sent to landfills.

Other sustainability milestones

- FCC Medio Ambiente participates in the 2019 Sustainable Urban Mobility (SUM) Congress (Bilbao).

- FCC Medio Ambiente participated in the Climate Change Conference in San Sebastian.

- FCC Medio Ambiente winner of the World Smart City Awards in the Innovative Idea category.

- Active participation of FCC Medio Ambiente within the framework of the UN Climate Change Conference COP25 Madrid.

- FCC Medio Ambiente launches the “Adopta un amigo” (Adopt a friend) campaign.

Innovation and technology

At national level, approval of a new Spanish Strategy for Science, Technology and Innovation (EECTI) 2021-2027 is expected in 2020, which will include the Priorities established in the Spanish R&D Strategy in artificial intelligence and whose objectives will be defined in the State Science, Technology and Innovation Plans (PECTI), mobilising synergies between the different public administration levels and through the co-development of the public and private sector.

In 2019, the European Commission approved two new projects led by FCC Medio Ambiente whose budgets increase the R&D portfolio by nearly 10 million euros. These projects confirm FCC Medio Ambiente's commitment to innovation, which is in its DNA.

One of the most noteworthy events is that FCC Medio Ambiente won the 2019 World Smart City award in the "Innovative Idea" category for its affordable, versatile and highly energy-efficient industrial e-mobility chassis-platform for urban service vehicles.

The company was the winner amongst several very high-level projects. For FCC Medio Ambiente, this award recognises the teamwork that made it possible to create this technology.

This 100% electric chassis-platform has been developed by a consortium led by FCC Medio Ambiente and Irizar Group, subsidised by European funds in the framework of the CIEN (National Business Research Consortium) programme of the CDTI (Centre for the Development of Industrial Technology) of the Ministry of Economy and Competitiveness, now the Ministry of Economic Affairs and Digital Transformation.

This platform's strategic objective is to facilitate the implementation of affordable electric mobility in urban services with considerable environmental benefits such as the total reduction of polluting emissions and noise, a reduced carbon footprint and maximised energy efficiency.

For another year, FCC Medio Ambiente maintained the certification of its R&D Management System, in accordance with the UNE 166.002 standard.

R&D projects in development or launch phase, which saw **investment of €2,284,482.74** in 2019, can be classified into **four technological or knowledge areas:**

- Vehicles, mobile machinery and facilities
- Management and recycling of waste - Circular Economy
- Information and Communication Technologies
- Sustainable development

In 2019, the European Commission approved two **new projects** led by FCC Medio Ambiente whose budgets increase the R&D portfolio by nearly **10 million euros**. These projects confirm FCC Medio Ambiente **commitment to innovation**, which is in its DNA.

VEMTESU project in collections.

e-mobility platform in operation.

Most significant projects of the R&D Management System

VEHICLES, MOBILE MACHINERY AND FACILITIES

Projects associated with **trucks**

The definitive consolidation of the electric technologies available in our company was made in 2019, providing real service on the street.

Here, the project known as VEMTESU (Development of Highly-Efficient Electric Traction Vehicular, Modular and Self-supporting Platforms for Urban Services) began operations as a side-loading waste compactor in various municipalities in Spain, where it successfully met not only high energy efficiency targets, but it also substantially improves the performance of equivalent equipment with similar bodywork.

With this project, energy savings ranging from 40 to 50% are achieved depending on the municipality, type of route, number of collections and fraction of waste collected, which provides an idea of the considerable reduction in exhaust gases and greenhouse gases (CO_2) into the atmosphere.

During 2019, a second unit with the same operating philosophy was developed but as a rear-loading collector, which will enter service shortly with similar aims as its predecessor.

ASSETS4RAIL

Projects associated with **machinery**

FCC Austria Abfall Service AG, took part in the EU project "Assets4rail" as drainage cleaning system experts

In 2015 FCC Environment Austria began developing new technology to meet the needs of the Austrian Railway Company (ÖBB) for cleaning drainage systems in railway tunnels without blocking the traffic.

As a result of this project, FCC Environment became part of an EU project called *Assets4rail* that started in December 2018. *Assets4rail* is a 30-month *Shift2Rail* project that will contribute to change society to Railway mode by exploring, adapting and testing cutting-edge technologies to monitor and maintain railway assets.

The main aim of the project is to develop a set of cost-effective, innovative measurement and monitoring devices and specific assets. These will not only collect and deliver the status data of the railway system (tunnel/bridges/track geometry/safety systems/rolling stock), but will also process and analyse the information of the Construction Information Models with the integrated algorithms to generate relevant information related to the maintenance infrastructure and support the asset management decisions.

Electric sweeper with capacity of 2 m^3.

Prototype electric sweeper with capacity of 4/5 m^3.

Projects associated with **sweepers**

Reduced-size electric sweepers

During 2019, and continuing the electrical equipment consolidation, the company implemented the first fleet of small-size electric sweepers with a capacity of 2 m^3.

These are self-propelled, articulated and employing suction and are already in operation in cities such as Barcelona, Vigo, Bilbao or Torrejón de Ardoz (Madrid).

Thanks to abandoning fossil fuels and lower maintenance, service and repair expenses, operating costs are 75% lower than those of conventional diesel vehicles. A single sweeper can save around 26 tonnes of CO_2 emissions per year.

Dual-function electric sweepers

Another major R&D achievement was the manufacture and first in-service testing of larger-sized sweepers—the only one so far on the market—whose development is the result of close collaboration between a Dutch manufacturer and FCC Medio Ambiente's Machinery department.

It is a 4/5 m^3 capacity sweeper, self-propelled, with suction and fully electric. Although the first prototype is a sweeper, the intention is for it to be DUAL, i.e., maintaining its capacity as a sweeper but also providing it with a water tank of up to 1.75 m^3 which, via two poles and two water pumps, it will be capable of cleaning the street while vacuuming the residue.

The energy storage capacity of the installed battery allows, with an intermediate fast charge, to perform two work shifts in one day.

Self-propelled electric cleaning trolleys.

Self-propelled electric trolley with platform.

PELUSA assisted pedaling tricycle with auxiliary electric motor.

Projects associated with **auxiliary equipment**

Electric trolleys

Two new pieces of auxiliary cleaning equipment were developed in 2019. These are two trolleys for the street cleaning service, manufactured from fibreglass-reinforced polyester resin, made up of a main base body holding two 120-litre load buckets.

The trolleys are electric powered to facilitate travel around the city, incorporating an accompanying electric motor, powered by an electric battery.

Movement is controlled by means of a joystick that regulates travel (transfer speed). The difference between them is that a platform for personnel has been included into one of the trolleys.

This equipment has a simple on-board computer that includes GPS location, with a SIM card for sending data via GPRS, and an antenna for communications. This allows data on the equipment's position to be transferred in real time, as well as sending data from sensors and telemetries. Among its many advantages, the high level of precision and robustness stand out.

Both trolleys were shown worldwide at the Smart City Expo World Congress held in Barcelona in November.

Electric tricycle

FCC's PELUSA version 1 is a highly manageable equipment with an assisted pedal cycle and an auxiliary electric motor. It allows increased efficiency of street cleaning and ground maintenance services through the optimisation of urban movements with zero emissions and minimised noise.

Projects associated with **containers**

GREEN RECYCLING: Weight control and user access system for containers - scale

FCC and Deusto Sistemas have developed a user identification system (by means of an RFID card) and weighing control integrated in a smart container with an electronic lock. Weighing is done either from four weighing points located on the container supports or by two transverse weighing bars depending on the design of the container.

MANAGEMENT AND RECYCLING OF WASTE. CIRCULAR ECONOMY

A commitment to **biomethane**

FCC Medio Ambiente is committing to turning the "waste treatment centre" into a "biomethane fuel producer" with the capacity to supply all types of vehicles. To do this, it has started research with the development of two projects financed under the EU LIFE programme:

- **LIFE LANDFILL BIOFUEL (LIFE18 ENV/ES/000256: Integral management of the biogas from landfills for use as vehicle fuel) (2019-2022)**

Project developed by a consortium made up of seven entities (FCC Medio Ambiente as project leader, Sysadvance, Gasnam, Cartif, Seat, Iveco and University of Granada), co-financed by the European LIFE programme and approved in June 2019.

LIFE LANDFILL BIOFUEL (LIFE18 ENV/ES/000256: Integral management of the biogas from landfills for use as vehicle fuel).

Development of the circular economy and decarbonisation of transport

The Landfill Biofuel Project aims to enrich landfill biogas to produce biomethane suitable for vehicular use. The objective is more efficient management by obtaining biomethane from a native and abundant energy source.

The biomethane obtained will be used in an IVECO waste collection truck owned by FCC Medio Ambiente, and three SEAT cars. It has a budget of €4.67 million and will last 3.5 years. Once this period ends, it will be replicated in FCC's other landfills in Europe.

- **METHAmorphosis (LIFE 14/CCM/ES/000865: Waste streams treatment for obtaining safe reclaimed water and biomethane for transport sector to mitigate GHG emissions) (2015-2020)**

The METHAmorphosis project, funded by the EU's LIFE programme, is an example of exploiting synergies in the FCC Group, between FCC Medio Ambiente and Aqualia. The objective is to develop an innovative process for treating effluents and obtaining biofuel (biomethane) from municipal waste as well as agro-industrial waste. Two prototypes have been built:

- UMBRELLA (FCC Medio Ambiente and Aqualia - Ecoparc del Besòs Urban Waste Plant).
- METHAGRO (Porgaporcs - Ecobiogas agro-industrial waste plant).

The European Commission has placed METHAmorphosis as an example of the LIFE programme in the November 2017 report *"Two years after Paris. Progress towards meeting the EU's climate commitments"*. METHA appears within the five policies related to climate change in the EU, which has a budget of €200 billion for the period 2014-2020.

Ecoparque 2 (Barcelona). Gas-powered collector and car for the METHAmorphosis project.

Creating a circular economy **for plastic**

FCC Medio Ambiente's strategic objective is to avoid disposal of plastics in urban waste and reduce their energy-recovery processing through the implementation of innovative recycling processes. This new line of research has been in development since 2018 at the Ecocentral waste treatment plant in Granada:

- **PLASMIX (LIFE18 ENV/ES/000045: Plastic Mix Recovery and PP& PS Recycling from Municipal Solid Waste) (2019-2022)**

Project developed by a consortium made up of seven entities (FCC Medio Ambiente as project leader, Stadler, Lindner, Pellenc, Andaltec, Anaip and University of Granada), co-financed by the European LIFE programme and approved in June 2019.

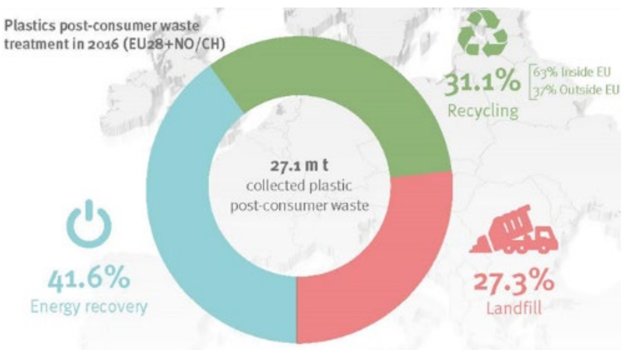
The Plasmix Project aims to study the recovery and flow of Plastics Mix from municipal waste, searching for the optimal recovery line for each type of material present in said flow (PP, PSE, PVC).

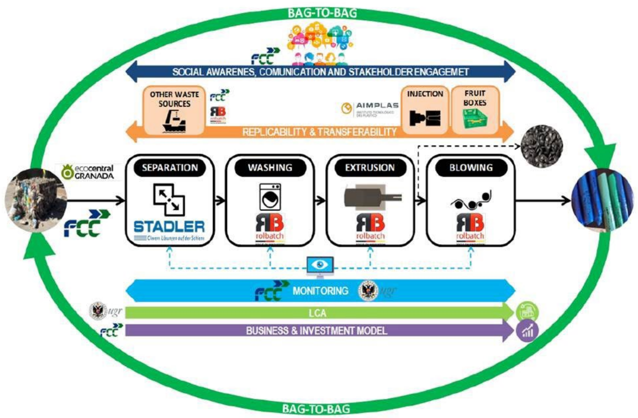
These materials will be recycled into high-quality granules for use in new products, including food packaging.

It has a budget of €5.33 million and will last 3.5 years.

- **LIFE4FILM (LIFE17 ENV/ES/000229 Post-consumption film plastic recycling from municipal solid waste). Spain and Germany (2018 –2021)**

The main objective of LIFE4FILM, a project led by FCC Medio Ambiente, is to avoid landfill or energy recovery of plastic film (LDPE) present in urban waste through an innovative recycling process on a semi-industrial scale using a 10,000 t/year capacity recovery line at the Ecocentral plant in Granada, with the aim of demonstrating its profitability and replicability at a European level.





Life4Film scheme.

The sustainable path in waste management: optimisation of **composting**

INSECTUM: (Recovery of urban by-products and bio-waste through bio-conversion with insects to generate innovative products in strategic sectors)

A CIEN (National Business Research Consortium) programme of the CDTI (Centre for the Development of Industrial Technology), led by FCC Medio Ambiente, which involves implementing an innovative urban bio-remediation recovery system based on its bio-conversion through insects in products with a high added value for the industry (the human food sector, nutraceuticals/pharma, animal feed, fertilisers and chemicals). It proposes feeding insects with organic matter from selective collection, organic matter recovered from USW and digested biomethanisation.

The CTR in “Las Marinas” (El Campello, Alicante): Microorganisms that create extra oxygen

The “Las Marinas” Integral Waste Treatment Plant in El Campello (Alicante) applies a “cocktail” of microbiological species to the entire organic range of the waste, including bacteria, fermentative fungi, yeasts, actinomycetes and enzymes, to increase the supply of oxygen into the environment under static plateau conditions and reduce odours, following the success of the R&D project entitled “Composting trial with the application of microbiological products”.

Creation of new by-products and **biomaterials**

SCALIBUR (Scalable Technologies for Bio-Urban Waste Recovery)

SCALIBUR is a project from the Horizon 2020 call, led by ITENE (ES), in which FCC Medio Ambiente and Aqualia participate as well as various entities from different European Union countries.

Prototypes will be rolled out in three pilot cities across Europe: Madrid (Spain), Albano Laziale (Italy) and Kozani (Greece) to carry out a comprehensive study on urban waste quality, logistics and treatment systems and WWTP sludge to obtain new by-products and biomaterials with a high-added value for the chemicals industry. FCC Medio Ambiente will apply a bioelectrochemical process to biogas obtained by means of biomethanisation to produce alcohols and provide biowaste to CENER (National Renewable Energies Centre), which will investigate the production of biopesticides and bioplastics through enzymatic hydrolysis followed by fermentation.

SCALIBUR

LEADING A REVOLUTION IN BIOWASTE RECYCLING

HORIZON 2020

Creation of Biowaste Clubs: in addition, social awareness raising actions will be undertaken as part of strategies to stimulate participation among society.

Líder: ITENE

Socios: FCC Medio Ambiente, MADRID, SmVaK, CluBE, CENER, visum, exergy, City of Lund, Greenovate! Europe, anci lazio, aeris, NOVAMONT, UNIMORE, ZETADEC, wetsus, KOUR ENERGY, cscp, Brabantse Delta, A8A

B-FERST Bio-based fertilising products as the best practice for agricultural management sustainability

Objective: Integrate the recovery of biowaste in agriculture by creating new mineral and organomineral fertilisers as well as developing the corresponding nutrient mixtures for agricultural application.

Líder: Socios:

DEEP PURPLE Domestic Extraction of Emerging Products with Purple Phototrophic Bacteria

Objective: investigate, at a pilot scale, the integrated application of the most innovative techniques in the management of the different effluents generated in the organic waste treatment facility (digestate, leachate and biogas), by applying purple phototropic bacteria for the recovery of by-products, such as polyhydroxyalkanoates and hydrogen, single cells, or nitrogen and phosphorus for use as fertilisers.

Líder: Socios:

INFORMATION AND COMMUNICATION TECHNOLOGIES

VISION

Within the framework of providing services to cities, it is essential to have ICT (Information and Communication Technology) tools that support the provision of effective, efficient, sustainable and comprehensive services: truly smart services.

This goal cannot be achieved if there are no systems available allowing to collect company's *know-how*, capitalising on these systems the best practices, efficient processes, optimised communications, etc. and offering all the agents that interact in a city (administration - citizens - companies) modern and collaborative tools that make possible an agile management of the information that results in an optimal service provision

FCC Medio Ambiente has developed "**VISION - Intelligent platform for the provision of citizen services**" which allows us to meet the objectives described, responding to the current requirements of our customers and being prepared for the future challenges that appear in the provision of our services.

A comprehensive service management focused on excellence in its provision requires maximum coordination of all areas involved in a given operation.

It is necessary for production, legal, environmental, human resources, machinery and training-related aspects, etc. to be jointly managed through an integrated system.

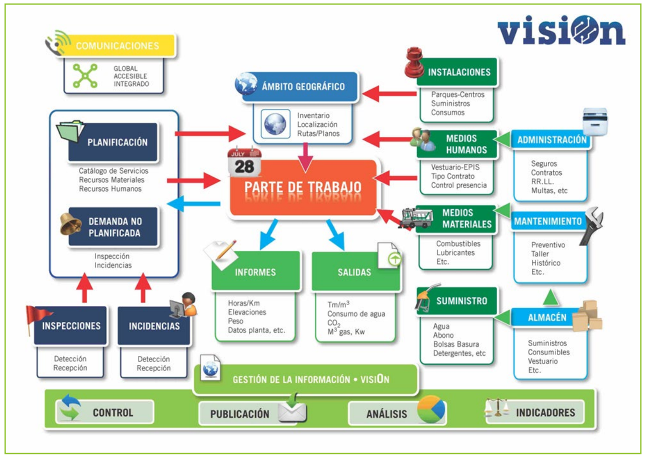
VISION incorporates the different functional modules in a single environment, sharing information, processes, validations and services that facilitate moving towards excellence in the workplace.

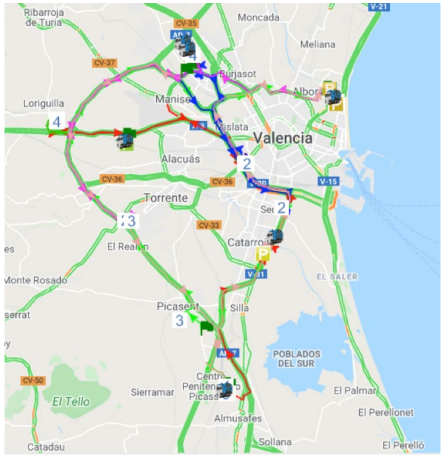
During 2019, work was undertaken in various environments, both in the daily service provision and supporting operations, as well as in the integration and continuous improvement of the company's general processes.

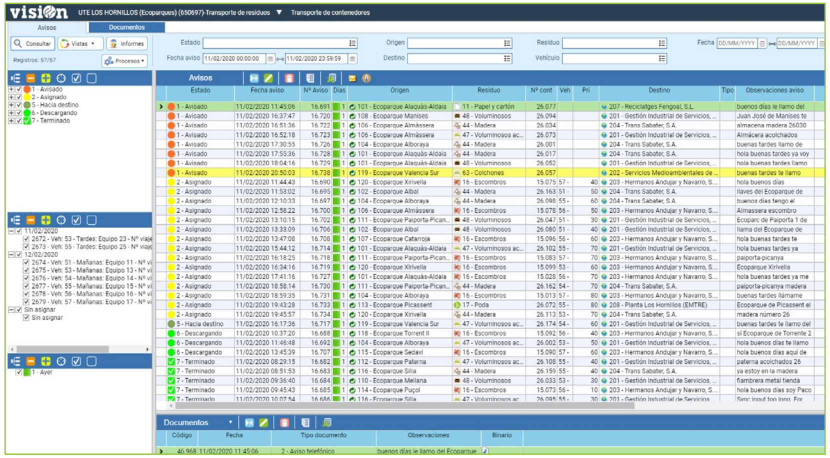
With the widespread roll-out of the VISION project to all contracts, all departments work jointly to design and maintain a work environment that is technologically up-to-date and unified, which allows the company's *know-how* to be gathered and put it to value through technological tools.

The variety of aspects undertaken during this year is remarkable as the list below shows:

- Logistics support system for managing the removal and transport of waste from large producers to authorised managers.
- Automated receipt of job postings through voice recognition.
- Integration of session control systems.
- Inventory of garden irrigation systems.
- Automated calculation of the organisation's carbon footprint.
- Integrating the platform with other procurement systems.
- Control and monitoring system for tender processes.







VISION hardware and software.

FCC ONLINE SOLUTIONS: applications that allow customers to request container rental and collection services online

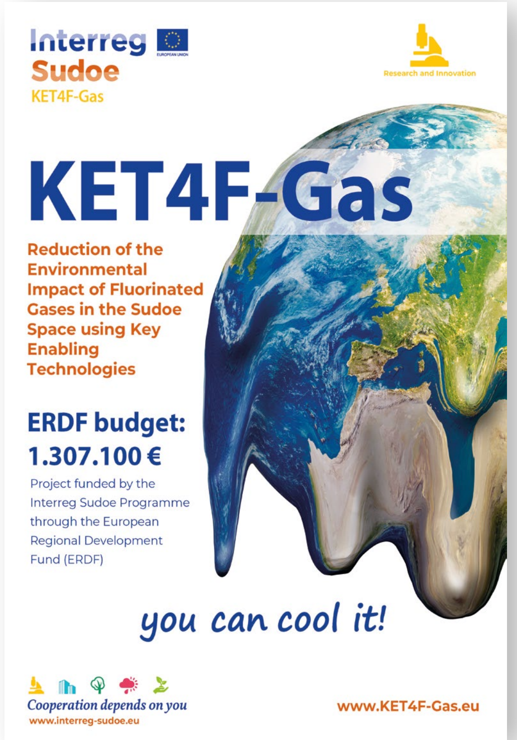
FCC Environment CEE is developing the innovative strategy of offering online digital solutions to its customers. Following the successful launch of the *Abfall Online* Service in Austria, which achieved 60% growth in 2018/2019, a similar solution was introduced in Bulgaria and preparation began for the launch of three online services in Slovakia for 2020: *odpadyonline.sk, Harmonogramy and Reuse*. These online solutions transfer the waste management process for private customers to being online through the web store at www.abfallserviceonline.at or through the *Abfall Service online* smartphone app.

SUSTAINABLE DEVELOPMENT

KET4F-Gas Project

In 2019, the Interreg SUDOE project "KET4F-Gas - Reduction of the Environmental Impact of Fluorinated Gases in the Sudoe Space through Key Enabling Technologies", in which FCC Ámbito is a part, has continued to be developed. The project is financed by the European Regional Development Fund through the European programme Interreg Sudoe, and aims to respond to the challenges of climate change in the Sudoe space. The project aims to investigate alternatives that contribute to the reduction of greenhouse gas emissions by developing and improving technologies to recover and replace fluorinated gases.

Fluorinated gases, extensively used in the refrigeration industry, have a high impact on global warming, can be up to 23,000 times more potent than CO_2, and remain trapped in the atmosphere for thousands of years. KET4F-Gas is therefore fully aligned with the requirements of EU 517/2014, which aims to reduce fluorinated gases thanks to the recovery and reuse of these compounds from waste generated at industrial and domestic levels, the elimination of emissions from maintaining the equipment, and the recovery of the gases at the end of the useful life of equipment and products containing them.



KET4F-Gas project poster.

KET4F-Gas will last for three years and receive total funding of 1.7 million euros. The project is made up of 14 partners and 6 associates, from Spain, France, Portugal and the United Arab Emirates, among which are universities, companies, waste and environmental agencies and other public and private entities with the common interest of dealing the Kigali Amendment. The overall coordinator is Lisbon's Universidade Nova.

Cycle lane project

FCC Ámbito takes part in the CIEN "Cycle lane" project, led by FCC Construcción. The objective of this project, which started in 2019, is to develop a new generation of modular cycle lanes, produced with sustainable materials and that can be custom designed to integrate various technologies according to the needs to be covered.

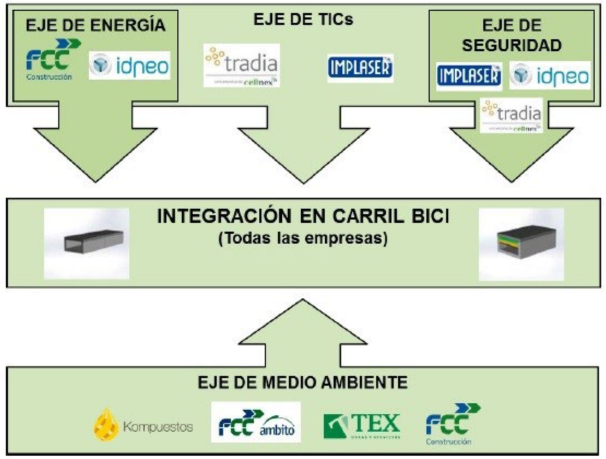
The technologies to be incorporated into the modules focus on four axes: Environment, Energy, Security and ICT (Smart Society).

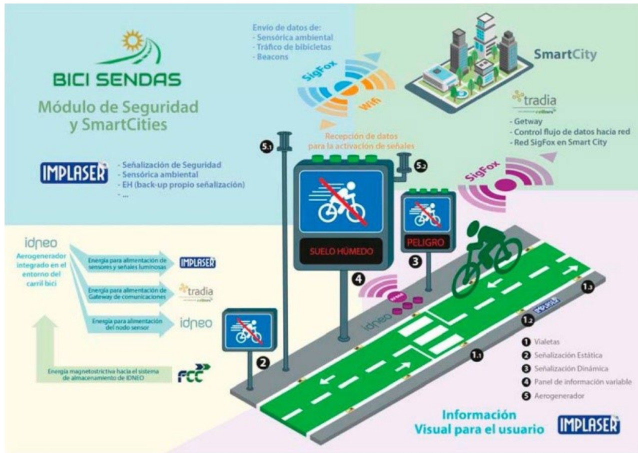
As well as these two FCC Group companies, other companies such as IMPLASER, Idneo, Kompuestos, Tradia and TEX Obras y Servicios are part of the consortium. This project is supported by Sant Boi de Llobregat (Barcelona) City Council and the Cycling Association "European Cyclists' Federation", who help to better understand the general impact that the results obtained from the project may have.

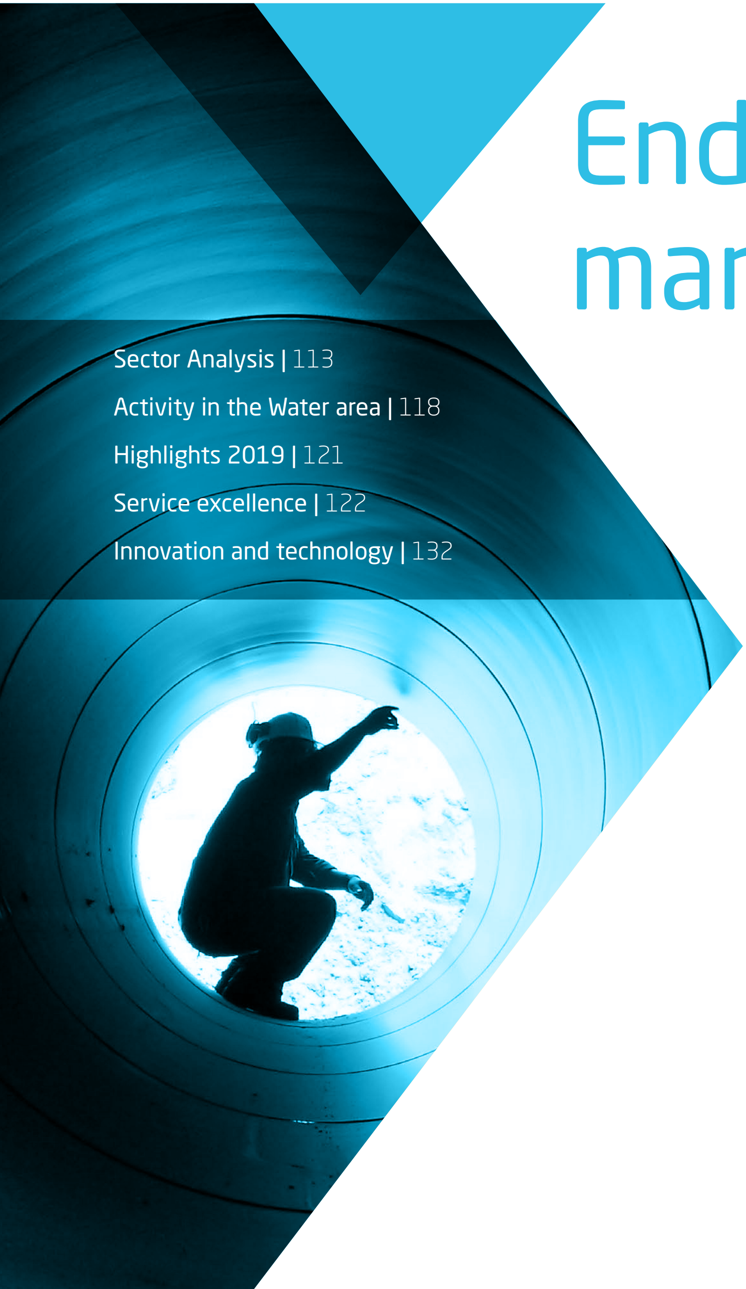
Among others, the specific objectives of FCC Ámbito include:

1. Waste valorisation
2. Development of biodecontamination techniques
3. Integrating materials developed with other technologies researched in the project in the form of a final demonstrator.

The project lasts for four years (2019-2023), and is supported by the most advanced universities and technological centres in the areas of the project's objectives: CSIC (Spanish National Research Council), University of Zaragoza, UPC (Polytechnic University of Catalonia), AITIIP, CIMNE (International Centre for Numerical Methods in Engineering), LEITAT and Lurederra.







End-to-end water management cycle

In 2019, the company invoiced **€1.19 billion** with an **Ebitda of €281.7 million** and an **order book** of almost **€15.02 billion.**

Aqualia provides technical solutions and provides quality services in all phases of the end-to-end water cycle to improve the well-being of the people and the communities where it operates, preserving water resources and the environment and improving management efficiency, while using the United Nations Sustainable Development Goals as a benchmark.

The rapid urbanisation process in emerging countries, as well as the need to improve the population's living conditions and optimise a scarce resource during the current climate change, leads governments, regions and industrial corporations to search for specialised operators who can help them provide effective solutions to the water supply, sanitations and purification problems.

Aqualia is one of the main international operators focusing its management on specific business models and geographic areas. It is guided by a growth objective that contains profitability criteria and integrates all the abilities of the value chain in the water cycle: from the design of facilities to the management of large investment projects in water systems.

The company provides services in Spain and also operates internationally, with projects in Europe, Latin America, the Middle East and North Africa. Aqualia, which has 8,825 employees and operates in 18 countries, includes Corporate Social Responsibility (CSR) as part of its daily operations in an attempt to ensure that the social and environmental aspects of its management is not compromised by its business decisions.

Sector analysis

End-to-end water management cycle Spain

In total, the billed volume grew by **4.3%** and the amount by **3.2%** to **€704.5 million**, an increase of **€21.6 million** on the previous year.

2019 saw a recovery to the billed levels of water reached in 2017. It was a dry year in terms of rainfall compared to 2018, and this situation drove the recovery.

At year-end, on a like-for-like basis (without including the new and completed contracts), the billed volume to household customers grew 2.3% and the billed amount grew 3%. The volumes billed for header tanks grew by 14.2% due to the increase of water supplied, especially in the agriculture sector. In total, the billed volume (including regional fees) grew by 4.3% and the billed amount by 3.2% to €704.5 million, an increase of €21.6 million on the previous year.

The greatest increases were in Castilla-La Mancha, Andalusia and the Balearic Islands, with the smallest increases in the region of Levante, Cantabria and the Canary Islands, but growth remained positive.

The development of political initiatives calling for the remunicipalisation of water management services has been markedly affected over the course of the year by the provisional nature of the government and the two general elections, European and local elections, and elections held in 15 autonomous regions. The few legislative initiatives in parliament regarding the Urban Water Cycle have waned due to this.

The Ministry for the Energy Transition and the Demographic Challenge (MITECO) has focused its efforts on creating the "Green Book of Water Governance in Spain", an initiative with scarcely any practical information. In 2019, there were no significant processes to revert water concessions to direct management in the Spanish market nor in contracts operated by Aqualia. It is worth noting the Supreme Court ruling which, revoking the prior ruling by the Hight Court of Justice of Catalonia, validated the creation of the joint venture that operates the water in the metropolitan area of Barcelona, and whose majority shareholder is Suez.

Internationally, this consolidates the legal security of the concessional water contracts in Spain, which is favourable to the interests of Aqualia. In the first days of 2020, the new PSOE-UP coalition government was formed, with a large amount of environmental and social content in their government programme.

In 2019, work was done to reinforce the Spanish Association of Urban Water Services Management Companies (AGA) and the management of the Spanish Association of Water Supply and Sanitation (AEAS), which include the public and private companies operating in the sector. Amongst other things, the objective is to inform society about management companies' high social commitment, the existence of a very relevant global technological transfer, and the affordability of tariffs for family economies in Spain, which are still low compared to other OECD countries.

Informative breakfasts have been held with mayors, important city and town representatives in Spain and from all political parties, work was done with MITECO to create the aforementioned "Green Book of Water Governance in Spain", and studies about the sector have been issued and disseminated. These include a study about the water infrastructure deficit in Spain and the pricing models required to overcome it, and another about the value of urban water infrastructure and its repositioning cost to avoid the growing obsolescence. Both of these studies were presented to the Spanish Parliament.

In terms of commercial activity, in the **end-to-end water cycle concession** segment, Aqualia was awarded contracts, in general for small towns, and has extended and renewed contracts at maturity, in this case with a loyalty rate close to 90%.

It was a very active year in terms of detecting asset purchase opportunities. Aqualia acquired the company Agua y Gestión del Ciclo Integral, which operates in Andalusia and Extremadura, incorporating 17 contracts into its scope, as well as a share in the joint venture Codeur, which operates in the city of Vera (Almeria), thus strengthening Aqualia's position as a clear leader in the province.

Regarding **Operation and Maintenance (O&M)** activities, Aqualia retains its policy of focusing its activity on significant public clients who recognise the added technological value and management improvements provided by the company which allow it to maintain its profitability. The Bahía de Santander and Ávila WWTPs are significant as they complete the end-to-end cycle in both cities, in which the company already operates.

It is worth noting the large growth achieved in the **urban sanitation network maintenance** sector, with contracts awarded in Cordoba, Canal de Isabel II and, most recently, Zaragoza. In the region of Madrid, Aqualia provides services to over 1.5 million citizens.

In **Infrastructure Concessions**, the Spanish State is paying a semi-annual fine of €15 million to the European Union for insufficient purification in cities of more than 15,000 inhabitants, and an inspection process is underway in those of more of 2,000 inhabitants, where non-compliance is 25% among the more than 2,000 municipalities.

The new government must propose solutions to this deficit, through pricing systems by creating budgetary and concessional fees and fees for projects with quantifiable objectives. The autonomous regions of Andalusia and Castilla-La Mancha are studying BOT-style (Build, Operate, Transfer) concessional systems, but are doing so very slowly.

All-gas project.

In the legal sector, there is notable growth in the litigation of public contracts, where the number of special resources for contracting has risen by 25% compared to 2018. The application of the Public Sector Contracts Act is designed to significantly extend the tender processes.

The new **Sectoral Agreement** has been signed for five years (2018-2022), providing the sector with stability and consolidating our commitment to quality permanent employment, to the detriment of the instability caused by subcontracting services.

In the continued policy of **searching for efficiency** in the operational management of the company, it worth highlighting the effort made to reduce costs in 2019, especially for supplies and third-party work. This translated into an improvement in the Ebitda compared to the previous year, equating to 24.9% of the revenue. Synergies have also been consolidated and progress has been made in establishing regional teams for sewage cleaning, reducing subcontracting in this field as much as possible.

Likewise, there has been a greater focus on reducing costs linked to customer management through fraud prosecution policies for consumption, the use of electronic bills instead of paper ones, the direct debiting of bills and control of bank fees, and the reduction of on-site assistance and moving this to other channels (telephone, social networks and online).

The company reinforced the image of a company that is committed socially (agreements with ACNUR and Cáritas) and environmentally (All-gas project, reduction of CO_2 emissions, option for green energy and commitment to the Sustainable Development Goals).

End-to-end water management cycle

In the international arena, Aqualia concentrated its activity during the year 2019 in Europe, Middle East and North Africa (MENA), the United States and Latin America (LATAM).

EUROPE

In 2019, in addition to continuing to manage business improvements in the Czech Republic, Italy and Portugal, Aqualia acquired the company Services Publics et Industries Environnement, which has over 120 years of experience in managing public water services in France and assists about 140,000 citizens through eight supply management contracts and two sanitation contracts in the central region of France. The development outlook of the French water market is good due to the high turnover expected (a result of the new measures promoted by the French government), without losing its highly competitive nature, which may affect the historical margins.

Although there were no regulatory changes in the **Czech Republic** in 2019, political and social debates focused on the long droughts that have affected the country recently and the measures required to combat this, both legislatively and technically. In a fairly ideological debate, the main budgetary support was allocated to the publicly owned water operators, excluding private concessionaries and owners.

On the other hand, a VAT reduction on water distribution and sanitation from 15% to 10% was approved and will enter into force from May 2020. In 2019, Aqualia acquired 100% of the shares in SmVak, its main subsidiary in the country, and was awarded the water distribution contract in the Park Ostrava and Mosnov industrial park for 2020-2023.

In **Italy**, after years of stagnation, the concessional market showed its first signs of opening with the tender for the water service in the province of Rimini, in 2019. Meanwhile, the political instability continues with a new change of government, which is leaning ever more towards an absolutely public end-to-end cycle, causing uncertainty among all players.

In **Portugal**, the concessional market situation remains stagnant. Changes of regulator are expected to confirm the consolidation of the indirect management activity through concessions to private companies, in which our contracts are developed and future growth is expected.

In **Romania**, the construction of the Glina civil engineering project to expand the Bucharest treatment plant has progressed. In the **Balkans**, the Berane and Pljevlja projects were completed this year and there was significant progress in the final constructions stages of the Prizren project.

MENA

In **North Africa**, desalination of sea water and waste water treatment continue to offer business opportunities in the countries where Aqualia is present.

In **Algeria**, the works for new sea water collection at the Mostaganem SWDP continued without any incidents throughout the year and concluded in the middle of December, significantly ahead of deadline. In January 2020, the complete installation of the new collection started. The plant will increase its capacity and will be less influenced by the sea conditions.

SWDP in Mostaganem (Algeria).

View of the El Realito Aqueduct facilities in Mexico.
David Díez, Country Manager, on the first floor.

As for the operational tasks of the desalination plants, a successful operation was carried out in Mostaganem in May to clean the intakes using PIG (Pipeline Inspection Gauge) technology. At the Cap Djinet SWDP, the complex adaptation works required to be able to clean the intakes using the same PIG technology that gave such good results in Mostaganem have been completed. The cleaning is expected to be done in the first months of 2020.

With regard to the Mostaganem and Cap Djinet projects, in 2019, an agreement was signed with our partner for these projects, GS Inima Environment, for the reassignment of management functions and operational control. By doing this we optimised the management and resources assigned to supervising them, distributing resources more efficiently.

In **Egypt**, Aqualia successfully implemented the design and construction contract for the El Alamein desalination plant, with a capacity of 150,000 m^3/day, and started the operation phase in March.

Regarding the Abu Rawash waste water treatment plant, the implementation works for the plant have continued at a good rate this year, with the constructive engineering and most of the civil engineering of the project having been completed. In 2020, the civil engineering is expected to be completed, and the electromechanical installations will be assembled.

In **Tunisia,** the Djerba SWDP project completed its initial operation phase, which, with a capacity of 50,000 m^3/day, ensures the supply to the population and the tourist development of the island. The plant was delivered to the client without any incidents, and since then the client has been responsible for its operation.

In **Saudi Arabia,** progress has been made in executing the diversion and adaptation works for affected services on the Riyadh metro, where Aqualia continues the activities to divert services and provide provisional and definitive connections for Lines 5 and 6. These activities will extend throughout 2020.

As for new projects, in 2019, the company tendered for SWPC (Saudi Water Partnership Company), three BOT projects for major desalination and wastewater treatment plants. These were Yanbu 4 (desalination plant with a capacity of 450,000 m^3/d), Jubail 3A (desalination plant of 600,000 m^3/d) and Taif (treatment plant with a capacity of 100,000 m^3/d). The National Water Company's tender for water management in the provinces of Medina and Tabuk, with 3.6 million inhabitants, has also been prepared. This contract will be awarded in 2020.

In 2019, in **Oman**, Aqualia completed the first full year of operating the end-to-end management contract of the Sohar port area, with full client satisfaction. This contract is for 20 years and is in association with the Omani public company concessionaire, Majis, through a joint venture formed by both parties.

In the **United Arab Emirates**, after renewing the contract with Al Ain and signing the new Abu Dhabi contract, both for seven years, our subsidiary Aqualia MACE has been providing services in both geographical areas for the operation and maintenance of the collector networks, pumping stations and waste water treatment plants since March.

This means Aqualia MACE manages two of the three geographic areas of Abu Dhabi and consolidates a large water services company in the country.

In **Qatar,** although the political and commercial blockade by Saudi Arabia and the Emirates has caused a slowdown in investment projects, the start of operations of the Al Dhakhira wastewater treatment plant, operated by Hyundai and with a capacity of 55,000 m^3/day, is expected for summer 2020. Aqualia will operate it once the plant becomes operational.

USA

During 2019, Aqualia continued reinforcing its business analysis activity in the **United States**. The main growth opportunities for the company in certain states appear to be water shortages, obsolete water infrastructure, and the scarce penetration of private sector operators in the industry.

Group of professionals from the sector carrying out a technical visit of the El Realito drinking water treatment plant in San Luís Potosí (Mexico) as part of the 33rd ANEAS Mexico Conference and Expo.

The deficit of water infrastructure and the search for efficiency in the existing infrastructure are two factors that enhance **Aqualia's growth possibilities**.

LATAM

The deficit of water infrastructure and the search for efficiency in the existing infrastructure are two factors that enhance Aqualia's growth possibilities. In **Mexico**, the experience gained with various contracts is being put to good use in BOT (Build, Operate, Transfer) contracts of Acueducto II and Realito by planning for similar projects, where more demanding technical and financial capacities have made Aqualia a benchmark. As a result of this strategy, Aqualia was awarded the BOT contract for the Guaymas desalination plant, which is currently in progress.

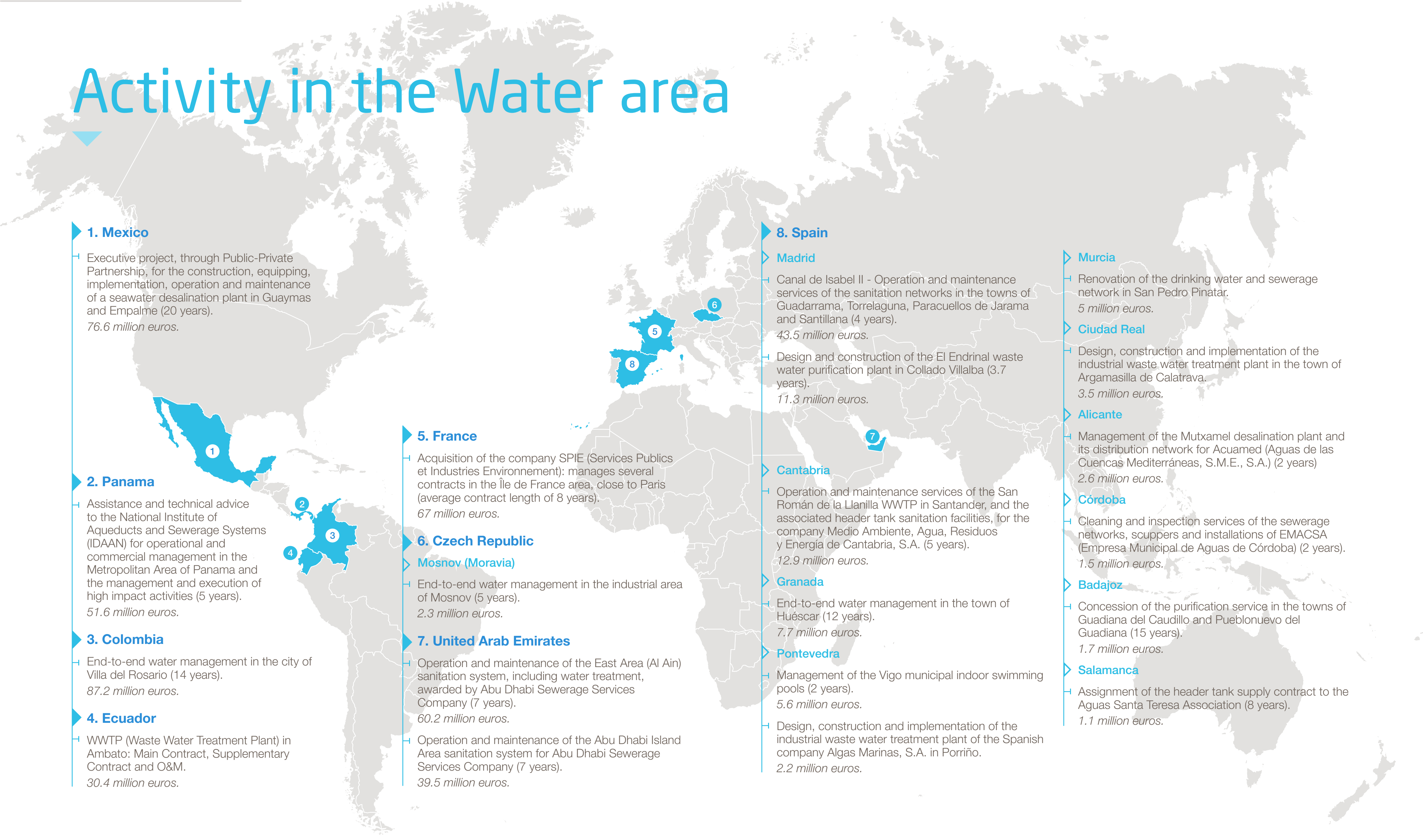
In **Ecuador**, the construction of the WWTP (Waste Water Treatment Plant) in Ambato is concluding. It started in 2017 and is expected to open in March 2020. It will provide service to over 220,000 inhabitants.

In **Colombia**, the construction of the El Salitre WWTP (Wastewater Treatment Plant) in Bogotá continued. The company is pursuing business opportunities for the management of end-to-end services in important towns under municipal concession models, having been awarded the end-to-end management of the town of Villa del Rosario for 14 years in December. It also pursues opportunities for the design, construction and financing of hydraulic infrastructures to purify wastewater, or new sources of drinking water supply in areas with this need.

In **Peru**, the government is evaluating the efficiency of its public supply services to allow the entry of private sector companies wherever management indicators are lowest. In 2017, five private initiatives for the treatment of wastewater were submitted. These were declared relevant in 2018 and are currently in the formulation phase.

In **Panama**, the engineering, construction and operation project for 10 years of the Arraiján WWTP, which will purify the water of 130,000 inhabitants, was started. In addition, the company was awarded the assistance and advice contract for the operational and commercial management of IDAAN (Instituto de Acueductos y Alcantarillados Nacionales), a body which manages the country's water service, and the contract was endorsed by Spain's Comptroller General.

Activity in the Water area



1. Mexico

Executive project, through Public-Private Partnership, for the construction, equipping, implementation, operation and maintenance of a seawater desalination plant in Guaymas and Empalme (20 years).

76.6 million euros.

2. Panama

Assistance and technical advice to the National Institute of Aqueducts and Sewerage Systems (IDAAN) for operational and commercial management in the Metropolitan Area of Panama and the management and execution of high impact activities (5 years).

51.6 million euros.

3. Colombia

End-to-end water management in the city of Villa del Rosario (14 years).

87.2 million euros.

4. Ecuador

WWTP (Waste Water Treatment Plant) in Ambato: Main Contract, Supplementary Contract and O&M.

30.4 million euros.

5. France

Acquisition of the company SPIE (Services Publics et Industries Environnement): manages several contracts in the Île de France area, close to Paris (average contract length of 8 years).

67 million euros.

6. Czech Republic

Mosnov (Moravia)

End-to-end water management in the industrial area of Mosnov (5 years).

2.3 million euros.

7. United Arab Emirates

Operation and maintenance of the East Area (Al Ain) sanitation system, including water treatment, awarded by Abu Dhabi Sewerage Services Company (7 years).

60.2 million euros.

Operation and maintenance of the Abu Dhabi Island Area sanitation system for Abu Dhabi Sewerage Services Company (7 years).

39.5 million euros.

8. Spain

Madrid

Canal de Isabel II - Operation and maintenance services of the sanitation networks in the towns of Guadarrama, Torrelaguna, Paracuellos de Jarama and Santillana (4 years).

43.5 million euros.

Design and construction of the El Endrinal waste water purification plant in Collado Villalba (3.7 years).

11.3 million euros.

Cantabria

Operation and maintenance services of the San Román de la Llanilla WWTP in Santander, and the associated header tank sanitation facilities, for the company Medio Ambiente, Agua, Residuos y Energía de Cantabria, S.A. (5 years).

12.9 million euros.

Granada

End-to-end water management in the town of Huéscar (12 years).

7.7 million euros.

Pontevedra

Management of the Vigo municipal indoor swimming pools (2 years).

5.6 million euros.

Design, construction and implementation of the industrial waste water treatment plant of the Spanish company Algas Marinas, S.A. in Porriño.

2.2 million euros.

Murcia

Renovation of the drinking water and sewerage network in San Pedro Pinatar.

5 million euros.

Ciudad Real

Design, construction and implementation of the industrial waste water treatment plant in the town of Argamasilla de Calatrava.

3.5 million euros.

Alicante

Management of the Mutxamel desalination plant and its distribution network for Acuamed (Aguas de las Cuencas Mediterráneas, S.M.E., S.A.) (2 years).

2.6 million euros.

Córdoba

Cleaning and inspection services of the sewerage networks, scuppers and installations of EMACSA (Empresa Municipal de Aguas de Córdoba) (2 years).

1.5 million euros.

Badajoz

Concession of the purification service in the towns of Guadiana del Caudillo and Pueblonuevo del Guadiana (15 years).

1.7 million euros.

Salamanca

Assignment of the header tank supply contract to the Aguas Santa Teresa Association (8 years).

1.1 million euros.

Expansions and extensions to already managed contracts in Spain

Ávila
Operation and maintenance service of the wastewater treatment plant of Huesca (20 years).
34.6 million euros.

Madrid
Operation and maintenance service of Culebro peripheral sanitation networks managed by Canal de Isabel II (4 years).
21.6 million euros.

Madrid
Operation and maintenance service of the wastewater treatment plant of Butarque and Valdebebas for the Isabel II Canal (5 years).
13.8 million euros.

Martos (Jaén)
Management of the water supply and sanitation service (4 years).
9.8 million euros.

Ibiza (Balearic Islands)
Management of the city's water supply and sewerage service (1 years).
8.5 million euros.

The village of Almoradiel (Toledo)
Management of the household water supply service (18 years).
6.7 million euros.

Béjar (Salamanca)
Management of the water supply and treatment service (4 years).
4.2 million euros.

Villatobas (Toledo)
Concession of the management of the town's water supply service (20 years).
3.7 million euros.

The Port of Santa María (Cadiz)
Maintenance, conservation and operation service of the city's WWTP and sewerage (1 year).
3.5 million euros.

Olías del Rey (Toledo)
Management of the water supply and sewerage service (5 years).
3.3 million euros.

Valdés, Luarca (Asturias)
Water supply service (5 years).
3.2 million euros.

Madrid
Services for the urgent renewal and repair of the supply and regenerated water network of Canal de Isabel II (1 year).
3.1 million euros.

Castillo - Playa de Aro (Gerona)

Management of the water supply service (1 years).
3.1 million euros.

Güímar (Santa Cruz de Tenerife)

Management of the water supply and sanitation service (1 year).
2.6 million euros.

Biscay (Bilbao)

Operation, maintenance and breakdown management service of the secondary networks of several towns for Udal Sareak, S.A. (2 years).
2.2 million euros.

Redondela (Pontevedra)

End-to-end management of the water supply, sanitation and treatment service (1 year).
2 million euros.

Bajo Ebro (Tarragona)

Management of the public service of sanitation systems in the region of Bajo Ebro (1 year).
2 million euros.

Oleiros (La Coruña)

Management of the municipal indoor swimming pools (1 years).
1.7 million euros.

Aldeatejada (Salamanca)

Management of the town's water supply and sanitation service (5 years).
1.3 million euros.

Zaragoza

Operation services for the supply activities of ACUAES (Aguas de las Cuencas de España) in Zaragoza, in the Aragon Ebro and Bajo Ebro corridor (1 year).
1.3 million euros.

Villena (Alicante)

Management of the water supply and sewerage service (1 year).
1.2 million euros.

Iniesta (Cuenca)

Management of the water supply service (5 years).
1.1 million euros.

Incorporated companies

Codeur, S. A.

Acquisition of a minority stake in a company that manages the concession of the water service in Vera, Almeria (34 years).
99.1 million euros.

Agua y Gestión del Ciclo Integral del Agua, S. A.

Provides the water service concessions of San Vicente de Alcántara, Villar del Rey, Palomas, Hinojosa del Valle and Puebla de la Reina, in Badajoz; Ceclavín, Garrovillas de Alconetar, Zarza la Mayor, Acehúche, Mata de Alcántara and Portezuelo, in Cáceres; San José del Valle in Cadiz, Bolaños de Calatrava and Viso del Marqués, in Ciudad Real; and Guadix and Ugíjar, in Granada (14 years).
44.8 million euros.

Highlights_End-to-end water management cycle

2019

January

- Aqualia strengthens its position as a leader in UAE by winning two new contracts.

February

- Aqualia presents a pioneering circular economy project at the Guijuelo treatment plant (Salamanca).
- The new water plant in Oviedo becomes a national reference.

March

- Aqualia is twice recognised by GWI (Global Water Intelligence) as a world leader in desalination.
- Aqualia will purify the water in Ávila until 2038.

April

- A report on the fraud committed in the supply networks, winner of the 3rd Aqualia Journalism Award.

May

- Aqualia's knowledge and experience is present at the Ibero-American communication summit, CIBECOM (Ibero-American Strategic Communication Summit).
- Aqualia wins two new contracts at the Tenerife airports (Canary Islands).

June

- The French company, Services Publics et Industries Environnement (SPIE), is now part of the Aqualia team.
- The government of the Czech Republic recognises the role of Aqualia, through its subsidiary SmVAK, in the development of the central European country.
- Aqualia publishes the 13th CSR Report, where it notes that "ethics and business are compatible and must be inseparable".

July

- Aqualia wins two new contracts for service in 32 French towns.
- Aqualia's All-gas project is a clear example of the opportunity for the green economy in Andalusia.

August

- Vocation to the service and maximum involvement of the Aqualia team in Gáldar during the fire in Gran Canaria (Canary Islands).

September

- Aqualia launches a 360º communication against fraud attempting to create doubts concerning the quality of tap water.
- Water regenerated from the treatment plant for the recovery of a biodiverse ecosystem in Medina del Campo (Valladolid).

October

- Aqualia celebrates one year of exemplary management in the port of Sohar (Oman).
- Aqualia attends EXPOAGUA Peru, the largest fair in the sector in Peru.

November

- Aqualia attends the ANEAS (National Association of Water and Sanitation Utilities of Mexico) Conference in Mexico, adding value to the public-private collaboration benefitting citizens.
- Aqualia celebrates 25 years of commitment and work in Badajoz.

December

- The documentary "Brave Blue World", in which Aqualia participates as an impact partner, takes the future of water to the big screen.
- Aqualia organises "Desalination Week" in Denia (Alicante) to introduce the world's most efficient and innovative technology for desalinating water.
- SmVAK, a subsidiary of Aqualia in the Czech Republic, implements a flexible waste water collection system for homes that are not connected to the sewage system.

Service excellence

Customer management

It is essential for Aqualia to expand the company's commitment to society, seeking the goal of excellence in customer service. The company aims to stand out in the market by developing services adapted to its users' needs. In 2019, progress continued in terms of gearing the strategy towards end customers, particularly focusing on the quality of the channels used to interact with our users.

Customer Service Channels

In 2019, the main management indicators for our aqualiacontact customer service channels are the following:

Telephone customer service

In 2019, 804,519 calls were received through the Customer Service Centre. Surveys were conducted with 107,076 customers of Aqualia Contact to measure the level of satisfaction. Of these customers, 82,774 rated assistance as excellent, 14,430 as very good and 6,332 as good; giving a positive satisfaction rate of 96.69%.

Virtual office: aqualiacontact

In 2019, 120,787 interactions were processed, with 33.02% regarding modification of data, 24.32% for electronic invoicing and 22.17% for bank card payments.

App for mobile devices

In 2019, using the app available to our customers, 31,151 interactions were processed, with 24.91% of these regarding modification of details and 59.96% for payments with bank cards.

Twitter @aqualiacontact

In addition to keeping this channel active within the omnichannel project, Aqualia incorporated customer service to its list of channels through Twitter. Through the @aqualiacontact account, messages sent by users are managed and dealt with. SMS messages for notifications of bills and incidents and warnings of failures in networks are also possible.

The efficiency of all customer relationship channels allows for a **very reduced number of claims; 0.30%** at December 2019 with an **average claim response time of 12 days**. The average meter installation time (from request) of five days is also noteworthy.

In order to meet the high expectations our customers have of the service offered by Aqualia, we continue progressing to be able to provide all our customers with a quality omnichannel experience when they interact with the company.

aqualia contact

The following objectives have been set for this:

1. Integration of all the channels

Channels functioning in unison, interrelated in real time. The new project for implementing a **Microsoft Dynamics CRM**, which started in 2018 and will be operational in 2020, will enable all the channels to be interrelated in real time with better accessibility, availability and integrity of the information in the interactions. The objective of the project is to have a new customer service module that must be integrated with other systems, such as the Diversa commercial system, which provides sufficient flexibility, guarantees availability and agile and flexible access to information through guided processes.

2. A better quality and more pleasant experience for customers

- Any operation from any channel.
- Single processes for every channel.

3. More responsive and capable service

- Multi-platform customers.
- Use of resources, development of communication skills by channel.

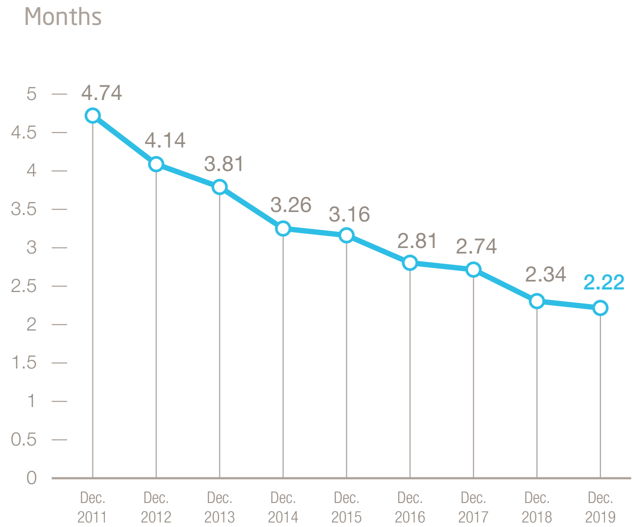
Billing and managing collections

The Customer Management department has maintained the same strategic vision in the development of its management tools, mainly with the implementation of the single billing and debt management tool for non-tariff concepts and the progress of new functions in the Business Intelligence tool for example, which includes meter renewal, fraud, adapting to the debt status procedures and types of customer.

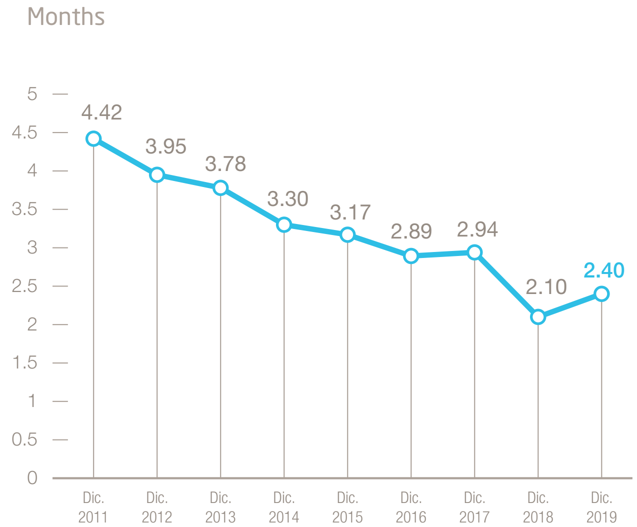
This allows continuous improvement of processes until reaching an average payment collection period of 2.22 months in Spain, with the following evolution:

Internationally, there has been an increase in the average collection period due to the increase in the International area. This is the result of incorporating the companies acquired in France (SPIE Group), in 2019, and also the progress of works and the application of the advances previously collected at the Abu Rawash WWTP (Egypt), Arraiján WWTP EPC (Panama), Ambato WWTP EPC (Ecuador), Riad Metro EPC (Saudi Arabia), Salitre WWTP EPC (Colombia) and Berane WWTP EPC (Balkans).

Average collection period. Spain



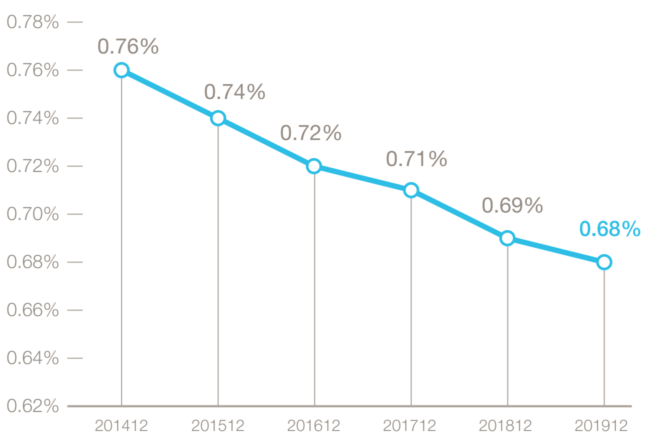
Average collection period. International area



In the tariff processes, the structural default has been improving every year, with Spain improving most, and has developed as follows:

Structural default. Spain

%



Aqualia has maintained the campaign to promote the use of electronic invoicing and to gradually replace as many paper invoices as possible. This action has allowed for a 17% increase in the number of invoices issued electronically compared to the previous year, reaching a global rate of 14%, contributing to preserving the environment, with 461,365 customers choosing to receive this type of invoice.

The task to minimise the difference between the water supplied into the network and the real amount actually consumed is an essential goal for a company such as Aqualia. To achieve this, in addition to continuously renewing the networks to avoid leaks as much as possible, plans are designed to detect fraudulent actions or uses of drinking water. In 2019, over 7,500 frauds, worth an equivalent consumption amount of €4.5 million, were detected. In addition to these actions, over 295,000 metering devices were renewed in many different contracts.

Meter Reading Mobility Project

In 2019, an ambitious project for meter readings was developed. The project aims to update the implemented mobility solution for taking meter readings, providing it with online and offline functions with the current Diversa commercial system used at Aqualia. The solution will be run on smartphones in order to provide functions related to taking and managing meter readings.

With this project, Aqualia aims to improve the current meter reading and management processes, making them efficient in the shortest time possible and with the smallest economic impact. The project was developed in 2019, concluding the final user tests with great success in December. The pilot was scheduled to launch in January 2020, with it being deployed to the other operations gradually.

The "Meter Reading Mobility Project" updates the implemented mobility for taking meter readings, providing it with **online and offline features** with the current Diversa commercial system.

Data protection

With the entry into force of Regulation (EU) 2016/679 (General Data Protection Regulation),on 25 May 2018, as well as the entry into force of Organic Law 3/2018 on Protection of Personal Data and Guarantee of Digital Rights (LOPDGDD) on 5 December 2018, Aqualia initiated the regulatory adaptation process regarding data protection, reaching an optimal level of maturity in the system during the first six months of 2019 according to the results of the regulatory compliance reviews conducted by the Data Protection Coordinator.

Aspects reviewed and adapted to the DP regulations

Data privacy officer

- Definition of the privacy governance structure.
- Appointment of Data Protection Coordinators by country.
- Appointment of Data Protection Officers by country.

Privacy by design

- Implementation of the privacy principle from design and by default in the new processes and technology related to data protection.

Accountability

- Creation of mechanisms to review accreditation of suitability evidence.

Processing activity register

- Creation of a processing activity register and implementation of mechanisms that ensure it is continuously updated.
- Management of the Risk Maps result.
- Risk processing plan.

Processing assignments

- Creation of two adapted processing assignment models and review of the time periods currently in force.
- Formalisation of processing assignment models with public administrations.

International transfers

- Review of legal guarantees in which international data transfers are included.
- Contractual formalisation and regularisation of the identified international data transfers.

Management of rights of parties concerned

- Implementation of legal and technical procedures for the management of the rights of the parties concerned.
- Management of the rights of employees concerned.
- Management of the rights of clients concerned.
- Management of the rights of suppliers concerned.

Security measures

- Definition of security measures to adopt.
- Adaptation of security measures, group websites and app.

Notification and communication of data breaches

- Creation of a procedure to notify and communicate security and internal management breaches.
- Investigation of notified security breaches, management in *eprivacy6* tool to create a report and communicate with the AEPD if necessary.

Privacy impact assessments

- Creation of a procedure for carrying out PIAs and training for their use.
- Carrying out the impact assessment.

Prior consultation and relationship with the control authority

- Review of the activity protocols in light of the information requirements of control authorities and/or bodies.
- Register of the Ecix entity as DPO of Spain and Portugal.

Duty of information and consent

- Modification of the information clauses and mechanisms for obtaining consent that are currently used:
  - International and national supplier clauses.
  - Client documentation clauses.
  - Sports centre clauses.
  - Employee clauses.
  - Website, app, telephone call clauses.

Aqualia promotes **social action mechanisms** in their **rates** and solidarity **funds for disadvantaged users.**

Social action

Although the capacity to set rates and regulate the services provided in the integral water cycle in Spain lies exclusively with the Administration, at Aqualia we actively promote social action mechanisms in the rates and solidarity funds for under-privileged users.

The company has also worked to improve the coordination with the city councils' social services to protect customers at risk of social exclusion. As an example, within its CSR policy, Aqualia has been renewing its partnership agreement with Caritas Española to support the initiatives of this humanitarian organisation in Spain, since 2015, and with ACNUR since 2019.

Sustainable management

As one of its main objectives, Aqualia continues to support compliance with the United Nations' Sustainable Development Goals (SDG), focusing on those that affect the water sector and its stakeholders:

- 3 Good health and well-being — Promote well-being for all
- 6 Clean water and sanitation — Sustainable water and sanitation
- 7 Affordable and clean energy — Non-polluting energy
- 8 Decent work and economic growth — Promote sustained economic growth
- 9 Industry, innovation and infrastructure — Build resilient infrastructure
- 11 Sustainable cities and communities — Create sustainable cities
- 12 Responsible consumption and production — Ensure sustainable production and consumption
- 13 Climate action — Urgently adopt measures to combat climate change
- 14 Life below water — Conserve marine resources sustainably
- 15 Life on land — Combat desertification and protect biodiversity
- 17 Partnerships for the goals — Alliances to achieve the objectives

Likewise, the company continues with its strategy of creating shared value, heeding the expectations of its stakeholders and further developing the tools to know and measure the social and environmental impact, supporting the creation of economic value and increasing the company's competitiveness (calculating our social and environmental footprint). That is why, in 2019, we have worked on the following aspects:

1. **Adaptation of the new ISO 45001 Standard** for the Occupational Health and Safety at the organisations, replacing OHSAS 18001. The Aqualia Management System incorporates this new Standard into its Integrated Management System.
2. **Increased efficiency in Internal and External Audits** through the integration of audits of the Quality, Environmental, Energy and Carbon Footprint calculation.
3. **Adaptation of international certificates** to the new requirements of ISO 9001 (Quality Management) and ISO 14001 (Environmental Management).
4. Increase in the scope of the **Energy Management and Climate Change** strategy.
   - Monitoring contracts with energy review.
   - Calculating and verifying the Carbon Footprint of all Aqualia's activities in Spain and Portugal.
   - Inclusion in the Carbon Footprint Registry of the OECC (Spanish Climate Change Office) of MITECO (Ministry of Ecological Transition and the Demographic Challenge) for all Aqualia's activities in Spain.
   - Plan to Reduce the Carbon Footprint of Aqualia's activities (2017 - 2019).
   - Verification of the emissions avoided in the CLIMA Project of the OECC of MITECO, approved in 2018, for the use of alternative fuels, which come from the company's activity, in vehicles.
   - Monitoring of the project to implement the Energy Management System in all activities in Spain, in compliance with RD 56/2016.
5. **Adaptation of the general procedures of the Management System to FCC Group's Compliance model** to respond to the designation of process owners and their corresponding controls.
6. **Participation in AENOR meetings and conferences and in AEC work groups**
7. **Participation in the Circular Economy Commission of the Spanish Chamber of Commerce**, where legislative initiatives are analysed and meetings are held with policy makers.

In addition to the above, the strategy with the company's stakeholders has been maintained. This consists of incorporating the treatment of Aqualia's stakeholders into the Management System and the company's context analysis as a requirement of the new Standards and as support for other Aqualia departments in their daily work (Customers, Compliance, Communication, CSR, HR, etc.).

Energy management

The energy management of production facilities has been a strategic line of action for the company since it was founded, with the optimisation of energy consumption an objective of continuous improvement.

Not surprisingly, the calculation of the company's carbon footprint in its operations in Spain and Portugal, verified in accordance with the guidelines of the UNE-ISO 14064 Standard by AENOR, shows that the component with the biggest impact on Aqualia's carbon footprint is electricity consumption (Scope 2).

Greenhouse gas emissions 2019

CO_2 emissions from the end-to-end cycle (Tn) Sum: Scope 1+2+3	**499,172**	**448,654**	**-10.1%**
Scope 1 emissions ($TnCO_2$)	47,540	85,552	80.0%
Scope 2 emissions ($TnCO_2$)	410,285	321,812	-21.6%
Scope 3 emissions ($TnCO_2$)	41,346	41,290	-0.1%

Every four years, the production facilities, which consume over 85% of the company's total consumption, are submitted to energy auditors.

Improvements for reducing energy consumption

Since 2016, and every four years, the company submits a set of production facilities that consume more than 85% of the company's total consumption to energy auditors (in accordance with ISO 50001 - Energy Management Systems).

In order to monitor the improvement opportunities detected in the audits, the functional design of a computer tool has been created, which is promoted within the scope of this standard. This tool will be included with Aqualia's technical analysis/reporting tool (AqualiaRT/AqualiaBI), enabling the activities and results obtained to be monitored.

In 2019, the first steps were taken to expand the energy management to office buildings, defining the implementation of systems for monitoring and acting on the energy consumption of the buildings. This is expected to optimise the consumption of these buildings, which have a much smaller impact on the company's carbon footprint than the production installations, but which are Aqualia's showcase for its end customers, to whom we transfer our environmental commitment.

Energy transition towards renewables

Aqualia's commitment to the Sustainable Development Goals (SDG) approved by the United Nations General Assembly in 2015 has a direct impact on energy consumption through SDG 7. To this end, significant steps have been taken to modify the energy mix of the energy consumed by Aqualia, developing a renewable energy producer/consumer profile.

Therefore, in 2019, a renewable energy (photovoltaic source) purchase agreement (Power Purchase Agreement - PPA) of 76 GWh/year was signed in Spain for 10 years, which amounts to approximately 17% of the total energy consumed in Spain. With this agreement, Aqualia supports the financial feasibility required for constructing the photovoltaic plants listed in the agreement.

In the same line, Aqualia has obtained Guarantees of Origin from the Spanish National Commission on Markets and Competition for the 76 GWh/year of energy consumed (effective from 2021). These Guarantees of Origin certify Aqualia as a renewable energy consumer, for their consumption at the facilities of customers who require it.

Similarly, a study has been carried out (at 1,300 electricity supply points) for the installation of photovoltaic solar panels at the facilities run by Aqualia. Finally, 52 installations are technically, financially and contractually suitable for this installation, which is expected to be capable of generating approximately 8.3 GWh/year, with an installed power of over 5,276 kW at peak.

Technical management

Improvement projects in technical management

1. Application of the BIM (Building Information Modelling) methodology to the operation of facilities

In 2019, the BIM methodology was implemented at Aqualia, with a holistic approach which starts in the engineering phase, continues in the construction phase and concludes in the operation and maintenance of the facilities. The participation of the IT department in this project contributed to:

- Preparing the organisation to be able to include projects that require a BIM model to be created/maintained for the project.
- Ensuring the Aqualia BIM models are useful in the operation and maintenance phase of the facilities.
- Ensuring that the BIM project of the installation phase can power the computer tools used for Asset Management and Maintenance Management at Aqualia.

2. New Asset Management and Maintenance Management tool

The first version of this tool is available. It was constructed by the Information Technology (IT) department in accordance with the requirements of the company's expert staff in the Production areas and the Technical departments of the Regions, and is coordinated by the company's Operations department.

The first pilots will be implemented in the first quarter of 2020, when the tool's performance level with be tested, and the operational improvements that are detected will be made.

3. Automatic loading of the electrical data on the technical reporting tool (AqualiaRT)

The electrical magnitudes are fundamental to the company's technical monitoring/analysis of its operations. In collaboration with the IT department, the computer process responsible for loading this data directly from the supplier invoice to the AqualiaRT tool has been implemented.

This has improved the following aspects, with respect to the starting point (manual loading):

- Greater reliability of the information reported (human error is removed).
- Fewer hours spent preparing the technical report.
- Improved deadlines for making the information available.

4. Maintenance of small WWTPs

In the second quarter of the year, a new AqualiaWO (mobility work orders) development was designed and implemented. The aim is to provide a tool for programming, monitoring and controlling the maintenance and operational review of the networks of small WWTPs which are isolated and remote.

Using this tool, which is already operating satisfactorily at the WWTP in Asturias, the efficiency rates and operational control of the maintenance of these installations is noticeably improving. This enables Aqualia to include in its portfolio a corporate management tool of a higher level than others on the market, and which is perfectly suited to the specific field it is focused on.

5. Water Analytics

Continuing with the development and launch of **Aqualia's Centralised Corporate SCADA** Platform, the IT department, together with the Customer and Operations departments, is developing a Business Intelligence tool (AqualiaWA) which has the capacity to carry out an advanced analysis of the combined data from the technical remote control of installations and networks and from the remote reading of household meters, as well as other external variables (environment, breakdown management, GIS, etc.).

AqualiaWA is designed to be a tool to support decision making, with the most advanced AI standard to improve the technical efficiency and service to citizens, in collaboration with environmental sustainability.

The Denia service was chosen as the pilot due to its special technical-geographic characteristics and the planned mass launch of remote reading which is currently in progress.

6. Network of drinking water laboratories accredited by ENAC

In 2016, the project to reorganise the Aqualia drinking water laboratories started. It was an essential project for using its own means to address the new requirements imposed by EU Directive 2015/1787 of the Commission of 6 October 2015, finally transposed into Spanish legislation through Royal Decree 902/2018, of 20 July, which amends Royal Decree 140/2003, of 7 February, which establishes sanitary criteria for the quality of water intended for human consumption.

With the reorganisation performed since then, 22 laboratories, which did not work under this standard, were eliminated for the purpose of regulatory analysis, and accreditation according to the ISO 17025/2017 standard was extended to the laboratories in Badajoz and Vigo and, in human and material resources, the laboratories of Oviedo (Asturias), Lérida (Catalonia), Ávila, Jerez (Cadiz) and Adeje (Tenerife), which were previously accredited under this ISO standard, were enhanced. All these laboratories are operated through Hidrotec S.L.U, a subsidiary of Aqualia.

This new structure responds to both the needs for the independent decision of the laboratory, as required by the standard, and all the analytical needs of the contracts managed by the Aqualia group in accordance with the new regulations.

It is important to highlight individual milestones in 2019, such as the opening of the new laboratory facilities in Oviedo by the mayor, in January. The opening was attended by both the principality authorities and municipal and civil society representatives.

With these new facilities and the associated human resources, the laboratory in Oviedo, which is the reference facility in the Aqualia network, has the capacity to carry out practically any type of waste and drinking water analysis. It is also recognised as the technically best facility within its sector in the principality and one of the most important in its sector in Spain.

The new laboratory for drinking water control analysis was also opened in Badajoz by its mayor. In December, this facility received very good feedback in the audit for its accreditation by ENAC (Spanish National Accreditation Entity). Therefore, Aqualia has another accredited laboratory, meaning six of the laboratories in the Aqualia-LAB network have this Spanish accreditation, in addition to the two accredited in the Czech Republic.

Innovation and technology

Aqualia's innovation activity is focused on achieving the United Nations' Sustainable Development Goals (SDGs) for a water and sanitation service that is accessible and of a suitable standard (SGD 6), improving its energy balance (SDG 7) and reducing its carbon footprint (SDG 13) through sustainable production and consumption (SDG 12). The activity of the Innovation and Technology department is aligned with the European policies for the transition to a circular economy with a zero carbon footprint, for which it seeks to develop new smart management tools and new sustainable services proposals.

The following table shows the projects carried out in the Innovation and Technology department in 2019 to strengthen Aqualia's technological proposal, organised into four lines of work: Eco-efficiency, Quality, Smart Management and Sustainability.

20 projects were carried out in 2019:

- **17 belonging to European Union programmes:**
  - 1 in the FP7 framework programme.
  - 1 in the Joint Project Initiative (JPI).
  - 6 in the H2020 programme.
  - 7 in the LIFE project.
  - 2 Bio-Based Initiative (BBI).
- **3 belonging to national programmes**.

Quality
- LIFE Memory (2019)[1]
- LIFE Methamorphosis (2020)

Intelligent Management
- Virtual CSIC (2019)
- LIFE icirbus4industries (2020)
- H2020 Run4Life (2021)

Sustainability
- LIFE Biosol (2019)[1]
- H2020 Incover (2019)[1]
- FP7 All-gas (2019)
- H2020 Sabana (2020)
- LIFE Ulises (2022)
- LIFE IntExt (2023)

Eco-efficiency
- LIFE Answer (2019)
- RIS3 IDEPA Valorastur (2020)
- H2020 Mides (2020)
- INTERCONECTA Advisor (2020)
- WATERWORKS Maradentro (2021)
- H2020 Scalibur (2022)
- H2020 MSCA REWATERGY (2023)
- H2020 BBI Deep Purple (2023)
- H2020 BBI B-Ferst (2023)

(1) Finished projects

In 2019, five projects **were completed** with the following results:

- **LIFE Memory:** in a 50 m^3 industrial reactor in Alcázar de San Juan (Ciudad Real), the project demonstrated the technical and economic feasibility of an innovative Anaerobic Membrane Bioreactor (AnMBR). This technology enables the conversion of the organic matter contained in wastewater into biogas and the production of disinfected reuse water that is rich in nutrients. The elimination of the primary and secondary conventional stages enables a reduction in energy consumption and CO_2 emissions of up to 80% to be achieved, reducing the space required by 25% and the production of sludge by around 50%. The technology was implemented in other projects such as the WWTP of a small town in Terassa, and the Methamorphosis and Run4Life projects.
- **LIFE Biosol:** the aim of the French SME Helio Pur Technologies, as the leader of the project, was to demonstrate the solar disinfection of reuse water through algae cultures in the first stage at the Fundación CENTA facilities in Seville. A larger scale facility (3,000 m^2 of culture) has also been built at the El Toyo treatment plant in Almeria, where biomass recovery has also been performed.
- **H2020 Incover:** the project is led by the AIMEN Technology Centre (O Porriño, Pontevedra) and brought together 18 entities from 7 countries to assess the use of algae biomass in higher value products, such as bio-fertilisers and bio-plastics. It has also improved the production of reuse water through several treatment options with plant filters, solar disinfection and smart irrigation implemented at the Chiclana (Cadiz) and Almeria WWTPs, including biogas washing with algae to absorb CO_2.

H2020 Incover Project. Chiclana WWTP in Cadiz (Spain).

- **FP7 All-gas:** the first algae biofuel plant in the world has been constructed and is in operation. It has a capacity of 2,000 m^3/day of tertiary treatment of municipal effluent in an area of two hectares of algae cultivation. In addition to reuse water, biomethane is produced to move up to 20 vehicles with a positive energy balance. The biofuel has supplied three test vehicles that have each covered 70,000 km and detailed analyses of wear and emissions are carried out regularly. Together with other municipal service vehicles, 400,000 km have been covered without mechanical incidents, confirming a sustainable option of locally produced methane with a neutral carbon footprint.
- **Life Answer:** at the Mahou beer factory, the consortium leader, in Guadalajara, a new configuration of microbial purification cell technology, developed by Aqualia in collaboration with the University of Alcalá de Henares, has been optimised. It has demonstrated energy savings in the process, and the recycling of the residual aluminium from the cans, through a combination of the process with pre-treatment based on electro-coagulation. Reuse options with membranes were also implemented in the factory.

In addition to technology development projects, it has also invested in the **training of doctoral students**:

- In 2019, the doctoral thesis on the **Virtual CSIC** project was concluded. It was carried out in collaboration with the Artificial Intelligence Research Institute at the Spanish National Research Council (IIIA-CSIC) and the Autonomous University of Barcelona (UAB), and with support from a partial grant from the Catalonia regional government. It explores agent-based simulation as a support for decisions on public and management policies to abstract a particular social phenomenon in order for it to be codified as a software program. This means different inputs and configurations of the social system can be simulated and different policies, events and management decisions can be tested to anticipate results. In 2019, the work was published in an international journal and in four congress proceedings.
- In 2020, the **Rewatergy** project of the H2020 Marie Sklodowska Curie programme of doctorates in European networks was launched, led by the Rey Juan Carlos University (Madrid). Two researchers who started their doctorates at Cambridge and Ulster universities were selected to then include practical work with Aqualia in the second training stage.

In 2019, another five European projects, two within the LIFE programme and three within the H2020 programme, **are in their final development phase**, with the conclusion expected during 2020:

- **LIFE Methamorphosis:** another five entities (Área Metropolitana de Barcelona, FCC, Naturgy, Institut Català d'Energia (Icaen) and SEAT) participate in this project led by Aqualia, and two demonstration plants have been built. The first, in the Besós Ecopark (Barcelona), managed by the FCC Group, integrates three technologies recently developed by Aqualia (AnMBR, ELAN and biogas washing) to convert leachate from urban waste into biomethane. At the second, Naturgy works on the conversion of purines into biofuel, which is tested for use in cars and lorries.
- **LIFE Icirbus:** the project is led by the Intromac Technology Institute and has eight partners to demonstrate the synergy between treatment waste and biomass ash from the company ENCE in creating construction materials and biofertilisers. The prototype is being operated in a waste water treatment plant run by Aqualia in Lobón (Extremadura).
- **H2020 Mides:** the project mobilises 11 partners from 7 countries to demonstrate, in three different locations, a new desalination technology developed between Aqualia and IMDEA Agua. The microbial desalination cell (MDC) reduces the energy cost of desalination tenfold compared to traditional reverse osmosis by using the organic waste material from effluents to activate bacteria that displace salts through membranes, with no external energy input.

  The first prototype has already been implemented at the Denia plant, which is run by Aqualia, and another prototype is being implemented in the Canary Islands. As part of the project, a Desalination Technology Centre opened in Denia. It is used to test different innovative technology for pre and post desalination treatment, and new filtration materials are also being tested.
- **H2020 Sabana:** the University of Almeria leads a consortium of 11 entities from 5 countries (including the Czech Republic and Hungary), and three industrial partners: Aqualia together with Westphalia (Germany) and the Italian food group Veronesi. The project optimises the production of new biofertilisers and biostimulants, and the selection of a new Aqualia WWTP for constructing a five-hectare biorefinery is in the final stage.

LIFE Methamorphosis project.

- **H2020 Run4Life:** this consortium is led by Aqualia and unites 14 members from 7 countries to implement new nutrient recovery concepts from separating grey and black water, in four locations (Sneek, in the Netherlands; Ghent, in Belgium; Helsingborg, in Sweden; and Vigo, in Spain). The Sneek and Vigo facilities are already in service, the first with new vacuum sanitation services with minimal water consumption, and the second with an AnMBR to produce bioenergy and water for irrigation. The project has encouraged dialogue with the users of the new services and by-products to optimise water and energy consumption through the decentralised management of these systems.

Two regional projects are also scheduled to be **concluded** in 2020:

- **RIS3 Valorastur**: in the RIS-3 programme from the Ministry of Industry, Employment and Economic Promotion of the Principality of Asturias, Aqualia collaborates with two large public companies, Cogersa and Hunosa, and the SME Ramso, with the aim of achieving eco-efficient purification, by controlling energy consumption and reducing waste production, while generating new resources.
- **Interconecta Advisor:** co-financed by the Centre for the Development of Industrial Technology (CDTI) and supported by the Guijuelo city council (Salamanca), the project started in 2019. It aims to codigest the waste from the meat industry (Maguisa, the abattoir in Guijuelo) at the WWTP facilities managed by Aqualia in order to avoid the cost of transporting waste and increasing the production of biofuel, thus powering vehicles at the WWTP. Together with the Ainia Technology Centre, waste pre-treatments are assessed, with the Energy-Lab Technology Centre and CH4+tech, the use of biomethane is optimised.

At the start of 2019, with a focus on waste reduction and recovery in Europe, the **H2020 Scalibur** project was launched. It consists of 21 partners from 10 countries and is led by the ITENE Technology Centre.

With participation from FCC Medio Ambiente, the project provides coverage to waste transformation plants in Madrid (Spain), Lund (Sweden) and Rome (Italy). Aqualia has implemented new sludge treatments at the Estiviel (Toledo) WWTP and is preparing supplementary activities in the Czech Republic to convert organic material into by-products and bioenergy.

In 2019, four new projects **were started** with European financing, two as part of the BBI (Bio-Based Industries) initiative and two as part of the LIFE programme:

- **BBI Deep Purple:** led by Aqualia and supported by 13 partners, the project aims to implement a new biological platform that integrates Purple Photosynthetic Bacteria (PPB) on an industrial scale. Using organic waste water and urban waste, biorefinery works are carried out to produce biofuels, and recover cellulose and plastics as new base materials in the chemistry and cosmetics industry. The first Aqualia tests have been installed in Toledo, with a second phase scheduled in the Czech Republic.
- **BBI B-Ferst:** with Fertiberia, a fertiliser and industrial chemical products company, leading this project, Aqualia joins 10 other partners from 6 different countries to develop and assess new biofertilisers based on urban waste and treatment by-products. Sludge is expected to be used at the WWTP in Jerez (Cadiz) to power a fertiliser factory in Huelva.
- **LIFE INText:** this project assesses and adapts low-cost purification technology to minimise the energy cost, carbon footprint and waste in order to provide sustainable solutions, which are both ecological and affordable, for small towns. A platform for demonstrating this technology is scheduled to be constructed at the WWTP in Talavera de la Reina (Toledo), which is run by Aqualia.
- **LIFE Ulises:** this project develops options for transforming a conventional WWTP into an “energy production factory”, eliminating its carbon footprint. It is being implemented at the WWTP in El Bobar (Almeria), which is run by Aqualia.

Two **new patents** were obtained in 2019:

- On 12 September, the US patent office reported it had granted the patent corresponding to application 16/090,341 for the Anaerobic Membrane Bioreactor (AnMBR - together with UV/UPV).
- On 29 November, the EPO confirmed its intention to issue the patent corresponding to application number 14 382 131.2 -1101 for the Bioelectrochemical Fluidized Bed (together with the UAL).

In terms of publications and involvement in congresses, the R&D team took park in 43 scientific and professional events, and their work is reflected in more than 250 press articles, as summarised in the following table:

	2017	2018	2019
Scientific articles	11	12	11
Sector press	117	131	108
General press	113	94	139
International events	33	24	24
National events	18	30	19
Other		2	
Total	**292**	**293**	**301**

Infrastructure

With cumulative experience of 120 years, the infrastructure area of the FCC Group is present in 23 countries (Spain, Canada, United States, Mexico, Brazil, Colombia, Chile, Peru, Panama, Costa Rica, Dominican Republic, Nicaragua, Guatemala, Romania, United Kingdom, Belgium, Norway, the Netherlands, Ireland, Portugal, Egypt, Saudi Arabia and Qatar) and its activities cover all areas of engineering and construction.

It is a leader in implementing transport infrastructure, as well as residential and non-residential construction. It is currently the fourth largest construction company in Spain, in terms of contract volume, and in the top 40 in the world according to the ranking by the international magazine, ENR (Engineering News-Record). It has proven track-record in implementing projects under the concession regime, and has a group of companies dedicated to the industrial sector, grouped together under the brand FCC Industrial, as well as other activities related to the construction sector.

Some activity data

Experience and ability:

- More than **700 km of tunnels**.
- More than **8,500 km of roads and motorways**.
- **1,650 bridges**.
- More than **2,600 km of railways**, of which 900 km are high speed and 326 km are metro.
- **48 dams** and **76 km of wharfs**.
- More than **4,500,000 m² of airport runways**.
- More than **2,300,000 m²** of airport terminals.
- More than **3,000 km of oil and gas pipelines**.

In 2019, Infrastructure area of the FCC Group recorded an aggregate total attributable order book of **5.62 billion euros**. The gross operating profit (EBITDA) reached **100.2 million euros** and the turnover increased by 3.9% compared to the previous year to **1.72 billion euros**. In 2019, the portfolio of international projects increased by 5% and the income from domestic activities by 9.2% compared to the previous year, at over **665 million euros**.

Sector analysis

Domestic market

The country's economic growth prospects will gradually decrease to 1.6% in 2021 and 0.7% in 2022. The GDP will accelerate in 2020.

In the construction sector, growth is forecast above GDP, especially in 2020 (3.1%).

The following sectors in the construction market are worth noting:

- **Residential construction:** Three more years of growth are forecast, from 8.5% in 2019 to 0.5% in 2021. This upwards trend ends with a 2% decrease in 2022.
- **Non-residential construction:** growth in 2019 was 5% and a reduction in growth to 3% is forecast for 2020. From then, the growth forecasts reduce to 1.5% in 2021 and 0% in 2022.
- **Civil engineering:** Spain's government issues from recent months remain.

Port of Barcelona attached dock, Catalonia (Spain).

In 2019, there was reduced growth (1%). According to the forecast public works contracts, the investment plans of the new government will still not be applied for 2020. The forecast places civil engineering as the subsector with the greatest medium-term growth. It will not be until 2022 that engineering returns to production levels similar to those of 2015, but they will still be insufficient to avoid the degradation of infrastructure capital stock.

In the construction sector, growth is forecast **above GDP**, especially in 2020 (**3.1%**).

International market

EUROPE

In 2019, construction in Europe was positive, with growth of 2.3%. In the next couple of years, growth will be approximately 1% between 2020 and 2022.

With regard to sectors in the construction market:

- In **residential construction**, the growth cycle is not synchronised across Europe. Europe decelerated in 2019 (1.8%) and will stop in 2020 (0%) before shrinking in 2021 (-1.4%).
- In **residential construction**, there is a cautious investment climate. The forecast predicts 2% growth in 2019 and 0.2% in 2020. Once again, this is a result of empowering only a few countries but with a strong global presence. Production levels will reduce in France, Germany and the United Kingdom. The public subsectors, such as education and health, which decreased from 2016 to 2018, will grow in the coming years to convert health construction into the most expansive subsector thanks to great progress in countries such as the Netherlands, Ireland, Norway and Sweden.

Bridge over the Danube river, between Vidin (Bulgaria) and Calafat (Romania).

- **Civil engineering** was late to the recovery as it was hardly affected by the uncertainty in the sector. 2019 saw solid growth of 5.1% and the forecast for 2020 is 2.6%, with 2.2% in 2021. The projection for 2022 (1.8%) represents a significant deceleration. The subsectors that will experience the greatest growth will be: railways, roads and hydraulic infrastructure.

In 2019, construction in Europe was positive, with **growth of 2.3%.**

LATIN AMERICA

The whole of Latin America will grow by just one tenth in 2020 and 1.3% in 2021. 2020 is forecast to close with 18 of the 20 Latin American countries facing an economic downturn. The region will grow by 0.1% on average and the prospects for 2021 indicate growth of 1.3%.

The political unrest in Chile and Bolivia have further destabilised the growth prospects for the group of countries. If the reduced growth expectations forecast for 2020 are met, the region will have experienced six consecutive years of bad economic data and the period from 2014 to 2020 will be their worst period of growth in the last 40 years.

Brazil, Chile and Mexico are emerging as leaders in project finance in the construction market. These countries have great infrastructure needs and offer a lot of investment opportunities.

NORTH AMERICA

The North American economy has grown at a good rate, decelerating at lower rates than those initially forecast. The industrial sector is weakened by the global deceleration and trade relations. Despite the warnings that indicate global economic growth is decelerating, the construction sector in the USA remains strong, in part due to the impetus from large projects and infrastructure, in particular those derived from the different high-speed and motorway developments, which are the backbone of the country.

Gerald Desmont Bridge in the USA.

MIDDLE EAST

The latest **Global Competitiveness Report** issued by the **World Economic Forum**, highlights the strong investment Saudi Arabia will make in infrastructure. A significant part of the 425 billion dollars forecast in the investment plan will be allocated to improving the country's infrastructure with the construction of 2,000 kilometres of new railways and five new airports, one of which will be in the capital city, Riyadh.

Brazil, Chile and **Mexico** are emerging as **leaders** in *project finance* in the construction market.

Industrial activity

FCC Industrial carries out its activities in various subsectors, ranging from manufacturing to operation and maintenance, as well as the design and construction of industrial facilities.

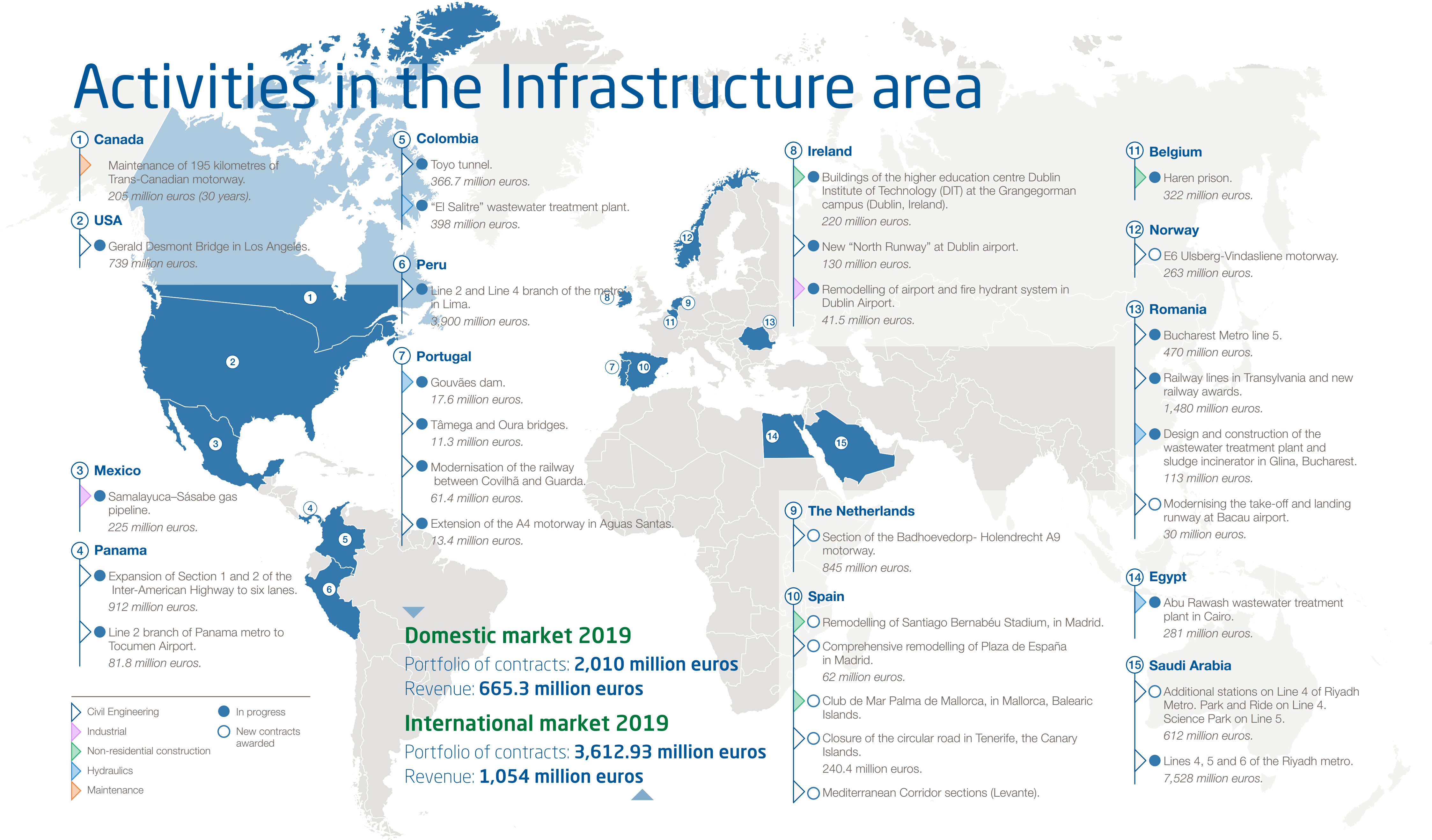
The economic situation in Spain has partly maintained its growth thanks to the strength of investment and domestic consumption. The increase in uncertainty internationally, different trade relations and the rise in oil prices will have a moderating effect on growth.

Internationally, oil prices are affecting large projects in the oil and gas and fossil-fuel-based power generation sectors, but there is some growth in renewable energies in Latin America and the Middle East and in Europe in waste recovery, sectors in which FCC Industrial is present as part of the diversification of activities and markets strategy.

It is also worth noting that the saturation of industrial investments in the USA and the continued growth of the US economy which could precipitate a faster than expected increase in interest rates (with a negative effect on emerging markets).

Remodelling of airport and fire hydrant system in Dublin Airport (Ireland).

Activities in the Infrastructure area



1 Canada

Maintenance of 195 kilometres of Trans-Canadian motorway.
205 million euros (30 years).

2 USA

Gerald Desmont Bridge in Los Angeles.
739 million euros.

3 Mexico

Samalayuca–Sásabe gas pipeline.
225 million euros.

4 Panama

Expansion of Section 1 and 2 of the Inter-American Highway to six lanes.
912 million euros.

Line 2 branch of Panama metro to Tocumen Airport.
81.8 million euros.

5 Colombia

Toyo tunnel.
366.7 million euros.

“El Salitre” wastewater treatment plant.
398 million euros.

6 Peru

Line 2 and Line 4 branch of the metro in Lima.
3,900 million euros.

7 Portugal

Gouvães dam.
17.6 million euros.

Tâmega and Oura bridges.
11.3 million euros.

Modernisation of the railway between Covilhã and Guarda.
61.4 million euros.

Extension of the A4 motorway in Aguas Santas.
13.4 million euros.

8 Ireland

Buildings of the higher education centre Dublin Institute of Technology (DIT) at the Grangegorman campus (Dublin, Ireland).
220 million euros.

New “North Runway” at Dublin airport.
130 million euros.

Remodelling of airport and fire hydrant system in Dublin Airport.
41.5 million euros.

9 The Netherlands

Section of the Badhoevedorp- Holendrecht A9 motorway.
845 million euros.

10 Spain

Remodelling of Santiago Bernabéu Stadium, in Madrid.

Comprehensive remodelling of Plaza de España in Madrid.
62 million euros.

Club de Mar Palma de Mallorca, in Mallorca, Balearic Islands.

Closure of the circular road in Tenerife, the Canary Islands.
240.4 million euros.

Mediterranean Corridor sections (Levante).

11 Belgium

Haren prison.
322 million euros.

12 Norway

E6 Ulsberg-Vindasliene motorway.
263 million euros.

13 Romania

Bucharest Metro line 5.
470 million euros.

Railway lines in Transylvania and new railway awards.
1,480 million euros.

Design and construction of the wastewater treatment plant and sludge incinerator in Glina, Bucharest.
113 million euros.

Modernising the take-off and landing runway at Bacau airport.
30 million euros.

14 Egypt

Abu Rawash wastewater treatment plant in Cairo.
281 million euros.

15 Saudi Arabia

Additional stations on Line 4 of Riyadh Metro. Park and Ride on Line 4. Science Park on Line 5.
612 million euros.

Lines 4, 5 and 6 of the Riyadh metro.
7,528 million euros.

Civil Engineering
Industrial
Non-residential construction
Hydraulics
Maintenance

In progress
New contracts awarded

Domestic market 2019

Portfolio of contracts: **2,010 million euros**
Revenue: **665.3 million euros**

International market 2019

Portfolio of contracts: **3,612.93 million euros**
Revenue: **1,054 million euros**

"El Salitre" wastewater treatment plant in Colombia.

National projects in development

CONSTRUCTION

Throughout 2019, the construction area was awarded **68 contracts** with an overall contract volume of approximately **2.3 billion euros**.

Below are the main national contracts awarded, implemented and completed in 2019.

○ Awarded ◐ In progress ● Completed

Residential construction

- ○◐ Construction of 86 homes in Sant Cugat del Vallés (Barcelona, Spain).
- ○◐ Construction of 108 homes in Cancelada, Estepona (Málaga, Spain).
- ○◐ Construction of 50 homes "Essència de Sabadell" (Barcelona, Spain).
- ○◐ Construction of 72 homes, premises and car parks in Zona Franca 17-25 de Barcelona (Barcelona, Spain).
- ○● Construction of 84 homes and 126 parking spaces in Sant Joan Despí (Barcelona, Spain).
- ○◐ Construction of 109 homes with commercial premises, garage and storage (Valencia, Spain).
- ○◐ Construction of 48 homes, garage, storage and swimming pool at the Plan Parcial San Sebastián de los Reyes plot (Madrid, Spain).
- ◐ Construction of 104 houses and 123 houses, "La Cizaña", in Torremolinos (Malaga, Spain).
- ◐ Construction of 78 multi-family dwellings and 36 single-family homes in Estepona (Malaga, Spain).
- ◐ Construction of 72 homes in Palma de Mallorca (Mallorca, Spain).
- ◐ Construction of 132 homes in PAU Ciudad Deportiva FC Barcelona (Barcelona) and 60 homes in l'Hospitalet de Llobregat (Barcelona, Spain).
- ◐ Construction of 26 homes and parking spaces in Sant Joan Despí (Barcelona, Spain).
- ◐ Construction of 73 homes "Essència de Sabadell" (Barcelona, Spain).
- ◐ Construction of 50 homes "Essència de Sabadell" (Barcelona, Spain).
- ◐ 86 homes, 2 commercial premises and garage in the Ensanche de Vallecas neighbourhood (Madrid, Spain).
- ● Construction of 85 and 86 family homes in Nuevo Tres Cantos (Madrid, Spain).
- ● Construction of multi-family building of 64 homes "Marina Prat Vermell" (Barcelona, Spain).

Non-residential construction

- Remodelling of the Santiago Bernabéu Stadium (Madrid, Spain).
- Construction of Santa Luzia primary school (Elvas, Portugal).
- Upgrading and expansion of industrial warehouse for Renault (Valladolid, Spain).
- Fourth expansion phase of San Juan de Dios Hospital (Seville, Spain).
- Construction of the new complex in the Administration District of the Generalitat (Barcelona, Spain).
- Construction of the cold store at the Port of Barcelona (Barcelona, Spain).
- Construction of the office building at Avda. Generalitat, 153-159, in Sant Cugat del Vallès (Barcelona, Spain).
- Construction of the Ensanche de Vallecas Municipal Sport Centre (Madrid, Spain).
- Drafting of project and modification of the Las Dehesas centre at the Valdemingómez Technology Park (Madrid, Spain).
- Lot 4 of the framework agreement of the district of Hortaleza in the Council of Madrid (Madrid, Spain).
- Renovation of the Philosophy and Humanities building of the University of Zaragoza (Zaragoza, Spain).

Awarded In progress Completed

San Marcos National Parador (Leon, Spain).

- Construction of the business creation centre of the University of Alicante (Alicante, Spain).
- Construction of the new Airbus central offices campus in Getafe (Madrid, Spain).
- Construction of the Loeches Environmental Recycling Complex (Madrid, Spain).
- Expansion and renovation of Soria hospital (Soria, Spain).
- Comprehensive renovation of the tourist parador in León (Spain).
- Construction of Victoria Adrados communal centre, (Salamanca, Spain).
- Salamanca Hospital (Spain).
- Lot 1 of the framework agreement for the subsidiary implementation operations, emergency actions and adoption of security measures in municipal buildings in the municipal district of Madrid 2018/2020 (Madrid, Spain).
- Lot 2 of the framework agreement for performing rectification works on issues in the set of heritage buildings and those subject to any type of use of the Madrid city council 2016/2019 (Madrid, Spain).
- Construction of the new building at the Grifols plant in Parets del Vallès (Barcelona, Spain).

Toyo tunnel in Colombia.

- Construction of the new Viladomat de Barcelona Institute (Barcelona, Spain).
- Construction of the new María Espinalt de Barcelona Institute (Barcelona, Spain).
- Construction of a building for industrial use in the provincial park of the automotive sector (Valladolid, Spain).
- Comprehensive remodelling of the building at Calle Rosario Pino 5 (Madrid, Spain).

Awarded | In progress | Completed

Maritime

- Port Adriano, pontoon wall and events space (Mallorca, Spain).
- Berthing of liquid bulk project on the bottom bank of the South Dock at the Port of Castellón (Castellón, Spain).
- Expansion of the esplanade on the Poniente Norte pier in the Port of Palma de Mallorca (Mallorca, Spain).
- Expansion of the attached dock at the Port of Barcelona (Barcelona, Spain).
- Expansion of the port of Playa Blanca (Lanzarote, Spain).
- Manufacturing of 22 reinforced concrete boxes for the LNG project in Portovaya (Russia).

Hydraulics

- Implementation of the distribution network of the Segarra-Garrigues System (Lérida, Spain).
- Project and adaptation work of the El Endrinal sewage treatment plant in Collado Villalba (Madrid, Spain).
- Adaptation work of the Getafe Sur sewage treatment plant (Madrid, Spain).
- Construction of the Gouvães dam (Vila Pouca de Aguiar, Portugal).
- Construction of a storm reservoir in the area of Arbeyal (Gijón, Spain).
- Construction of the Asón general collector. Section: Colindres-Ampuero, Cantabria (Spain).
- Irrigation modernisation for the Irrigation Association of Molinar del Flumen (Huesca, Spain).
- Construction of the Castrovido dam (Burgos, Spain)
- Heightening of the Yesa dam (Navarre, Spain).
- Construction of the Enciso dam on the river Cidacos (La Rioja, Spain).
- Construction of the storm tank of the Galindo sewage treatment plant (Biscay, Spain).
- Project and adaptation work of the Sotogutiérrez de Ciempozuelos sewage treatment plant (Madrid, Spain).

Corges bridge, “Linha da Beira Baixa” railway line, Covilhã e Guarda section, in Portugal.

Roads

- Construction of the Tâmega and Oura bridges (Portugal).
- Closure of the circular road between El Tanque and Santiago del Teide (Tenerife, Spain).
- Emergency landslide works on the N-625 in Amieva (Asturias, Spain).
- A-33 motorway. Construction of the section connecting the C-3223 to Yecla with the N-344 (Murcia, Spain).
- Construction of the connecting road between Mondim de Basto and the EN 210 road in Cabeceiras de Basto (Portugal).
- Extension of the A-4 motorway in Aguas Santas (Portugal).
- Expansion of the access routes to El Altet airport (Alicante, Spain).
- Construction of road tunnels in Plaza de les Glories (Barcelona, Spain).
- Jaca-Navarra motorway (A-21). Jaca-Santa Cilia section, Huesca (Spain).
- Moraleda de Zafayona bypass (Granada, Spain).
- Renovation of the Fernando Reig bridge in Alcoy (Alicante, Spain).
- N-340 road in Cadiz and Gibraltar to Barcelona via Malaga. Vallirana bypass section (Barcelona, Spain).
- Project for reorganising and improving access to the new Wanda Metropolitano stadium (Madrid, Spain).
- Expansion of the A-5 motorway to three lanes in the section between kilometre 18 and 22 (Madrid, Spain).

Railways

- Track assembly and access (Leon, Spain).
- Maintenance of the north-east high-speed line. Brihuega and Calatayud bases (Catalonia, Spain).
- Maintenance of the north-east high-speed line. Montagut, Vilafranca and Sant Feliu bases (Catalonia, Spain).
- Maintenance of the south high-speed line. Hornachuelos (Cordoba) and Antequera (Malaga) bases (Spain).
- Renovation of the Prosperidad station on Line 4 of the Madrid Metro (Madrid, Spain).
- Renovation of the Esperanza station on Line 4 of the Madrid Metro (Madrid, Spain).
- Renovation of the Arturo Soria station on Line 4 of the Madrid Metro (Madrid, Spain).
- Trackbed works of the Totana-Lorca section of the Murcia-Almeria high-speed line (Spain).
- Section Rampa C/ Amado Granell-Parada Hnos. Maristas on Line 10 of the Valencia Metro (Valencia, Spain).

Awarded | In progress | Completed

- Renewal of track and upgrading infrastructure of Line 9 of FGV's TRAM network in Alicante. Calp-Teulada section (Alicante, Spain).
- Adaptation of platforms of Line 1 and 9 of FGV's Benidorm tram network in Alicante. Lot 1 (Alicante, Spain).
- Improvement works of subsection 2.3 (Alfarelos/Pampilhosa) of the North railway line (Portugal).
- Modernisation of the railway between Covilhã and Guarda (Portugal).
- Track assembly contract in the Pajares diversion (Asturias, Spain).
- High-speed track assembly contract for the Campobecerros-Tabodela section (Galicia, Spain).
- Contract for the renovation of Ciudad Real-Badajoz track, Cabeza de Buey-Castuera section (Badajoz, Spain).
- Adaptation of the Sagunto-Teruel-Zaragoza line for 750 ml trains. Estivella, Teruel, Ferreruelas and Cariñena stations (Spain).
- Trackbed works of the Nijar-rio Andarax section of the Murcia-Almeria high-speed line (Spain).
- Line 1 railway diversion at the finca Adoc section (Alicante, Spain).
- Infrastructure Maintenance and Conventional Network Track for ADIF (MIV) - Lot 1 Centre (Spain).
- Infrastructure Maintenance and Conventional Network Track for ADIF (MIV) - Lot 6 South (Spain).

Awarded | In progress | Completed

Ferrandet viaduct (Alicante, Spain).

- Mediterranean Corridor rail link. Installation of track superstructure between Vandellós and Secuita - Camp Tarragona station (Spain).
- Metro Maintenance. Approximately 50% of the Madrid Metro network is currently being maintained (Madrid, Spain).
- Accesses to La Sagrera station (Barcelona, Spain).
- High-Speed trackbed for Madrid-Extremadura. Alcántara-Garrovillas reservoir section (Spain).
- High-Speed trackbed for Madrid-Extremadura. Section: Arroyo de la Charca-Grimaldo (Spain).
- North-North-West High Speed Corridor Section: Vilariño – Campobecerros (Spain).
- Installation of lifts and modernisation of Pavones station on L-9 of Madrid Metro (Madrid, Spain).
- Emergency works on the Pío XII tunnel (Madrid, Spain).
- Construction of the Vila Franca de Xira connection branch (Portugal).
- Emergency works on two railway lines of the Seville-Malaga axis (Spain).
- Renewal of track and upgrading infrastructure of Line 9 of FGV's TRAM Network in Alicante (Spain).

East diversion (Valladolid, Spain).

Urbanisation

- Remodelling of Plaza de España and its surroundings (Madrid, Spain).
- Renovation of the La Gavia park Phase 2 (Madrid, Spain).
- Urbanisation of the 027 Nuevo Mahou-Calderón specific planning area (Madrid, Spain).
- Sanitation network, transformation centre and reflection centre at the U.Z.P. 2.04 Los Berrocales (Madrid, Spain).
- New urbanization roundabout Vara del Rey (Logroño, Spain).
- Urbanisation of the area U.A. 78 of the PGOUM de Sabadell (Barcelona, Spain).
- Urbanisation of the area C. Leonardo da Vinci, Miquel Romeu, Av. Carrilet and Ctra. del Mig in Hospitalet de Llobregat (Barcelona, Spain).
- Plan to tarmac roads and public spaces in Alcorcón (Madrid, Spain).

Awarded | In progress | Completed | Concession contract

CONCESSIONS

Roads

- **Motorway in Cuenca, Spain (100% FCC):** The average daily intensity of the motorway in 2019 was 24,774 vehicles, with growths from the previous year of 0.6% in light vehicles and 5.0% in heavy vehicles.
- **Ibiza - San Antonio motorway, Spain (50% FCC):** The average daily intensity was 37,616 vehicles in 2019.
- **Cedinsa Eix Llobregat, Spain (51% FCC):** The average daily intensity was 21,426 vehicles in 2019. At the end of 2019, FCC acquired an additional 17% share in Cedinsa to reach 51%, granting it control of the company.
- **Cedinsa d'Aro, Spain (51% FCC):** The average daily traffic intensity in 2019 was 30,084 vehicles, an increase of 4.1% over the previous year. At the end of 2019, FCC acquired an additional 17% share in Cedinsa to reach 51%, granting it control of the company.
- **Cedinsa Ter, Spain (51% FCC):** in 2019, the average daily traffic intensity was 27,011 vehicles, almost the same as the previous year. At the end of 2019, FCC acquired an additional 17% share in Cedinsa to reach 51%, granting it control of the company.
- **Cedinsa Eix Transversal, Spain (51% FCC):** in 2019, the average daily traffic intensity of 16,684 vehicles, an increase of 4.7% over the previous year. At the end of 2019, FCC acquired an additional 17% share in Cedinsa to reach 51%, granting it control of the company.

- **Underwater tunnel in Coatzacoalcos, Mexico (26% FCC):** the concession lasts for 30 years. The design and delivery of the underwater tunnel is the first construction of these characteristics in Mexico and also the first in Latin America.
- **Mersey Bridge in Liverpool, United Kingdom (25% FCC):** contract for the design, construction, financing, maintenance and operation, on a payment for availability basis. The bridge, opened in October 2017, will serve some 80,000 vehicles per day.

Metro and Tramways

- **Murcia tramway, Spain (50% FCC):** in 2019, there were 5,414,468 ticket validations which represents growth in demand of 6.2% compared to the previous year.
- **Line 9 of the Barcelona Metro, Spain (49% FCC):** 2019 is the fourth year of being open to the public and the service has worked normally.
- **Zaragoza tramway (16.60% FCC):** in 2019, there were 28,873,672 ticket validations which represents growth in demand of 3.6% compared to the previous year.
- **Lima Metro Line 2, Peru (18.25% FCC):** design, financing, construction, electromechanical equipping, equipment systems and provision of rolling stock, operation and maintenance for a period of 35 years on a payment for availability basis.

Rivero Viaduct. Trackbed of the High-Speed Madrid-Extremadura Line. Talayuela-Cáceres. Section: Arroyo de la Charca-Grimaldo (Cáceres, Spain).

Social

- Health Centres in Mallorca, Canary Islands, Spain (82.5% FCC): 2019 was the ninth year of operation, with 83,945 people and 187 consulting rooms in its area of influence.
- **Urbicsa (29% FCC), Barcelona, Spain:** 2019 is the twelfth year of operation, with occupancy in offices and rental premises at 96.88%.
- **World Trade Centre Barcelona, S.A., Spain (24% FCC):** In 2019, occupancy was practically 100% in premises and offices.
- Haren Prison, Belgium (15% FCC): this contract covers the design, construction and maintenance for 25 years on a payment for availability basis of a new prison complex in Haren, near Brussels.

FCC also has a minority stake in two trams in Barcelona (Tranvía Metropolità del Besòs and Tranvía Metropolità) and in the Torrejón de Ardoz Hospital (Madrid, Spain).

Concession contract

Higher education centre Dublin Institute of Technology (DIT) at the Grangegorman campus (Dublin, Ireland).

International projects in development

AMERICA (USA and Canada)

Road maintenance

- Maintenance of 195 kilometres of Trans-Canadian motorway.

Roads

- Gerald Desmont Bridge (USA).

LATIN AMERICA (Mexico, Panama, Nicaragua, Colombia, Peru).

Railways

- Branch of metro line 2 to Tocumen international airport (Panama).
- Panama Metro line 2 (Panama).
- Line 2 and 4 of Lima Metro (Peru).

Roads

- Ayote-Chinamos road (Nicaragua).
- Expansion of Section 1 and 2 of the Inter-American Highway to six lanes (Panama).
- Toyo tunnel (Colombia).

Hydraulics

- “El Salitre” wastewater treatment plant in Colombia.

Industrial

- Samalayuca-Sasabe gas pipeline (Mexico).

EUROPE

Roads

- E6 Ulsberg-Vindasliene motorway (Norway).
- Design, construction and maintenance of a section of the A9 Badhoevedorp-Holendrecht (Amsterdam, Netherlands).

Airports

- Modernising the take-off and landing runway at Bacau airport (Romania).
- New “North Runway” at Dublin airport (Ireland).

Awarded In progress Completed

Doha Metro (Qatar).

Industrial

- ◐ Remodelling of airport and fire hydrant system in Dublin Airport (Ireland).

Non-residential construction

- ◐ Higher education centre Dublin Institute of Technology (DIT) at the Grangegorman campus (Dublin, Ireland).
- ◐ Haren prison (Belgium).

Railways

- ◐ Expansion of the Romanian railway network (IV Pan European Corridor).
- ◐ Bucharest Metro line 5 (Romania).

Hydraulics

- ◐ Design and construction of the wastewater treatment plant and sludge incinerator in Glina (Bucharest, Romania).

EGYPT, SAUDI ARABIA AND QATAR

Railways

- ● Doha Metro Red Line (Qatar).
- ◐ Lines 4, 5 and 6 of Riyadh Metro (Saudi Arabia).
- ○ Additional stations on Line 4 of Riyadh Metro. Park and Ride on Line 4. Science Park on Line 5 (Saudi Arabia).

Hydraulics

- ● El Alamein desalination plant (Egypt).
- ◐ Abu Rawash wastewater treatment plant (Cairo, Egypt).

○ Awarded ◐ In progress ● Completed

Highlights_Infrastructure

2019

January

- FCC Construcción wins the remodelling project of Plaza de España in Madrid.

February

- FCC Construcción starts construction on the “North Runway” project for a new runway at Dublin airport (Ireland).
- FCC Construcción starts the project of constructing the Glina waste water treatment plant (Romania).
- FCC Construcción obtains the carbon footprint, compensation and CO2 absorption projects of the Ministry for the Ecological Transition.

March

- The FAST Consortium, led by FCC, starts manual train circulation tests (Riyadh, Saudi Arabia).

April

- FCC Construcción starts the project to expand Line 2 of the Panama Metro to the airport, as well as operations and implementation of the main line (Panama).

May

- The red line of the Doha metro (Qatar), constructed by FCC Construcción, was opened.
- FCC Construcción wins the remodelling contract of the Santiago Bernabéu Stadium (Madrid, Spain).

June

- FCC Construcción leads the way by obtaining the AENOR ISO 44001 certificate for collaborative relationships.

July

- The international magazine ENR (Engineering News-Record) recognises the Doha Metro and the Wanda Metropolitano (Spain) as the world’s best metro project and best sporting infrastructure, respectively, in 2018.

August

- FCC Construcción completes construction of the El Alamein desalination plant (Egypt).

September

- FCC Construcción attends the United Nations’ Climate Action Summit 2019.

October

- FCC Construcción adds several contracts: construction of the trackbed of the High-Speed Murcia-Almeria Mediterranean Corridor. Níjar-Río Andarax sections; construction of the tracked of the Totana-Lorca section of the Murcia-Almeria LAV; construction of the “north east arc of Murcia”.
- FCC Construcción wins the contract for designing and constructing the A9 motorway (the Netherlands).

November

- FCC Construcción wins its first contract in Norway.
- FCC Construcción wins the “cierre del anillo insular” contract in Tenerife (Canary Islands, Spain).
- FCC Construcción wins the contract for modernising the take-off and landing runway at Bacau airport (Romania).

December

- FCC Construcción becomes the first construction company in the world to join the Sustainable Finance group of the United Nations Global Compact.
- FCC Industrial becomes the first construction company to obtain the Zero Waste certificate.

Sustainability and excellence

Sustainability

Aligned with the SDGs

We are aware of the importance of complying with the United Nations 2030 Agenda to eradicate poverty and promote sustainable and equal development in the period 2016-2030. FCC Construcción has integrated the **Sustainable Development Goals** into the **organisation's CSR policy and strategies**.

A balance has been struck between the material aspects of the organisation and the SDGs. Likewise, the 2017-2020 Management and Objectives of the Management and Sustainability System are linked to the SDGs.

We would like to highlight the CEO of FCC Construcción's commitment to the SDGs, which we understand to be a new united and responsible approach from which companies can and should contribute to the creation of a more sustainable world and the dissemination and training of employees regarding SDGs through training sessions and awareness campaigns, such as the #aliadosdelosODS and #ODSéate campaigns.

Sustainable construction.

FCC Construcción believes that the achievements reached and processes developed should be the normal behaviour and part of the culture of the construction sector worldwide and that it should provide the community with the knowledge and criteria acquired which is why it **participates and leads multiple forums and national and international technical committees**.

Construction partners in setting sustainability criteria related to construction are: the International Standardization Technical Committee ISO/TC59/SC17 "Sustainability in Building Construction", the European Committee CEN TC350 "Sustainability of Construction Works ", the International Technical Committee ISO/TC207" Environmental Management ", the Scientific-Technical Association of Structural Concrete, the Technical Association of Ports and Coasts-PIANC, the National and International Committee of Large Dams (ICOLD and SPANCOLD), the Corporate Responsibility Committee of the EIC or the SEOPAN Quality, Environment and R&D Committees, among others.

Environmental Management FCC

FCC Construcción has an Environmental Management System, certified according to ISO 14001, covering almost 100% of its activity.

The company also has implemented a Good Practices® system, on top of legislative or contractual requirements or those from any other source; actions that guarantee improved environmental results. The system is made up of a series of measures performed voluntarily by the FCC Construcción projects, so that these measures establish more ambitious environmental objectives than those established by the applicable environmental legislation or the requirements of customers or third parties. The application of these good practices aims to prevent or minimise the environmental impacts of the projects.

Commitment to climate change

FCC Construcción is aware of the importance of integrating climate change management into our activity; for this reason, as the leading Construction Company in Spain, we have been verifying our Greenhouse Gas (GHG) emissions since 2010. In addition, since 2012, FCC Construcción has held the AENOR **"Environment CO_2 verified"** carbon footprint certificate.

We were the **first construction company to register their carbon footprint** in the "Carbon Footprint Registry, offset and absorption projects" from the Ministry for Ecological Transition, which has given us the "calculate and reduce" stamp in recent years.

In 2017, the company published a **strategy** to combat climate change and started to implement the recommendations of the Task Force on Climate-related Financial Disclosures (**TCFD**) working group.

One of FCC Construcción's 2017-2020 Management Objectives is to extend the verification of the greenhouse gas emissions inventory to the international level, so that 100% of the activity is verified under Standard ISO 14064-1:2012 in 2020. In order to meet this objective, in 2019, AENOR verified the greenhouse gas emissions produced in Spain, Portugal, Peru and Panama in 2018, accounting for 56% of the FCC Construcción activity in that year.

Circular economy

FCC Construcción is **committed to a circular economy**, improving the efficiency of productive activities, extending the life and optimising the use of the resources we use and minimising the waste we generate.

In 2017, FCC Construcción structured its progress towards the circular economy around the Ellen MacArthur Foundation's ReSOLVE framework and in 2018 it acceded to the Pact for a Circular Economy, promoted by the Spanish Ministries of Environment and Economy.

The presence in many and varying markets allows for cross-cutting know-how in which the progress made in different countries can be applied. One example of this is hydraulic infrastructure, whereby the company transfers technology to the destination companies in which it operates, through collaborations with local partners and/or project customers.

Finally, financial know-how is added to technical know-how due to the capacity to interconnect international financial and capital providers with those who need public infrastructure, such as governments and public bodies.

FCC Construcción's team Haren prison (Belgium).

FCC Construcción's priority is to **meet the needs of its clients**, with the commitment to fulfil their requirements with **quality guaranteed**.

Service excellence

The participation of FCC Construcción in any infrastructure project involves offering a company with 120 years' experience in the sector, with great technical ability, and a firm commitment: to efficiently overcome challenges. This all comes with absolute respect for the environment, while promoting development and innovation through the use of the best construction techniques.

In its work, FCC Construcción creates value for society and for its shareholders, providing the management and services required to design, build and operate infrastructure and services that efficiently, sustainably and safely contribute to the well-being of people. In this respect, the company contributes solutions aimed at improving society, sustainable development and the well-being of people.

Quality and customer service

FCC Construcción's priority is to meet the needs of its clients, with the commitment to fulfil their requirements with quality guaranteed. The main objective is excellence in the performance of the work by providing personalised attention and ongoing dedication, always focused on fulfilling their expectations.

Follow this link to see the awards received in 2019.

Clients assess FCC Construcción's activity every year. In all the surveys combined, the attributes most valued are the professional abilities of the construction team, consideration of their instructions and the ability to deal with problems and unexpected events that arise in the project. These ratings remain high, year after year, and confirm our expectations. These excellent ratings enable us to state that the demand and quality of FCC Construcción are factors that set us apart from the competition.

The FCC Construcción Management and Sustainability System is dynamic and continually adapts to new challenges and processes that the market requires, as demonstrated by being the first and only company in Spain to be **certified with the ISO 44001 Collaborative business relationship management systems standard**. In order to demonstrate compliance with third parties and greater transparency in its management, the company has its Management and Sustainability System certified by an accredited external agency. In line with its objective of continuous improvement, to get recognition by stakeholders and give greater confidence to its clients, FCC Construcción has its System certificated for almost 100% of its business.

Innovation and technology

FCC Construcción promotes an active technological development policy, with a firm commitment to research, sustainability and contribution to the quality of life of society as a differentiating factor in the current, highly competitive and internationalised market. The development and use of innovative technologies to carry out the works additionally involves an intrinsic added value for the company.

Within its activity, FCC Construcción and its invested companies develop projects in conjunction with other companies in the industry, often with technology-driven SMEs, which makes it possible to perform open innovation projects with a participation in the value chain and, occasionally, on a horizontal cooperation basis. Some of the projects are also carried out in consortia with Public Authorities, such as the European LIFE "Impacto Cero", Development and demonstration of an anti-bird strike tubular screen for High Speed Rail lines, with the participation of the Spanish Railway Infrastructure Manager (Adif).

Internationally, FCC Construcción has worked on the following projects:

NanoFASE
Nanomaterial FAte and Speciation in the Environment
Grant agreement Nº 646002
Unión Europea

Life Impacto Cero
Development and demonstration of an anti-bird strike tubular screen for High Speed Rail lines
Grant agreement Nº LIFE12 BIO/ES/000660

Nationally, during 2019, work has been done mainly on the following projects:

BIMCHECK
Implementation of a secure and automated technology management environment based on BIM and Blockchain for the quality processes of FCCCO
Nº de expediente: IDI-20180078

PWDRON
Drone-based automated linear civil engineering infrastructure monitoring system
Nº de expediente: IDI-20170835

REFORM2
Recycling of Plastic for the Reformulation of Concrete
Nº de expediente: Q0310/2017
Generalitat de Catalunya Departament de Territori i Sostenibilitat
Agència de Residus de Catalunya

CYRENE
New road tunnel maintenance technology
Nº de expediente: IDI-20161135

ROBIM
Autonomous robotics for inspection and assessment of existing buildings with BIM integration
Nº de expediente: IDI-20160843
PROGRAMA ESTRATÉGICO CIEN 2016

CALA
Improving water safety and increasing the capacity of the dam reservoir through the implementation of side spillway collection channels
Nº de expediente: RTC-2016-4581-5
Convocatoria Retos-Colaboración 2016

PIELSEN
Homeostatic 3d envelope architecture to create an adaptive smart and sensitive skin on building façades
Nº de expediente: RTC-2017-5945-3
RETOS-COLABORACIÓN 2017

POTAMIDES
Development of a new advanced solution for the optimisation of integrated, efficient and sustainable management of the water resources of a hydrographic basin
Nº de expediente: IDI-20180664

StarPort
Distributed wireless monitoring, prevention and action system for coastal management
FEDER INNTERCONECTA 2018

RESALtO
Sustainable road elements for speed reduction
Nº de expediente: IDI-20180857

SAFETY4D
Advanced and high-performance process for the prevention of occupational hazards in construction works, with the implementation of the BIM methodology
Nº de expediente: IDI-20190245

BICI SENDAS
Cycle lane: sustainable, energy-self-sufficient, smart system, Decontaminant, integrated and safe.
Nº de expediente: IDI-20181095
PROGRAMA ESTRATÉGICO CIEN 2018

SAFE
Development of an autonomous system for the anchoring of Maritime structures
Nº de expediente: RTC-2017- 6603-4
RETOS-COLABORACIÓN 2017

FCC Construcción, due to its solid position in the market and having a competitive advantage in the sector, uses the different available mechanisms to protect industrial and intellectual property in the processes it deems strategic.

In 2019, the protection was performed in the following processes:

SAMCEW©
Evaluation methodology of Sustainability in Civil Works

Copyright Register United Stated Cophyright Office (USCO)

SAMCEW© it is a self-assessment and rating system. It has been designed with the purpose of evaluating the sustainability of the civil works (and area of influence) that FCC Construcción executes.

SAMCEW © is conceived as an internal management program to plan the construction works, identify the necessary improvements and share the advances in the applied sustainable practices. A flexible and customizable methodology has been designed that can be applied to different types of civil works with different casuistry and that are located in different locations.

Anti-collision screen for birds on a railway track

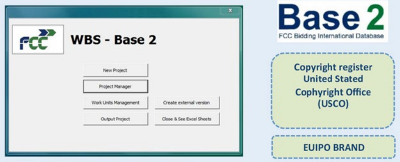
Utility Model Register OEPM

SOL. International PCT

The problem of **bird collisions on high-speed rail** is a topic of growing interest in recent years, since railway infrastructures, due to their linear nature, constitute a barrier to the passage of these birds.

The present invention relates to an **anti-collision** screen for birds on a railway track that, by means of a simple design, improves the efficiency of this type of screen located on the sides of railway tracks. It comprises posts aligned in two alignments, such that each post comprises a pointed conical end piece at its top, and three metal equidistant helical cords, which extend into the post from the pointed conical end piece, during a post span with a length between 1 and 1.40 meters.

FCC BASE 2 SEARCH TOOL
Base 2 unit search tool Instructions for use and associated SW



Copyright register United Stated Cophyright Office (USCO)

EUIPO BRAND

Budget configurator tool (WBS or BoQ) from Base2 work units. Tool that allows to prepare the budget of a tender using the database, Base 2, to designers and engineering companies external to the company, thus improving project management between different parties simultaneously and efficiently.

PINTFAIR
Robotic system and methods for maintenance tasks on lampposts and conical vertical structures.

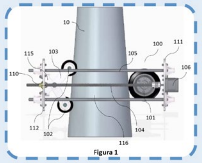


Figura 1

SOL. PATENT NATIONAL

The present invention is included within the devices or systems for the maintenance of street lamps or other types of vertical structures that have a substantially conical shape. More particularly to robotic systems to perform this type of task.

It includes a **robotic** system designed to **autonomously** carry out **maintenance** tasks on lampposts or vertical structures with a **conical** shape or the like, such as painting these elements.

Vehicle adapted to place and collect road marking objects

Utility Model Register OEPM

SOL. International PCT

The project is the adaptation of a vehicle for the installation of a manual cone placement and collection system, with automatic dispensing and storage, to improve the safety of operators in lane cutting work.

This installation, unlike other systems, is that all the operators are in a place in the vehicle enabled for it, avoiding at all times that they are standing in the truck bed while the vehicle is moving.

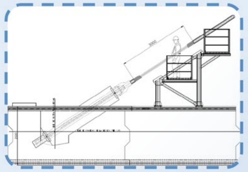
Method for unloading, transport and installation of railway track rail

NATIONAL PATENT

SOL. International PCT

The invention falls within the technical sector of the maintenance and construction of railway infrastructure. More specifically with regard to a **method for unloading, transporting and installing the rails from a train lane and its positioning at the installation site.**

System and procedure for stripping the braces by incorporating, or substituting for, improved filler material.



SOL. PATENT NATIONAL

SOL. International PCT

The invention relates to a system and a method of stripping the braces where in a certain area the filler material of the brace is replaced by another with improved characteristics or said filler material is incorporated into the brace if it was initially missing.

Cement

The Cementos Portland Valderrivas Group (GCPV) is geared towards the **manufacture of cement** an activity which in 2019 accounted for more than **91%** of the total revenues of the area. The remaining percentage being from the **concrete, aggregate and mortar businesses.**

Cementos Portland Valderrivas, S.A. and its subsidiaries are the group of companies through which FCC has carried out its cement activity since 1903. The Cementos Portland Valderrivas Group (GCPV) is geared towards the manufacture of cement—although it is present throughout the cement cycle—and activity which accounted for more than 91% of the total revenues of the area in 2019. The remaining percentage being from the concrete, aggregate and mortar businesses.

The operating structure is based on the integration of the cement business's cycle. This cycle includes the extraction of the raw material (aggregate), the manufacturing process of clinker, cement, concrete, dry and special mortars and their final distribution.

With regard to its geographical diversification, 40% of revenue came from international markets, such as Turkey and the United Kingdom. In addition to these three countries, Cementos Portland Valderrivas also exports to north and west Africa, Central America and various countries in Europe.

Panoramic view of the factory in El Alto, Morata de Tajuña (Madrid, Spain).

The Cementos Portland Valderrivas Group is the **leading cement group** in Spain.

Due to its geographical presence, the Cementos Portland Valderrivas Group is the leading cement group in Spain. Directly or indirectly, it has production centres located in Cantabria, the Basque Country, Navarre, La Rioja, Castilla y León, Madrid, Aragon, Andalusia and Catalonia.

Commercially, although the Group distributes its products to all the autonomous regions, most is distributed to 11 of them: Andalusia, Aragón, Cantabria, Cataluña, Castilla-La Mancha, Castilla y León, Extremadura, La Rioja, Madrid, Navarre and the Basque Country. The location of the factories allows a good diversification of sales and a large market share throughout the peninsula. The Group's seven factories in Spain, with a total annual joint cement production capacity exceeding 10 million tonnes, are located in: El Alto (Morata de Tajuña - Madrid), Olazagutía (Navarra), Hontoria (Venta de Baños - Palencia), Alcalá de Guadaira (Seville), Mataporquera (Cantabria), Vallcarca (Barcelona) y Monjos (Barcelona).

The company also holds a significant position In the Tunisian market. The Group has a cement factory in eastern Tunisia, in the city of Enfidha, near Sousse, with an annual cement production capacity of 2 million tonnes.

Its presence in the United Kingdom is through two maritime cement terminals.

In addition, since November 2016, the Group has had a 45% shareholding in the company Giant Cement Holding, Inc. (100% shareholding until October 2016), which produces and sells cement throughout the entire eastern seaboard of the USA and in Canada. Giant Cement Holding, Inc. has the following factories: Harleyville (South Carolina), Bath (Pennsylvania) and Thomaston (Maine). The Group also has distribution logistics centres (terminals) on the eastern seaboard of the USA and in Canada.

Regarding *trading*, the Foreign Trade Department has centralised its operations in Madrid (Spain) and the Netherlands, servicing all the Group's *trading* operations.

Pre-calcination tower at the factory in El Alto, Morata de Tajuña (Madrid, Spain).

Sector analysis

Economic environment of GCPV operations

Throughout 2019, we saw how the political and economic situation of each of the countries in which GCPV operates has had an influence on cement consumption.

Cement Spain

The Spanish economy has continued growing faster than other surrounding economies in 2019, but at an increasingly slower rate. This deceleration compared to 2018 and the government's initial forecasts are a result of the worsening foreign context and the loss of dynamism of domestic demand, which is caused by the uncertainty affecting investment in companies.

After 2% GDP growth in 2019, the Bank of Spain places Spain's growth forecast at 1.7% for 2020 and 1.6% for 2021.

According to the Association of Infrastructure Contractor and Concessionaires (SEOPAN), in 2019, public contracting grew by 11.8%, construction permits increased by 30% and investment in public works around 4%.

These figures have had a positive impact on cement consumption, which closed 2019 at 14.2 million tonnes, 5.9% more than in 2018, according to provisional data published by Oficemen, the sector's representative. Despite closing the year positively, the growth rate of cement consumption slowed in the second half of the year, in large part due to the slowing of the real-estate market. This deceleration is expected to extend into 2020, which is forecast to close with a cement consumption growth of around 2%.

Cement International

In 2019, the cement market in **Tunisia** contracted around 6.5 million tonnes, a reduction of 9% on 2018. For 2020, the Tunisian market is estimated to remain stable.

Cementos Portland has continued to export cement, with **Libya** the main destination.

Activity in the Cement area

Industrial facilities of Cementos Portland Valderrivas

USA*

Cement production plant

1. Harleyville (Giant Cement Company)
2. Bath (Keystone Cement Company)**
3. Thomaston (Dragon Products Company)

Cement terminal

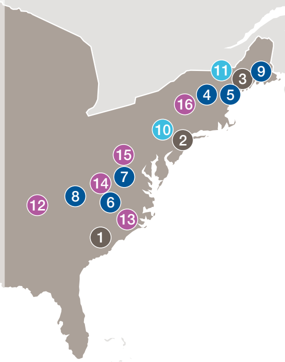
4. Newington
5. Boston
6. Durham
7. Charlotte
8. Doraville-Atlanta
9. Thomaston

Aggregate production plant

10. Bath (Keystone Cement Company)
11. Thomaston (Dragon Products Company)

Recycling

12. Attalla
13. Harleyville Grr
14. Sumter
15. Arvonia
16. Bath (Grr-Keystone)



* The Cementos Portland Valderrivas Group has a presence in America through Giant Cement Holding, where is owns 45% of the company.

** In September 2019, the sale of the Keystone cement factory and aggregate plant (Bath) was announced, and it was being analysed by the competition regulator on the date of this report.

Spain

Cement production plant

17. El Alto (Madrid)
18. Olazagutía (Navarra)
19. Hontoria (Palencia)
20. Mataporquera (Cantabria)
21. Alcalá de Guadaíra (Sevilla)
22. Monjos (Barcelona)
23. Vallcarca (Barcelona)

Cement terminal

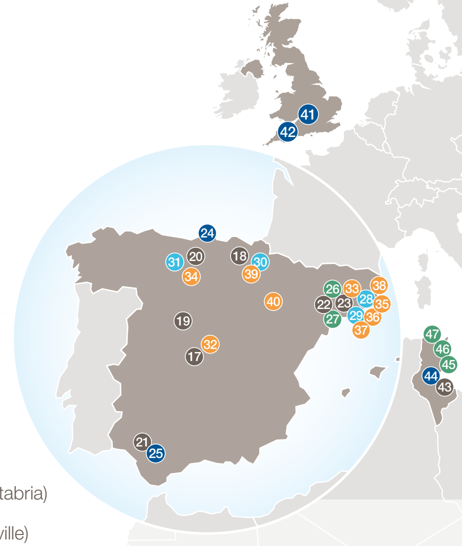
24. Puerto de Raos terminal (Cantabria)
25. Puerto de Sevilla terminal (Seville)

Concrete production plant

26. Zona Franca (Barcelona)
27. Amposta (Tarragona)

Aggregate production plant

28. Olérdola (Barcelona)
29. Vallcarca (Barcelona)
30. Tiebas (Navarra)
31. Villallano (Cantabria)



Mortar production plant

32. El Alto (Madrid)
33. Esparraguera (Barcelona)
34. Dericem (Cantabria)
35. El Papiol (Barcelona)
36. Monjos (Barcelona)
37. Vallcarca (Barcelona)
38. Ulla (Gerona)
39. Olazagutía (Navarra)
40. Zaragoza

United Kingdom

Cement distribution plant

41. Dragon Alfa Cement (Sharpness)
42. Dragon Portland (Portland)

Tunisia

Cement production plant

43. Sté Ciment Enfida

Cement terminal

44. Gabes Terminal

Concrete production plant

45. Sousse
46. Bouficha
47. Ben Arous

- Cement production plant
- Cement terminal and cement distribution plant
- Concrete production plant
- Aggregate production plant
- Mortar production plant
- Recycling

Business performance

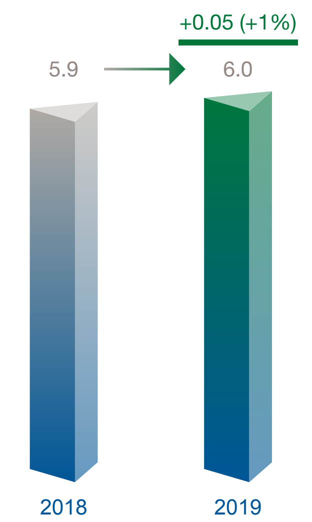
Group sales

The volume of cement and clinker sold in 2019 reached 6 million tonnes, a 1% increase over the previous year.

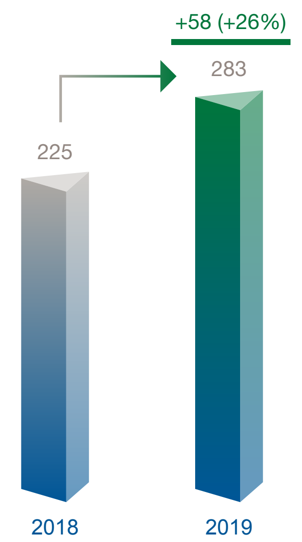
- In Spain, domestic and international sales reached 4.5 million tonnes in the cement and clinker aggregate.
- In Tunisia, 1.4 million tonnes was sold in the domestic market and 0.3 million tonnes was exported, primarily to Libya.

The volume of cement and clinker sold in 2019 reached **6 million tonnes**, a **1%** increase over the previous year.

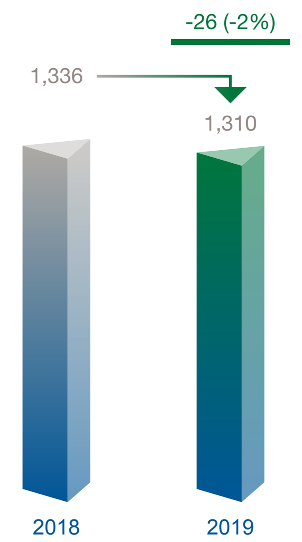
Cement (Tm M)



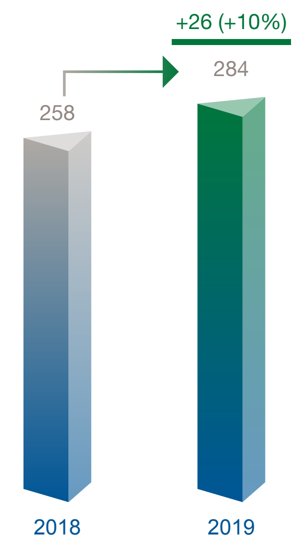
Concrete (m³ k)



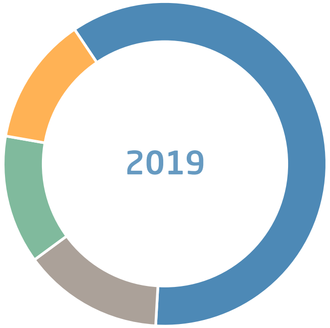
Aggregate (Tm K)

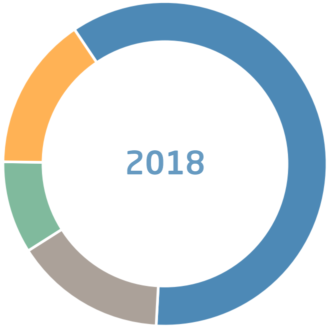


Mortar (Tm K)



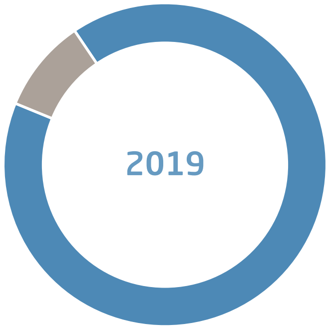
Distribution of activity by country

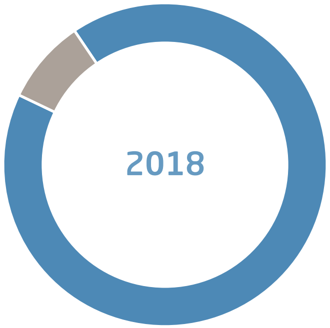




In 2019, **international sales** accounted for almost **40%** of billing, the same as the previous year.

Distribution of activity by businesses





The product mix has remained stable compared to the previous year. The **cement business** accounts for **91% of revenues**.

Cementos Portland Valderrivas Group Results

Revenue

- The 2019 revenue increased by 10.8% on 2018 to reach 413.2 million euros.
- In Spain, turnover in the domestic market grew by 10.9% to 249.4 million euros due to the increase in volume of cement. In the Tunisian local market, income grew by 2.6%, where the price rise offset the reduction in demand in the domestic market.
- Income from exports to different markets (Europe and Africa mostly) increased by 15.7% due to an improvement in activity carried out from Spain.

Gross profit/(loss) from operations

- The Group's EBITDA increased by 22% on the previous year, reaching 86.4 million euros, due to the following factors:
  - Growth in the domestic market and cement exports in Spain, accompanied by savings on electrical costs and fuels, and an increase in energy recovery.
  - Positive price development in Tunisia.
- In 2019, CO_2 rights were sold for 5.8 million euros, compared to 9.4 million euros in 2018.
- The operating income for 2019, not considering the impact of CO_2, increased by 31% on the previous year.

Cash flow

- The net cash flow generated by operations reached 64.5 million euros in 2019, an increase of 10.24% on the previous year.
- The investing cash flow was down 7.9 million euros, primarily due to the investments made by the Group for production and environmental improvements.
- In 2019, thanks to the positive cash evolution, syndicated debt was amortised by 46 million euros, which includes the anticipated and voluntary amortisation of 25 million euros, on account of the payments scheduled for 29 June 2020 and 30 December 2020.
- At 31 December 2019, the net debt with third parties was 295 million euros.

The net cash flow generated by operations reached 64.5 million euros in 2019, an increase of 10.24% on the previous year.

Panoramic view of the Mataporquera factory in Cantabria (Spain).

Highlights 2019

During 2019, the following relevant events took place, which had a significant impact on the Group's financial statements:

Capital increase

On 19 December 2018, the Annual General Shareholders' Meeting of the parent company approved an increase of the company's equity by 100,932,622 euros. This increase aims to strengthen the Company's equity structure and financial ratios, decreasing the relative weight of its financial debt, and with the purpose of improving the situation of the Company to face compliance with the commitments made with its financing entities as well as to develop the business strategy of the Cementos Portland Valderrivas Group.

Said objective would be achieved through offsetting the subordinated loan to capitalise, whereby the parent company would reduce its indebtedness without having suffering a cash outflow. The capital increase will be partially subscribed by offsetting the subordinated loan to capitalise held with FCC by 100 million euros. In the event that the capital increase is fully subscribed, the remaining effective amount obtained will be allocated to the anticipated amortisation of the Syndicated Financing Contract 2016.

The details of the capital increase, according to the information brochure registered with the National Securities Market Commission (CNMV), were:

- The capital increase for a nominal amount of 28,088,856 euros and a total effective amount (nominal value plus premium) of 100,932,622 euros, through the issuance and circulation of a total of 18,725,904 new shares with a par value of 1.50 euros each, of the same class and series as the Company's shares in circulation, represented by book entries, with an issue premium of 3.89 per share, which implies a total issue premium of 72,843,766 euros.
- Therefore, the unit issue type of the capital increase will be 5.39 euros for each new share, with recognition of the pre-emptive rights to all Company shareholders by way of 27 new shares for every 197 they held.

The subscription period for the capital increase through cash contributions and conversion of loans ended on 28 January 2019.

In accordance with the information provided by the Agent Entity, GVC Gaesco Beka, S.V., S.A. on 1 February 2019, the result of said capital increase was as follows:

- Shares subscribed through monetary contributions: 8,910 shares, with a par value of 14,000 euros and an issue premium of 34,000 euros.
- Shares subscribed through conversion of loans: 18,552,834 shares, with a par value of 27,829,000 euros and an issue premium of 72,171,000 euros.

Monjos cement factory in Barcelona (Spain).

As a result:

- In the aforementioned capital increase, a total of 18,561,744 shares were subscribed and paid, amounting to par value of 27,843,000 euros and an issue premium of 72,205,000 euros.
- A total of 164,160 shares were not subscribed, with a par value of 246,000 euros.

Enfhida conveyor belt, Tunisia.

Service excellence

100 years of experience and almost 1,100 professional employees are the leadership basis of the Cementos Portland Valderrivas Group. Product quality, personalised service and environmental care are the pillars on which the Group's strategic lines are based.

The Group is firm in its commitment to the environment and has maintained its efforts for another year to minimise the impact of its production activities on the environment.

This commitment is channelled through the maintenance of the external certification of mature environmental management systems which ensure the manufacturing processes are monitored, controlled and optimised, while also providing sufficient human, technical and financial resources to ensure legal compliance and continuous improvement at the facilities.

The fundamental lines of the environmental strategy are based on minimising the impact of gas emissions, promoting the circular economy, mitigating climate change and protecting biodiversity. These aspects were realised in 2019 by carrying out actions aimed at:

- Reducing emissions of particles and gases at the cement factories by using filters and updated mitigation techniques, as well as continuously controlling emissions.

  In 2019, investments were aimed at installing and improving filters, as well as continuously analysing contaminants.

- Reducing consumption of natural raw materials, instead replacing them with materials from other industrial activities.

- Increasing consumption of alternative fuels, encouraging use of those with a higher biomass content.

  Both aspects are directly related to the circular economy and contribute to lowering the environmental impact by reducing the extraction of raw materials and fossil fuels at quarries, and decreasing the activity's fossil fuel CO_2 footprint.

  In 2019, over 186,000 tonnes of alternative fuels with biomass content were used, recording an increase of 43% compared to the previous year.

- Restoring altered spaces at the quarries, by implementing restoration plans for rehabilitating or recovering the original state of the areas used as much as possible.

GCPV continues **leading the cement market** in Spain with products that exceed the quality standards required.

GCPV continues to lead the cement market in Spain with products that exceed both the Spanish and European quality standards required and due to its client-based approach in all its activities.

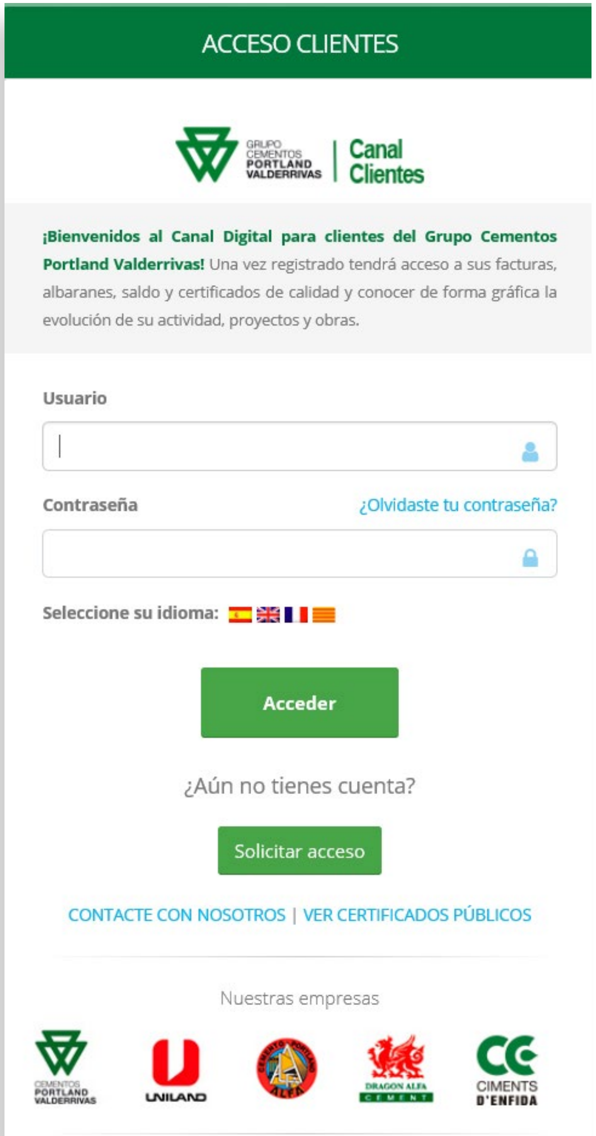
The Group has developed an online Management Channel for its clients, where they can share information about their commercial activity, therefore reducing the use of paper, another measure that contributes to preserving the environment. Digital transformation was one of the objectives for 2019 and improvements in this field will continue to be developed over the coming years.

In 2019, Portland Valderrivas cooperated with its products in highly relevant infrastructure, such as motorways, railway networks, tunnels, bridges, viaducts, dams and hospitals. All these projects require quality cement and an excellent technical team to achieve this.

The clients' objectives are also the Group's objectives, so the sales team accompanies them from the start of the purchase process to the project launch.

Some of the most valuable services in 2019 were:

- Technical-commercial advice service.
- 24 hours, 365 days a year operation in the factory.
- Urgent incident care.
- Digital management channel for clients.
- Health and safety advice.



White cement viaduct in Seville (Spain).

Innovation and technology

Innovation and technology take centre stage in the company's strategy, establishing a model combining sustainability and knowledge, and keeps the commitments made by the Group in the fight against climate change at the forefront; improving energy efficiency, environmental excellence in operations, optimal service to our customers, cost reduction, worker safety and contribution to optimal comfort and quality of life.

Technological developments have become an essential element for the industry's digital transformation. Investment in technology in the Group increased in the previous financial year in order to improve the processes and services.

The Group has continued to innovate high-performance products and those with a greater added value for our clients, while also participating with other business players, technology centres and public bodies to develop projects with a national and international impact and which are aligned with the Group's innovation strategy.

Innovation and technology are a **priority** within the company's strategy.

In 2019, in this R&D line, Cementos Portland Valderrivas continued to cooperate as a key partner in the European project "BioReCO2Ver-Horizonte 2020". Based on the capture of industrial CO_2 emissions, and in a more sustainable way, this project aims to develop alternative processes for the commercial production of certain chemical products. The end goal is to use this industrial CO_2 as a raw material and stop depending on fossil resources to create these products.

A1 Financial Statements

Consolidated Group

Consolidated Balance Sheet

FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A. AND SUBSIDIARIES at 31 December 2019 (in thousands of euros)

ASSETS	31/12/19		31/12/18	
NON-CURRENT ASSETS		**8,529,551**		**6,607,207**
Intangible assets (Note 6)		**3,458,398**		**2,426,380**
Concessions (Notes 6 and 10)	2,374,620		1,288,804	
Goodwill	1,023,511		1,078,490	
Other intangible fixed and non-current assets	60,267		59,086	
Property, plant and equipment (Note 7)		**2,863,892**		**2,424,018**
Land and buildings	1,056,501		744,262	
Plant and other items of property, plant and equipment	1,807,391		1,679,756	
Real Estate Investments (Note 8)		**2,635**		**2,798**
Investments accounted for using the equity method (Note 11)		**741,524**		**763,050**
A Non-current financial assets (Note 13)		**863,163**		**380,552**
Deferred tax assets (Note 23)		**599,939**		**610,409**
CURRENT ASSETS		**4,044,589**		**3,916,834**
Inventories (Note 14)		**728,812**		**691,034**
Trade and other receivables		**1,836,806**		**1,695,798**
Trade receivables for sales and services (Note 15)	1,504,799		1,380,930	
Other receivables (Notes 15 and 23)	332,007		314,868	
Other current financial assets (Note 13)		**189,566**		**178,815**
Other current assets (Note 15)		**70,861**		**84,990**
Cash and cash equivalents (Note 16)		**1,218,544**		**1,266,197**
TOTAL ASSETS		**12,574,140**		**10,524,041**

The accompanying notes 1 to 32 and annexes I to V form an integral part of the consolidated financial statements, together with the 2019 consolidated income statement.

Consolidated Balance Sheet

FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A. AND SUBSIDIARIES at 31 December 2019 (in thousands of euros)

LIABILITIES AND EQUITY	31/12/19		31/12/18	
EQUITY (Note 17)		**2,473,759**		**1,958,775**
Equity attributable to the Parent Company		**1,951,262**		**1,683,953**
Shareholders' equity	2,244,185		2,016,251	
Capital	*392,265*		*378,826*	
Accumulated earnings and other reserves	*1,601,284*		*1,397,579*	
Shares and equity interests	*(16,068)*		*(11,723)*	
Profit for the year attributable to the Parent company	*266,704*		*251,569*	
Valuation adjustments	(292,923)		(332,298)	
Non-controlling interests		**522,497**		**274,822**
NON-CURRENT LIABILITIES		**6,797,228**		**5,574,710**
Grants		**333,802**		**211,296**
Non-current provisions (Note 18)		**1,130,199**		**1,161,989**
Non-current financial liabilities (Note 19)		**5,030,270**		**3,900,432**
Debt instruments and other marketable securities	2,800,345		1,702,631	
Bank borrowings	1,319,267		1,988,629	
Other financial liabilities	910,658		209,172	
Deferred tax liabilities (Note 23)		**142,311**		**141,088**
Other non-current liabilities (Note 20)		**160,646**		**159,905**
CURRENT LIABILITIES		**3,303,153**		**2,990,556**
Current provisions (Note 18)		**249,581**		**209,264**
Current financial liabilities (Note 19)		**683,611**		**380,902**
Debt instruments and other marketable securities	324,604		23,308	
Bank borrowings	155,400		211,455	
Other financial liabilities	203,607		146,139	
Trade and other payables (Note 21)		**2,369,961**		**2,400,390**
Suppliers	1,157,753		1,126,368	
Other payables (Notes 21 and 23)	1,212,208		1,274,022	
TOTAL EQUITY AND LIABILITIES		**12,574,140**		**10,524,041**

The accompanying notes 1 to 32 and annexes I to V form an integral part of the consolidated financial statements, together with the 2019 consolidated income statement.

Consolidated Profit and Loss Statement

FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A. AND SUBSIDIARIES at 31 December 2019 (in thousands of euros)

	31/12/19	31/12/18
Net business turnover (Note 26)	**6,276,231**	**5,989,805**
Work on the company's own assets	49,846	36,439
Other operating income (Note 26)	214,327	170,564
Changes in inventories of finished goods and work in progress	14,408	15,019
Procurements (Note 26)	(2,339,562)	(2,257,256)
Staff costs (Note 26)	(1,925,734)	(1,864,804)
Other operating expenses	(1,263,713)	(1,228,600)
Amortisation of fixed assets and allocation of grants for non-financial and other assets (Notes 6, 7 and 8)	(449,109)	(376,338)
Impairment and gains/(losses) on disposal of non-current assets (Note 26)	(59,764)	9,874
Other results (Note 26)	(5,316)	(8,766)
OPERATING PROFIT/(LOSS)	**511,614**	**485,937**
Finance income (Note 26)	51,067	52,943
Finance costs (Note 26)	(195,787)	(262,022)
Other financial gains/(losses) (Note 26)	1,455	14,764
FINANCIAL LOSS	**(143,265)**	**(194,315)**
Profits/(losses) of companies accounted for by the equity method (Note 26)	120,641	66,861
PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	**488,990**	**358,483**
Income tax (Note 23)	(149,066)	(78,763)
PROFIT OR LOSS FOR THE FINANCIAL YEAR FROM ONGOING ECONOMIC ACTIVITIES	**339,924**	**279,720**
CONSOLIDATED PROFIT/(LOSS) FOR THE PERIOD	**339,924**	**279,720**
Profit attributable to the Parent Company	**266,704**	**251,569**
Profit attributable to non-controlling interests (Note 17)	**73,220**	**28,151**
EARNINGS PER SHARE (Note 17)		
Basic	0.69	0.66
Diluted	0.69	0.66

The accompanying notes 1 to 32 and annexes I to V form an integral part of the consolidated financial statements, together with the 2019 consolidated income statement.

Consolidated statements of recognised income and expenditure

FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A. AND SUBSIDIARIES at 31 December 2019 (in thousands of euros)

	31/12/19		31/12/18	
CONSOLIDATED PROFIT/(LOSS) FOR THE PERIOD		**339,924**		**279,720**
Other comprehensive income - Items that are not reclassified to profit/(loss) for the period		**(4,722)**		**961**
Actuarial profits and losses (*)		**(4,722)**		**961**
Other comprehensive income - items that can subsequently be reclassified to profit/(loss) for the period		**50,390**		**3,443**
Financial assets at fair value with changes in other comprehensive income		**(21)**		**(2,040)**
Valuation gains/(losses)	–		(2,053)	
Amounts transferred to the statement of profit and loss	(21)		13	
Cash flow hedges		**2,627**		**3,119**
Valuation gains/(losses)	123		863	
Amounts transferred to the statement of profit and loss	2,504		2,256	
Translation differences		**30,636**		**(8,602)**
Valuation gains/(losses)	30,752		(8,602)	
Amounts transferred to the statement of profit and loss	(116)		–	
Participation in other comprehensive profit recognised by investments in joint ventures and associates		**25,641**		**11,385**
Valuation gains/(losses)	(39,742)		(1,129)	
Amounts transferred to the statement of profit and loss	65,383		12,514	
Tax effect		**(8,493)**		**(419)**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**385,592**		**284,124**
Attributable to the Parent Company		306,897		256,415
Attributable to non-controlling interests		78,695		27,709

The accompanying notes 1 to 32 and annexes I to V form an integral part of the consolidated financial statements, together with the 2019 consolidated income statement.
(*) Amounts that under no circumstances will be charged to the profit and loss statement.

Total statement of changes in the consolidated equity

FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A. AND SUBSIDIARIES at 31 December 2019 (in thousands of euros)

	Capital social (Note 17.a)	Share premium and reserves (Note 17.b)	Interim dividend	Shares and equity interests (Note 17.c)	Profit/(loss) for the year attributed to the Parent Company	Other equity instruments	Valuation adjustments (Note 17.d)	Equity attributable to shareholders of the Parent company (Note 1)	Non-controlling interests (Note 17.II)	Total equity
Equity as of 31 December 2017	**378,826**	**726,073**	**–**	**(4,427)**	**118,041**	**2,590**	**(357,177)**	**863,926**	**74,593**	**938,519**
Impact of transition to IFRS 15 and IFRS 9 (Note 2.a)		(180,937)					55	(180,882)	(1,503)	(182,385)
Equity as of 1 January 2018	**378,826**	**545,136**	**–**	**(4,427)**	**118,041**	**2,590**	**(357,122)**	**683,044**	**73,090**	**756,134**
Total income and expenses for the year		**884**			**251,569**		**3,962**	**256,415**	**27,709**	**284,124**
Transactions with shareholders or owners				**(7,296)**				**(7,296)**	**(5,632)**	**(12,928)**
Capital increases/(reductions)									713	713
Distribution of dividends									(6,345)	(6,345)
Transactions with treasury shares or equity instruments (net)				(7,296)				(7,296)		(7,296)
Other changes in equity (Note 17)		**851,559**			**(118,041)**	**(2,590)**	**20,862**	**751,790**	**179,655**	**931,445**
Equity as of 31 December 2018	**378,826**	**1,397,579**	**–**	**(11,723)**	**251,569**	**–**	**(332,298)**	**1,683,953**	**274,822**	**1,958,775**
Impact of transition to IFRS 16 (Note 2.a)		**(2,014)**						**(2,014)**		**(2,014)**
Equity as of 1 January 2019	**378,826**	**1,395,565**	**–**	**(11,723)**	**251,569**	**–**	**(332,298)**	**1,681,939**	**274,822**	**1,956,761**
Total income and expenses for the year		**(3,499)**			**266,704**		**43,692**	**306,897**	**78,695**	**385,592**
Transactions with shareholders or owners	**13,439**	**(23,083)**		**(4,345)**				**(13,989)**	**(61,372)**	**(75,361)**
Capital increases/(reductions)	13,439	(13,517)						(78)	1,198	1,120
Distribution of dividends		(9,566)						(9,566)	(62,570)	(72,136)
Transactions with treasury shares or equity instruments (net)				(4,345)				(4,345)		(4,345)
Other changes in equity (Note 17)		**232,301**			**(251,569)**		**(4,317)**	**(23,585)**	**230,352**	**206,767**
Equity as of 31 December 2019	**392,265**	**1,601,284**	**–**	**(16,068)**	**266,704**	**–**	**(292,923)**	**1,951,262**	**522,497**	**2,473,759**

The accompanying notes 1 to 32 and annexes I to V form an integral part of the consolidated financial statements, together with the 2019 consolidated income statement.

Statement of consolidated cash flows (indirect method)

FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A. AND SUBSIDIARIES at 31 December 2019 (in thousands of euros)

	31/12/19		31/12/18	
Profit/(loss) before tax from continuing operations		**488,990**		**358,483**
Adjustments to profit/(loss)		**587,725**		**590,112**
Depreciation and amortisation (Notes 6, 7 and 8)	457,724		386,243	
Impairment of goodwill and fixed and non-current assets (Notes 6, 7 and 26)	(59,764)		(7,048)	
Other adjustments to profit (net) (Note 26)	189,765		210,917	
Changes in working capital (Note 15)		**(183,323)**		**(316,848)**
Miscellaneous cash flows from operating activities		**(262,842)**		**(142,335)**
Dividends received	57,373		32,017	
Income tax refunded/(paid)	(172,951)		(111,919)	
Other collections/(payments) from operating activities	(147,264)		(62,433)	
TOTAL CASH FLOWS FROM OPERATING ACTIVITIES		**630,550**		**489,412**
Investment payments		**(546,575)**		**(434,651)**
Group companies, associates and business units	(144,299)		(70,779)	
Property, plant and equipment, intangible assets and real estate investments (Notes 6, 7 and 8)	(328,415)		(290,550)	
Other financial assets	(73,861)		(73,322)	
Proceeds from disposals		**28,463**		**41,958**
Group companies, associates and business units	1,141		7,644	
Property, plant and equipment, intangible assets and real estate investments (Notes 6, 7 and 8)	18,326		15,780	
Other financial assets (Note 10)	8,996		18,534	
Other cash flows from investment activities		**158,877**		**8,020**
Interest received	13,114		16,646	
Other collections/(payments) from investment activities	145,763		(8,626)	

Statement of consolidated cash flows (indirect method)

FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A. AND SUBSIDIARIES at 31 December 2019 (in thousands of euros)

	31/12/19		31/12/18	
TOTAL CASH FLOWS FROM INVESTMENT ACTIVITIES		**(359,235)**		**(384,673)**
Proceeds and payments from equity instruments (Note 17)		**(42,615)**		**924,401**
Issue/(redemption)	425		484	
(Acquisition)/disposal of treasury shares	(43,040)		923,917	
Proceeds from (payments on) financial liabilities (Note 19)		**(97,436)**		**(851,220)**
Issuance	2,263,951		1,823,461	
Repayment and amortisation	(2,361,387)		(2,674,681)	
Dividends paid and payments on other equity instruments (Note 5)		**(71,589)**		**(6,329)**
Other cash flows from financing activities		**(134,095)**		**(147,922)**
Payment of interests	(136,840)		(142,398)	
Other receipts/(payments) from financing activities	2,745		(5,524)	
TOTAL CASH FLOWS FROM FINANCING ACTIVITIES		**(345,735)**		**(81,070)**
EFFECT OF VARIATIONS IN EXCHANGE RATES		**26,767**		**4,273**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(47,653)**		**27,942**
Cash and cash equivalents at the start of the period		**1,266,197**		**1,238,255**
Cash and cash equivalents at the end of the period		**1,218,544**		**1,266,197**

The accompanying notes 1 to 32 and annexes I to V form an integral part of the consolidated financial statements, together with the 2019 consolidated income statement.

Consolidated report

FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A. AND SUBSIDIARIES at 31 December 2019 (in thousands of euros)

1. Group activity

The FCC Group comprises the Parent Company, Fomento de Construcciones y Contratas, S.A., and a group of investee companies located both in Spain and abroad that perform different business activities grouped into the following areas:

– **Environmental Services.** Services related to urban sanitation, industrial waste treatment, including both the construction and operation of treatment plants, and the energy recovery of waste. Concession agreements related to environmental services are also included (note 10).

– **End-to-End Water Management.** Services relating to the integrated water cycle: collection, purification and distribution of water for human consumption; sewage collection, filtration and purification; design, construction, operation and maintenance of water infrastructure for municipal, industrial, agricultural services, etc. Concession agreements related to the integral water cycle are also included (note 10).

– **Construction.** Specialised in the construction of infrastructure, buildings and similar facilities: motorways, highways, roads, tunnels, bridges, hydraulic works, ports, airports, housing estates, housing, non-residential building, lighting, industrial climate control installations, environmental restoration, etc.

– **Cement.** Dedicated to the operation of quarries and mineral deposits, production of cement, lime, plaster and prefabricated by-products, as well as the production of concrete.

– **Concessions.** Mainly includes concession agreements related to the operation of highways, tunnels and other similar infrastructures (note 10).

Additionally, the FCC Group is present in the Property sector, both through the company F C y C, S.L. Unipersonal, as through its 37.14% holding in Realia Business, S.A., whose main activity is housing development and the office rental market.

International activities account for approximately 45% (46% in 2018) of the FCC Group's turnover, mainly in Europe, Latin America, the Middle East and the United States.

2. Basis of presentation and basis of consolidation of the consolidated income statement

a) Basis of presentation

The accompanying financial statements and the notes thereto that comprise this Report and which make up these consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) adopted by the European Union at the closing date, in accordance with Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002, and all the implementing provisions and interpretations.

The 2019 consolidated financial statements of the FCC Group have been formulated by the Board of Directors of Fomento de Construcciones y Contratas, S.A. and will be presented for approval by the General Shareholders' Meeting. However, no amendments are expected as a result of the fulfilment of said requirement. Meanwhile, the 2018 consolidated financial statements were approved by the General Shareholders' Meeting of Fomento de Construcciones y Contratas, S.A., held on 8 May 2019.

These consolidated financial statements of the FCC Group show the faithful image of the equity and the financial situation as at 31 December 2019 and 2018, as well as the results of the operations, changes in equity and consolidated cash flows that occurred in the Group during those years.

The consolidated financial statements of the FCC Group have been prepared from the accounting records of Fomento de Construcciones y Contratas, S.A. and its investee companies. These records, in accordance with the procedures and operating systems established in the Group, justify and support the consolidated financial statements prepared in accordance with current international accounting regulations.

In order to uniformly present the various items composing these consolidated financial statements, accounting standardisation criteria were applied to the individual financial statements of the companies included in the scope of consolidation. In 2019 and 2018, the reporting date of the financial statements of the companies included in the scope of consolidation was the same as that of the Parent, i.e. 31 December.

The consolidated financial statements are expressed in thousands of euros.

Reclassifications made

There were no other significant reclassifications in 2019 and 2018.

Rules and interpretations issued but not in force

At the date of preparation of these notes to the financial statements, the most significant standards and interpretations that had been published by the International Accounting Standards Board (IASB) during the year, but which had not yet entered into force, either because their effective date is subsequent to the date of the consolidated financial statements or because they had yet to be endorsed by the European Union, are as follows:

		Mandatory Application to the FCC Group (*)
Not adopted by the European Union		
Amendments to IFRS 9, IAS 39 and IFRS 7	Update to the reference interest rate	1 January 2020

(*) This modification was approved by the European Union in January 2020.

The Group generally does not expect the application of the standard to have a significant impact on its financial statements.

Significant rules and interpretations applied in 2019

The standards that entered into force in 2019 that have already been adopted by the European Union and which have been used by the Group, if applicable, were as follows:

New standards, amendments and interpretations:		Mandatory Application to the FCC Group
Approved for use in the European Union		
Amendment to IAS 19	Plan amendment, curtailment or settlement	1 January 2019
Amendment to IAS 28	Long-term interests in associates and joint ventures	1 January 2019
IFRIC 23	Uncertainty over Corporation Tax Treatments	1 January 2019
Amendment to IFRS 9	Prepayment Features with Negative Compensation	1 January 2019
IFRS 16	Leases	1 January 2019
Amendment to IFRS 3 - Annual Improvements to IFRS Standards 2015–2017	Acquisition of control over a business previously recorded as a joint operation	1 January 2019
Amendment to IFRS 11 - Annual Improvements to IFRS Standards 2015–2017	Acquisition of joint control over a joint operation that constitutes a business	1 January 2019
Amendment to IAS 12 - Annual Improvements to IAS Standards 2015–2017	Registration of the tax impact of the remuneration of financial instruments classified as equity	1 January 2019

The application of these rules has not had a significant impact except for the first application of IFRS 16 "Leases".

For the first time, on 1 January 2019, the Group applied IFRS 16 "Leases", which indicates that for the lessee (with no impact when acting as lessor), all leases (except for certain exceptions involving low sums of money or duration) require the accounting of an asset corresponding to the right in use, fundamentally recognised by nature as a material asset, and a liability for the future payment obligations that are incurred. The liability is recognised at the present value of the future cash flows for each lease and the asset in an equivalent amount, adjusted for any early payment made. Subsequently, the right in use is systematically amortised and the financial expenses associated with the equivalent liability are recognised pursuant to the amortised cost method.

The first implementation of the aforementioned standard has been calculated taking into account the fact that the Group has availed itself of the option to apply it on a modified retroactive basis, i.e. with the cumulative impact of the first application of the standard as an adjustment to the initial balance sheet charged to reserves on 1 January 2019 without restating the previous year; this means that the adjustment has only been made for contracts previously classified as operating leases under current regulations prior to 31 December 2018. In this connection, the Group has recognised a financial liability equivalent to the current value of estimated future payments discounted at the incremental rate of debt on the date of first implementation, recognising the corresponding asset as a counterpart, adjusted as appropriate for the fees paid in advance and for the retirement and dismantling provisions made, without the value of the asset exceeding its fair value. For leases previously considered as financial, no adjustment has been made. Furthermore, adhering to the options to which it is entitled, the Group has not applied the standard to low-value assets, or to contracts which mature within 12 months after the date of first-time application.

In calculating the lease liability at 1 January 2019, the Group has applied the incremental rate of debt that, in general, is equivalent to an effective interest rate of 2.45% and, affecting a smaller number of contracts, specific rates depending on the term and country in which company entering into the lease is based.

As at 31 December 2018, the operating lease commitments entered into by the Group, which were broken down in that year's financial statements, amounted to 396 million euros. The difference between the aforementioned amount and that of the liabilities recognised as at 1 January 2019 in application of IFRS 16.43 billion euros, has different sources: the inclusion, consequence of the application of the aforementioned IFRS 16, as a liability of those extensions that are reasonably expected to occur, the effect of financial discount of future payments, the existence of leases of low value or terms less than one year and others impacts related to the extension and cancellation of contracts.

The impact, broken down by balance sheet heading, of the first-time application of the standard was as follows:

	Balance at 1 January 2019	Impact of first-time application of IFRS 16	Restated balance on 1 January 2019
Non-current assets	**6,607,207**	**434,721**	**7,041,928**
Intangible assets	2,426,380	–	2,426,380
Property, plant and equipment	2,424,018	434,721	2,858,739
Real estate investments	2,798	–	2,798
Investments accounted for using the equity method	763,050	–	763,050
Non-current financial assets	380,552	–	380,552
Deferred tax assets	610,409	–	610,409
Current assets	**3,916,834**	**(4,468)**	**3,912,366**
Inventory	691,034	–	691,034
Trade and other receivables	1,695,798	–	1,695,798
Other current financial assets	178,815	–	178,815
Other current assets	84,990	(4,468)	80,522
Cash and cash equivalents	1,266,197	–	1,266,197
Total assets	**10,524,041**	**430,253**	**10,954,294**

	Balance at 1 January 2019	Impact of first-time application of IFRS 16	Restated balance on 1 January 2019
Equity	**1,958,775**	**(2,014)**	**1,956,761**
Equity attributable to the Parent Company	1,683,953	(2,014)	1,681,939
Non-controlling interests	274,822	–	274,822
Non-current liabilities	**5,574,710**	**388,462**	**5,963,172**
Grants	211,296	–	211,296
Non-current provisions	1,161,989	–	1,161,989
Non-current financial liabilities	3,900,432	388,462	4,288,894
Deferred tax liabilities	141,088	–	141,088
Other non-current liabilities	159,905	–	159,905
Current liabilities	**2,990,556**	**43,805**	**3,034,361**
Current provisions	209,264	–	209,264
Current financial liabilities	380,902	43,805	424,707
Trade and other accounts payable	2,400,390	–	2,400,390
Total equity and liabilities	**10,524,041**	**430,253**	**10,954,294**

It should be noted that, on 1 January 2018, the Group applied IFRS 15 "Revenue from Contracts with clients" and IFRS 9 "Financial Instruments" for the first time. The application of both standards was made recognising the cumulative effect of the first-time application as an adjustment to existing reserves at 1 January 2018.

The impact of the first-time application of IFRS 15 "Revenue from contracts with clients" gave rise to a decrease in reserves totalling 227,634 thousand euros, primarily as a result of the re-estimation of the revenue previously recognised under IAS 11 "Construction contracts" and IAS 18 "Revenue", which do not comply with the requirements to be recognised as revenue under the new standard as it establishes more restrictive criteria for their recognition due to generally requiring the approval of clients.

In turn, the first-time application of IFRS 9 "Financial instruments" had a positive impact on reserves totalling 46,752 thousand euros, deriving, on the one hand, from the positive impact of the application of the accounting treatment of non-substantive amendments of financial liabilities in relation to the syndicated loan which can be traced to the refinancing of the syndicated debt of the Parent Company, Fomento de Construcciones y Contratas, and, on the other hand, the negative impact of the application of the financial asset impairment model that the new regulations establish must be estimated based on expected credit loss rather than credit loss incurred, as contemplated in IAS 39 "Financial instruments: recognition and measurement".

b) Basis of consolidation

Subsidiaries

The consolidation is carried out using the global integration method for the subsidiaries indicated in Annex I, in which Fomento de Construcciones y Contratas, S.A. exercises control, that is, when it has the power to direct its relevant activities, it is exposed to variable returns as a result of its participation in the investee and has the ability to exercise said power to influence its own returns, directly or through other companies controlled by it.

The value of the participation of non-controlling shareholders in equity is presented under the heading "Non-controlling interests" of the liability side of the accompanying consolidated balance sheet and the participation in the profit/(loss) is presented under the heading "Profit/(loss) attributed to non-controlling interests" of the accompanying consolidated profit and loss statement.

Where appropriate, goodwill is determined in accordance with the provisions of note 3.b) of this Report.

Joint agreements

The Group develops joint agreements through participation in joint ventures jointly controlled by one of more of the FCC Group companies with other companies outside the Group (note 12), as well as through participation in joint operations, temporary joint ventures and other similar entities (note 12).

The Group applies its professional judgement to evaluate its rights and obligations over joint agreements taking into account the financial structure and legal form of the agreement, the terms agreed by the parties and other relevant facts and circumstances to evaluate the type of joint agreement. Once such an analysis has been carried out, two types of joint agreements are distinguished:

a) Joint operation: When the parties hold rights over the assets and obligations over the liabilities.

b) Joint business: When the parties hold only rights over the net assets.

In accordance with IFRS 11 "Joint agreements", participations in joint ventures are integrated according to the equity method and are included in the accompanying consolidated balance sheet under the heading "Investments accounted for using the equity method". These companies' participation in the net income of the business year is included under the heading "Profit/(loss) of entities valued using the equity method" of the accompanying consolidated profit and loss statement.

The joint operations, mainly in the Construction and Environmental Services activities that mostly take the form of temporary joint ventures and other similar entities, have been integrated in the accompanying consolidated accounts based on the percentage of participation in assets, liabilities, income and expenses derived from the operations carried out by them, eliminating the reciprocal balances in assets and liabilities, as well as the income and expenses not incurred against third parties.

Annex II lists the business jointly controlled with third parties outside the Group and Annex V lists the joint operations carried out with third parties outside the Group, mainly through temporary joint ventures and other entities with similar characteristics.

Associates

The companies listed in Annex III, in which Fomento de Construcciones y Contratas, S.A. does not exercise control but has significant influence, are included in the accompanying consolidated balance sheet under the heading "Investments accounted for by applying the equity method", integrated using said method. These companies' contribution to the net income of the business year is included under the heading "Profit/(loss) of entities valued using the equity method" of the accompanying consolidated profit and loss statement.

Transactions between Group companies

In transactions between consolidated companies, the profit/(loss) of internal operations are eliminated, being deferred until they are made against third parties outside the Group. This elimination does not apply in the "Concession agreements" since the result is considered to be realised against third parties (note 3.a).

Group work on its own fixed and non-current assets is measured at production cost, eliminating the intra-group profit/(loss).

Reciprocal credits and debits have been eliminated from the consolidated financial statement, as well as internal income and expenses from the collection of the subsidiaries that are consolidated.

Changes in the scope of consolidation

Annex IV shows the changes made in 2019 in all consolidated companies using global integration and the equity method. The profit/(loss) of these companies are included in the consolidated profit and loss statement as from the effective acquisition date or until the effective disposal or derecognition date, as appropriate.

The heading "Change in scope" in the corresponding notes to this Report shows the effect of the additions and derecognitions of companies from the scope of consolidation. Additionally, note 4 of this Report "Changes in the scope of consolidation", shows the most significant inputs and outputs of said scope.

3. Accounting policies

The accounting policies applied to the consolidated financial statements of the FCC Group are detailed below:

a) Service Concession Arrangements

Concession contracts involve agreements between a granting public entity and FCC Group companies to provide public services such as water distribution, filtration and sewage treatment, landfill management, motorways and tunnels, etc. by operating the infrastructure. Meanwhile, revenue from providing the service may be received directly from the users or, sometimes, through the concession grantor itself, which regulates the prices for providing the service.

The concession right generally means that the concession operator has an exclusive right to provide the service under the concession for a given period of time, after which the infrastructure assigned to the concession required to provide the service is returned to the concession grantor, generally for no consideration. Concession contracts are required to provide for the management or operation of this infrastructure Likewise, a common characteristic is the existence of obligations to acquire or build all the items required to provide the concession service over the contract term.

When the above conditions are met, said concession contracts are recorded by the provisions of IFRIC 12 "Service Concession Arrangement". In general, we must highlight two clearly differentiated phases, the first one in which the concessionaire provides construction or improvement services that are recognised according to the degree of progress, with a counterpart in an intangible or financial asset, and a second phase in which a series of maintenance or operation services are provided for the aforementioned infrastructure. In both cases, income is recognised in accordance with the provisions of IFRS 15 "Ordinary income from contracts with clients" (note 3.r).

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. These assets also include the amounts paid in relation to the fees for the award of the concessions.

There may be mixed situations in which the demand risk is shared between the concessionaire and the grantor.

For concessions classified as intangible assets, provisions for dismantling, removal or restoration 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.

Borrowing costs attributable to infrastructure financing are recognised as an expense in the period, capitalising, only in the intangible asset model, those that accrue during the construction phase and until the related infrastructure is put to use.

The amortisation of these intangible assets is carried out according to the consumption pattern, understanding as such the performance and best estimation of the production units in each of the different activities. The quantitatively most important concession businesses in the Group are located in concession activities, mainly toll roads and motorways, which are amortised according to traffic, and in the water supply and sanitation activity, which amortises assets based on consumption of water that, in general, is constant over time due, on the one hand, to its reduction as a result of water saving policies and, on the other hand, to its increase by the growth in population. The amortisation is completed in the concession period, which is generally between 25 and 50 years.

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 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 consolidated profit and loss statement. As stated above, for the provision of maintenance or operating services, income and expenses are allocated to profit/(loss) in accordance with IFRS 15 “Ordinary income from contracts with clients”.

b) Business combinations and goodwill

The assets and liabilities of the companies and subgroups over which control is acquired are recognised in the consolidated balance sheet at their fair value together with the related deferred taxes. However, in accordance with regulations, the initial measurement of the assets and liabilities and their allocation to the various headings may be reviewed within the twelve months following the acquisition date, should it be necessary to consider new data.

The date of inclusion in the scope of consolidation is the date on which effective control of the company is obtained, which normally coincides with the acquisition date.

Goodwill is recognised as the positive difference between (a) the sum of the fair value of the consideration transferred as a result of the acquired interest, the amount of the non-controlling interests and the fair value at the date on which control over these interests is acquired when control is obtained in stages and (b) the fair value of identifiable assets and liabilities.

In general, non-controlling interests are valued by the proportional part of the fair value in the assets and liabilities of the acquired company.

If control over a business combination is achieved in stages, the difference between the fair value at the time control over the preceding interest is obtained and the book value of that interest is recognised in profit/(loss).

Once control is obtained over an investee, and until that control is lost, the difference between the amount of any additional equity interest acquired or sold and its book value is accounted for in equity.

Goodwill is not amortised. However, it is tested for impairment at least at each balance sheet date, in order to recognise it at the lower of its recoverable value, estimated on the basis of expected cash flows, or acquisition cost, less any prior years’ impairment losses. The accounting policies used to determine impairment are detailed in section e) of this note.

c) Intangible Assets

Except as indicated in the two previous sections of this note regarding the agreements for the concession of services and goodwill, the other intangible assets contained in the accompanying financial statements are valued at their acquisition cost. These intangible assets include investments related to operating contracts and licenses, rights to build and software applications.

Such recorded intangible assets have a finite useful life. Amortisation is carried out during its useful life, which is generally between 20 and 35 years, that is, the period during which it is estimated that they will generate income, using the linear method, except when the application of the consumption pattern reflects its depreciation more faithfully. Software applications are generally amortised within a period of 5 to 10 years.

d) Property, Plant and Equipment and Real Estate Investments

Property, plant and equipment and real estate investments are recorded at their cost price (updated, where appropriate, with various legal provisions prior to the date of transition to IFRS), less accumulated depreciation and any loss due to impairment of recognised value. The cost of those assets includes the estimated present value of their dismantling or the withdrawal of the affected items and, in those cases in which they have been acquired through business contributions as stated in section b) of this note, they are initially recognised at their fair value on the acquisition date.

The work carried out by the Group for its fixed and non-current assets is valued at production cost.

Conservation and maintenance expenses that do not involve an extension of the useful life or productive capacity of the corresponding assets are charged to the profit/(loss) of the year in which they are incurred.

When the construction and commissioning of fixed and non-current assets require a period of long construction, the interests derived from their financing accrued during said period are activated.

Companies depreciate their fixed and non-current assets following the linear method, distributing the cost thereof between the following years of estimated useful life:

Real estate investments	75
Natural resources and buildings	25-50
Plant, machinery and transport items	5-30
Furniture and tools	7-12
Other fixed and non-current assets	5-10

However, some contracts may have terms shorter than the useful life of the related fixed and non-current assets, in which case they are depreciated over the term of the contract.

The residual value, useful life and depreciation method applied to the Group's assets are reviewed periodically to ensure that the depreciation method used reflects the pattern in which the revenue deriving from operating the property, plant and equipment and real estate investments is obtained. This review is carried out through an in situ evaluation and technical analysis, taking into account their current conditions and estimating the remaining useful life of each asset based on their ability to continue providing the functionalities for which they were defined. Subsequently, these internal analyses are compared against third parties outside the Group, such as manufacturers, installers, etc. to ratify them.

At least at the end of each reporting period, the companies periodically determine whether there is any indication that an item or group of items of fixed and non-current assets is impaired so that if applicable, as indicates in section e) of this note, an impairment loss, or the reversal of such losses, can be recognised or reversed in order to adjust the book value of the assets to their value in use. Under no circumstances do reversals exceed all prior impairment recognised.

e) Impairment of intangible assets, property and real estate investments

Intangible assets with finite useful lives and property, plant and equipment items and real estate investments are tested for impairment when there is any indication that the assets might have become impaired, in order to adjust their net book value to their value in use (if this is lower).

The Group uses both internal and external sources of information to assess possible signs of impairment. External sources include market value decreases beyond the passage of time or normal use or possible adverse future changes in the legal, economic or technological environment that could reveal a loss of the recoverable value of its assets. The Group internally assesses whether there has been a physical deterioration or obsolescence of the assets, if the future situation itself may produce a change in the expected use of the asset, for example if the asset is expected to be idle for a significant period of time or due to restructuring plans or if it is detected that the return on the asset is worse than expected.

Goodwill and intangible assets with indefinite useful lives must be tested for impairment at least once a year in order to recognise possible impairment losses.

Impairment losses recognised in prior years on assets other than goodwill may be reversed if the estimates used in the impairment test show a recovery in the value of these assets. The book value of the assets whose recoverable amount increases must in no case exceed the book value that would have been determined had no impairment loss been recognised in prior years.

The recognition or reversal of impairment losses on assets are charged or credited to income under "Impairment and profit/(loss) obtained on the disposal of assets".

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 was estimated, except those flows related with payments or collections on lending operations and corporation tax payments, together with those that arise from future improvements or refurbishments envisaged for the assets belonging to such Cash Generating Units. To discount cash flows, a pre-tax discount rate was used, which includes the current market assessments of the time value of money and the risks specific to each Cash Generating Unit.

The estimated cash flows are obtained from the projections made by the Directorate of each of the CGUs that generally use periods of five years, except when the business characteristics advise longer periods and that include growth rates supported by the different approved business plans, whose review is carried out periodically, generally considering zero growth rates for those periods beyond the years projected in the aforementioned plans. Also, it is necessary to indicate that sensitivity analyses are performed to assess the growth of income, operating margins, and discount rates, in order to foresee the impact of future changes in these variables.

Cash flows from CGUs located abroad are calculated in the functional currency used by those cash generating units and they are updated using discount rates that take into consideration the risk premium relating to each currency. The present value of the net cash flows obtained in this manner are translated at the year-end exchange rate for each currency.

f) Leasing

As indicated in Note 2.a, as a result of the application of IFRS 16 “Leases”, as at 1 January 2019 all lease operations (with certain exceptions for small amounts or short durations) in which the Group acts as the lessee, require the accounting of an asset corresponding to the right in use, fundamentally recognised by nature as a material asset, and a liability for the future payment obligations that are incurred. This liability is recognised at the present value of the future cash flows for each lease and the asset in an equivalent amount, adjusted for any early payment made.

A contract contains a lease when the lessor transfers control of an identifiable underlying asset for a certain period of time in exchange for a consideration. An asset is identifiable when it is explicitly specified in the contract or implicitly when it is made available to the client. However, if the supplier has the right to replace the asset during the period of use, that is, when it has alternative assets and can economically benefit from such substitution, the asset is not considered identifiable and therefore the contract will not contain a lease.

To estimate the duration of the contract, extensions that are reasonably expected to occur and the period in which the lessee does not expect to terminate the contract (when they have the power to do so) are considered, without exclusively taking into account the minimum term established in the contract, as the term during which the lessee expects to continue using the underlying asset, depending on its particular circumstances, is estimated. To determine whether an extension is expected to take place, the economic incentives that the lessee may have to extend the contract are taken into account, considering factors such as the existence of advantageous conditions compared to market conditions in case of an extension, if the lessee has incurred significant costs in adapting the underlying asset to its needs that it must reapply in case of contracting a new lease, any possible costs for the termination of the contract in case it is not extended or the importance of the asset to the lessee, especially If it is a specialised asset that is not readily available on the market. Furthermore, the background in terms of the period of use in the past of certain assets is also taken into account.

Subsequently, during the term of the lease contract, the right of use is systematically amortised and the financial expenses associated with the affected liability are recorded applying the amortised cost method.

When the Group acts as the lessor, income and expenses arising from operating lease agreements are charged to the profit and loss statement during the year they are accrued.

g) Investments accounted for using the equity method

The participation in joint ventures and associates is initially recognised at acquisition cost and is subsequently revalued to take into account the share with the profit/(loss) of these companies not distributed in the form of dividends. Also, the value of the investment is adjusted to reflect the proportion of the changes in these companies’ equity that were not recognised in their profit or loss. These include the conversion differences and the adjustments caused by changes in the fair value of financial derivatives of cash flow hedges acquired by the companies themselves.

They undergo an impairment test as long as there are indications of impairment that may reveal a decrease in the recoverable value below the book value of the investment, using both internal and external sources.

h) Financial assets

Financial assets are initially recorded at fair value, which is generally the same as their acquisition cost, adjusted for the operation costs directly attributable to it, except in the case of financial assets at fair value with changes in profit/(loss) that are attributed to that year's profit/(loss).

All acquisitions and sales of financial assets are recorded at the date of contracting the operation.

The Group manages its financial assets in order to obtain its contractual cash flows, so it values them according to the amortised cost method, that is, initial cost less principal charges plus accrued income based on its effective interest rate pending collection, adjusted for any recognised impairment loss. The effective interest rate consists of the rate that equals the initial cost of the total cash flows estimated for all the items throughout the remaining life of the investment. As an exception to the above, it should be noted that the Group values certain financial assets at fair value in the following cases:

– Financial assets at fair value with changes in profit/(loss): This category includes derivatives that do not meet the conditions to be considered as hedging, financial assets that other standards establish must be valued at fair value charged to profit/(loss), such as contingent considerations in business combinations and financial assets that, if valued differently, would generate an accounting asymmetry.

– Financial assets at fair value with changes in other comprehensive income: The Group values its interests in companies in which it does not have control, joint control or exert significant influence at fair value charged to reserves.

Financial assets at fair value have been recorded at fair value at the closing date of the financial statements. Fair value is understood as the value by which a financial instrument could be exchanged between informed and experienced parties in a free transaction (independent between third parties).

In the case of financial assets at fair value with changes in the profit/(loss), the profits or losses resulting from the change in fair value are attributed to the net profit/(loss) of the year, while financial assets at fair value with changes in other comprehensive income are attributed to equity, until the asset is disposed of, at which time the profit previously accumulated in equity will be included in that year's profit/(loss).

In assets that are valued at amortised cost, an impairment loss is recorded if, on the closing date of the financial statements, it is determined that credit losses will be incurred throughout their entire life. That is, impairment losses are recorded immediately when there is credit risk. Credit risk is understood as the risk of one of the parties to the financial instrument causing a financial loss to the other party if it breaches an obligation.

Collection rights arising from a service concession arrangement are valued according to the criteria indicated in section a) of this note.

Trade receivables arising in the Group's normal business activities are stated at their nominal value, given that they generally mature within twelve months, adjusted by any expected credit losses over the course of their lives. Accounts receivable with maturities greater than twelve months are valued at their current value.

The Group, based on the short-term cash flow needs, transfers credit from clients to financial entities. The amount of the aforementioned credit assignments is reported in note 15.a). These operations accrue interest under usual market conditions and the collection management is still carried out by the Group companies, although the costs associated with such management are residual.

To the extent that the risks and rewards inherent to the accounts receivable are substantially transmitted through these sales and assignments of collection rights, as well as the control over them, without there being any repurchase agreements signed between the Group companies and the credit institutions that have acquired the assets and that they can freely dispose of said acquired assets without the Group companies being able to limit the aforementioned right in any way, the aforementioned sales and assignments are posted as "without recourse". Consequently, in accordance with the criteria established by IFRS, balances receivable from debtors assigned or sold under the conditions indicated are written off in the consolidated balance sheet.

i) Inventory

Inventory is valued at the average acquisition price or the average production cost, applying the necessary value corrections to adapt these values to the net realisable value if it were lower.

The Group's real estate activity includes land and plots, as well as ongoing developments and finished properties that are held for sale or for integration into a real estate development. The land and plots are valued at their acquisition price, increased by any urbanisation costs and other expenses related to their purchase (property transfer tax, registration fees, etc.) and the financial costs of their financing during execution of the works, or their recoverable amount if it were less.

Ongoing developments are the costs incurred in real estate development, or part thereof, whose construction has not been completed at the end of the business year. The cost of completed real estate developments is classified as finished products.

Impairment of land and plots, ongoing real estate developments and finished products is recorded when their net realisable value is lower than their book value (note 14).

The goods received through credit collection in exchange for work executed or to be executed are valued at the lowest amount from between the amount that was recorded for the credit corresponding to the goods received, or the cost of production or net realisable value.

j) Foreign currency

j.1) Conversion differences

In general, the financial statements of foreign operations denominated in currencies other than the euro have been translated to euros, with the exception of:

– Share capital and reserves, which were converted at historical exchange rates.

– The profit and loss statement items of foreign operations that were converted at the average exchange rates for the period.

Conversion differences for the foreign companies from the consolidation scope, generated by the application of the year-end exchange rate method, are included in the equity of the accompanying consolidated balance sheet, as shown in the accompanying statement of changes in the equity.

j.2) Exchange differences

The balances of accounts receivable and payable from monetary items in foreign currency are valued in euros by applying the exchange rates in force at the date of the consolidated balance sheet, allocating the differences that are generated to profit/(loss), except as regarding advances, which, when considered non-monetary items, are kept converted at the exchange rate that existed at the time of the transaction.

The differences resulting from fluctuations in exchange rates between the date on which the collection or payment was made and the date on which the transactions took place or their value was discounted are allocated to profit or loss.

Meanwhile, the exchange differences that occur in relation to the financing of investments in foreign companies, with both the investment and the financing being recorded in the same currency, are directly recognised in equity as conversion differences that offset the effect of the difference in conversion to euros of the foreign company.

k) Equity instruments

Equity or capital instruments are recorded for the amount received, net of direct issuance costs.

The treasury shares acquired by the Parent Company during the year are recognised at the value of the consideration given, as a decrease in 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 profit and loss statement.

l) Grants

Grants are recognised according to their nature.

l.1) Capital grants

Capital grants are those that involve the acquisition or construction of assets. These grants are measured at the amount received or the fair value of the asset received; they are recognised as deferred income on the liability side of the accompanying consolidated balance sheet and are taken to income as the asset or assets to which they relate are depreciated.

l.2) Operating grants

Operating grants are those other than those defined above that do not relate directly to an asset or group of assets. Operating income is considered the amount received at the time of its concession, except if it is granted to finance specific expenses, in which case its allocation to profit/(loss) will be made as those expenses accrue.

m) Provisions

The Group companies recognise provisions on the liability side of the accompanying consolidated balance sheet for present obligations arising from past events for which the companies consider it probable that there will be an outflow of funds 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 restoration 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.

In addition, some Group companies provide provisions for restructuring costs when there is a detailed formal plan for such restructuring that has been communicated to the affected parties. As at 31 December 2019 no liabilities of a substantial amount have been recognised for this item.

Provisions are classified as current or non-current in the accompanying consolidated 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 normal operating cycle of the activity giving rise to the provision.

n) Financial liabilities

Financial liabilities are initially recognised at the fair value of the consideration received, adjusted by the directly attributable transaction costs. These financial liabilities are subsequently measured at amortised cost.

Borrowing costs are recognised on an accrual basis in the profit and loss 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.

o) Financial derivatives and hedge accounting

A financial derivative is a financial instrument or another type of contract whose value varies in response to changes in certain variables, such as an interest rate, financial instrument price, foreign exchange rate, credit rating or credit index or any other variable that may not be financial.

Apart from giving rise to gains or losses, financial derivatives may, under certain conditions, fully or partially offset foreign currency or interest rate risks or risks relating to the value associated with balances and transactions. Hedges are accounted for as follows:

- Cash flow hedges: in hedges of this type, the changes in value of the hedging instrument are recognised provisionally under equity, and are allocated in the profit and loss statement when the hedged item materialises.
- Fair value hedges: in this case, changes in the value of the hedging instrument are recognised in profit/(loss) by offsetting changes in the fair value of the hedged item.
- Hedges of a net investment in a foreign operation: this type of hedges are aimed at covering foreign currency risk and are treated as cash flow hedges.

IFRS 9 “Financial Instruments” states that an effectiveness test must be performed, consisting of a qualitative assessment of the financial derivative to determine whether it can be considered to be a hedging instrument and, therefore, effective.

The qualitative requirements that must be met are as follows:

- Formal designation and documentation, at inception of the hedge, of the hedging relationship and the entity’s risk management objective and strategy for undertaking the hedge.
- Documentation identifying the hedged item, the hedging instrument and the nature of the risk being hedged.
- The effectiveness requirements must be met. This means that there is a financial relationship between the hedged item and the hedging instrument such that both generally move in opposite directions upon the occurrence of the hedged risk. Credit risk must not have a dominant effect on the changes in the value of the hedged items and the hedging ratio must be equivalent to the percentage of the exposure to the covered risk.

The hedge is considered to be fully effective provided that the qualitative effectiveness test shows that it complies with those criteria. If not, the hedge would cease to be treated as a hedge and the hedge relationship would cease, recognising the derivative at its fair value through changes in profit or loss.

A quantitative analysis that will determine how the instruments are recognised takes place after their effectiveness has been assessed. This quantitative analysis consists of a retrospective portion for purely accounting purposes and another prospective portion intended to analyse any possible future deviations relating to the hedge.

The retrospective assessment analysis is adapted to the type of the hedge and the nature of the instruments used, and all of the financial derivatives entered into by the Group consist of cash flow hedges (Note 22):

– In the case of interest rate swaps (IRSs) in Cash flow hedges, the Group charges a variable rate equal to that of the hedged borrowings and pays a fixed rate, since the objective is to reduce the variability of the borrowing costs, the effectiveness test determines whether changes in the fair value of the IRS cash flows offset changes in the fair value of the hedged risk.

  The hypothetical derivative method is used for accounting purposes when performing the quantitative assessment of effectiveness, which establishes that the company will recognise in equity the lower of the absolute change in the value of the hypothetical derivative (hedged position) and the change in the value of the arranged derivative. The difference between the value of the recognised change in equity and the fair value of the derivative on the date of the effectiveness test will be considered to be the ineffective portion and it will be directly recorded in the profit and loss statement.

A distinction must be made between the designated portion and the non-designated portion of cash flow hedges in which the derivative hedge instrument is an option or a forward and not an IRS:

– The treatment of the designated portion will be similar to that indicated for IRSs.

– The fair value of the non-designated portion (forward points or the temporary value of the options) will be recognised in other comprehensive profit/(loss) when related to the hedged portion and will be accumulated in a separate component of equity. This amount will be reclassified from the separate component of equity to the income statement for the period as a reclassification adjustment in the same period or periods in which the expected future cash flow hedges affect profit/(loss) for the period (for example, when a planned sale takes place).

Changes in the fair value of financial derivatives that do not qualify for hedge accounting are recognised in the consolidated profit and loss statement as they arise.

The value is calculated using defined methods and techniques based on observable market inputs, such as:

– The interest rate swaps were measured by discounting all the flows envisaged in each contract on the basis of its characteristics, such as the notional amount and the collection and payment schedule. This measurement was made using the zero-coupon rate curve determined by employing a bootstrapping process for the deposits and swaps traded at any given time. This zero-coupon rate curve was used to obtain the discount factors for the measurements, which were made assuming the absence of arbitrage opportunity (AAO). When there were caps and floors or combinations thereof, on occasions conditional upon special conditions being met, the interest rates used were the same as those used for the swaps, although in order to introduce the component of randomness in the exercise of the options, the generally accepted Black - Scholes model was used.

– The methodology used in the case of a cash flow hedge derivative associated with inflation is very similar to that used for interest rate swaps. Expected inflation is estimated based on observed inflation and is embedded in the swamps indexed to the ex-tobacco European inflation rate used in the market, and translated to the Spanish rate using a convergence adjustment.

Furthermore, a sensitivity test is carried out on the derivatives and net financial debt in order to be able to analyse the effect that a possible fluctuation in interest rates might have on the Group's accounts, given different interest rate increase and decrease scenarios at year-end (Note 29).

Note 22 to this Report provides details of the financial derivatives that the Group has arranged and other matters related thereto.

p) Corporation Tax

The expense for corporation tax is calculated on the basis of the consolidated profit before tax, increased or decreased, as appropriate, by the permanent differences between taxable profit and accounting profit/(loss). The corresponding tax rate based on the legislation applicable to each country 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.

The temporary differences between accounting profit/(loss) and taxable profit for Income >Tax purposes, together with the differences between the book values of assets and liabilities recognised in the consolidated 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 performing financial discounting at any time.

The Group activates deferred asset taxes corresponding to temporary differences and negative tax bases to be offset, except in cases where there are reasonable doubts about their future recovery.

q) Pension commitments

The Group companies have certain specific cases related to pension plans and similar obligations that are developed in note 24 of this Report.

r) Operating income and expenses

Revenue is recognised when the control of the good or service is transferred to the client, in general, only when there is approval from the client applying a homogeneous method to contracts of a similar nature. Revenues are valued at the expected amount of the consideration that is to be received that can be estimated reliably and that is not expected to be reversed in the future. After analysing its portfolio of contracts, the Group has concluded that, except in very specific cases, there is no more than one performance obligation in the contracts being executed, since either integration services are provided for the different activities carried out, or because they are highly interrelated.

As regards variable consideration, only one income is recognised for the value, and it is highly probable that it will not suffer significant reversion when the uncertainty about it is subsequently resolved. Also, in the case that the contracts include price revision clauses, the income that represents the best estimate of the amount to be charged in the future and under the same probability criteria mentioned for the variable consideration is recorded.

In general, the Group has not identified significant financial components in its contracts with clients. The financial component is only separated from the consideration to be received and the corresponding financial income is recorded in those contracts in which the time between when a service is provided or a good is delivered and when the payment is received is greater than twelve months.

In the construction activity, performance obligations are paid over time, so revenue is recognised using a product-based method, i.e. that is in-line with the degree of progress criterion. Only income that is protected by a main contract signed with the property and in modifications thereto approved by it is recognised. If the modification is approved without the amount being fixed, the income is only estimated as a variable consideration when the criteria of probability and significant non-reversal mentioned above are met. Budgeted losses are recognised as profit/(loss) for the year.

Meanwhile, in this activity the costs are recognised in accounts according to their accrual. The costs for obtaining the contract, mainly related to the study and preparation of the project, are not activated as they cannot be considered as incremental, since they are incurred regardless of whether the contract is finally obtained or not. Two main costs for fulfilling the contract can be distinguished: engineering and study costs and those related to general and specific facilities (mainly accessory facilities such as concrete plants, auxiliary works or building booths necessary to provide the services). The main contracts in which the aforementioned expenses are incurred are of the design and construction type, in which the remuneration to be received for the work to be carried out in engineering and studies and those of the benefit is identified by separate work units of construction services. Therefore, in general, the expenses derived from engineering and studies are not activated and are recognised in accordance with their accrual as services are rendered. Costs related to the general and specific facilities are recorded as expenses according to the degree of progress when a separate works unit with its corresponding remuneration is identified in the contract, and assets are only activated within the heading when the contract does not identify them separately, and profit/(loss) is charged together with the rest of the contract costs using the aforementioned degree of progress.

In the service provision activities, which are mainly carried out in the Environmental Services and Integral Water Management services, revenues and expenses are allocated based on the accrual criterion, that is, when the actual flow of goods and services that they represent occur, regardless of when the monetary or financial flow derived from them occurs. These are performance obligations that are satisfied over time as the client receives and consumes the profits at the same time as the service is provided. Consequently, revenue is recognised by measuring the value of the services actually provided to the client using a product-based method.

Regarding the delivery of goods activities that the Group mainly carries out in the Cement segment and in the Real estate activity, revenues are only recognised when the goods have been delivered and their property has been transferred to the client, as they are performance obligations that are satisfied at a specific moment of time.

In the aforementioned activities (other than construction), the costs of obtaining the contract are not incremental, so they are not activated and are recognised based on their accrual. Meanwhile, no relevant contract fulfilment costs are incurred and are therefore recorded as operating expenses in general.

In relation to the service concession arrangements, it must be noted that the Group recognises the interest deriving from collection rights under the financial model as revenue, since the value of that financial asset includes the construction, upkeep and maintenance services that are identical, from an operating standpoint, to those set out in the intangible model and, consequently, it is considered that since both models are related to the company's operating activity, the faithful image is best represented by encompassing the income derived from the financial asset as belonging to the operation (note 3.a).

Also recognised as operating profit/(loss) are those produced in the disposals of shares in subsidiaries when it implies the loss of control over them.

s) Related-party transactions

The Group performs all of its transactions with related parties on an arm's length basis.

Note 30 of this Report details the main transactions with significant shareholders of the Parent Company, with administrators and senior executives, between companies or Group entities and with companies invested in by shareholders of the Group.

t) Consolidated statement of cash flows

The FCC Group prepares its statement of cash flows in accordance with IAS 7 "Statement of cash flows" following the indirect method, using the expressions below in the following ways:

- Cash flows are the inflows and outflows of cash and cash equivalents.
- Operating activities are the activities that constitute the main source of the company's ordinary income, as well as other activities that cannot be classified as investment or financing activities. Among the operating cash flows, it is worth highlighting the heading "Other adjustments to profit/(loss)" which basically includes items that are included in the Profit/(Loss) Before Tax but have no impact on the change in cash, as well as items that are already included in other headings of the Cash Flow Statement according to their nature.
- Investment activities are the acquisition and disposal of long-term assets, as well as other investments not included in cash and cash equivalents.
- Financing activities are the activities that generate changes in the size and composition of own capital and loans taken by out the company.

For the purposes of preparing the consolidated statements of cash flows, the "cash and cash equivalents" have been considered as cash and on-demand bank deposits, as well as those short-term, highly liquid investments, which are easily convertible into specific amounts of cash, subject to an insignificant risk of changes in their value.

u) Use of estimates

In preparing these 2019 and 2018 Group consolidated financial statements, estimates were made to quantify certain assets, liabilities, revenues, expenses and obligations recognised therein.

These estimates relate essentially to the following:

- Impairment losses on certain assets (Notes 6, 7 and 8).
- Goodwill measurement (note 6).
- The recoverability of the work executed pending certification (notes 3.r and 15).
- The recoverability of deferred tax assets (Note 23).
- The amount of certain provisions and, in particular, those related to claims and litigation and the losses budgeted in construction contracts (note 18).
- The useful life of the property, plant and equipment as well as intangible assets and real estate investments (notes 6, 7 and 8).
- The determination of the recoverable amount of inventory (note 14).
- The assumptions used in the actuarial calculation of liabilities and commitments for post-employment compensation (notes 18 and 24).
- The market value of derivatives (note 22).
- Cost of business combinations (note 4).

Although these estimates have been made based on the best information available at the date of preparing these consolidated financial statements on the events analysed, it is possible that events that may take place in the future may require them to be modified (upwards or downwards) in future years, which would be done prospectively, recognising the effects of the change in estimate in the corresponding future financial statements.

IFRS 7 "Financial instruments: information to be disclosed" requires that the fair value valuations of financial instruments, both assets and liabilities, be classified according to the relevance of the variables used in such valuation, establishing the following hierarchy:

– Level 1: quoted prices (unadjusted) in active markets for identical instruments.
– Level 2: inputs other than prices quoted that are observable for the financial instrument, either directly (i.e., as prices) or indirectly (i.e., derived from prices)
– Level 3: data for the financial instrument that are not based on observable market data.

Almost all of the Group's financial assets and liabilities, which are valued at fair value, are level 2.

4. Changes in the scope of consolidation

The main changes experienced in the scope of consolidation in 2019 are the following:

a) Business combinations

– In January 2019, two partner agreements were signed in relation to the consolidated that, until then, had been consolidated under the equity method - Shariket Tahlya Mostaganem, S.p.a. and Shariket Miyeh Djinet, S.p.a. - under which, the Group now holds control over the former and no longer has a significant influence on the latter. As a result, Shariket Tahlya Mostaganem, S.p.a. is now consolidated under the global consolidation method and the holding in Shariket Miyeh Djinet, S.p.a. is now considered a financial asset at fair value. These transactions have resulted in a net loss of 6,122 thousand euros being recognised under "Profits/(losses) of companies accounted for by the equity method" following the allocation of the negative conversion differences accumulated in equity to profit and loss and the positive impact resulting from the fair value adjustment of shares prior to the transaction. Furthermore, "Other collections/(payments) from investment activities"in the Statement of Cash Flows includes 43,337 thousand euros corresponding to the cash that Shariket Tahlya Mostaganem, S.p.a. presented in its balance sheet at the time of the takeover. This operation resulted in the recognition of 136,998 thousand euros under the heading "Non-controlling interests" (Note 17).
– In June 2019, FCC Aqualia, S.A. acquired 100% of the French subgroup Services Publics et Industries Environnement, dedicated to the management of water supply and sanitation for the sum of 31,665 thousand euros, with the impact recorded under "Payments for investments "on the accompanying Statement of Cash Flows. As part of this business combination, a first consolidation difference of 24,234 thousand euros was disclosed, which has been fully allocated to the subgroup's concession-related assets.
– In November 2019, FCC Construcción, S.A. acquired an additional 17% of the share capital of Cedinsa Concessionària, S.A., in which it previously held significant influence, for an amount of 57,955 thousand euros of which it previously held 34%, recording the disbursement under the heading "Payments for investments" of the accompanying Statement of Cash Flows. As a result of the aforementioned operation and the agreement of partners that was signed, the Group has taken control, so in application of the regulations it has recorded a positive result of 36,588 thousand euros under the heading "Profit/(loss) of companies accounted for using the equity method", as a consequence, on the one hand, of the fair value of the participation that it previously held that has meant an income of 78,647 thousand euros and, on the other hand, of the allocation to profit/(loss) of the corresponding valuation adjustments to the participation of 34% prior to the business combination, which has resulted in the recording of a loss of 42,059 thousand euros.

The composition of the balance sheets drawn up by the business combinations in 2019 is detailed below:

2019	Cedinsa Group	Shariket Tahlya Mostaganem, S.p.a	Services Publics et Industries Environnement
Non-current assets	**1,377,700**	**175,152**	**36,132**
Intangible assets	1,058,395	–	32,051
Property, plant and equipment	535	92	4,081
Investments accounted for using the equity method	–	–	–
Non-current financial assets	232,451	175,060	–
Deferred tax assets	86,319	–	–
Current assets	**105,724**	**62,622**	**28,008**
Inventory	–	229	509
Trade and other receivables	29,748	18,955	13,683
Other current financial assets	15,789	–	4,029
Other current assets	692	101	329
Cash and cash equivalents	59,495	43,337	9,458
Total assets	**1,483,424**	**237,774**	**64,140**
Equity	**281,723**	**167,362**	**31,655**
Non-current liabilities	**1,134,890**	**53,519**	**9,932**
Grants	67,710	–	317
Non-current provisions	52,590	82	850
Non-current financial liabilities	907,710	52,773	578
Deferred tax liabilities	106,880	664	8,187
Other non-current liabilities	–	–	–
Current liabilities	**66,811**	**16,893**	**22,553**
Current provisions	49,574	10,255	–
Current financial liabilities	10,166	40	149
Trade and other accounts payable	7,071	6,598	22,404
Total equity and liabilities	**1,483,424**	**237,774**	**64,140**

As a result of the aforementioned business combinations, the fair value of the acquired assets has been determined, as all of these companies operate concessions, the fair value of the concession-based assets has been determined applying the discount at a market rate for the cash flows estimated during the time horizon of the concessions currently in force. These flows have been estimated internally based on the Group's past experience, based, as applicable, on the Financial and Economic Plans of the concessions, applying the assumptions and appropriate macroeconomic variables in each case. The following table shows the amounts allocated to assets and liabilities to reflect their fair value on the takeover date:

2019	Cedinsa Group	Shariket Tahlya Mostaganem, S.p.a	Services Publics et Industries Environnement
Intangible assets	261,622	–	31,953
Property, plant and equipment	–	–	–
Non-current financial assets	28,501	29,232	–
Total assignments to assets	**290,123**	**29,232**	**31,953**
Non-current liabilities (deferred tax liabilities)	63,044	–	8,187
Total assignments to liabilities	**63,044**	**–**	**8,187**
Total net assignments	**227,079**	**29,232**	**23,766**

The reconciliation between the consideration transferred for each of the above business combinations, the value of non-controlling interests recognised and the fair value of the net assets acquired are provided below:

2019	Cedinsa Group	Shariket Tahlya Mostaganem, S.p.a	Services Publics et Industries Environnement
Acquisition value	57,955	–	31,655
Fair value non-controlling interests acquired	119,450	124,687	–
Fair value previous interest	104,318	42,675	–
- Fair value net assets	(281,723)	(167,362)	(31,655)
Goodwill	**–**	**–**	**–**

The previously listed business combinations have contributed ordinary income and profit/(loss) to the following accompanying consolidated profit and loss statement:

2019	Cedinsa Group	Shariket Tahlya Mostaganem, S.p.a	Services Publics et Industries Environnement
Revenue	**14,600**	**31,357**	**11,798**
Other income	649	–	11
Operating Profit/(Loss)	**4,911**	**15,441**	**1,768**
Profit/(loss) before tax from continuing operations	**(879)**	**14,007**	**1,771**
Profit attributable to the parent company	**(377)**	**3,572**	**925**
Non-controlling interests	**(362)**	**10,435**	**–**

If the above companies had been consolidated since 1 January 2019, the ordinary income and profit/(loss) they would have contributed would be as follows:

2019	Cedinsa Group	Shariket Tahlya Mostaganem, S.p.a	Services Publics et Industries Environnement
Revenue	**135,160**	**31,357**	**19,027**
Other income	1,942	–	310
Operating Profit/(Loss)	**54,450**	**15,441**	**2,260**
Profit/(loss) before tax from continuing operations	**17,184**	**14,007**	**2,267**
Profit attributable to the parent company	**6,419**	**3,572**	**1,123**
Non-controlling interests	**6,168**	**10,435**	**–**

In any case, these initial estimates are provisional and the Group has a period of one year in which to adjust them should more relevant and comprehensive information be obtained at a later date.

b) Other changes in scope

During April 2019, FCC Aqualia, S.A. acquired a 49% interest in the subsidiary AquaJerez, S.L., in which it already held a 51% interest, for the sum of 55,557 thousand euros, 28,858 thousand euros as a payment for shares and 26,699 thousand euros as a payment for participatory loans held by the seller. As this transaction involved non-controlling interests, the difference between the acquisition price and the value of the net assets acquired was recognised directly against equity, entailing a decrease of 17,311 thousand euros in reserves in the Group's consolidated financial statements (Note 17), having recognised the cash outflow under the heading "Proceeds from/(payments on) equity instruments" for the part corresponding to the shares and under the heading "Proceeds from/(payments on) financial liabilities" for the part corresponding to the participatory loans acquired from the accompanying Statement of Cash Flows.

Below are some of the major operations from 2018:

- On 28 September 2018, the sale of a 49% non-controlling interest in FCC Aqualia, S.A. to the IFM Global Infrastructure fund was finalised for the sum of EUR 1,024 million, received on the same day, with the Group maintaining its controlling interest. The sale was recognised as an equity transaction and had a positive impact on reserves in 2018 of 789,054 thousand euros given the difference between the sale price and the book value of the stakeholding that was disposed of (Note 17), which has been recognised against "Proceeds from/(payments on) equity instruments" in the accompanying Statement of Cash Flows.

  Additionally, the sales agreement contemplated certain variable prices that depend on the resolution of contingent procedures relating to FCC Aqualia. The Group, therefore, has not recognised any asset given its contingent nature; likewise, it has not recognised any liability for claims that may arise against its interests, as it is not considered probable that significant losses will be incurred and given that their value is considered insignificant in relation to the transaction price.

  As part of the transaction, FCC Topco S.A.r.l. and its subsidiary FCC Midco, S.A. were constituted, contributing shares representing 10% of the Group's shares in FCC Aqualia to the latter. These shares have been pledged as a guarantee of certain obligations assumed by the Group before FCC Aqualia, mainly in relation to the repayment of the loan that the latter has granted to the Parent Company of the Group. The Group considers that there is no risk of execution of these guarantees on the date that these consolidated financial statements were prepared.

- Furthermore, in January 2018, the acquisition of a 49% interest in Aqualia Czech, S.L. and Aqualia Infraestructuras Inzenyring, s.r.o. from MIT Infraestructures Europe, Ltd. was competed for the sum of 92,500 thousand euros, with the Group assuming control of 100% of these companies. As the Group already had control over both investees, the difference between the purchase price and the book value of the non-controlling interests acquired generated a negative difference in reserves of 59,509 thousand euros, while in the Statement of Cash Flows, the disbursement was recorded under the heading "Proceeds from/(payments on) equity instruments".

- In November 2018, Realia Business, S.A. approved a capital increase for an effective amount of 149,139 thousand euros equivalent to the issuance of 175,457,742 new shares. At year-end, the Group resorted to the aforementioned expansion by disbursing 55,469 thousand euros representative of 62,242,618 new shares, recording the disbursement under the heading "Payments due to investments" of the accompanying Statement of Cash Flows. As a result of the aforementioned expansion, the Group's effective participation in Realia has risen to 37.05%. On 3 January 2019, the CNMV admitted to listing the new shares put into circulation as a result of the improvement of the operation.

5. Distribution of profit

Fomento de Construcciones y Contratas, S.A. distributed a flexible dividend (scrip dividend) in 2019, which led to a cash outflow of 9,566 thousand euros and the delivery of 13,439,320 shares (note 17), after not having distributed any amount in 2018. Additionally, certain subsidiaries with non-controlling partners distributed dividends, resulting in a payment to said non-controlling partners in both years.

The following table shows the dividends paid to its shareholders by the Group companies as at 31 December 2019 and 2018:

	2019	2018
Shareholders of Fomento de Construcciones y Contratas, S.A.	9,566	–
Other non-controlling shareholders of other companies	62,023	6,329
	71,589	**6,329**

The increase in the line "Other non-controlling shareholders of other companies" mainly addresses the distribution of dividends to the non-controlling partner by the subsidiary company FCC Aqualia, S.A. according to their participation of 44,100 thousand euros in 2019.

6. Intangible assets

The breakdown of net intangible assets at 31 December 2019 and 2018 is as follows:

	Cost	Accumulated depreciation	Impairment	Net Equity
2019				
Concessions (note 10)	3,680,629	(1,249,755)	(56,254)	2,374,620
Goodwill	1,893,895	–	(870,384)	1,023,511
Other intangible assets	359,776	(285,106)	(14,403)	60,267
	5,934,300	**(1,534,861)**	**(941,041)**	**3,458,398**
2018				
Concessions (note 10)	2,249,398	(902,183)	(58,411)	1,288,804
Goodwill	1,858,006	–	(779,516)	1,078,490
Other intangible assets	357,148	(283,659)	(14,403)	59,086
	4,464,552	**(1,185,842)**	**(852,330)**	**2,426,380**

a) Concessions

The changes in this heading of the consolidated balance sheet in 2019 and 2018 were as follows:

	Concessions	Accumulated Depreciation	Impairment
Balance at 31/12/17	**2,198,754**	**(804,412)**	**(59,460)**
Receipts or endowments	26,202	(88,005)	(2,073)
Release, removals and transfers	(2,570)	1,866	936
Conversion differences	7,642	(4)	–
Change in scope, transfers and other changes	19,370	(11,628)	2,186
Balance at 31/12/18	**2,249,398**	**(902,183)**	**(58,411)**
Receipts or endowments	34,255	(100,204)	–
Release, removals and transfers	(8,614)	7,216	1,080
Conversion differences	22,806	(1,309)	–
Change in scope, transfers and other changes	1,382,784	(253,275)	1,077
Balance at 31.12.19	**3,680,629**	**(1,249,755)**	**(56,254)**

This heading includes the intangible assets corresponding to the service concession arrangements (note 10).

The most significant entries for 2019 within the Environmental Services segment correspond to Ecoparque Mancomunidad del Este S.A. for 17,215 thousand euros (3,274 thousand euros in 2018), FCC (E&M) LTD., for 3,696 thousand euros (6,431 thousand euros in 2018), Acque di Caltanisseta, S.P.A. for 4,403 thousand euros (5,476 thousand euros in 2018) and concessions operated by FCC Aqualia, S.A. for 4,917 thousand euros (9,716 thousand euros in 2018) within the Integral Water Management segment.

There were no significant derecognitions in 2019 and 2018.

The "changes in scope, transfers and other movements" in the 2019 service concession agreements include 1,308,395 thousand euros of gross value and 250,000 thousand euros of accumulated amortisation as a result of the takeover of the Cedinsa subgroup (notes 4 and 10).

The inputs and derecognitions that have led to a cash outflow or entry are recorded in the accompanying statement of cash flows as "Payments due to investments" and "Collection due to divestments" of "Property, plant and equipment, intangible assets and real estate investments", respectively.

In 2019, interest was capitalised for 381 thousand euros (no interest was capitalised in 2018) and total capitalised interest amounted to 43,540 thousand euros (43,159 thousand euros in 2018).

b) Goodwill

The breakdown of goodwill in the accompanying consolidated balance sheet at 31 December 2019 and 2018 was as follows:

Cementos Portland Valderrivas, S.A.	**439,386**	**509,397**
Cementos Portland Valderrivas, S.A.	306,745	291,752
FCC Environment Group (UK)	136,793	136,793
A.S.A. Group	82,764	82,764
FCC Aqualia, S.A.	23,311	23,311
FCC Ámbito, S.A.	21,499	21,499
FCC Industrial e Infraestructuras Energéticas, S.L.U.	4,332	4,332
Canteras de Aláiz, S.A.	3,712	3,712
Cementos Alfa, S.A	4,969	4,930
Rest	**1,023,511**	**1,078,490**

The movements of goodwill in the accompanying consolidated balance sheet in 2019 and 2018 were as follows:

Balance at 31/12/17		**1.083.740**
Exchange differences, change in consolidation scope and others:		
FCC Environment Group (UK)	(2,250)	
Rest	(1,262)	(3,512)
Impairment losses:		
ASA Group	(1,738)	(1,738)
Balance at 31/12/18		**1,078,490**
Exchange differences, change in consolidation scope and others:		
FCC Environment Group (UK)	14,993	
Rest	39	15,032
Impairment losses:		
Grupo Cementos Portland Valderrivas (note 26)	(70,011)	(70,011)
Balance at 31.12.19		**1,023,511**

In the item "Change in the scope, conversion differences and other movements", the effect of the appreciation of the pound against the euro in the FCC Environment (UK) subgroup in 2019 is noteworthy, which represents an increase of 14,993 thousand euros (compared to a decrease of 2,250 thousand euros in 2018) of its associated goodwill.

The impairment analysis policies applied by the Group to its goodwill are described in note 3.b). In accordance with the methods used and in accordance with the estimates, projections and valuations available to the Group Management, there have been no indications that could entail additional losses of value to those shown in the table above.

The most significant aspects of the estimates made and the sensitivity analysis in the impairment tests of goodwill were as follows.

It should be noted that in the preparation of the following impairment tests, cash flows were estimated based on the best estimates of the Group's Management and that upward or downward changes in the key assumptions contemplated, both in the discount rate and in the operating margins, among other factors, may affect the recoverable amount of the cash generating unit considered.

Cementos Portland Valderrivas

The goodwill consists of two separately identifiable goodwills recorded in the individual books of Cementos Portland Valderrivas, S.A.:

- Goodwill originating from the merger by absorption of the parent of the Corporación Uniland group and some of its subsidiaries for an amount of 325,881 thousand euros,
- 113,505 thousand euros corresponding to the cash generating unit (CGU) constituted by the Alcalá de Guadaira factory.

The main hypotheses used in each of the impairment tests of the two previous CGUs are described below:

1) Corporación Uniland

Cementos Portland Valderrivas, S.A. acquired a 51.04% stake in the Corporación Uniland Group in August 2006. This contract included an option of sale in favour of the seller for an additional 22.50%, exercisable in 5 years. A part of the representative option of 2.18% was materialised in December 2006. The total acquisition price amounted to 1,144,134 thousand euros.

In subsequent years, additional shares were acquired through the exercise of the aforementioned sale option (20.32%) for a total amount of 432,953 thousand euros. Finally, in 2013, a swap operation was carried out in which the Cementos Lemona participation was delivered in exchange for obtaining the non-controlling share owned by the Irish cement group CRH. As a result of this operation, 100% of the stake in Uniland was obtained, with the operation being valued at 321,886 thousand euros. The total cost of the 100% of the participation in Uniland was therefore 1,898,973 thousand euros.

The previous additional acquisitions had a negative impact on reserves of 177,292 thousand euros due to the application of the new IFRS 3 as at its entry into force in 2009. In 2011, there was an impairment of the goodwill associated with the previous purchases for the amount of 239,026 thousand euros as a result of the strong contraction of the market in the cement sector, which was not expected to recover in the short or medium term. In 2016, there was an additional impairment of 187,191 thousand euros.

As previously mentioned, the parent of the Corporación Uniland group and some of its subsidiaries were absorbed by Cementos Portland Valderrivas, S.A. and, as a result, its goodwill is recorded in the individual accounts of the latter.

The impairment test was updated in 2019, recording an impairment of 70,011 thousand euros. The key hypotheses used in the impairment test are detailed below.

Given that Uniland operates in two clearly differentiated geographic markets, different pre-tax discount rates were used to evaluate the flows from each one, 7.32% in the case of Spain, and 17.07% in the case of Tunisia.

The Cementos Portland Valderrivas group bases its cash flow forecasts on historical data and on both internal future forecasts and future forecasts by external sector organisations. The flows were updated in 2019 according to the business plan for the 2020-2029 period that serves as the basis for the calculation of the impairment tests.

In the short term, the forecasts are made according to estimates of cement consumption of Oficemen, the employer association of the sector and internal estimates. For the medium and long term, the projections are prepared according to external projections of macroeconomic data on inflation and GDP (Bank of Spain, Funcas, Statista, etc.) and historical developments.

The costs are estimated based on the expected inflation, the performance expectations of the price of fuels and the electricity market, and the strategy of increasing the valuation of alternative fuels.

According to information from Oficemen, the employer association of the cement sector in Spain, cement consumption in 2019 closed at 14.2 million tons, 5.9% more than in 2018. Despite closing the year positively, cement consumption halved its growth rate in the second half, largely due to the slowdown in the real estate market. It is estimated that this slowdown situation will continue in 2020, a year that is expected to close with a growth in cement consumption of around 2%, with flatter growths than those initially planned.

Based on the historical information of the last 50 years in the cement industry, it is considered that the term that best reflects the life cycle of the cement market is ten years, a period used in the projections made.

For the Spanish market, the residual value assumed in the flow projections is calculated based on consumption considered sustainable, which is around 20-25 million tons, with no growth in perpetuity. The main inputs used for the determination of these consumer ranges are consistent with historical and expected series of relative weights of public works on GDP in Spain, as well as with the forecasts of the number of approvals for new housing that have been considered as standardised levels according to different sector reports. The cyclical nature of the sector is considered in this value, assuming that this level of long-term sustainable consumption would be the average of one cycle, in which the years of higher consumption would be offset by those with a lower consumption. The sustainable residual value considered is at the intermediate point of the values of the last five years of the updated projections according to less rapid growth.

Estimates of cash flows made with these new hypotheses of slowing consumption of consumption in Spain, with a somewhat slow recovery, the greater environmental pressures that impact on the allocation policy of emission rights and the increase in the discount rate considered, have resulted in the need for the aforementioned impairment of goodwill amounting to 70,011 thousand euros.

For the Tunisian market, in 2020 it is estimated that the national cement market will remain stable at around 6.5 million tons after the 9% drop that occurred in 2019 compared to 2018. The strategy of volume growth via export to international destinations and the consolidation of price increases made in recent years is maintained.

The change of the working capital contemplated in the analysis for each year remains stable in its calculation mode, being linked to the general performance of the unit analysed.

The performance of investments is also linked to the general development of the activity analysed, with higher levels of investments supported by the improvement of flows in the projected years. The value of the investments reflected in the perpetuity rate shows the value that the company estimates should be the objective of investments to be made in order to maintain the productive activity at the required sustainable level.

The main variables used in the test are the following:

- Discount period of joint flows for Uniland Spain and Tunisia: 2020 to 2029.
- Discount rate before taxes: 7.32% (Spain) and 17.07% (Tunisia).
- Growth in perpetuity: 0%.
- Residual value on the recoverable amount of the CGU as a whole: 46.2%.
- Annual compound growth rate (in euros) Cement Market Spain:
  - National market turnover (without CO_2): 5.6%.
  - Export market turnover: -4.7%.
  - Gross Operating Profit: 7.1%.
- Annual compound growth rate (in dinars) Cement Market Tunisia:
  - Total revenue: 8.1%.
  - Export market turnover: 4.1%.
  - Gross Operating Profit: 6.6%.

The result of this test is sensitive to changes in the key hypotheses; a 10% increase in projected flows would result in an excess over the already impaired value of approximately 80,359 thousand euros and a 10% decrease would result in an additional impairment of around 80,245 thousand euros. Likewise, a 10% increase in the discount rate considered would mean an additional impairment of around 69,769 thousand euros and a 10% decrease in excess of the already impaired value of approximately 84,098 thousand euros.

However, the Group Management considers that the recorded impairment has adjusted the goodwill value to its fair value according to the best estimates available to date.

2) Alcalá de Guadaira

The cement demand forecasts and the sector expectations, at the national level, described above for the Corporación Uniland goodwill are equally applicable to Cementos Atlántico.

The Alcalá de Guadaira factory continues to benefit from its geographical location to offset the decrease in the volume of the national market with a greater volume of exports.

The main variables used in the test are the following:

- Discount of flows period: 2020 to 2029.
- Discount rate before taxes: 7.32%.
- Growth in perpetuity: 0%.
- Residual value on recoverable amount of the CGU: 66.6%
- Annual compound growth rate:
  - Total revenue: 5.8%.
  - Gross Operating Profit: 14.4%.

The Cementos Atlántico goodwill test supports up to a pre-tax discount rate of approximately 11.83%. Meanwhile, it would support an annual drop in cash flows of approximately 33% compared to projected flows.

Based on the foregoing, the company considers that the sensitivity of the impairment test allows deviations significant enough to not identify the impairment of the value of the assets affected by the CGU.

FCC Environment group (UK) before WRG group

The FCC Group acquired 100% of the stake in the FCC Environment (UK) group in 2006 for an investment cost of 1,693,532 thousand euros in 2006.

From the moment of its acquisition, the Group considers the FCC Environment (UK) subgroup as a single cash generating unit (CGU), with the goodwill recorded in the balance sheet associated exclusively with such CGU.

It should be noted that in 2012 there was an impairment of goodwill amounting to 190,229 thousand euros as a result of the decrease in cash flows of its activities due to changes in its calendar and amount. On the other hand, in 2013 there was an additional impairment of goodwill amounting to 236,345 thousand euros, mainly as a result of the decrease in the volume of tons treated in landfills. Finally, in 2014 there was an impairment of the items of property, plant and equipment affected by landfill activity amounting to 649,681 thousand euros.

After the writedowns made and the changes derived from the profits/(losses) and equity movements of FCC Environment (UK), the consolidated book value at 31 December 2019 amounts to 557,040 thousand euros (519,599 thousand euros at 31 December 2018).

After the restructuring of the activity carried out in previous years, FCC Environment (UK) has reached a path of continued profitability, attaining sustained benefits over time, loosely fulfilling its budget and business plan both in 2018 and in 2019.

The cash flows considered in the impairment test take into account the current status of the CGU, making the best estimates of future flows based on the mix of activities expected in the future. The relative weight of the different activities will vary as other waste treatment alternatives are promoted, mainly recycling and recovery, which is currently being carried out by the subgroup, offsetting the progressive abandonment of landfill activity.

The main hypotheses used contemplate a slight decrease in revenues of around 2% in 2020 to subsequently experience average increases of around 3%, with the exception of 2023, in which there is an increase of around 15% as a result of the contract of the Lostock energy recovery plant, currently under construction, which will be fully operational. The gross operating margin moves from 26.1% to 19.7%, considering more conservative market hypotheses in recent periods. The pre-tax discount rate used was 6.43% with a 10-year time line used from estimates given the structural characteristics of the business and the long useful life of the assets. A growth rate of 1% has been considered in the calculation of perpetual income. The current value of perpetual income represents 61.6% of the total recoverable value. The result of the test renders an excess of the recoverable value over the book value of the cash generating unit of 1,037,883 thousand euros, supporting an increase of approximately 890 basis points without incurring impairment. A 10% decrease in the current value of cash flows would reduce the excess to 875,712 thousand euros. If a zero growth rate had been considered, the aforementioned excess would have decreased to 826,132 thousand euros.

Note 3.e) of these financial statements establishes that the general criteria is not to consider perpetual income growth rates, but in the case of the FCC Environment (UK) subgroup, given the transformation that is happening in the mix of activities, it was considered that a growth rate of 1% more faithfully reflected the reality of the business within the framework of the change that is taking place in the United Kingdom in the waste treatment activity, with a drastic drop in waste management in landfills and an increase in alternative waste treatment activities that are expected to be sustained over an extended period of time. This growth rate is lower than what comparable companies are applying for similar activities in the United Kingdom.

Also, given the slazk time shown in the impairment test, and given that the main assets and liabilities of the business are referenced in the same currency (pound sterling), no impairment should arise as a result of the potential UK exit process from the European Union, Brexit, (note 29.h).

c) Other intangible assets

The changes in this heading of the consolidated balance sheet in 2019 and 2018 were as follows:

	Other intangible assets	Accumulated Depreciation	Impairment	Net value
Balance at 31/12/17	**340,492**	**(259,534)**	**(14,332)**	**66,626**
Receipts or endowments	11,294	(21,349)	(115)	(10,170)
Release, removals and transfers	(1,283)	487	44	(752)
Conversion differences	3,433	367	–	3,800
Change in scope, transfers and other changes	3,212	(3,630)	–	(418)
Balance at 31/12/18	**357,148**	**(283,659)**	**(14,403)**	**59,086**
Receipts or endowments	20,970	(18,173)	(2)	2,795
Release, removals and transfers	(19,677)	19,440	2,522	2,285
Conversion differences	459	(409)	–	50
Change in scope, transfers and other changes	876	(2,305)	(2,520)	(3,949)
Balance at 31.12.19	**359,776**	**(285,106)**	**(14,403)**	**60,267**

This heading mainly includes:

- Amounts paid to public or private entities as a fee for the award of contracts that do not have the classification of concessions, within the scope of IFRIC12 “Service concession arrangements”, mainly from the Environmental Services Area,
- The amounts recorded in the initial recognition of certain business combinations representative of concepts such as client portfolios and contracts in force at the time of purchase,
- Quarry mining rights for the Cement Area and
- Software applications.

7. Property, plant and equipment

The net detail of property, plant and equipment at 31 December 2019 and 2018 is as follows:

	Cost	Accumulated amortisation	Impairment	Net valu
2019				
Land and buildings	**1,607,091**	**(483,755)**	**(66,835)**	**1,056,501**
Land and natural resources	677,323	(154,057)	(50,552)	472,714
Buildings for own use	929,768	(329,698)	(16,283)	583,787
Plant and other items of property, plant and equipment	**7,804,524**	**(5,358,461)**	**(638,672)**	**1,807,391**
Plantv	4,844,195	(3,251,438)	(621,335)	971,422
Machinery and vehicles	2,176,843	(1,609,165)	(14,276)	553,402
Advances and fixed and non-current assets under construction	87,257	–	–	87,257
Other property, plant and equipment	696,229	(497,858)	(3,061)	195,310
	9,411,615	**(5,842,216)**	**(705,507)**	**2,863,892**

	Cost	Accumulated amortisation	Impairment	Net valu
2018				
Land and buildings	**1,339,248**	**(528,039)**	**(66,947)**	**744,262**
Land and natural resources	646,878	(144,832)	(48,794)	453,252
Buildings for own use	692,370	(383,207)	(18,153)	291,010
Plant and other items of property, plant andequipment	**7,386,533**	**(5,109,683)**	**(597,094)**	**1,679,756**
Plant	4,554,048	(2,952,848)	(580,337)	1,020,863
Machinery and vehicles	2,082,609	(1,634,885)	(13,981)	433,743
Advances and fixed and non-current assets under construction	63,949	–	–	63,949
Other property, plant and equipment	685,927	(521,950)	(2,776)	161,201
	8,725,781	**(5,637,722)**	**(664,041)**	**2,424,018**

The movements in the various fixed and non-current assets headings in 2019 and 2018 were as follows:

	Land and natural resources	Buildings for own use	Land and Buildings	Technical Installations	Machinery and vehicles	Advances and fixed and non-current assets under construction	Rest property, plant and equipment	Plant and other items of property, plant and equipment	Accumulated Depreciation	Impairment
Balance at 31/12/17	**645,161**	**692,823**	**1,337,984**	**4,516,704**	**2,052,217**	**49,867**	**658,251**	**7,277,039**	**(5,480,759)**	**(678,401)**
Receipts or endowments	2,134	13,099	**15,233**	28,492	106,250	58,210	38,671	**231,623**	(275,606)	(5,611)
Release, removals and transfers	(42)	(10,908)	**(10,950)**	(11,807)	(95,802)	(230)	(19,044)	**(126,883)**	115,707	8
Conversion differences	(342)	(3,652)	**(3,994)**	(30,433)	(7,276)	1,925	(1,170)	**(36,954)**	30,080	4,509
Change in scope, transfers and other changes	(33)	1,007	**974**	51,092	27,220	(45,823)	9,219	**41,708**	(27,143)	15,454
Balance at 31/12/18	**646,878**	**692,369**	**1,339,247**	**4,554,048**	**2,082,609**	**63,949**	**685,927**	**7,386,533**	**(5,637,721)**	**(664,041)**
Receipts or endowments	3,735	27,860	**31,595**	19,848	105,078	69,966	59,406	**254,298**	(342,435)	(10,982)
Release, removals and transfers	(913)	(18,779)	**(19,692)**	(18,976)	(135,687)	(78)	(82,789)	**(237,530)**	240,916	14
First application IFRS16 (note 2.a)	21,139	346,929	**368,068**	6,421	48,619	10,630	–	**65,670**	–	–
Conversion differences	1,716	10,646	**12,362**	130,209	18,873	(746)	138	**148,474**	(94,054)	(29,049)
Change in scope, transfers and other changes	4,768	(129,257)	**(124,489)**	152,645	57,351	(56,464)	33,547	**187,079**	(8,922)	(1,449)
Balance at 31.12.19	**677,323**	**929,768**	**1,607,091**	**4,844,195**	**2,176,843**	**87,257**	**696,229**	**7,804,524**	**(5,842,216)**	**(705,507)**

As significant “Entries” in 2019, it is worth highlighting the investments made for the development of the contracts for the Environmental Services activity, mainly in FCC Medioambiente, S.A. for an amount of 86,459 thousand euros, in the FCC Environment (UK) group for an amount 35,821 thousand euros (33,142 thousand euros in 2018), in FCC Environment CEE for 38,820 thousand euros (37,775 thousand euros in 2018) and in Fomento de Construcciones y Contratas, S.A. for 37,709 thousand euros (95,514 thousand euros in 2018), as well as those made in the Integral Water Management activity, mainly by SmVak for 25,940 thousand euros (21,283 thousand euros in 2018).

“Disposals, derecognitions or reductions” include disposals and derecognition of inventory corresponding to assets that, in general, are almost fully amortised due to having exhausted their useful life.

The inputs and derecognitions that have led to a cash outflow or entry are recorded in the accompanying statement of cash flows as “Payments due to investments” and “Collection due to divestments” of “Property, plant and equipment, intangible assets and real estate investments”, respectively.

No interest was capitalised in 2019 and 2018 and the total interest capitalised at source as at 31 December 2019 amounts to 30,363 thousand euros (29,190 thousand euros in 2018).

As at 31 December 2019, in property, plant and equipment, 9,322 thousand euros (9,904 thousand euros as at 31 December 2018) has been charged as income from capital grants.

The Group companies take out the insurance policies they consider necessary to cover the possible risks to which their property, plant and equipment is subject. At year-end, the Parent Company estimates that there is no hedging deficit related to said risks.

The gross amount of fully depreciated property, plant and equipment used in production due to being in a good state of use totals 3,123,585 thousand euros at 31 December 2019 (3,128,809 thousand euros at 31 December 2018).

The property, plant and equipment net of depreciation on the accompanying consolidated balance sheet located outside the Spanish territory amount to 1,345,898 thousand euros at 31 December 2019 (1,238,245 thousand euros at 31 December 2018).

Restrictions on title to assets

Of the total property, plant and equipment on the consolidated balance sheet, at 31 December 2019, 934,164 thousand euros (524,131 thousand euros at 31 December 2018) are subject to ownership restrictions according to the following detail:

	Cost	Accumulated amortisation	Impairment	Net value
2019				
Buildings, plants and equipment	1,437,128	(573,345)	–	863,783
Other property, plant and equipment	174,337	(103,956)	–	70,381
	1,611,465	**(677,301)**	**–**	**934,164**
2018				
Buildings, plants and equipment	2,046,754	(1,588,411)	–	458,343
Other property, plant and equipment	185,658	(119,870)	–	65,788
	2,232,412	**(1,708,281)**	**–**	**524,131**

The restrictions on ownership of these assets originate from the lease agreements that are explained in note 9 of this Report, as well as for those assets related to the exploitation of certain concession contracts to which IFRIC 12 does not apply. “Concession agreements” (note 3.a). The difference between the two years mainly addresses the fact that the 2019 business year includes the assets recognised as a result of the application of IFRS 16 “Leases”, while 2018 only includes the assets that were considered as financial under the previous regulations (note 3.F).

Purchase commitments

In carrying out their activities, the Group companies have formalised acquisition commitments in property, plant and equipment that, as at 31 December 2019, amount to 18,963 thousand euros (15,805 thousand euros at 31 December 2018) according to the following details:

	2019	2018
Land and natural resources	3,275	–
Buildings for own use	635	32
Plant	9,480	2,670
Machinery and vehicles	1,805	11,263
In-progress property, plant and equipment and advances	165	–
Other property, plant and equipment	3,603	1,840
	18,963	**15,805**

8. Real estate investments

The real estate investments heading of the accompanying consolidated balance sheet includes the net values of the land, buildings and other constructions that are maintained for rental and, where appropriate, to obtain a surplus in their sale as a result of the increases that occur in the future in their respective market prices.

The composition of the real estate investments heading as at 31 December 2019 and 2018 is as follows:

	Cost	Accumulated amortisation	Impairment	Net value
2019				
Real estate investments	11,318	(1,035)	(7,648)	2,635
	11,318	**(1,035)**	**(7,648)**	**2,635**
2018				
Real estate investments	11,345	(871)	(7,676)	2,798
	11,345	**(871)**	**(7,676)**	**2,798**

The breakdown and movements in the 2019 and 2018 business years were as follows:

Balance 31/12/17	**3,188**
Additions	42
Derecognitions	(15)
Depreciation and impairment provision	(186)
Change of scope, conversion differences and other movements	–
Transfers	(231)
Balance 31/12/18	**2,798**
Additions	–
Derecognitions	–
Depreciation and impairment provision	(163)
Change of scope, conversion differences and other movements	–
Transfers	–
Balance 31/12/19	**2,635**

The inputs and derecognitions that have led to a cash outflow or entry are recorded in the accompanying statement of cash flows as “Payments due to investments” and “Collection due to divestments” of “Property, plant and equipment, intangible assets and real estate investments”, respectively.

At the end of the 2019 and 2018 business years, the Group had no firm commitments to acquire or construct any real estate investments.

9. Leases

The Group applied IFRS 16 “Leases” for the first time on 1 January 2019, having used the option of applying it with modified retroactive character, that is, with cumulative impact of the first application of the standard as an adjustment to the initial balance charged to reserves as at 1 January 2019, without re-expressing the previous year (notes 2.a and 3.f). As such, comparative information from the previous year is not provided in this note.

In its position as lessee, the Group has signed lease contracts for different kinds of underlying assets, mainly machinery in the Construction activity and technical facilities and constructions for its own use in all the activities that the Group develops.

Among the contracts entered into in previous years, the lease contract of the office building located in Las Tablas (Madrid) is noteworthy, valid from 23 November 2012 and for 18 years, extendable at the option of the FCC Group in two periods of five years each, with an annual income that can be updated annually according to CPI. Also, the contract signed in 2011 between Fomento de Construcciones y Contratas, S.A. and the owners of the buildings where the offices of the Central Services of the FCC Group are located in Federico Salmón 13, Madrid and Balmes 36, Barcelona, for a minimum rental period of 30 years, extendable at the option of the Group in two periods of 5 years each with an annual income that can be updated annually according to CPI. The owner company, 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 adjusted by the CPI, if this is higher.

In general, the leases signed by the Group do not include variable payments, there are only clauses for updating the rent in certain contracts, mainly based on inflation. In some cases, the aforementioned contracts present restrictions of use, the most common being those that limit the use of the underlying assets to geographical areas or their use as an office or premises for productive use. Lease contracts do not include significant residual value guarantee clauses.

The Group determines the duration of the contracts by estimating the period during which the entity estimates that it will continue to use the underlying asset in accordance with its particular circumstances to cover any extensions that are reasonably expected.

The book amount of the assets by right of use amounts to 496,774 thousand euros as at 31 December 2019. The following is their book value, the additions and amortisations made during the year by type of underlying asset:

	Cost	Accumulated amortisation	Net value	Additions	Amortisation charge
2019					
Land and buildings	**381,664**	**(35,686)**	**345,978**	**10,286**	**(35,817)**
Land and natural resources	28,559	(2,828)	**25,731**	1,027	(3,486)
Buildings for own use	353,105	(32,858)	**320,247**	9,259	(32,331)
Plant and other items of property, plant and equipment	**223,772**	**(72,976)**	**150,796**	**53,403**	**(42,836)**
Plant	6,424	(1,201)	**5,223**	–	(1,200)
Machinery and vehicles	182,444	(57,488)	**124,956**	48,022	(32,147)
Other property, plant and equipment	34,904	(14,287)	**20,617**	5,381	(9,489)
	605,436	**(108,662)**	**496,774**	**63,689**	**(78,653)**

The amount of liabilities recognised by leases amounts to 484,376 thousand euros as at 31 December 2019, of which 78,985 thousand euros are classified as current in the accompanying consolidated balance sheet, as they expire within the next twelve months (note 19). Lease liabilities have generated an interest charge of 13,036 thousand euros as at 31 December 2019 (note 26). Payments for leases made during the year amount to 89,130 thousand euros as at 31 December 2019 and are recorded under the headings “Collections and (payments) for financial liability instruments” and “Interest payments” in the accompanying statement of consolidated cash flows. The details for maturities of non-current liabilities for leases are shown below:

	2021	2022	2023	2024	2025 and beyond	Total
2019						
Liabilities for non-current leases	60,732	34,044	29,904	30,694	250,017	**405,391**

Certain contracts are excluded from the application of the aforementioned IFRS 16, mainly either because they are low value assets or because their duration is less than twelve months (note 3.f) and is recorded as an expense under the heading “Other operating income/(losses)” in the accompanying consolidated profit and loss statement, with the amount during the year being as follows:

	2019
Low value assets	2,647
Leases with term less than 12 months	57,762
	60,409

In the position of lessor, the Construction activity must be highlighted, which recognises the exploitation of its machinery park to third parties are revenue, mainly from FCC Construcción América in Central America, for an amount of 9,212 thousand euros (12,980 thousand euros as at 31 December 2018).

10. Service concession arrangements

This Note presents an overview of all the Group's investments in concession businesses, which are recognised in various headings under "Assets" in the accompanying consolidated balance sheet.

The following table presents the total amount of the assets held under service concession arrangements by the Group companies, which are recognised under "Intangible assets", "Non-current financial assets", "Other current financial assets" and "Investments accounted for using the equity method" (for both joint ventures and associates) in the accompanying consolidated balance sheet at 31 December 2019 and 2018.

	Intangible assets (Note 6)	Financial assets (Note 13)	Joint concessionary businesses	Associated concessionary companies	Total investment
2019					
Water services	1,551,666	189,302	29,157	54,228	1,824,353
Motorways and tunnels	1,717,215	126,651	7,291	–	1,851,157
Other	411,748	282,292	66,449	76,062	836,551
TOTAL	**3,680,629**	**598,245**	**102,897**	**130,290**	**4,512,061**
Accumulated	(1,249,755)	–	–	–	(1,249,755)
Impairment	(56,254)	–	–	–	(56,254)
	2,374,620	**598,245**	**102,897**	**130,290**	**3,206,052**
2018					
Water services	1,494,414	6,866	28,962	100,346	1,630,588
Motorways and tunnels	395,735	–	8,123	31,625	435,483
Other	359,249	233,906	38,467	100,704	732,326
TOTAL	**2,249,398**	**240,772**	**75,552**	**232,675**	**2,798,397**
Accumulated	(902,183)	–	–	–	(902,183)
Impairment	(58,411)	–	–	–	(58,411)
	1,288,804	**240,772**	**75,552**	**232,675**	**1,837,803**

In the previous table, the increase in the "Intangible assets" column should be noted, which is mainly explained by the incorporation of the intangible assets of the Cedinsa subgroup after its takeover (note 4) that, as at 31 December 2019, contribute an amount of 1,050,804 thousand euros. The increase in the "Financial assets" column is mainly explained by the incorporation of the financial asset corresponding to the company Shariket Tahlya Mostaganem, S.p.a. after its takeover (note 4) for the amount of 176,392 thousand euros at 31 December 2019 and by the financial asset contributed by the aforementioned Cedinsa subgroup for the amount of 126,651 thousand euros.

Below are details of the main concessions included in the previous categories with their main characteristics:

	Book value as at 31 December 2019			
	Intangible assets	Financial assets	Granting entity	Collection mechanism
Water services	**713,116**	**189,302**		
Jerez de la Frontera (Cadiz - Spain)	74,569	–	City Council of Jerez de la Frontera.	User based on consumption
Caltanissetta (Italy)	42,003	–	Consorzio Ambito Territoriale Ottimale	User based on consumption
Adeje (Tenerife, Spain)	40,157	–	Adeje City Council	User based on consumption
Santander (Cantabria, Spain)	38,979	–	Santander City Council	User based on consumption
Lleida (Spain)	36,876	–	Lleida City Council	User based on consumption
Badajoz (Spain)	26,304	–	Badajoz City Council	User based on consumption
Oviedo (Asturias, Spain)	21,966	–	Oviedo City Council	User based on consumption
Vigo (Pontevedra, Spain)	7,567	–	Vigo City Council	User based on consumption
Mostaganem Desalination Plant (Algeria)	–	176,392	Algerian Energie Company S.p.a.	Cubic meters with guaranteed minimum
Guaymas Desalination Plant (Mexico)	–	12,910	State Water Commission	Cubic meters with guaranteed minimum
Other contracts	424,695	–		
Motorways and tunnels	**1,344,346**	**126,651**		
Cedinsa Eix Transversal (Spain)	456,084	126,651	Generalitat de Catalunya	Shadow toll with guaranteed minimum
Cedinsa C17 (Spain)	283,246	–	Generalitat de Catalunya	Shadow toll
Cedinsa Eix Llobregat (Spain)	243,446	–	Generalitat de Catalunya	Shadow toll
Submerged tunnel of Coatzacoalcos (Mexico)	230,731	–	Government of the State of Veracruz	Direct toll paid by the user
Cedinsa C35 (Spain)	68,028	–	Generalitat de Catalunya	Shadow toll
Conquense motorway (Spain)	62,811	–	Ministry of Development	Shadow toll
Other	**317,158**	**282,292**		
Buckinghamshire plant (United Kingdom)	154,147	9,359	Buckinghamshire County Council	Fixed amount plus variable amount per ton
Campello Plant (Alicante, Spain)	29,762	–	Plan Zonal XV Consortium of the Community of Valencia	According to tons treated
Loeches Plant (Alcalá de Henares, Spain)	26,110	–	Commonwealth of the East	According to tons treated
Edinburgh Plant (United Kingdom)	24,589	140,812	City of Edinburgh and Midlothian Council	Variable per ton with guaranteed minimum
Houston recycling plant (United States)	24,113	–	City of Houston	Fixed amount plus variable amount per ton
Granada plant (Granada, Spain)	23,294	–	Provincial council of Granada	According to tons treated
RE3 plant (United Kingdom)	–	31,660	Councils of Reading, Bracknell Forest and Workingham	Fixed amount plus variable amount per ton
Gipuzkoa II plant	–	30,653	Gipuzkoa Waste Consortium	Variable per ton with guaranteed minimum
Manises Plant (Valencia, Spain)	–	22,870	Metropolitan Entity for Waste Treatment	Fixed amount plus variable amount per ton
Wrexham I plant (United Kingdom)	–	22,735	Wrexham County Borough Council	Fixed amount plus variable amount per ton
Wrexham II plant (United Kingdom)	–	18,981	Wrexham County Borough Council	Fixed amount plus variable amount per ton
Other contracts	35,143	5,222		
FCC Group Total	**2,374,620**	**598,245**		

	Book value as at 31 December 2018			
	Intangible assets	Financial assets	Granting entity	Collection mechanism
Water services	**717,251**	**6,866**		
Jerez de la Frontera (Cadiz - Spain)	78,655	–	City Council of Jerez de la Frontera.	User based on consumption
Adeje (Tenerife, Spain)	46,631	–	Adeje City Council	User based on consumption
Santander (Cantabria, Spain)	42,444	–	Santander City Council	User based on consumption
Lleida (Spain)	38,925	–	Lleida City Council	User based on consumption
Caltanissetta (Italy)	40,172	–	Consorzio Ambito Territoriale Ottimale	User based on consumption
Badajoz (Spain)	27,366	–	Badajoz City Council	User based on consumption
Oviedo (Asturias, Spain)	22,788	–	Oviedo City Council	User based on consumption
Vigo (Pontevedra, Spain)	15,120	–	Vigo City Council	User based on consumption
Other contracts	405,150	6,866		
Motorways and tunnels	**294,822**	**0**		
Submerged tunnel of Coatzacoalcos (Mexico)	223,277	–	Government of the State of Veracruz	Direct toll paid by the user
Conquense motorway (Spain)	71,545	–	Ministry of Development	Shadow toll
Other	**276,731**	**233,906**		
Buckinghamshire plant (United Kingdom)	152,203	8,949	Buckinghamshire County Council	Fixed amount plus variable amount per ton
Campello Plant (Alicante, Spain)	31,184	–	Plan Zonal XV Consortium of the Community of Valencia	According to tons treated
Granada plant (Granada, Spain)	24,420	–	Provincial council of Granada	According to tons treated
Edinburgh Plant (United Kingdom)	20,549	115,601	City of Edinburgh and Midlothian Council	Variable per ton with guaranteed minimum
RE3 plant (United Kingdom)	–	30,634	Councils of Reading, Bracknell Forest and Workingham	Fixed amount plus variable amount per ton
Manises Plant (Valencia, Spain)	–	24,050	Metropolitan Entity for Waste Treatment	Fixed amount plus variable amount per ton
Wrexham I plant (United Kingdom)	–	23,038	Wrexham County Borough Council	Fixed amount plus variable amount per ton
Wrexham II plant (United Kingdom)	–	19,097	Wrexham County Borough Council	Fixed amount plus variable amount per ton
Other contracts	48,375	12,537		
FCC Group Total	**1,288,804**	**240,772**		

The water services business is characterised by having a very high number of contracts, and the most significant are listed in the preceding table. The contracts primarily cover integral water cycles from capture, transport, treatment and distribution to urban centres through the use of distribution networks and a complex water treatment facilities to make the water potable, including the capture and purification of wastewater. Covers the construction and maintenance of water and sewerage networks and desalinisation, treatment and purification plants. Generally, billing is carried out based on the use of the service by the subscribers, so that, in most cases, cash flows depend on the consumption of water that, in general, has shown to be constant over time. However, the contracts normally include regular rate review clauses to ensure the recoverability of the investment made by the concessionaire. These clauses establish the future rates based on consumption in previous periods and other variables such as inflation. Concession companies build or receive the right to use distribution and sewerage networks in order to carry out their businesses, in addition to the complex facilities necessary to treat and purify drinking water. The concession terms for these types of infrastructures cover different periods up to a maximum of 75 years and then the facilities revert to the granting entity at the end of the concession without any further compensation being received.

Most proceeds received from practically all of the contracts that are fully consolidated depends on the use of the service, therefore meaning that the amounts are variable, demand risk is borne by the concession company and the contracts are recognised as intangible assets. However, in exceptional cases, mainly in the case of desalination plants, the charge is received based on the cubic meters actually desalted, guaranteeing the grantor a minimum insured level regardless of volume, so these guaranteed amounts are classified as financial assets as they hedge the fair value of construction services.

The main activity of the concessions belonging to the motorway and tunnel activity include the management, promotion, development and exploitation of land transport infrastructure, mainly motorways and toll tunnels. It includes both the construction and the subsequent conservation and maintenance of the aforementioned infrastructures over a long concession period that can range from 25 to 75 years. Billing is usually based on traffic intensity, both by charging tolls to vehicles directly, and by shadow toll, so cash flows are variable in relation to the aforementioned traffic intensity, generally observing an increasing trend as the concession period progresses, which is why, when the concessionaire bears the demand risk, they are recorded as intangible assets. In some cases the charges are fixed, either because there are availability charges, which is when a certain amount previously agreed with the grantor is charged in exchange for making the infrastructure available under the agreed conditions, or because the granting entity guarantees the concessionaire the payment of the amount needed to reach a certain amount when the revenues collected from users for tolls do not reach such amount; in these cases, when the grantor bears the demand risk, they are classified as financial assets The contracts generally include both the construction or improvement of the infrastructure for which the concessionaire receives a right of use, as well as the provision of maintenance services, reversing the infrastructure at the end of the useful life to the grantor, generally without receiving compensation. In certain cases there are offsetting mechanisms, such as an extension of the concession period or an increase in the toll price, so as to ensure a minimum return to the concessionaire. In the case of the Cedinsa Eix Transversal concession, the payment is received based on the intensity of traffic, although there is a guaranteed amount, so it is accounted for as a mixed model.

The “Miscellaneous” activity mainly includes contracts related to the construction, operation and maintenance of waste treatment facilities, both in Spain and in the United Kingdom. The contracts incorporate price revision clauses based on different variables, such as inflation, energy costs or salary costs. Contracts were analysed to classify concessions as intangible or financial assets to determine which part of the contract bears the demand risk. Those contracts in which the billing is determined solely on the basis of the fixed charge and a variable amount depending on the tons treated, given that the latter is residual and the cost of construction services is substantially offset by the fixed charge, the concession as a whole has been considered as a financial asset, except in the case of the Buckinghamshire and Edinburgh plants (both in the United Kingdom), in which the intangible component is significant and is therefore recorded as mixed models.

Likewise, it should be noted that in accordance with the concession contracts, the concessionaires in which the Group is an investee are obliged to acquire or build items of property, plant and equipment for the amount of 137,216 thousand euros as at 31 December 2019 (195,972 thousand euros as at 31 December 2018).

11. Investments accounted for using the equity method

This heading includes the value of investments in companies accounted for under the equity method, as well as non-current loans granted to them, as indicated in note 2.b) which applies to both joint ventures and associates, the breakdown of which is as follows:

	2019	2018
Joint ventures	**185,432**	**173,489**
Investment value	38,141	34,882
Loans	147,291	138,607
Associates	**556,092**	**589,561**
Investment value	390,841	452,853
Loans	165,251	136,708
	741,524	**763,050**

a) Joint ventures

The breakdown of this heading by company is presented in Annex II of these financial statements, which lists the joint ventures.

The transactions for 2019 and 2018 by items are as follows:

	Balance at 31.12.2018	Profit/(loss) for the year (note 26.g)	Distributed Dividends	Changes in the fair value of financial instruments allocated to reserves	Acquisitions	Conversion differences and other movements	Change in credits granted	Balance at 31.12.2019
Orasqualia for the Development of the Waste Treatment Plant S.A.E.	9,631	698	–	–	–	1,401	5	11,735
Sociedad Concesionaria Tranvía de Murcia, S.A.	38,467	1,184	–	–	–	–	1,094	40,745
Mercia Waste Management Ltd.	17,881	3,835	(12,063)	–	–	1,029	–	10,682
Zabalgarbi, S.A.	16,298	3,051	(3,000)	885	–	–	–	17,234
Atlas Gestión Medioambiental, S.A.	11,935	1,221	(1,224)	–	–	1	–	11,933
Empresa Municipal de Aguas de Benalmádena, S.A.	6,523	435	(400)	(84)	–	(1)	(773)	5,700
Ibisan Sociedad Concesionaria, S.A.	8,123	1,478	(2,550)	240	–	–	–	7,291
Constructora Nuevo Necaxa Tihuatlán S.A. de C.V.	–	21	–	–	–	(2,106)	2,085	–
OHL CO Canada & FCC Canada Ltd. Partnership	–	969	–	–	–	(5,015)	4,046	–
North Tunnels Canada Inc.	6,526	2	–	–	–	(115)	565	6,978
FM Green Power Investments, S.L.	7,228	15,050	–	(5,203)	–	(1)	–	17,074
Rest	50,877	3,871	(2,825)	682	–	1,793	1,662	56,060
Total joint ventures	**173,489**	**31,815**	**(22,062)**	**(3,480)**	**–**	**(3,014)**	**8,684**	**185,432**

	Balance at 31.12.2017	Profit/(loss) for the year (note 26.g)	Distributed Dividends	Changes in the fair value of financial instruments allocated to reserves	Acquisitions	Conversion differences and other movements	Change in credits granted	Balance at 31.12.2018
Orasqualia for the Development of the Waste Treatment Plant S.A.E.	8,698	531	–	–	–	401	1	9,631
Sociedad Concesionaria Tranvía de Murcia, S.A.	21,199	356	–	–	–	(1)	16,913	38,467
Mercia Waste Management Ltd.	17,553	5,041	(4,525)	–	–	(188)	–	17,881
Zabalgarbi, S.A.	14,777	2,871	(1,500)	327	–	(177)	–	16,298
Atlas Gestión Medioambiental, S.A.	12,149	684	(898)	–	–	–	–	11,935
Empresa Municipal de Aguas de Benalmádena, S.A.	7,144	485	(413)	75	–	–	(768)	6,523
Ibisan Sociedad Concesionaria, S.A.	6,654	2,331	(1,277)	415	–	–	–	8,123
Constructora Nuevo Necaxa Tihuatlán S.A. de C.V.	2	483	–	–	–	(1,828)	1,343	–
OHL CO Canada & FCC Canada Ltd. Partnership	–	1,654	–	–	–	7,275	(8,929)	–
North Tunnels Canada Inc.	–	7,051	–	–	–	(222)	(303)	6,526
FM Green Power Investments, S.L.	7,228	–	–	–	–	–	–	7,228
Rest	50,349	4,013	(2,639)	(767)	–	13,519	(13,598)	50,877
Total joint ventures	**145,753**	**25,500**	**(11,252)**	**50**	**–**	**18,779**	**(5,341)**	**173,489**

Below are the main figures from the financial statements of joint ventures in proportion to the shareholding as at 31 December 2019 and 2018.

	2019	2018
Non-current assets	328,857	321,716
Current assets	164,047	158,929
Non-current liabilities	368,073	359,782
Current liabilities	132,397	124,424
Profit/(loss)		
Revenue	198,110	207,397
Operating profit/(loss)	33,642	43,211
Profit before tax	36,841	30,530
Profit attributable to the Parent Company	31,815	25,500

The main activities carried out by joint ventures are the exploitation of concessions, such as motorways, concessions related to the integral water cycle and urban sanitation, tunnels and passenger transport activities.

In relation to joint ventures with third parties outside the FCC Group, it should be noted that guarantees have been provided for an amount of 8,458 thousand euros (13,212 thousand euros in 2018), mostly for public bodies and private clients to guarantee the successful execution of the contracts of the different activities of the Group. There are no relevant commitments or other significant contingent liabilities in relation to joint ventures.

In general, joint ventures that the Group consolidates using the equity method take the legal form of public limited or limited companies, and therefore, being joint ventures, the distribution of funds to their respective parent companies requires an agreement with the other partners who hold joint control in accordance with the mechanisms established by their corporate agreements.

b) Associates

The breakdown of this heading by companies is presented in Annex III of these financial accounts, which lists the associates.

The transactions for 2019 and 2018 by items are as follows:

	Balance at 31.12.2018	Profit/(loss) for the year (note 26.g)	Distributed Dividends	Changes in the fair value of financial instruments allocated to reserves	Acquisitions	Conversion differences and other movements	Change Loans granted	Balance at 31.12.2019
Realia Business Group	272,493	8,058	–	(1,504)	–	(2,507)	–	276,540
Concessió Estacions Aeroport L9, S.A.	66,793	12,449	(5,226)	(10,889)	–	–	–	63,127
Cleon, S.A.	–	–	–	–	–	–	–	–
Shariket Tahlya Miyah Mostaganem SPA (note 4)	35,222	–	–	–	–	(35,222)	–	–
Cedinsa Group (note 4)	31,625	7,755	(6,460)	(7,249)	–	(25,671)	–	–
Metro de Lima Línea 2, S.A.	23,297	1,966	–	–	–	441	–	25,704
Aquos El Realito, S.A. de C.V.	13,198	487	–	–	–	404	394	14,483
Suministro de Agua de Querétaro, S.A. de C.V.	9,991	1,316	(1,505)	–	–	574	–	10,376
Aguas del Puerto Empresa Municipal, S.A.	14,637	(201)	–	462	–	–	(350)	14,548
Shariket Miyeh Ras Djinet SPA (note 4)	12,704	–	–	–	–	(12,704)	–	–
Lázaro Echevarría, S.A.	8,449	(341)	–	(68)	–	1	–	8,041
Tirme Group	6,630	4,123	(3,326)	–	–	(4)	–	7,423
A.S.A. Group	6,422	1,989	(1,990)	(41)	–	(116)	–	6,264
Hormigones y Áridos del Pirineo Aragonés, S.A.	5,980	(48)	(45)	–	–	(1)	–	5,886
Aigües del Segarra Garrigues, S.A.	6,587	317	–	–	–	1	–	6,905
N6 (Construction) Limited	1,034	–	–	–	–	1	–	1,035
Giant Cement Holding	24,212	(10,983)	–	(72)	–	504	–	13,661
Constructora Terminal Valle de México	3,505	13,126	(7,751)	–	–	35	–	8,915
Aigües del Vendrell	–	13	–	(2)	492	–	4,799	5,302
FCC Group PFI Holdings	–	(298)	–	–	3,471	6,624	24,529	34,326
Rest	46,782	7,403	(1,439)	(1,294)	771	2,162	(829)	53,556
Total associates	**589,561**	**47,131**	**(27,742)**	**(20,657)**	**4,734**	**(65,478)**	**28,543**	**556,092**

	Balance at 31.12.2017	Profit/(loss) for the year (note 26.g)	Distributed Dividends	Changes in the fair value of financial instruments allocated to reserves	Acquisitions	Conversion differences and other movements	Change Loans granted	Balance at 31.12.2018
Realia Business Group	209,407	6,709	–	908	–	55,469	–	272,493
Concessió Estacions Aeroport L9, S.A.	57,695	12,226	(4,311)	1,182	–	1	–	66,793
Cleon, S.A.	32,788	–	–	–	–	(24,877)	(7,911)	–
Shariket Tahlya Miyah Mostaganem SPA	31,248	3,445	–	–	–	529	–	35,222
Cedinsa Group	–	7,308	(6,460)	3,652	–	27,125	–	31,625
Metro de Lima Línea 2, S.A.	21,298	1,065	–	–	–	934	–	23,297
Aquos El Realito, S.A. de C.V.	12,093	443	–	132	–	255	275	13,198
Suministro de Agua de Querétaro, S.A. de C.V.	8,483	1,128	–	–	–	380	–	9,991
Aguas del Puerto Empresa Municipal, S.A.	14,327	(462)	–	367	–	–	405	14,637
Shariket Miyeh Ras Djinet SPA	11,393	1,120	–	–	–	191	–	12,704
Lázaro Echevarría, S.A.	8,637	(201)	–	42	–	(29)	–	8,449
Tirme Group	5,224	4,034	(2,628)	–	–	–	–	6,630
A.S.A. Group	6,410	1,561	(1,428)	(29)	–	(92)	–	6,422
Hormigones y Áridos del Pirineo Aragonés, S.A.	6,064	120	(225)	–	–	21	–	5,980
Aigües del Segarra Garrigues, S.A.	6,075	512	–	–	–	–	–	6,587
N6 (Construction) Limited	1,035	–	–	–	–	(1)	–	1,034
Giant Cement Holding	33,771	(10,652)	–	–	–	1,093	–	24,212
Constructora Terminal Valle de México	119	3,430	–	–	–	(44)	–	3,505
Rest	38,820	4,926	(842)	2,806	5	2,873	(1,806)	46,782
Total associates	**504,887**	**36,712**	**(15,894)**	**9,060**	**5**	**63,828**	**(9,037)**	**589,561**

In 2019, the column “Conversion differences and other movements” highlights the 25,671 thousand euros decrease of the Cedinsa group as a result of its takeover (note 4), and the decreases of 35,222 thousand euros and 12,704 thousand euros, respectively, of Shariket Tahlya Mostaganem, S.p.a. and Shariket Miyeh Djinet, S.p.a. under the partner agreements that were signed, under which the first becomes integrated by global integration when control has been taken and the second is posted as a financial asset at fair value after the loss of significant influence (note 4).

In 2018, the transfer from non-current assets held for the sale of the Cedinsa group for 27,125 thousand euros in the “Conversion differences and other movements” column should be noted. Meanwhile, in November 2018, Realia Business, S.A. approved a capital increase that the Group used, subscribing and disbursing 55,469 thousand euros (note 4). Likewise, Cleon, S.A. was liquidated during the year, with the partners receiving the assets from the company without any significant impacts on the Group.

The assets, liabilities, turnover and profit/(loss) for 2019 and 2018 are presented below, in proportion to the shareholding in the capital of each associate.

	2019	2018
Non-current assets	1,139,952	1,637,009
Current assets	369,637	425,954
Non-current liabilities	1,140,692	1,541,278
Current liabilities	264,029	314,705
Revenue	445,072	400,320
Operating profit/(loss)	96,980	84,416
Profit before tax	61,282	42,487
Profit attributable to the Parent Company	47,131	36,712

In relation to the 37.14% stake in the Realia Business group, it should be noted that the value of the participation based on the stock price at 31 December 2019 amounted to 282,103 thousand euros, higher than its book value, (276,036 thousand euros as at 31 December 2018) and that no dividends were distributed this year or last year. Below is the condensed financial information of the Realia group at 31 December 2019 and 2018 by relevance and once standardised to comply with the accounting policies applied by the Group, to which the equity method has been applied:

	Balance Sheet	
	2019	2018
Non-current assets	**1,009,857**	**993,834**
Current assets	**459,373**	**459,625**
Cash and equivalents	75,895	87,498
Other current assets	383,478	372,127
TOTAL ASSETS	**1,469,230**	**1,453,459**
Equity	**790,289**	**773,683**
Equity Parent Company	**671,926**	**655,433**
Capital	196,864	196,864
Reserves	459,154	446,249
Own Shares	(3,277)	(1,566)
Profit/(Loss) Parent Company	21,675	18,070
Valuation adjustments	(2,490)	(4,184)
Non-controlling interests	**118,362**	**118,251**
NonScurrent liabilities	**607,546**	**623,956**
Non-current financial liabilities	559,511	586,547
Other non-current liabilities	48,035	37,409
Current liabilities	**71,395**	**55,820**
Non-current financial liabilities	34,715	27,951
Other non-current liabilities	36,680	27,869
TOTAL LIABILITIES	**1,469,230**	**1,453,459**

	Income statement	
	2019	2018
Revenue	**76,104**	**76,249**
Other income	**18,805**	**17,635**
Operating expenses	(34,841)	(40,808)
Depreciation of fixed and non-current assets	(12,151)	(12,226)
Other operating income/(losses)	2,043	(35)
Operating profit/(loss)	**49,960**	**40,815**
Finance income	1,188	7,329
Finance cost	(15,633)	(17,680)
Other financial profit/(loss)	970	564
Financial Profit/(Loss)	**(13,475)**	**(9,787)**
Profit/(loss) of equity-accounted affiliates	1,702	1,695
Net income from impairment of fixed and non-current assets	–	–
Profit/(loss) before tax from continuing operations	**38,187**	**32,723**
Corporation tax	(10,528)	(7,836)
Profit/(loss) for the year from continuing operations	**27,659**	**24,887**
Profit/(loss) from interrupted operations	–	–
PROFIT/(LOSS) FOR THE YEAR	**27,659**	**24,887**
Profit/(Loss) Parent Company	19,394	18,070
Profit/(loss) non-controlling interests	8,265	6,817

It should be noted that adjustments were made to the previous financial statements of the Realia group for the purpose of standardisation in order to apply the equity method and record it in the consolidated financial statements, since said group applies the option allowed in IAS 40 "Real estate investments" to value its real estate assets at fair value, an accounting policy that the Group does not apply.

12. Joint agreements. jointly controlled operations

As indicated in note 2.b) section "Joint agreements", the Group companies carry out part of their activity by participating in contracts that are jointly operated with other partners outside the Group, mainly through temporary unions of companies and others similar entities. These contracts have been proportionally integrated in the accompanying financial statements.

Below are the key figures of the jointly operated contracts that are included in the different headings of the accompanying balance sheet and consolidated income statement, in proportion to their participation, as at 31 December 2019 and 2018.

	2019	2018
Non-current assets	214,777	188,348
Current assets	1,367,070	1,363,139
Non-current liabilities	70,787	57,816
Current liabilities	1,445,679	1,421,276
Profit/(loss)		
Revenue	1,501,259	1,480,543
Gross Operating Profit	126,331	132,550
Net Operating Profit	98,249	113,501

At year-end 2019, the commitments for the acquisition of property, plant and equipment, formalised directly by the joint management contracts, amount to 125 thousand euros (4,981 thousand euros in 2018), after applying the shareholding that the Group companies hold.

Contracts managed through temporary joint ventures, joint ventures and other entities with similar characteristics imply that shareholders must share the joint responsibility for the activity carried out.

In relation to contracts managed jointly with third parties outside the Group, it should be noted that guarantees have been provided for an amount of 1,393,614 thousand euros (1,461,672 thousand euros in 2018), mostly before public bodies and private clients, to ensure the successful completion of urban sanitation works and contracts.

13. Non-current financial assets and other current financial assets

There are no "Non-current financial assets" or "Other significant non-current financial assets" in default. The most significant items in the accompanying consolidated balance sheet of the aforementioned headings present the following breakdown:

a) Non-current financial assets

Non-current financial assets at 31 December 2019 and 2018 are distributed as shown below:

	Financial assets at amortised cost	Financial assets at fair value charged to reserves	Financial assets at fair value charged to profit/(loss)	Hedging derivatives	Total
2019					
Equity instruments	–	35,711	–	–	35,711
Derivatives	–	–	9	22	31
Collection rights concession arrangements	566,917	–	–	–	566,917
Other financial assets	260,036	468	–	–	260,504
	826,953	**36,179**	**9**	**22**	**863,163**
2018					
Equity instruments	–	24,660	–	–	24,660
Derivatives	–	–	40	1,265	1,305
Collection rights concession arrangements	199,507	–	–	–	199,507
Other financial assets	155,080	–	–	–	155,080
	354,587	**24,660**	**40**	**1,265**	**380,552**

The increase in the "Collection rights for concession agreements" of 367,410 thousand euros in 2019 should be noted, mainly due to the takeover of the Cedinsa Group, recording a financial asset for the Cedinsa Eix Transversal concession due to being a mixed model (notes 4 and 10) and Shariket Tahlya Mostaganem, S.p.a. that have become consolidated through global integration (notes 4 and 10) and that, as at 31 December 2019 contribute 126,651 and 176,392 thousand euros respectively to this heading. Furthermore, to a lesser extent, the increase in non-current collection rights corresponding to waste treatment plants under construction in Guipúzcoa and the United Kingdom is noteworthy (note 10).

The increase in the "Other financial assets" heading mainly covers the incorporation of the collection right derived from grants granted to and not yet collected from the Cedinsa subgroup for the amount of 61,504 thousand euros, whose counterpart is included in the "Grants" heading of the liability side of the accompanying consolidated balance sheet.

The breakdown of the "Equity instruments" heading at 31 December 2019 and 2018 is detailed below:

	% Effective ownership	Fair value
2019		
Participations equal to or greater than 5%:		
Shariket Miyeh Djinet, S.p.a (note 4)	13.01%	11,142
Cafasso Consortium, N.V.	15.00%	8,777
Vertederos de Residuos, S.A.	16.03%	8,764
Consorcio Traza, S.A.	16.60%	3,629
Rest		2,296
Participations below 5%:		1,103
Rest		**35,711**
2018		
Participations equal to or greater than 5%:		
Cafasso Consortium N.V.	15.00%	8,777
Vertederos de Residuos, S.A.	16.03%	8,764
Consorcio Traza, S.A.	16.60%	3,629
Rest		2,380
Participations below 5%:		
Rest		1,100
		24,650

The main change that took place in 2019 was the change in the consolidation method of the shareholding in Shariket Miyeh Djinet, S.p.a. as a result of the loss of significant influence valued at 11,142 thousand euros at the end of 2019, and which was consolidated in 2018 using the equity method (notes 4 and 11).

The due dates for the "Collection rights of concession agreements" and the "Other financial assets" are as follows:

	2021	2022	2023	2024	2025 and beyond	Total
Deposits and guarantees	4,164	852	274	714	160,112	166,116
Collection rights concession agreement (notes 3.a) and 10)	41,078	53,103	34,538	30,536	407,662	566,917
Non-commercial loans and other financial assets	12,139	9,247	8,083	9,347	55,104	93,920
	57,381	**63,202**	**42,895**	**40,597**	**622,878**	**826,953**

Non-commercial loans mainly include the amounts granted to public entities for debt refinancing, mainly in the water services activity, that accrue interest in accordance with market conditions. There were no events during the year that suggests uncertainty regarding the recovery of these loans.

The deposits and guarantees basically correspond to those made by legal or contractual obligations in the development of the activities of the Group companies, such as deposits for electrical connections, for the guarantee in the execution of works, for rental of real estate, etc.

b) Other current financial assets

This heading of the accompanying consolidated balance sheet includes the financial deposits constituted by contractual guarantees, the collection rights derived from concessionary financial assets (note 10) maturing within less than twelve months, current financial investments made for more than three months to meet certain specific treasury situations, credits granted to companies accounted for using the equity method and loans to current third parties.

The details of "Other Current Financial Assets" at 31 December 2019 and 2018 is as follows:

	Financial assets at amortised cost	Financial assets at fair value charged to reserves	Total
2019			
Collection rights concession agreements (note 10)	31,329	–	31,329
Deposits and guarantees	80,836	–	80,836
Other financial assets	77,401	–	77,401
	189,566	**–**	**189,566**
2018			
Derivatives	–	16	16
Collection rights concession agreements (note 10)	41,265	–	41,265
Deposits and guarantees	71,535	–	71,535
Other financial assets	65,999	–	65,999
	178,799	**16**	**178,815**

Other financial assets mainly include current loans granted and other accounts receivable from joint ventures and associates for the amount of 20,938 thousand euros (20,527 thousand euros in 2018), current loans to third parties for 29,711 thousand euros (34,024 thousand euros in 2018) and deposits in credit institutions amounting to 19,187 thousand euros (5,482 thousand euros in 2018).

The average rate of return obtained by these items is in market returns according to the term of each investment.

14. Inventory

The breakdown of "Inventory net of impairment" at 31 December 2019 and 2018 was as follows:

	2019		2018	
Real estate		365,415		372,570
Raw materials and other supplies		220,409		166,081
Construction	87,117		68,972	
Cement	77,421		54,205	
End-to-End Water Management	28,123		16,627	
Environmental Services	26,258		25,003	
Corporation	1,490		1,274	
Finished goods		18,009		25,574
Advances		124,979		126,809
		728,812		**691,034**

The "Real estate" item includes plots for real estate development. Likewise, "Real estate" in production is also recorded under production, for which there are sales commitments for a final value of delivery to clients of 42,500 thousand euros (26,041 thousand euros in 2018). The advances that some clients have paid on behalf of the aforementioned "Real Estate" are guaranteed by insurance contracts or bank guarantees, in accordance with the requirements established by the regulations in force. Below is the breakdown of the main real estate products pending sale:

	2019	2018
Fincas Tres Cantos (Madrid)	121,439	115,798
Fincas Arroyo Fresno (Madrid)	53,052	50,783
Sant Joan Despí Housing Estate (Barcelona)	46,576	46,576
Fincas Badalona (Barcelona)	35,171	14,729
Pino Montano Housing Estate (Seville)	8,150	10,139
Finca Las Mercedes (Madrid)	7,016	7,016
Other properties and developments	94,011	127,529
	365,415	**372,570**

The real estate inventory is valued at their acquisition or production cost, corrected where appropriate to the market value when this is lower, mainly based on the references of the end market, by calculating the residual value of the land compared to the existing market value in the location in which it is located and, where appropriate, when purchase offers have been received, the price of such offers has been used for their valuation.

The Group has used an independent third party (BDO) to estimate the fair value of the main assets that comprise its real estate portfolio. The valuations were made following the criteria of IVSC (International Valuation Standards Committee). The Dynamic Residual Method has been applied as the best approximation to the value. This method is based on the sale value of the completed development and, among other factors, the costs of the development, urban developments, construction and marketing have been deducted to calculate the price that a developer could pay for the plot. These fair values are extremely sensitive to stress situations or needs to make the asset liquid in a shorter period than that of the appraisal.

The total accumulated balance of impairments of real estate inventory in 2019 amounts to 238,112 thousand euros (246,103 thousand euros as at 31 December 2018).

There are no significant commitments to purchase real estate assets at year-end.

The "Raw materials and other supplies" include facilities necessary for the execution of works pending incorporation, building materials and storage elements, spare parts, fuel and other materials necessary in the development of activities.

15. Commercial debtors, other accounts receivable and other current assets

a) Trade receivables for sales and services

This heading of the accompanying consolidated balance sheet includes the value of the production and services rendered pending collection, valued as indicated in note 3.r), which provide the various Group activities and which are the basis of the operating profit/(loss).

The following is the breakdown of "Receivables external to the Group" at 31 December 2019 and 2018:

	2019	2018
Progress billings receivable and trade receivables for sales	799,543	740,277
Completed output pending certification	572,461	523,162
Warranty retainers	72,793	60,675
Production billed to associated and jointly controlled companies	60,002	56,816
Trade receivables for sales and services	1,504,799	1,380,930
Advances received for orders (note 21)	(380,695)	(492,174)
Total trade receivables for sales and services	**1,124,104**	**888,756**

The total amount corresponds to the net balance of receivables having considered the corrections for insolvency risk amounting to 258,919 thousand euros (270,725 thousand euros as at 31 December 2018) and deducting the item of advances received for orders listed under the heading "Trade payables and other accounts payable" of the liability side of the accompanying consolidated balance sheet. This item also includes the certified amounts of advances for various items, regardless of whether or not they have been paid.

The loans for commercial operations in default are as follows:

	2019	2018
Construction	55,481	46,781
Environmental Services	270,222	268,610
Water	64,888	57,308
TOTAL	**390,591**	**372,699**

Balances are considered to be in default when their due date has passed and they have not been paid by the counterpart. However, it must be taken into account that given the different characteristics of the different sectors in which the FCC Group operates, although certain assets are in default, there is no risk of default, since most of its clients are public clients, in which only delays in collections can occur, as it is entitled to claim the corresponding delay payment surcharges.

The "Progress billings receivable and trade receivables for sales" item mainly includes the amount of the certifications issued to clients for works executed for the amount of 249,646 thousand euros (197,500 thousand euros at 31 December 2018) and services performed for the amount of 549,897 thousand euros (542,777 thousand euros as at 31 December 2018), pending collection at the date of the consolidated balance sheet. In general, there are no disputes in relation to the above.

The difference between the amount of progress recorded at the origin of each of the works and contracts in progress, valued according to the criteria set out in note 3.r), and the amount certified to date from the consolidated financial statement is collected as "Completed output pending certification".

The "Completed output pending certification" section includes work executed pending certification corresponding to the construction contracts executed by the Group for the amount of 249,468 thousand euros (242,681 thousand euros at 31 December 2018). The aforementioned balance mainly includes the differences between the completed output, valued at the sale price, and the certification made to date under the current contract for the amount of 238,783 thousand euros (229,277 thousand euros as at 31 December 2018); that is, output recognised according to the degree of progress that originates in differences between the time at which the output of the work is executed, covered by the contract signed with the client and approved by the latter, and the time at which the latter certifies it.

Likewise, the "Completed output pending certification" heading includes services provided in the Environment and Water activities that are billed more than once a month, basically corresponding to the work carried out within the normal development of the activity for the amount of 240,438 thousand euros (218,878 thousand euros as at 31 December 2018).

The amount of the transfer of client loans to financial institutions without the possibility of recourse against the Group companies in the event of default amounts to 261,005 thousand euros at year-end (258,010 thousand euros at 31 December 2018). The impact on cash flows of loan assignments is reflected in the "Changes in working capital" heading of the Statement of Cash Flows. This amount has been reduced from the "Progress billings receivable and trade receivables for sales".

b) Other receivables

The breakdown of the "Other receivables" at 31 December 2019 and 2018 was as follows:

	2019	2018
Public Administrations - VAT receivable (note 23)	87,291	93,550
Public Administrations - Other taxes payable (note 23)	54,892	54,202
Other receivables	114,941	105,786
Advances and credits to staff	2,219	3,086
Current tax assets (note 23)	72,664	58,244
Total other receivables	**332,007**	**314,868**

c) Other current assets

This heading mainly includes amounts disbursed by the Group in relation to certain contracts for the provision of services, which have not yet been recorded as expenses in the accompanying financial statement as they had not accrued at the close of these Financial Statements.

16. Cash and cash equivalents

This heading includes the Group's cash flow, as well as bank deposits and taxes with an initial due date of three months or earlier. These balances were remunerated at market interest rates in both 2019 and 2018.

The breakdown by currency of the cash and cash equivalents position for 2019 and 2018 is as follows:

	2019	2018
Euro	708,399	777,158
United States dollar	161,967	159,476
Pound sterling	138,408	135,770
Algerian dinar	51,949	5,386
Romanian leu	27,037	36,363
Czech koruna	24,771	23,966
Other European currencies	1,853	2,566
Latin America (various currencies)	27,645	47,716
Rest	76,515	77,796
Total	**1,218,544**	**1,266,197**

The previous table highlights the increase in the balance of the Algerian Dinar, mainly due to the takeover of the Shariket Tahlya Mostaganem, S.p.a. company that was consolidated using the global integration method in January 2019 (note 4).

17. Equity

The accompanying Statement of Changes in Total Equity at 31 December 2019 and 2018 shows the evolution of equity attributed to the shareholders of the Parent Company and non-controlling interests in the respective years.

At the Ordinary General Shareholders' Meeting held on 8 May 2019, the Parent Company of the Group approved the distribution of a flexible dividend (scrip dividend) for a maximum value of 151,530 thousand euros. Shareholders received the corresponding allocation rights and were able to choose between three options: the sale of rights to FCC for 0.40 euros, transfer of the rights on the market or to refrain from transferring them and receiving new shares released. The exchange ratio was set at one new share for every 28 old shares, reflecting the issuance of a maximum number of new shares released of 13,529,482. For the option of transferring the rights to FCC and of receiving new shares to be economically equivalent for the shareholder, a remuneration mechanism was set up for shareholders who chose to receive new shares with a compensatory dividend in cash.

On 28 May 2019, the negotiation period for the allocation rights ended, with the holders of 99.33% of rights opting to receive new shares. Thus, 13,439,320 new shares have been issued, corresponding to 3.55% of the share capital prior to the increase. The expansion released, charged to reserves, has been recorded with the Mercantile Registry on 12 June 2019. In turn, the remuneration mechanism described above has resulted in the disbursement of 8,556 thousand euros by the Group. The shareholders of the remaining 0.67% have chosen to receive the sum in cash, resulting in an additional cash outflow for the Group of 1,010 thousand euros.

At 31 December 2019, under "Distribution of dividends" on the Statement of Changes in Total Equity, a decrease of EUR 44,100 thousand under "Non-controlling interests" is worth particular mention, attributable to the distribution of dividends approved by FCC Aqualia, S.A.

The takeover of Shariket Tahlya Mostaganem, S.p.a. and the Cedinsa group (notes 4, 11 and 26) took place in 2019, which were consolidated using the global integration method after being consolidated using the equity method in the past. These operations have led to the recognition of non-controlling interests for an amount of 136,998 and 111,727 thousand euros respectively. Furthermore, in April 2019, FCC Aqualia, S.A. acquired a 49% share in AquaJerez, S.L., over which it already had control with a 51% holding (note 4). As this transaction involved equity, the difference between the acquisition price and the value of the net assets acquired has been recognised directly against equity, representing a loss of 17,311 thousand euros in reserves on the consolidated financial statements.

From the changes seen on 31 December 2018, the first-time application of IFRS 9 and IFRS 15 on 1 January 2018, which resulted in a decrease in reserves of 180,882 thousand euros (note 2), is worth particular mention. Likewise, on 9 January 2018, the acquisition of 49% of the non-controlling interests of Aqualia Czech, S.L. and Aqualia Infraestructuras Inzenyring, s.r.o. was completed, over which control was already held with a 51% holding. This transaction resulted in a decrease in consolidation reserves of 59,509 thousand euros, an increase in valuation adjustments of 9,148 thousand euros and a decrease in non-controlling interests of 42,139 thousand euros.

Finally, in September 2018, the sale of 49% of the capital of the subsidiary FCC Aqualia, S.A. to the IFM Global Infrastructure fund was completed for the sum of 1,024 million euros (note 4). Since control was maintained over the investee, this sale was considered an equity transaction, resulting in an increase in reserves of 789,054 thousand euros, an increase in valuation adjustments of 10,818 thousand euros and an increase in non-controlling interests of 222,167 thousand euros.

The rest of the "Other changes in equity" basically includes the distribution of the profit/(loss) obtained by the Group in the previous year.

I. Equity attributable to the Parent Company

The first application of IFRS 9 and IFRS 15 (note 2) on 1 January 2018 resulted in a decrease of 180,882 thousand euros.

a) Capital

The capital of Fomento de Construcciones y Contratas, S,A. comprises 392,264,826 ordinary shares represented through book entries with a nominal value of 1 euro 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 their 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 61.13% at the date of preparation of these financial statements. Furthermore, Samede Inversiones 2010, S.L. has an indirect holding of 15.45% 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%).

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

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., all of the debt of DDG with the shares of Fomento de Construcciones y Contratas, S.A. as collateral.

b) Accumulated earnings and other reserves

The composition of this heading of the accompanying consolidated balance sheet as at 31 December 2019 and 2018 is as follows:

	2019	2018
Reserves of the Parent Company	1,230,126	421,487
Consolidation reserves	371,158	976,092
	1,601,284	**1,397,579**

b.1) Reserves of the Parent Company

This corresponds to the series of reserves set up by Fomento de Construcciones y Contratas, S.A., parent of the Group, mainly based on retained profits and capital gains and, where appropriate, in compliance with the different applicable legal provisions.

The breakdown at 31 December 2019 and 2018 is as follows:

	2019	2018
Share premium	1,673,477	1,673,477
Legal reserve	75,765	75,765
Reserve for redeemed capital	6,034	6,034
Voluntary reserves and losses from previous years	(525,150)	(1,333,789)
	1,230,126	**421,487**

The increase in the "Voluntary reserves and negative results from previous years" heading mainly addresses the distribution to reserves amounting to 913,146 thousand euros in the Group's parent company of the capital gain obtained from the aforementioned sale of 49% of the subsidiary company FCC Aqualia, S.A. (note 4), which in its 2018 individual financial statements was recorded as a profit and as consolidation reserves in the consolidated financial statements (note 17.b.2).

Share premium

The Spanish Corporate Enterprises Act, as amended, 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.

Legal reserve

In accordance with the Spanish Corporate Enterprises Act, as amended, 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 is greater than 10% of the increased capital.

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

As a result of the capital increase derived from the flexible dividend mentioned at the start of this note, the Board of Fomento de Construcciones y Contratas, S.A. decided to provide an additional amount of 2,687 thousand euros as legal reserve in the distribution of profit/(losses) for 2019 so that the legal reserve will be fully funded in 2020.

Reserve for redeemed capital

This reserve includes the nominal value of the amortised treasury shares in 2002 and 2008 charged to available reserves, in accordance with the provisions of article 335.c of the Spanish Corporate Enterprises Act. The reserve for amortised capital is unavailable, other than with the same requirements as for capital reduction.

Voluntary reserves

Reserves for which there is no type of limitation or restriction on their availability, freely constituted through profits and capital gains of the Parent Company once the distribution of dividends has been applied and the provision to legal reserve or other unavailable reserves in accordance with the current legislation.

b.2) Consolidation reserves

This heading of the accompanying consolidated balance sheet includes the consolidated reserves generated in each of the areas of activity. Also, in accordance with IFRS 10 "Consolidated financial statements", those derived from changes in the shareholding of Group companies are included as long as control is maintained, for the difference between the amount of the purchase or additional sale and the book amount of the interest. Meanwhile, in accordance with IAS 19 "Employee benefits", this section includes the actuarial profit and loss of pension plans and other social security benefits. The breakdown of this item as at 31 December 2019 and 2018 is as follows:

	2019	2018
Environment	147,827	94,287
Water	86,704	48,849
Construction	83,579	(5,896)
Cement	36,119	24,599
Corporation	16,929	814,253
	371,158	**976,092**

The main change in this heading is due to the capital gain that Fomento de Construcciones y Contratas, S.A. obtained in 2018 for the amount of 913,146 thousand euros for the sale of 49% of the capital of FCC Aqualia, S.A. that become part of the reserves of the parent company in 2019 (note 17.b.1).

c) Shares and equity interests

This heading includes the Parent Company shares owned by this or other Group companies valued at the cost of acquisition.

The Board of Directors and the subsidiaries are authorised by the General Shareholders' Meeting of Fomento de Construcciones y Contratas, S.A. to buy back treasury shares within the limits and pursuant to the requirements set out in Article 144 et seq. of the Spanish Corporate Enterprises Act.

The transaction for 2019 is detailed below:

Balance at 31 December 2017	**(4,427)**
Acquisitions	(7,296)
Balance at 31 December 2018	**(11,723)**
Acquisitions	(4,345)
Balance at 31 December 2019	**(16,068)**

The breakdown of treasury shares at 31 December 2019 and 2018 is as follows:

	2019		2018	
	Number of shares	Amount	Number of shares	Amount
Fomento de Construcciones y Contratas, S.A.	1,250,837	(16,068)	823,430	(11,723)
TOTAL	**1,250,837**	**(16,068)**	**823,430**	**(11,723)**

As at 31 December 2019, the shares of the Parent Company, owned by it or by subsidiaries, represent 0.32% of the capital stock (0.22% as at 31 December 2018).

d) Valuation adjustments

The breakdown of this accompanying consolidated heading at 31 December 2019 and 2018 was as follows:

	2019	2018
Changes in the fair value of financial instruments	(123,851)	(141,247)
Conversion differences	(169,072)	(191,051)
	(292,923)	**(332,298)**

d.1) Changes in the fair value of financial instruments:

Changes in the fair value of taxes of financial assets at fair value with changes in other comprehensive income (note 13) and of cash flow hedging derivatives (note 22) are included in this heading.

The breakdown of the adjustments due to a change in the fair value of the financial instruments as at 31 December 2019 and 2018 is as follows:

	2019		2018	
Financial assets at fair value with changes inother comprehensive income		7,739		7,793
Vertederos de Residuos, S.A.	7,657		7,657	
Rest	82		136	
Financial derivatives		(131,590)		(149,040)
Concessió Estacions Aeroport L9, S.A.	(79,230)		(68,340)	
Cedinsa Group (note 4)	6,555		(34,810)	
Urbs Iudex et Causidicus, S.A.	(31,934)		(30,930)	
FCC Environment Group (UK)	(12,993)		(9,081)	
Ibisan Sociedad Concesionaria, S.A.	(2,798)		(3,038)	
Rest	(11,190)		(2,841)	
		(123,851)		**(141,247)**

d.2) Conversion differences

The detail of the amounts included under this heading for each of the most significant companies at 31 December 2019 and 2018 is as follows:

	2019		2018	
European Union:				
FCC Environment Group (UK)	(143,381)		(150,402)	
Dragon Alfa Cement Limited	(3,152)		(3,459)	
Rest	(3,946)	(150,479)	(13,224)	(167,085)
United States of America:				
FCC Group Construcción de América	6,924		8,960	
Giant Cement Holding, Inc.	(1,458)		(1,957)	
Rest	890	6,356	732	7,735
Egypt:				
Orasqualia Devel. Waste T.P. S.A.E.	(5,921)		(3,893)	
Egypt Environmental Services, S.A.E.	(3,664)		(3,987)	
Rest	(1,537)	(11,122)	(2,900)	(10,780)
Tunisia				
Societé des Ciments d'Enfidha	(24,769)		(26,659)	
Rest	(844)	(25,613)	(859)	(27,518)
Algeria				
Shariket Tahlya Miyah Mostaganem (note 4)	329		(4,493)	
Shariket Miyeh Ras Djinet (note 4)	0	329	(1,634)	(6,127)
Latin America:				
FCC Group Construcción de América	3,443		3,118	
Rest	3,238	6,681	3,314	6,432
Other Currencies				
Rest	4,776	4,776	6,292	6,292
		(169,072)		**(191,051)**

The net investment before deducting non-controlling interests in currencies other than the euro (converted to euros in accordance with note 3.j), grouped by geographic markets is as follows:

	2019	2018
United Kingdom	293,612	213,106
Algeria	185,222	47,926
Latin America	104,967	71,460
Czech Republic	71,012	67,930
United States of America	66,186	47,857
Rest	148,975	113,760
	869,974	**562,039**

The takeover of the Algerian company Shariket Tahlya Mostaganem, S.p.a. in 2019 is noteworthy, which significantly increases the amount of net investment in this country.

e) Earnings per share

The basic earnings per share is obtained as a quotient between the profit/(loss) attributed to the Parent Company and the weighted average of ordinary shares outstanding during the year, the result per share being 0.71 euros in 2019 (0.66 euros in 2018).

	2019	2018
Profit or Loss		
Attributed profit/(loss) parent	266,704	251,569
Outstanding shares		
Weighted average shares	385,001,230	378,437,848
Earnings per share (in euros)	**0.69**	**0.66**

As at 31 December 2019 the Group has not issued any kind of instruments that can be converted to shares, so the diluted earnings per share coincide with the basic earnings per share.

II. Non-controlling interests

The balance of this heading in the accompanying consolidated balance sheet reflects the proportional part of the equity and the profit or loss for the year after tax of those companies in which the Group's non-controlling shareholders have ownership interests.

The breakdown of the balance of non-controlling interests of the main companies at the close of 2019 and 2018 is as follows:

	Equity			
	Capital	Reserves	Profit/(loss)	Total
2019				
FCC Aqualia Group	71,050	246,028	67,003	384,081
Cedinsa Group	118,912	(6,824)	(361)	111,727
Cementos Portland Valderrivas Group	2,145	19,486	1,348	22,979
Rest	5,701	(7,221)	5,230	3,710
	197,808	**251,469**	**73,220**	**522,497**
2018				
FCC Aqualia Group	71,050	153,775	24,550	249,375
Cementos Portland Valderrivas Group	1,894	18,649	1,315	21,858
Rest	7,031	(5,728)	2,286	3,589
	79,975	**166,696**	**28,151**	**274,822**

The main change of this heading is due to the takeover of Shariket Tahlya Mostaganem, S.p.a. and the Cedinsa group discussed above, which has led to the recognition of non-controlling interests for an amount of 136,998 and 111,727 thousand euros respectively.

18. Non-current and current provisions

The detail of the provisions at 31 December 2019 and 2018 is as follows:

	2019		2018	
Non-current		**1,130,199**		**1,161,989**
Liabilities for long-term employee benefits	21,649		23,171	
Dismantling, removal and restoration of fixed and non-current assets	100,250		98,807	
Environmental actions	256,547		237,829	
Litigation	164,727		168,459	
Contractual and legal guarantees and obligations	66,149		58,656	
Actions to improve or expand the capacity of concessions	194,172		139,256	
Other provisions for risks and expenses	326,705		435,811	
Current		**249,581**		**209,264**
Close-outs and losses on construction contracts	226,898		193,273	
Other provisions	22,683		15,991	

The changes in the provisions heading in 2019 and 2018 were as follows:

	Non-current provisions	Current provisions
Balance at 31/12/2017	**1,140,965**	**165,793**
Asset withdrawal or dismantling expenses	9,151	–
Change of obligations for employee benefits for actuarial profits and losses	(1,727)	–
Actions to improve or expand the capacity of concessions	15,004	–
Endowments/(Reversals)	105,391	37,792
Applications (payments)	(122,767)	(6,360)
Change of scope, conversion differences and other movements	15,972	12,039
Balance at 31/12/2018	**1,161,989**	**209,264**
Asset withdrawal or dismantling expenses	8,898	–
Change of obligations for employee benefits for actuarial profits and losses	4,262	–
Actions to improve or expand the capacity of concessions	10,993	–
Endowments/(Reversals)	16,740	65,567
Applications (payments)	(116,886)	(55,862)
Change of scope, conversion differences and other movements	44,203	30,612
Balance at 31/12/2019	**1,130,199**	**249,581**

Within the "allocations (reversals)" item, the allocations for environmental actions for 35,324 thousand euros (30,314 thousand euros as at 31 December 2018) are noteworthy, as well as provisions for future replacement actions or major repairs in concessions for 19,199 thousand euros (14,183 thousand euros as at December 2018). The allocation of 25,000 thousand euros in 2018 to hedge certain risks in international projects in the Construction activity should also be noted.

The "Applications (payments)" item shows payments amounting to 23,580 thousand euros (19,012 thousand euros as at 31 December 2018), and 16,899 thousand euros (6,274 thousand euros as at 31 December 2018) for environmental actions, and for replacement actions and major repairs in concessions, respectively, which affects the "Other receipts/(payments) of operating activities" in the Consolidated Statement of Cash Flows. Meanwhile, 14,044 thousand euros (14,908 thousand euros as at 31 December 2018), and 10,027 thousand euros (9,752 thousand euros as at 31 December 2018) are included for actions to improve or expand capacity in concessions, and provisions for the dismantling and removal of fixed assets, respectively. These amounts have an impact on the "Payments for investments of property, plant and equipment, intangible assets and real estate investments" heading of the Consolidated Statement of Cash Flows.

The movement of current provisions is mainly due to losses from works in the Construction activity.

In 2018, provisions were applied for tax returns amounting to 38,130 thousand euros (note 23). This application did not imply a cash outflow for the Group, as it was offset by tax credits that the Tax Group had recognised.

The provisions contained in the accompanying consolidated balance sheet are considered to hedge liabilities that may arise in the development of the various activities of the Group.

The schedule of expected payments at 31 December 2019, as a result of the obligations covered by non-current provisions, is as follows:

	Up to 5 years	More than 5 years	Total
Liabilities for long-term employee benefits	4,589	17,060	21,649
Dismantling, removal and restoration of fixed and non-current assets	67,180	33,070	100,250
Environmental actions	42,265	214,282	256,547
Litigation	46,885	117,842	164,727
Contractual and legal guarantees and obligations	42,555	23,594	66,149
Actions to improve or expand the capacity of concessions	56,117	138,055	194,172
Other provisions for risks and expenses	213,473	113,232	326,705
	473,064	**657,135**	**1,130,199**

Liabilities for long-term employee benefits

The non-current provisions of the accompanying consolidated balance sheet include those that cover the commitments of the Group companies in matters of pensions and similar obligations, such as medical and life insurance, as indicated in note 24.

Dismantling, removal and restoration of fixed assets

The "Expenses for the withdrawal or dismantling of assets" item includes the counterpart of the highest asset value corresponding to the updated value of the expenses that will be incurred at the time the asset stops being used.

Actions to improve or expand the capacity in concessions

The "Actions to improve or expand the capacity of concessions" item includes both the counterpart of the highest value of fixed and non-current assets corresponding to the updated value of the actions on the infrastructure that the concessionaire will carry out during the concession period for improvements and capacity expansion, as well as the cost of future replacement actions or major repairs in concessions of the intangible model.

Environmental actions

The FCC Group develops an environmental policy based not only on strict compliance with current legislation on the improvement and protection of the environment, but also through the establishment of preventive planning and analysis and minimisation of the environmental impact of the activities the Group carries out.

The Management of the FCC Group considers that the contingencies relating to the protection and improvement of the environment at 31 December 2019, would not have a significant impact on the accompanying consolidated financial statements, which include provisions to cover the probable environmental risks that may arise.

Note 28 to these notes to the consolidated financial statements, which is devoted to information on the environment, complements the foregoing in relation to environmental provisions.

Provisions for litigation

Provisions for litigation cover the contingencies of the FCC Aqualia Group companies acting as defendants in certain proceedings in relation to the liability inherent to the business activities carried on by them. Any litigation, which may be significant in number according to estimates made on its final outcome, is not expected to have an impact on the Group's equity.

This item includes 96,018 thousand euros for the appeal against the sale of Alpine Energie, which is discussed in more detail below.

Contractual and legal guarantees and obligations

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

Provision for settlement and loss of works

Relating to the losses budgeted for in works in accordance with the valuation principles set forth in note 3.r) and to the expenses derived from the time they are completed until they are paid in full, systematically determined according to a percentage of the value of the output throughout the execution of the works according to the experience in the construction activity.

Other provisions for risks and expenses

This heading includes those items not included in the previous denominations, including certain provisions related to Alpine for 39,832 thousand euros, which are discussed in greater detail in the following paragraphs.

The amount of the Other provisions for risks and expenses not related to Alpine covers various risks arising from the Group's activity to which it is exposed in the normal course of its business, mainly construction defects or discrepancies in the services provided for the amount of 149,419 thousand euros (234,552 thousand euros as at December 2018), as well as tax claims amounting to 14,707 thousand euros (32,249 thousand euros as at December 2018). Part of these risks are covered by insurance contracts and the corresponding provision is provided for uninsured amounts.

It also includes provisions resulting from recognising additional losses above the initial value of the investment in associates after incurring legal or implicit obligations in relation to the investment in the associate, for an amount of 48,277 thousand euros (51,022 thousand euros at December 2018), with the remaining provisions being less relevant and related to the normal operation of the Group.

In relation to the provisions and risks arising from the winding up of the Alpine Group, 2019 saw no significant changes in terms of the amount reported in the Group's 2018 Financial Statements.

In 2006, the Group acquired an absolute majority in Alpine Holding GmbH, hereinafter AH, and thereby, indirectly in its operating subsidiary, Alpine Bau GmbH, hereinafter AB.

On 19 June 2013, AB initiated insolvency proceedings before the Commercial Court of Vienna with a recovery proposal for under receivership. Once the official receiver found that the recovery proposal was unfeasible, he ruled, and the court decreed, that the company should be declared bankruptcy and wound up the company, going into receivership on 25 June 2013. As a result of AB's bankruptcy, its Parent Company, AH filed bankruptcy proceedings before the Commercial Court, asking to be declared bankrupt on 28 June 2013; this application was granted on 2 July 2013.

The direct consequence of both receivership proceedings on the subsidiaries of FCC Construcción, S.A., is that it loses control over the Alpine Group, affecting its consolidation.

On the reporting date, the administrators recognised liabilities of approximately EUR 1,669 million in AB and EUR 550 million in AH as part of the corresponding receivership proceedings. The current share in the bankruptcy assets amounts to 13%.

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

In July 2015, the Court that was processing AB's bankruptcy agreed to the request of the insolvency receiver to commission the preparation of a report to determine the date on which it should be understood that AB became over-indebted for bankruptcy purposes. The appointed expert was Mr Schima who, based on the report by BDO (the firm at which he was a partner at the issue date of the report), reached the same conclusions, indicating that AB had been insolvent since October 2010. However, in contrast to these conclusions by the insolvency receiver, which were used in several court proceedings, other reports were prepared 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 whom reached different conclusions to BDO/Schima. In particular, in 2017, the prosecutor's expert, a Doctor of Law and an Audit Expert, issued his fourth and final report. The expert reports concluded that (i) it cannot be guaranteed that there had been any fraud in the individual financial statements of AB and AH and consolidated financial statements of AH and (ii) the ultimate insolvency date of AB and AH was set as 18 June 2013.

In 2010, 2011 and 2012, AH issued three bonds for a combined nominal value of EUR 290 million, which were admitted for trading on the Luxembourg and Vienna stock exchanges. AH, as the issuer of the bonds, as well its directors and members of its supervisory board, may be held liable before the bondholders for claims of damages if the final decision declares that the information contained in the corresponding issue prospectus was incorrect or incomplete or underpinned by false data.

The complaint filed by a bondholder before the Central Prosecutor's Office for Economic Crimes and Corruption (Wirtschafts- und Korruptions-Staatsanwaltschaft) immediately after both companies were declared bankrupt, prompted the initiation of criminal proceedings in July 2013. Around 480 private prosecutions were filed, mainly by bondholders (Privatbeteiligte), claiming damages of EUR 378 million plus legal interest.

Prior to 15 May 2018, when the Prosecutor's Office decided to archive the previous proceedings, it was investigating more than 25 natural and legal persons in relation to the commission of crimes related to the bankruptcy of the Alpine Group, specifically alleged bankruptcy-related crimes and fraudulent accounting in the financial statements of the Alpine Group.

Pursuant to the provisions on the criminal liability of legal persons in Austrian criminal law (Verbandsverantwortlichkeitsgesetz), if a court hands down a final ruling against the Parent Companies of AB and AH holding them criminally responsible, considering them de facto directors, the former bondholders or other affected creditors could file claims for damages against Fomento de Construcciones y Contratas, S.A. or FCC Construcción, S.A., under the aforementioned "Schutzgesetze" protection standards. Furthermore, should any of the Group's companies be held criminally liable, they would be banned from participating in public tenders in Austria. During the first half of 2018, the Prosecutor shelved the criminal proceedings filed against FCC and others, although some parties to the private prosecution requested that the proceedings be reopened. The Prosecutor opposed this, arguing that, in addition to the time bar, none of the petitions to reopen the case were supported by the law, as all they were doing was seeking an appraisal of the evidence that was more in line with their particular interests in the case.

In July 2019, Vienna's High Court of Justice rejected the suits filed by the bondholders and other private prosecutions in full, meaning that the preliminary proceedings in the context of the investigation into the commission of any crime in the bankruptcy of the Alpine Group have been definitively archived, as the ruling by the Vienna's High Court is final.

As a result of this bankruptcy process, at 31 December 2019, the Group had recognised provisions amounting to 135,850 thousand euros in relation to the Alpine subgroup, to cover risks and liabilities arising from the bankruptcies of AH and AB. The breakdown of these provisions is as follows:

Appeal against the sale of Alpine Energie	96,018
Guarantees committed and accounts receivable for Alpine works	39,832
Total	**135,850**

The provision for the challenge to the sale of Alpine Energie Holding AG, amounting to 96,018 thousand euros covers the risk relating to the retroactive suit filed by the insolvency administrator of AB on 11 June 2014 against the Group's parent company, Fomento de Construcciones y Contratas, S.A. and two of its subsidiaries, Asesoría Financiera y de Gestión, S.A. and BVEFT-DOMINTAENA Beteiligunsgverwaltung GmbH.

FCC Construcción, S.A. granted corporate guarantees for AB and other operating subsidiaries of AB to tender and successfully bid for works contracts; six and a half years after the bankruptcy, the risk of these guarantees being enforced has waned. Furthermore, in the normal course of operations, the Group generated accounts receivable from the Alpine Group, which, as a result of the bankruptcy proceedings, are unlikely to be collected. To cover both risks, the Group has set aside provisions under liabilities on the balance sheet for 39,832 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:**

  These proceedings were initiated in July 2013 following the complaint filed by a bondholder against the directors of Alpine Holding GmbH at the time the bonds were issued and insolvency proceedings were initiated. This complaint formed the basis for the investigations by the Financial Crimes and Anti-corruption Prosecutor, who ruled in May 2018 that they should be archived; this decision to archive the investigations was confirmed in the final ruling of Vienna's High Court of Justice in July 2019.

- **Civil and Commercial Proceedings**

  – Retroactive suit filed by the administrator of Alpine Bau GmbH on 11 June 2014 against FCC and two subsidiaries from its scope of consolidation, Asesoría Financiera y de Gestión, SA and BVEFDOMINTAENA Beteiligungsverwaltung GmbH, as jointly liable parties, challenging the sale of the shares in Alpine Energie Holding AG to the latter of the two subsidiaries. The administrator is not seeking the repayment of the estate by Alpine Energie Holding AG, but the payment of 75 million euros plus interest. The proceedings are still in the evidence phase.

  – In April 2015, the administrator of Alpine Holding GmbH filed a claim for 186 million euros against FCC Construcción, S.A. considering that the company should compensate Alpine Holding GmbH for the amounts collected through two bond issues in 2011 and 2012 that were allegedly provided by this company to its subsidiary, Alpine Bau GmbH, without the necessary guarantees and without doubt under the mandate of FCC Construcción S.A. On 31 July 2018, the ruling dismissing the claim was handed down and the claimant ordered to pay the costs. The administrator filed an appeal due to procedural defects in September 2018, which was challenged by FCC Construcción S.A. in October 2018. In April, the Provincial Court of Vienna issued a ruling confirming the procedural defects, referring the cases back to the courts for witness evidence to be taken and for a ruling to be handed down accordingly. FCC filed an appeal against this ruling in May 2019 before the Supreme Court.

  – In April 2017, a Group company, Asesoría Financiera y de Gestión S.A. was informed of a lawsuit in which the administrator jointly sought the payment of 19 million euros from the former CFO of Alpine Bau GmbH and Asesoría Financiera y de Gestión S.A. for alleged breach of corporate law and insolvency rules, in the belief that Alpine Bau GmbH, by constituting a deposit in Asesoría Financiera y de Gestión S.A. would have made payments from its own funds, amounting to a capital return, which is prohibited by law. The proceedings are currently in the evidentiary phase and a court expert has issued a report that is being considered by the parties.

  – 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 administrator of Alpine Bau GmbH, claiming 72 million euros for alleged damages caused to the bankruptcy assets, caused by an alleged culpable delay in filing bankruptcy proceedings.

The consolidated financial statements include the provisions mentioned above to cover the probable risks relating to any of these lawsuits. In terms of the other disputes, the Group and its legal advisors do not believe there will be any future outflows of cash or prior to the issuance of the next report; therefore, no provisions have been set aside, as the Group believes that they represent contingent liabilities (Note 25).

19. Non-current and current financial liabilities

The general policy of the FCC Group is to provide all companies with the most adequate financing for the normal development of their activity.

Whenever the financial operation so requires, and following a hedging criterion for economic and accounting purposes, the Group contracts interest rate risk hedging operations according to the type and structuring of each operation (note 22).

In certain financings, and especially in structured financing without recourse, the funder includes a contractual clause stating that there must be some type of interest rate coverage, studying the best hedging instrument according to the profile of the cash flows presented by the project, as well as the debt repayment schedule.

a) Non-current and current obligations and loans

The breakdown of the issues of current obligations and loans is as follows:

	Non-current	Current	Total
2019			
FCC Aqualia, S.A.	1,350,000	15,227	1,365,227
FCC Servicios Medio Ambiente Holding, S.A.U.	1,093,658	1,042	1,094,700
Fomento de Construcciones y Contratas, S.A.	–	300,000	300,000
Smvak	212,537	2,541	215,078
FCC Environment Group (UK)	144,150	5,794	149,944
	2,800,345	**324,604**	**3,124,949**
2018			
FCC Aqualia, S.A.	1,350,000	15,227	1,365,227
Smvak	209,898	2,510	212,408
FCC Environment Group (UK)	142,733	5,571	148,304
	1,702,631	**23,308**	**1,725,939**

The details of the non-current and current obligations and loans formalised by the Group are detailed below:

- On 8 June 2017, FCC Aqualia, S.A. successfully completed two simple bond issues. One for 700 million euros, with an annual remuneration of 1.413% and due in 2022, and the second for 650 million euros, with an annual remuneration of 2.629% and due in 2027.

  Both issues have the following guarantees:

  – Pledge on 100% of the shares of Tratamiento Industrial de Aguas, S.A., Conservación y Sistemas, S.A., Sociedad Española de Aguas Filtradas, S.A., Depurplán 11, S.A., and Aigues de Vallirana, and 97% of the shares of Entemanser, S.A.

  – Pledge on 100% of the shareholdings of Infraestructura y Distribución General del Agua, S.L., Empresa Gestora de Aguas Linenses, S.L., Aguas de las Galeras, S.L., Hidrotec Tecnología del Agua, S.L. and on 51% of Aqualia Czech.

  – Pledge on 98% of the shares of Acque di Caltanisseta and on 100% of the shares of Aqualia Mexico, S.A. de C.V.

  – Pledge on the collection rights over certain accounts.

The issuance and circulation of both bonds took place on 8 June 2017, being admitted to trading in the unregulated market (Global Exchange Market) of the Irish Stock Exchange, and with an investment grade rating from the Fitch rating agency.

The balance at 31 December 2019 covered by this item amounts to 1,365,227 thousand euros (the same amount in 2018), with 15,227 thousand euros being included in this figure for accrued and unpaid interest (the same amount in 2018).

At 31 December 2019, the 700 million euro bond was listed at 102.42% and the 650 million euros bond was listed at 107.31%.

- On 4 December 2019, FCC Servicios Medioambiente Holding S.A.U., successfully completed two simple bond issues. One for 600 million euros, with an annual remuneration of 0.815% and due in 2023, and the second for 500 million euros, with an annual remuneration of 1.661% and due in 2026.

  Both issues have the personal guarantee of FCC Medio Ambiente, S.A.U. and FCC Ámbito, S.A.U.

The issuance and circulation of both bonds took place on 4 December 2019, being admitted to trading in the unregulated market (Global Exchange Market) of the Irish Stock Exchange, and with an investment grade rating from the Fitch rating agency.

Opinion has been issued by an independent institution, CICERO Shades of Green, under which the governance procedures of the Company were rated as "Good" and the Bond issues were rated as "Light Green" issues.

A large part of the funds obtained by FCC Servicios Medioambiente Holding, S.A.U. were used to repay the debt with its FCC parent company, which allocated the funds received for the voluntary early repayment of all of its syndicated financing, and which was signed in September 2018 for 1.2 billion euros.

The balance at 31 December 2019 covered by this item amounts to 1,094,700 thousand euros, which includes 1,042 thousand euros for accrued and unpaid interest.

At 31 December 2019, the 600 million euro bond was listed at 100.36% and the 500 million euros bond was listed at 99.93%.

- In November 2018, Fomento de Construcciones y Contratas, S.A. recorded a promissory note programme, the Euro Commercial Paper Programme (ECP), on the Irish stock exchange (Euronext Dublin) for 300 million euros (not drawn in 2018), which was subsequently extended to 600 million euros in March 2019, at a fixed interest rate and with a maximum maturity of one year, making it possible to issue with due dates of between 1 to 364 days from the date of issuance, in order to meet the financial needs of the Group.

  At 31 December 2019 the outstanding balance on this programme was 300 million euros, with maturities ranging, from four to nine months.

- Severomoravské Vodovody a Kanalizace Ostrava, A.S. (Smvak) issued a local bond in July 2015 to repay another one issued in 2005, with its main characteristics being a fixed rate, a term of 7 years and for an amount of 5,400,000 thousand CZK, with a coupon of 2.625% and with an investment grade rating from the Fitch rating agency.

  The balance at 31 December 2019 covered by this item amounts to 215,078 thousand euros (as at 31 December 2018 it was 212,408 thousand euros), including 2,541 thousand euros of accrued and unpaid interest (2,510 thousand euros in 2018). The price of these obligations as at 31 December 2019 was 99.32%.

  There is no collateral for this issue.

- In the context of the Azincourt refinancing carried out in June 2018, with more details in section b) of this note in the 2018 financial statements, debt was issued for a total amount of 145,000 thousand pounds sterling in two institutional tranches, both structured through the issuance of Private Placement bonds.

  One of the tranches for 135,000 thousand pounds with a fixed rate of 3.98% and the other tranche for 10,000 thousand pounds with a fixed rate of 4.145%, both due on 17 June 2038. 5,192 thousand pounds were repaid in 2019.

  The guarantees of this issue are detailed in section 3. of this note.

  The balance at 31 December 2019 covered by this item amounts to 149,944 thousand euros.

b) Non-current and current bank borrowings

The breakdown at 31 December 2019 and 2018 is as follows:

		Non-current		Current		Total
2019						
Credits and loans		61,679		27,196		88,875
Debts without recourse to the parent		379,343		42,058		421,401
Debts with limited recourse for project financing		878,245		86,146		964,391
Cedinsa Group	533,925		21,143		555,068	
FCC Environment Group (UK)	198,263		53,663		251,926	
Rest	146,057		11,340		157,397	
		1,319,267		**155,400**		**1,474,667**
2018						
Credits and loans		1,204,651		141,273		1,345,924
Debts without recourse to the parent		330,015		27,695		357,710
Debts with limited recourse for project financing		453,963		42,487		496,450
FCC Environment Group (UK)	299,134		14,241		313,375	
Rest	154,829		28,246		183,075	
		1,988,629		**211,455**		**2,200,084**

The previous table shows three different Debt groups:

1. Credits and loans.

On 5 December 2019, Fomento de Construcciones y Contratas, S.A. made a voluntary early repayment of all syndicated financing signed in 2018 for the amount of 1.2 billion euros. This repayment was made using a large part of the funds obtained from the issuance of FCC Servicios Medioambiente Holding S.A.U. bonds explained in the previous section, together with funds from new bilateral lines that were signed and are described below.

This operation allows FCC to successfully complete a debt reduction and financial reorganisation process initiated five years ago, with which it has achieved a much more solid and efficient capital structure, with amounts, terms and financing costs in line with the nature of its different business areas (note 29).

At 31 December 2019, this section mainly includes financing facilities in the form of credit policies and bilateral loans for a drawn down amount of 500 million euros with different local financial institutions. At 31 December 2019, the drawn down balance of this financing amounted to 87 million euros.

2. Debts without recourse to the parent.

Item that mainly incorporates the financing corresponding to the Cementos Portland Valderrivas (CPV) group.

CPV financing is implemented in a senior financing contract for an original amount of approximately 455.7 million euros, which includes partial maturities and a final maturity of five years (July 2021). The interest rate applicable to this loan is Euribor plus a differential of 2.43%, with the possibility of reduction depending on the performance of the leverage.

On 2 October 2018, CPV repaid 100 million euros debt of its senior financing contract with the funds from the contribution made by FCC, S.A. under the financial support contract between the two, for which a subordinated loan was taken out, thus ending the financial support obligations that the Parent Com pany had granted to this project.

A total of 46 million euros of debt was repaid in 2019, with 25 million euros having been repaid early and voluntarily, applied to the repayment instalments planned for 29 June 2020 and 30 December 2020.

As at 31 December 2019, the total outstanding balance of this loan amounts to 234.7 million euros (280.7 million euros as at 31 December 2018).

This financing requires compliance with a series of financial ratios until its maturity. At 31 December 2019, one of the required ratios had not been met, although prior to the end of the business year, compliance was waived for 2019 by the financial institutions.

CPV also has a subordinated financing contract for an original amount of 79.5 million euros, maturing 6 months after the expiration of the Senior Financing Contract. On 30 November 2017, an early repayment was made for 9.1 million euros following the sale of a property that month.

At 31 December 2019 and 2018, the outstanding balance of this loan is 70.4 million euros.

As at 31 December 2019, the guarantees granted in relation to said financing only affect shares of CPV group investees.

The rest of the debt in this section corresponds to debt from the Water area, mainly from Shariket Tahlya Mostaganem, S.p.A. (Note 4) and the Services are, mainly from the ASA subgroup.

3. Debts with limited recourse for project financing.

Covering all financings that are only guaranteed by the project itself and by its cash generation capacity, which will bear the total payment of the debt service and which, under no circumstance, will be guaranteed by the Fomento de Construcciones y Contratas, S.A. parent company or any other company of the FCC Group.

- In November 2019, the Cedinsa group took control of Cedinsa Concessionària, S.A. (Note 4); this company is also the parent company of a group of subsidiaries dedicated to the construction, operation and maintenance of public infrastructure under concession.

  At 31 December 2019, the total debts of the concessionary companies that form the Cedinsa group with credit institutions amount to 555 million euros and correspond to the following concessions: Cedinsa Eix Transversal Concessionària de la Generalitat de Catalunya, S.A.U. for 352 million euros, corresponding to two senior credit contracts signed in 2010 and ending in 2033; Cedinsa Eix Llobregat Concessionària de la Generalitat de Catalunya, S.A.U. for 167 million euros corresponding to a senior credit contract formalised in 2006 and maturing in 2033; and Cedinsa d'Aro Concessionària de la Generalitat de Catalunya, S.A.U. for 36 million euros, corresponding to a senior credit agreement formalised in 2009 and maturing in 2033. The interest rate of the aforementioned operations is referenced to Euribor plus a market differential.

  The previous debts, being project financing, include the standard guarantees for this type of financing. Specifically, a mortgage has been taken out on the concessions and the shares of the concessionaires subject to the concession and the future credit rights that are generated have been pledged.

  These financings are associated with the interest rate hedges detailed in note 22.

- Grupo FCC Environment (UK). Durante el ejercicio 2019 se ha amortizado la totalidad de la deuda de Azincourt Investment, S.L. (sociedad participada íntegramente por FCC, S.A., y tenedora a su vez del 100% de las acciones de FCC Environment UK), una primera parte el 8 de marzo de 2019 a través de una amortización parcial de 19,4 millones de libras esterlinas; y los 70 millones de libras restantes el pasado 5 de diciembre de 2019 con parte de los fondos obtenidos de la emisión de bonos de FCC Servicios Medioambiente Holding S.A.U. (nota 19). En la actualidad la sociedad mantiene una línea de factoring de 30 millones de libras no dispuesta a 31 de diciembre de 2019.

  The debt of the aforementioned Azincourt company was refinanced in 2018 by issuing debt on two assets (Allington and Eastcroft incinerator plants) and using those funds to reduce the debt that Azincourt had at that time.

  In that context, FCC Energy Ltd was established, whose assets were Allington and Eastcroft, and a debt of 207.4 million pounds was issued. This debt has a term of 20 years (maturing on 17 June 2038) and three different tranches, two institutional for an initial total amount of 145 million pounds described in section a) of this note, and a commercial tranche of 62.4 million pounds. The interest rate of the commercial tranche is a variable rate hedged with an exchange of interest that makes it fixed plus an upward margin of up to 2.75% during the life of the project. 2.2 million pounds were repaid from commercial tranche in 2019.

  Being project funding, the financing of FCC Energy includes the standard guarantees for this type of financing, such as the pledging of the company's shares and the rest of its assets, which include the companies that operate the two waste incineration plants.

In October 2016, FCC Environment signed a 142 million pound contract to design, finance, build and operate the Millerhill Recycling and Energy Recovery Centre (RERC) in Midlothian, located on the outskirts of Edinburgh. The agreement provided for a construction period of 30 months, with the activity period beginning in 2019, and followed by an operating period for the next 25 years. The plant has two syndicated loans, one amounting to 75.71 million pounds, due in August 2042, and another for 36.9 million pounds due in May 2020. The margins of the loan due in 2042 range from 3% to 3.5%. The margin of the loan due in 2020 is 2.2%. At the end of 2019, the debt drawn down for the project was 111.5 million pounds (75.2 million of the syndicated loan due in 2042 and 36.3 million of the syndicated loan due in 2020).

In summary, at 31 December 2019, of the total FCC Environment Group (UK) debt with credit institutions, 64.6 million euros correspond to FCC Energy Ltd. and FCC. T&M (Edimburgo) 130,2 millones de euros;he rest of the debt with limited resource for project financing, up to the total amount of 251.9 million euros, corresponds to the debt of other companies that make up the FCC Group in the United Kingdom.

- “Other debts with limited resource for project financing” includes Aquajerez, S.L. for 61.9 million euros at 31 December 2019.

  The financing of Aquajerez, S.L. was signed on 21 July 2016, amounting to 40 million euros for a period of 15 years with six-monthly repayments since January 2017. In 2019, FCC Aqualia, S.A., which already held 51% of this company, acquired the remaining 49% (note 4) and extended the initial loan to 65 million euros.

  This financing is associated with a mandatory interest rate hedging of 15 years on 70% of the nominal, as shown in note 22 of derivative financial instruments. This hedging was also renewed in line with the credit increase.

As at 31 December 2019 there have been no breaches of financial ratios associated with project financing debts, and they are not expected to be defaulted during 2020.

The guarantees granted on these loans are real and are based on the financed assets that repay the debt with own flows, without additional guarantees granted by the Parent Company to pledge the shares in the vehicle companies that own the aforementioned financial assets that may have been granted.

The breakdown of the debts with credit institutions by currency and amounts available at 31 December 2019 and 2018 is as follows:

	Euros	US dollars	Pounds Sterling	Czech koruna	Rest	Total
2019						
Credits and loans	87,252	1,623	–	–	–	88,875
Debt without recourse to the parent	341,256	–	–	7,206	72,939	421,401
Debts with limited recourse for project financing	695,428	–	251,926	–	17,037	964,391
	1,123,936	**1,623**	**251,926**	**7,206**	**89,976**	**1,474,667**
2018						
Credits and loans	1,342,306	3,618	–	–	–	1,345,924
Debt without recourse to the parent	357,313	–	–	–	397	357,710
Debts with limited recourse for project financing	141,361	–	313,375	8,198	33,516	496,450
	1,840,980	**3,618**	**313,375**	**8,198**	**33,913**	**2,200,084**

Credits and loans in US dollars mainly finance assets from the Construction Area; those taken out in pounds sterling correspond to the financing of assets of the FCC Environment UK group in the United Kingdom; those taken out in Czech koruna finance the operations of FCC Environment CEE in the Czech Republic; and in the rest of the currencies the financing of Shariket Tahlya Mostaganem, S.p.A. denominated in Algerian dinars.

c) Other non-current financial liabilities

	2019	2018
Non-current		
Lease debt (note 9)	405,391	30,083
Third party financial debts outside the group	282,887	113,813
Derivative financial liabilities (note 22)	168,171	15,108
Deposits and guarantees received	39,788	37,814
Other items	14,421	12,354
	910,658	**209,172**

The increase in the "Lease debts" heading (note 9) is due to the fact that while the lease liabilities recognised in 2019 as a result of the application of IFRS 16 "Leases" (note 2) are included, in 2018 only liabilities for leases that were considered financial under the previous regulations were included. The increase in "Third party financial debts outside the group" as at 31 December 2019 mainly includes the financial debt of the Cedinsa Group companies with the Generalitat de Catalunya for 206,466 thousand euros at 31 December 2019.

"Derivative financial liabilities" mainly include financial derivatives for risk hedging, mainly interest rate swaps. The increase on the previous period due to the incorporation of the Cedinsa Group derivatives after its takeover (notes 4 and 22) is noteworthy.

d) Other current financial liabilities

	2019	2018
Current		
Lease debt (note 9)	78,985	21,376
Interim dividend payable	1,536	988
Third party financial debts outside the group	24,987	29,479
Suppliers of fixed and non-current assets and bills payable	31,332	27,507
Debts with associated companies and joint ventures	4,366	11,505
Derivative financial liabilities (note 22)	3,033	2,564
Deposits and guarantees received	53,456	52,157
Other items	5,912	563
	203,607	**146,139**

The "Guarantees and deposits received" heading includes the advance payment received for the agreement to sell the shareholding in Concesionaria Túnel de Coatzacoalcos, S.A. for 48,396 thousand euros in both years, an entity linked to the majority shareholder of the Parent Company.

e) Schedule of expected due dates

The schedule of expected due date of debts with credit institutions, obligations and loans and other non-current financial liabilities, is as follows:

	2021	2022	2023	2024	2025 and beyond	Total
2019						
Debt instruments and other marketable securities	7,218	918,432	619,328	7,057	1,248,310	2,800,345
Non-current bank borrowings	336,165	155,805	77,199	54,858	695,240	1,319,267
Other financial liabilities	133,694	53,428	49,891	55,057	618,588	910,658
	477,077	**1,127,665**	**746,418**	**116,972**	**2,562,138**	**5,030,270**

f) Changes in financial liabilities that affect cash flows from financing activities

Below are details of the changes in non-current and current financial liabilities, differentiating those that affected cash flows from financing activities in the Statement of Cash Flows from the remaining changes:

			Without an impact on cash flows				
	Balance at 1 January 2019	Cash flows from financing activities	Exchange differences	Change of fair value	Change consolidation method	Other changes	Balance at 31 December 2019
Non-current	**3,900,432**	**1,297,983**	**22,309**	**13,372**	**961,856**	**(1,165,682)**	**5,030,270**
Debt instruments and other marketable securities	1,702,631	1,092,639	9,981	–	–	(4,906)	2,800,345
Bank borrowings	1,988,629	172,347	17,328	–	592,864	(1,451,901)	1,319,267
Other financial liabilities	209,172	32,997	(5,000)	13,372	368,992	291,125	910,658
Current	**380,902**	**(1,529,516)**	**5,253**	**11,123**	**32,142**	**1,783,707**	**683,611**
Debt instruments and other marketable securities	23,308	255,211	318	–	–	45,767	324,604
Bank borrowings	211,455	(1,592,587)	958	–	20,277	1,515,297	155,400
Other financial liabilities	146,139	(192,139)	3,977	11,123	11,865	222,642	203,607

			Without an impact on cash flows				
	Balance at 1 January 2018	Cash flows from financing activities	Exchange differences	Change of fair value	Change consolidation method	Other changes	Balance at 31 December 2018
Non-current	**4,279,585**	**(286,194)**	**(12)**	**(1,507)**	**81,823**	**(173,263)**	**3,900,432**
Debt instruments and other marketable securities	1,560,546	148,303	(648)	–	–	(5,570)	1,702,631
Bank borrowings	2,507,571	(430,585)	15v1	–	17,312	(105,820)	1,988,629
Other financial liabilities	211,468	(3,912)	485	(1,507)	64,511	(61,873)	209,172
Current	**827,528**	**(712,947)**	**(11,493)**	**1,788**	**13,509**	**262,517**	**380,902**
Debt instruments and other marketable securities	48,609	(66,001)	(8)	–	–	40,708	23,308
Bank borrowings	649,677	(625,860)	(2,430)	–	25	190,043	211,455
Other financial liabilities	129,242	(21,086)	(9,055)	1,788	13,484	31,766	146,139

In "Change consolidation method", the 918,137 thousand euros contributed by the Cedinsa Group and the 52,805 thousand euros contributed by Shariket Tahlya Miyah Mostaganem, S.p.A. as a result of becoming consolidated by global integration after the takeover (note 4) are noteworthy. In addition, "Other movements" highlights the debt arising as a result of the first application of IFRS 16 "Leases" for an amount of 388,462 thousand euros in "Other non-current financial liabilities" and 43,805 thousand euros in "Other current financial liabilities" (notes 2, 3 and 9).

20. Other non-current liabilities

This heading mainly includes the performance obligations under the concession derived from the collection of the intangible component of the Buckinhamshire plant (note 10) according to the conditions established in the contract for the amount of 128,806 thousand euros at 31 December 2019 (129,013 thousand euros as at 31 December 2018).

21. Trade and other accounts payables

The breakdown of the "Trade and other accounts payable" heading in the liability side of the balance sheet as at 31 December 2019 and 2018is as follows:

	2019	2018
Suppliers	1,157,753	1,126,368
Current tax liabilities (note 23)	56,815	44,480
Other payables to Public Administrations (Note 23)	287,993	296,481
client advances (note 15)	380,695	492,174
Remuneration payable	71,970	70,693
Other payables	414,735	370,194
	2,369,961	**2,400,390**

With regard to the Spanish Institute of Accounting and Accounts Auditing (ICAC) Resolution of 29 January 2016, issued in compliance with the mandate of the Second Additional Provision of Law 31/2014, of 3 December, which amends the Third Additional Provision of Law 15/2010, of 5 July, establishing measures to combat late payment in commercial transactions, in 2019 the Group operated primarily in Spanish territory with public clients including the central government, regional government, local corporations and other public bodies, which settle their payment obligations in periods exceeding the statutory limit in Public Sector Contract legislation, and in Law 3/2004, of 29 December 2004, establishing measures to combat late payment in commercial transactions.

It should be noted that the provisions of section 5 of article 228 of the current Consolidated Text of the Public Sector Contract Law (CTPSCL) apply to the works and supplies derived from contracts signed by the Group with the different Public Administrations.

Due to such circumstances and in order to adapt the Group's financial policy to reasonable efficiency levels, the usual payment periods to suppliers were maintained in 2019 in the sectors in which the Group operates.

The Group'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 Group with the public authorities, pursuant to article 228.5 of the CTPSCL, 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 Group operates.

The Group also acknowledges and pays suppliers, always by mutual agreement, any late-payment interest agreed in the contracts, providing negotiable payment methods accompanied by exchange procedures. Such agreements, aside from being expressly provided for, as mentioned, in the CTPSCL, are admissible under Directive 2011/7/EU, of 16 February, of the European Parliament and the Council.

The Group has also entered into confirming line and similar contracts with different financial institutions to facilitate early payment to suppliers. In accordance with these contracts, a supplier may exercise its collection rights against the Group companies or entities and obtain the invoiced amount, less the financial costs for discount and fees applied by those entities and, in some cases, amounts withheld as guarantee. The total amount of the lines taken out amounted to 90,525 thousand euros at 31 December 2019 (103.262 thousand euros at 31 December 2018), the balance available being 29.454 thousand euros at 31 December 2019 (24.092 thousand euros at 31 December 2018). The above-mentioned contracts do not modify the main payment conditions (interest rate, deadline or amount), so they are classified as commercial liabilities.

In compliance with the aforementioned Resolution, a table is set out below with information on the average payment period to suppliers for companies located in Spain, for those commercial operations accrued from the date of entry into force of the aforementioned Law 31/2014, i.e. 24 December 2014:

	2019	2018
	Days	Days
Average payment period to suppliers	101	108
Ratio of paid operations/transactions	94	101
Ratio of transactions pending payment	124	133

	Amount	Amount
Total payments made	1,600,334	1,516,374
Total payments pending	446,476	411,481

22. Derivative financial instruments

In general, financial derivatives entered into by the FCC Group receive the accounting treatment provided for in the regulations for accounting hedges set forth in note 3) of this Report, that is, they are operations that hedge real positions.

The main financial risk hedged by the FCC Group through derivative instruments relates to the fluctuations in floating interest rates to which Group company financing is tied.

At 31 December 2019, the companies of the FCC Group consolidated by global integration have entered into hedging operations with derivative instruments for a total amount of 807,271 thousand euros (303,035 thousand euros at 31 December 2018), mainly materialised in interest rate swaps (IRS), where Group companies pay fixed rates and receive floating rates.

Below is a breakdown of the hedges and their fair value for companies consolidated by global integration:

	Derivative type	Hedging type	% hedging	Notional 31/12/19	Notional 31/12/18	Appreciation at 31/12/19	Appreciation at 31/12/18	Due date
Companies consolidated by global integration								
FCC Medioambiente, S.A.U.	IRS	FE	57%	9,185	10,090	(1,002)	(1,159)	2/4/24
	IRS	FE	22%	3,582	3,843	(81)	(46)	2/4/24
	Option	FE	57%	9,185	10,090	31	71	2/4/24
RE3 Ltd.	IRS	FE	82%	21,415	22,373	(4,406)	(4,240)	30/9/29
FCC Energy Ltd.	IRS	FE	100%	10,646	10,526	(748)	(261)	17/6/38
	IRS	FE	100%	66,451	65,641	(4,764)	(1,687)	17/06/2038
FCC Wrexham PFI Ltd.	IRS	FE	95%	19,538	19,777	(5,402)	(5,025)	30/9/32
FCC Wrexham PFI (Phase II) Ltd.	IRS	FE	50%	8,226	8,303	(859)	(638)	30/9/32
	IRS	FE	50%	8,226	8,303	(867)	(652)	30/9/32
FCC (E&M) Ltd.	IRS	FE	50%	21,336	20,072	28	155	6/5/20
	IRS	FE	50%	21,336	20,072	28	154	6/5/20
	IRS	FE	50%	44,495	29,115	(2,064)	361	6/5/42
	IRS	FE	50%	44,495	29,115	(2,186)	132	6/5/42
FCC (E&M) Ltd.	Currency forward	FE	50%	–	6,164	–	8	7/5/19
	Currency forward	FE	50%	–	6,164	–	8	7/5/19
Integraciones Ambientales de Cantabria, S.A.	IRS	FE	75%	5,926	7,888	(339)	(553)	31/12/22
Aquajerez	IRS	FE	70%	24,175	25,499	(721)	168	15/7/31
	IRS	FE	30%	19,761		(91)		15/7/31
Gipuzkoa Ingurumena	IRS	FE	38%	9,715	–	(668)	–	30/6/34
	IRS	FE	38%	9,715	–	(642)	–	30/6/34
Cedinsa Eix. Llobregat	IRS	FE	70%	117,013	–	(37,113)	–	1/5/33
Cedinsa Eix. Transversal	IRS	FE	80%	301,271	–	(99,078)	–	30/10/33
Cedinsa d'Aro	IRS	FE	85%	31,580	–	(10,065)	–	1/5/33
Total global integration				**807,271**	**303,035**	**(171,010)**	**(13,204)**	

It also shows the maturities of the notional amount for the hedging operations entered into as at 31 December 2019 and broken down in the previous table:

	2020	2021	2022	2023	2024 and beyond
Companies consolidated by global integration	71,951	33,622	36,026	38,114	627,558

As at 31 December 2019, the notional total of the hedging of the companies consolidated using the equity method amounts to 623,984 thousand euros (706,845 thousand euros as at 31 December 2018) and the fair value is (175,222) thousand euros, being (175,444) thousand euros as at 31 December 2018.

The following table details the financial derivatives that companies consolidated using global integration have entered into for hedging purposes, but which cannot be considered as such for accounting purposes:

	Derived type	Hedging type	Notional 31/12/19	Nocional 31.12.18	Appreciation at 31/12/19	Appreciation at 31/12/18	Due date
Companies consolidated by global integration							
.A.S.A. Abfall Service Zistersdorf GmbH	COLLAR	ESP	–	28,000	–	(3,132)	28/03/2024
FCC Environment CEE GmbH	FX SWAP	ESP	13,255	7,403	(312)	(18)	15/1/20
Total global integration			**13,255**	**35,403**	**(312)**	**(3,150)**	

Below are the maturities of the notional amount of those derivatives that do not meet the hedging conditions:

	Notional maturity				
	2020	2021	2022	2023	2024 and beyond
Companies consolidated by global integration	9,477	–	–	3,778	–

The following table provides a reconciliation of the change in the valuation of the derivatives, differentiating hedging from speculative and identifying those amounts that have been recorded in the accompanying consolidated income statement and those that have been recorded in "Other comprehensive income" of the consolidated statement of recognised income and expense:

	Balance at 1 January 2019	Profit/loss from valuation of reserves	Profit/loss from valuation of results	Transfers to the profit and loss statement	Inefficiency of the hedging	Other changes	Balance at 31 December 2019
2019							
Hedging	**(13,204)**	123	–	2,504	(4,331)	(156,102)	(171,010)
Speculative	**(3,150)**	–	(62)	–	–	2,900	(312)

	Balance at 1 January 2018	Profit/loss from valuation of reserves	Profit/loss from valuation of results	Transfers to the profit and loss statement	Inefficiency of the hedging	Other changes	Balance at 31 December 2018
2018							
Hedging	**(15,609)**	863	–	2,256	(718)	4	(13,204)
Speculative	**(4,270)**	–	1,120	–	–	–	(3,150)

The amount shown for 2019 in the "Other movements" column of the hedging derivatives mainly covers the incorporation of the derivatives corresponding to the Cedinsa subgroup for a negative amount of 164,348 thousand euros.

23. Tax matters

This Note describes the headings in the accompanying consolidated income statement relating to the tax obligations of each of the Group companies, such as deferred tax assets and liabilities, tax receivables and payables and the corporation tax expense.

In accordance with file 18/89, the Parent Company of the FCC Group is subject to the Corporation Tax consolidation regime, with all the companies that meet the requirements established by the tax legislation being integrated into said regime. In addition, part of the subsidiaries that carry out the Water, Concessions (Cedinsa) and Environmental Services in the United Kingdom and the ASA Group in Austria also pay taxes in their own consolidated tax group.

In May 2018, the tax authorities completed a procedure to recover state aid, arising from European Commission Decision 2015/314/EU, of 15 October 2014, relating to the tax amortisation of financial goodwill from the indirect acquisition of foreign holdings. This procedure aims to adjust the tax incentives applied by the company and FCC Group in prior years as a result of the acquisition of the Alpine, FCC Environment (formerly the WRG Group) and FCC CEE (formerly the ASA Group) Groups. The Tax Administration filed a claim against the Group for a total amount (instalment and late payment interest) equal to 111 million euros. FCC has settled this tax debt but has also filed an economic-administrative appeal against it, which is pending resolution. The Group, in accordance with the opinion of its legal advisors, considers it probable that the amounts already paid under such recovery procedure will be returned. Within the framework of this procedure, the Tax Administration has recognised a negative tax base in favour of the FCC group that has generated an activated tax credit for the amount of 63.2 million euros.

In relation to the 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.

a) Deferred tax assets and liabilities

Deferred tax assets are mainly due to provisions provided, non-deductible financial expenses that will be tax deductible against the tax base of Corporation Tax in future years, deductions and tax bases pending application/offsetting, differences between accounting and tax depreciation and the losses of temporary joint ventures that will be included in the corporate tax base of the following tax year.

Specifically, the FCC group has recorded deferred tax assets corresponding to the negative tax bases and deductions pending application, considering that there are no doubts about their recoverability, for an amount of 330,152 thousand euros (281,644 thousand euros at 31 December 2018). The increase in tax credits due to negative tax bases and deductions pending application compared to 2018 is mainly due to the activation of negative tax bases corresponding to 2013 as a result of the aforementioned tax settlement for recovery of State aid, derived from decision 2015/314/EU of the European Commission, of 15 October 2014, on the tax amortisation of the financial goodwill for the indirect acquisition of foreign participations.

The Group Management has evaluated the recoverability of deferred tax assets by estimating future tax bases, concluding that there is no doubt surrounding their payment.

The estimates used to assess the recoverability of deferred tax assets are based on the forecast of future taxable bases, based on the year's consolidated accounting result before the estimated tax from continuing operations, to which the corresponding permanent and temporary differences that are expected to take place each year have been adjusted. The projections show an improvement in profits, which is the result of the maintenance of the measures carried out in order to reduce costs and strengthen the financial structure of the Group through the two capital increases carried out by the Group's parent company, Fomento de Construcciones y Contratas. Such actions have reduced the financial indebtedness and restructured the Group's financial liabilities, which will result in a significant decrease in financial costs.

All of this will make it possible to improve profits and obtain sufficient positive tax bases to substantially absorb both the negative tax bases recognised in the balance sheet and the deferred tax assets within an estimated period of around fifteen years.

The deferred tax liabilities recorded by the group mainly originate from:

- The differences between the tax and accounting valuation due to the fair value of assets derived from the corporate acquisitions in the different segments of the Group's activity, as indicated in notes 3.b). In general, these liabilities will not involve future cash outflows because they revert at the same rate as the amortisation of revalued assets.
- From the tax amortisation of leasing contracts and that of certain items of property, plant and equipment under accelerated tax amortisation plans, and from the unrestricted amortisation on the investments made, which allows them to be fully amortised as long as certain requirements are fulfilled.
- From the profits of temporary joint ventures that will be included in the tax base of the following year's Corporation Tax.

The Group, pursuant to the provisions of IAS 12 "Corporation Tax", has offset the deferred tax assets and liabilities corresponding to the entities, which, in line with the applicable tax legislation, have the legal right to offset these assets and liabilities and will be settled for their net amount based on the corresponding time frames. As at 31 December 2019, deferred tax assets and liabilities have been offset in the amount of 202,427 thousand euros; consequently, similar offsetting has been performed for the purposes of comparison on the figures corresponding to 31 December 2018 for the sum of 133,676 thousand euros.

The following table shows the breakdown of the main deferred tax assets and liabilities.

	2019			2018		
ASSETS	**Tax Group Spain**	**Rest**	**TOTAL**	**Tax Group Spain**	**Rest**	**TOTAL**
Provisions and impairments	134,897	49,739	184,636	166,092	44,566	210,658
Tax loss carryforwards	316,989	13,163	330,152	264,175	17,469	281,644
Non-deductible financial expense	51,239	72,293	123,532	97,622	3,560	101,182
Pension plans	459	1,375	1,834	446	1,995	2,441
Amortisation/depreciation differences	13,405	8,124	21,529	14,228	10,083	24,311
Other	107,910	32,773	140,683	103,481	20,368	123,849
Total	**624,899**	**177,467**	**802,366**	**646,044**	**98,041**	**744,085**

	2019			2018		
LIABILITIES	**Tax Group Spain**	**Rest**	**TOTAL**	**Tax Group Spain**	**Rest**	**TOTAL**
Fair value assets from allocation of acquisition differences (IFRS 3)	62,402	136,605	199,007	63,881	71,519	135,400
Accelerated amortisation/ depreciation	5,514	75,555	81,069	5,685	54,215	59,900
Profit/(loss) Temporary Joint Ventures	11,302	5,371	16,673	16,589	4,564	21,153
Tax impairment of goodwill	3,342	–	3,342	12,971	–	12,971
Deferred tax of conversion differences	–	–	–	–	3,347	3,347
Financial leasing	4,889	2,026	6,915	5,067	1,769	6,836
Other	24,852	12,881	37,733	29,483	5,674	35,157
Total	**112,301**	**232,438**	**344,739**	**133,676**	**141,088**	**274,764**

Below are the expected maturity dates of the deferred taxes:

	2020	**2021**	**2022**	**2023**	**2024 and beyond**	**Total**
Assets	58,004	67,285	65,231	47,229	564,617	802,366
Liabilities	63,543	13,802	13,334	13,273	240,787	344,739

The Group has tax credits corresponding to negative tax bases (NTBs), which have not been activated in the financial statements on the basis of a prudent criterion, for the amount of 162.8 million euros. The estimated due date of the tax credits for non-activated NTBs is as follows:

Maturity time frame	**Tax credits (Millions of Euros)**
From 2020 to 2024	35.6
From 2025 to 2029	13.3
From 2030 onwards	37.4
No maturity	76.5
	162.8

Meanwhile, the Group has non-activated tax credits corresponding to tax deductions that have been accredited and are pending application for a total amount of 10.3 million euros.

b) Public administrations

The breakdown at 31 December 2019 and 2018 of the current assets and liabilities included under the "Public administrations" heading is as follows:

Current assets

	2019	**2018**
Value Added Tax receivable (note 15)	87,291	93,550
Current tax (note 15)	72,664	58,244
Other tax items (note 15)	54,892	54,202
	214,847	**205,996**

Current liabilities

	2019	2018
Value Added Tax payable (note 21)	69,518	75,857
Current tax (note 21)	56,815	44,480
Social Security payable and other tax items (note 21)	176,611	184,000
Deferrals	84	142
	303,028	**304,479**

c) Corporation tax expense

The corporation tax expense incurred in the year amounted to 149,067 thousand euros (78,763 thousand euros in 2018), as detailed in the accompanying consolidated income statement. Below is the reconciliation between expense and accrued tax payment:

	2019			2018		
Consolidated accounting profit/(loss) for the year before tax from continuing activities			**488.990**			**358.483**
	Additions	**Reductions**		**Additions**	**Reductions**	
Permanent differences	164,964	(210,375)	(45,411)	114,076	(222,242)	(108,166)
Adjusted consolidated accounting profit of continued activities			**443,579**			**250,317**
Temporary differences						
– Arising in the year	176,825	(94,345)	82,480	146,338	(89,790)	56,548
– Arising in prior years	113,617	(355,745)	(242,128)	178,811	(124,224)	54,587
Profit/(loss) directly attributed to Equity						
Consolidated tax base of continuing activities (taxable profit/(loss))			**283,931**			**361,452**

From the previous table, given the magnitude of the amounts, it should be noted that the tax base is the best estimate available at the date of preparing the accounts. The final amount to be paid will be determined in the tax settlement that will be carried out in 2020, so the final settlement may vary as explained in note 3.p) of this Report.

In 2019, permanent differences, as increases, include the amount of the impairment recorded in the Uniland goodwill (note 6) amounting to 70,011 thousand euros.

Below is the reconciliation of the expense for corporation tax:

	2019	2018
Adjusted consolidated accounting profit/(loss) of continuing activities	443,579	250,317
Profit tax	(108,952)	(52,086)
Tax credits and tax relief	1,490	9,968
Adjustments for tax rate change	143	(178)
Other adjustments	(41,748)	(36,467)
Corporation tax	**(149,067)**	**(78,763)**

In the previous table, the "Other adjustments" line for 2019 mainly includes the reversal of deferred tax assets corresponding to Tax Group 18/89 for the amount of 25,000 thousand euros (36,172 thousand euros in 2018) when considering that there is indetermination regarding the term of its recoverability. Additionally, in 2018, after leaving Tax Group 18/89, headed by Fomento de Construcciones y Contratas, S.A., the companies from the Water activity have reevaluated the recoverability of certain deferred tax assets that were not included in the balance sheet. As a result, they have recognised assets amounting to 18,727 thousand euros.

The main components of the corporation tax, distinguishing between the current tax, i.e, tax corresponding to the current year and the deferred tax, the latter understood as the impact on profit/(loss) of the origination or reversal of temporary differences that affect the amount of deferred tax assets or liabilities recognised in the balance sheet, is as follows:

	2019	2018
Current tax	(78,019)	(88,629)
Deferred taxes	(71,191)	10,044
Adjustments for tax rate changes	143	(178)
Corporation tax	**(149,067)**	**(78,763)**

24. Pension plans and similar obligations

The Spanish Group companies have not generally established any pension plans to supplement the social security pension plans. However, under the Consolidated Pension Plans and Pension Funds Law, in those specific cases in which similar obligations exist, the companies externalise pension and similar obligations to its employees.

The Parent Company has taken out insurance to cover death, permanent employment disability, retirement bonuses and pensions and other concepts for some executive directors and company officers. The contingencies that might give rise to compensation include the termination of the employment relationship for any of the following reasons:

a) Unilateral decision of the company.

b) Dissolution or disappearance of the Parent for any reason, including mergers or disposals.

c) Death or permanent disability.

d) Other causes of physical or legal incapacitation.

e) Substantial modification of professional conditions.

f) Termination after reaching the age of 60, at the request of the officer and in agreement with the company.

g) Termination after reaching the age of 65 at the officer's sole discretion.

No new contributions were made in the form of premiums for this insurance in 2019 and revenue, while 3,459 thousand euros was received in the form of rebates on previously paid premiums. As at 31 December 2019, the fair value of the premiums provided covers all the actuarial obligations entered into.

In relation to the commitments acquired by the Spanish companies of the Group in matters of post-employment compensation with former members of the management, the liabilities side of the accompanying consolidated balance sheet for 2019 shows debts recorded at their current value that amount to a total of 2,395 thousand euros (2,482 thousand euros in 2018). Under this provision, 221 thousand euros were paid in remuneration (221 thousand euros in 2018).

In accordance with article 38.5 of the Bylaws, Fomento de Construcciones y Contratas, S.A. holds a civil liability insurance that covers Directors and Managers. This is a collective policy covering all the Group's executives, with a premium of 489 thousand euros being paid in 2019.

Fomento de Construcciones y Contratas, S.A. 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.

Certain foreign companies belonging to the Group assumed the commitment of supplementing the retirement and other similar commitments of its employees through defined benefit plans. Independent actuarial experts measured the commitments accrued and, where appropriate, the assets used, through generally accepted actuarial methods and techniques included, where appropriate, in the accompanying consolidated balance sheet under the "Non-current provisions" heading within "Non-current employee benefit obligations", in line with the criteria set forth by IFRSs (note 18).

The main benefits referred to in the preceding paragraph are the following:

– The companies of the FCC Environment (UK) group that are resident in the United Kingdom incorporate the benefits assumed with their employees, represented by assets, in the accompanying consolidated balance sheet in accordance with the plans to pay said benefits, whose fair value amounts to 59,501 thousand euros (51,825 thousand euros as at 31 December 2018), with an actuarial value of the accrued obligations amounting to 64,939 thousand euros (55,369 thousand euros as at 31 December 2018). The net difference represents a liability of 5,438 thousand euros (3,544 thousand euros as at 31 December 2018), which has been included in the accompanying consolidated balance sheet as non-current provisions. The "Staff expenses" heading of the accompanying consolidated profit and loss statement includes a cost of 367 thousand euros (950 thousand euros as at 31 December 2018) for the net difference between the cost of services and returns on assets affected by the plan. The average actuarial rate used was 2.0% (2.9% in 2018).

– In 2019, Telford & Wrekin Services, Ltd., resident in the United Kingdom settled the pension plan that it had committed to in order to complement the retirement benefits of its employees. In accordance with current international accounting regulations, the result of this settlement must be recorded in the profit and loss statement, which has meant recognising an income of 6,730 thousand euros.

The year's movement of the obligations and assets associated with pension plans and similar obligations is detailed below:

2019

Actual performance of the current value of the obligation

	FCC Environment Group (UK)	Telford & Wrekin Services
Balances of obligations at the beginning of the year	**55,369**	**31,525**
Cost of services for the current year	174	107
Interest costs	1,663	231
Contributions of the participants	19	22
Actuarial profits/losses	6,837	2,498
Exchange differences	2,846	1,620
Benefits paid during the year	(1,969)	(270)
Settlements	–	(35,733)
Balance obligations at end of year	**64,939**	**–**

Actual performance of the fair value of affected assets

	FCC Environment Group (UK)	Telford & Wrekin Services
Affected active balances at the beginning of the year	**51,825**	**26,359**
Expected return on assets	1,566	193
Actuarial profits/losses	3,631	1,025
Exchange differences	2,663	1,355
Contributions made by the employer	1,861	–
Contributions made by the participant	19	22
Benefits paid	(2,064)	(272)
Settlements	–	(28,682)
Balance of affected assets at the end of the year	**59,501**	**–**

Reconciliation of the actual performance of the obligation less the affected assets and the balances effectively recognised in the balance sheet

	FCC Environment Group (UK)	Telford & Wrekin Services
Net balance less affected active obligations at the end of the year	**5,438**	**–**

2018

Actual performance of the current value of the obligation

	FCC Environment Group (UK)	Telford & Wrekin Services
Balances of obligations at the beginning of the year	**58,261**	**32,626**
Cost of services for the current year	190	417
Interest costs	1,429	801
Contributions of the participants	16	82
Actuarial profits/losses	(2,976)	(1,421)
Exchange differences	(446)	(250)
Benefits paid during the year	(1,639)	(730)
Cost of past services	534	–
Balance obligations at end of year	**55,369**	**31,525**

Actual performance of the fair value of affected assets

	FCC Environment Group (UK)	Telford & Wrekin Services
Affected active balances at the beginning of the year	**52,337**	**27,971**
Expected return on assets	1,291	688
Actuarial profits/losses	(1,050)	(1,544)
Exchange differences	(400)	(214)
Contributions made by the employer	1,359	113
Contributions made by the participant	15	75
Benefits paid	(1,727)	(730)
Balance of affected assets at the end of the year	**51,825**	**26,359**

Reconciliation of the actual performance of the obligation less the affected assets and the balances effectively recognised in the balance sheet.

	FCC Environment Group (UK)	Telford &Wrekin Services
Net balance less affected active obligations at the end of the year	3,544	5,166

25. Guarantee commitments to third parties and other contingent liabilities

At 31 December 2019, the Group incurred contingent liabilities, mainly guarantees to third parties, mostly before public bodies and private clients, to secure the correct performance of the urban sanitation works and contracts, for 3,941,877 thousand euros (3,866,462 thousand euros at 31 December 2018).

Additionally, the Group has granted letters of indemnity to certain directors with management and administration duties at subsidiaries, without the any risks for which provisions should be set aside identified during the preparation of these financial statements. Such letters of indemnity are a common practice in multinational companies that expatriate employees due to their double status as company employees and executives of the subsidiary, and are of subsidiary execution in the event that the respective directors' policies do not fully cover the contingency. Letters of indemnity were granted to five executives in relation to the businesses that were maintained by the Group in Alpine.

Fomento de Construcciones y Contratas, S.A. and the Group's subsidiaries are defendants in litigation concerning liability for different activities carried out by the Group in the performance of contracts awarded and for which provisions have been set aside (Note 18). These lawsuits, which in number may be significant, are for insignificant amounts when considered on a one-by-one basis. Therefore, give proven experience and existing provisions, the resulting liabilities would not significantly affect the Group's assets.

The possible financial effects of the main contingent liabilities derived from the bankruptcy of the Alpine subgroup would be the cash outflows indicated in the respective lawsuits detailed in Note 18 of this report.

On 15 January 2015, the Competition Chamber of the National Markets and Competition Commission issued a decision on file S/0429/12, for an alleged violation of Article 1 of Law 15/2007 on the Defence of Competition. This ruling affects various companies and associations in the waste sector, including Fomento de Construcciones y Contratas, S.A. and other companies that also belong to FCC Group. The Group has 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 FCC Group investees, 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 2018, we were notified of the agreement initiating new legal proceedings for the same conduct investigated in the previous proceedings forming the scope of the upholding decision, commencing an 18-month examining period. In September 2019, an agreement was issued suspending these legal proceedings until the National Court's decision on appeals filed by other companies that had been penalised.

In April 2018, the National Court issued a judgment in relation to the price of 6 euros per share applied in the takeover bid made in 2017 by Fomento de Construcciones y Contratas, S.A. for Cementos Portland Valderrivas, S.A., with the National Securities Market Commission (CNMV) asking for the price to be recalculated. This judgment has been appealed by the Group, as it disagrees with the valuation criteria applied and that the CNMV approved the price. It should be noted that the CNMV has also filed an appeal. The Group believes that it is unlikely that significant additional disbursements will result from this judgement. The accompanying financial statements therefore do not include any provisions in this regard.

As a result of an internal investigation in May 2019 in application of its compliance policy and regulations, the Group has become aware of the existence of payments between 2010 and 2014 amounting to USD 82 million that might not be justified and may therefore be illegal. These acts were uncovered as a result of application of the procedures in the FCC Group's compliance rules. The company has informed prosecutors in Spain and Panama about these acts, and has been providing the utmost cooperation since then to clarify what happened, applying the "zero tolerance" anti-corruption principle that permeates the entire FCC Compliance System.

In the context of this cooperation, on 29 October 2019, the National Court's Central Court of Instruction No. 2 resolved to investigate FCC Construcción, S.A. and two of its subsidiaries, FCC Construcción América, S.A. and Construcciones Hospitalarias, S.A. in the context of Preliminary Measures 34/2017. These proceedings have only just begun and it is therefore impossible to determine whether charges will eventually be filed against these companies, and, if so, what their scope will be. These actions may therefore have a financial impact, although we do not have the information needed to qualify this impact.

Additionally, the agreement for the sale of the FCC Aqualia holding (Note 4) envisages certain variable prices that depend on the resolution of contingent procedures. The Group, therefore, has not recognised any asset given its contingent nature; likewise, it has not recognised any liability for claims that may arise against its interests, as it is not considered probable that significant losses will be incurred and given that their value is considered insignificant in relation to the transaction price.

Also, as part of the aforementioned sales transaction, FCC Topco S.a.r.l. and its subsidiary FCC Midco, S.A. were constituted, contributing shares representing 10% of the Group's shares in FCC Aqualia to the latter. These shares have been pledged as a guarantee of certain obligations assumed by the Group before FCC Aqualia, mainly in relation to the repayment of the loan that the latter has granted to the Parent Company of the Group for the amount of 806,479 thousand euros. At the date of authorisation for issue of these financial statements, the Group believes that there is no risk that these guarantees will be enforced.

The Group is involved in other lawsuits and legal procedures aside from those already described that it considers will not generate significant cash outflows.

The shareholding of Group companies in jointly controlled operations managed through joint ventures, joint ownership, participation accounts and other entities of similar legal characteristics means that participants must share joint and several liability with respect to the activity carried on (note 12).

In relation to the guarantees received, it should be noted, in general, that the Group only receives guarantees in relation to amounts paid as advances for the purchase of highly specialised equipment that has been ordered, mainly in the Construction and Water segments, for a non-significant amount as a whole. The Group has not obtained any significant assets as a result of the guarantees enforced in its favour or released.

26. Income and expenditure

a) Operating income

The Group records operating income under the "Revenue" heading, including revenue from interest derived from the collection rights of the concessions financial model under IFRIC 12 for 33,200 thousand euros at 31 December 2019 (13,609 thousand euros as at 31 December 2018), except for work carried out for own fixed and non-current assets and other operating income.

Note 27 "Information by activity segments" shows the contribution of the activity areas to the consolidated revenue.

Operating income derived from performance obligations met or partially met in previous years was recognised in 2019 for 55,795 thousand euros, mainly in the Construction segment.

In 2019, 156,342 thousand euros were recognised as revenue, previously recorded as advance payments made by clients and work certified in advance (notes 15 and 21) that were included in the liabilities side under the "Trade and other accounts payable" heading, mainly in the Construction segment.

The breakdown of the other operating income for 2019 and 2018 is as follows:

	2019	2018
Income from sundry services	85,255	74,489
CO_2 emission rights (note 29)	5,776	9,409
Reimbursement from insurance compensation	5,742	7,403
Operating grants	21,424	18,944
Other income	96,130	60,319
	214,327	**170,564**

"Income from sundry services" mainly includes additional services derived from construction contracts or provision of services not included in the main contracts and income derived from the provision of technical assistance to entities accounted for using the equity method. The "Other income" heading mainly includes income from leases when the Group acts as lessor in operating leases and provision excesses.

At the end of 2019, the Group has outstanding execution obligations, mainly from the provision of services in the Environmental Services segment, and derived from construction contracts, mainly in the Construction and Water segments, for 16.208.174 thousand euros expected to be recognised as income according to the following schedule:

	up to 1 year	2 to 5 years	more than 5 years	Total
Environmental Services	1,901,200	3,755,876	4,709,126	10,366,202
Construction	1,586,479	4,036,719	–	5,623,198
End-to-End Water Management	152,111	66,663	–	218,774
	3,639,790	**7,859,258**	**4,709,126**	**16,208,174**

b) Procurements

The breakdown of the balance of supplies and other external expenses as at 31 December 2019 and 2018 is as follows:

	2019	2018
Subcontracting and work performed by other companies	1,313,848	1,286,585
Purchases and procurements	1,025,714	970,671
	2,339,562	**2,257,256**

c) Staff expenses

Below is a breakdown of staff expenses for 2019 and 2018:

	2019	2018
Wages and salaries	1,477,635	1,432,330
Social security contributions	423,082	404,659
Other staff costs	25,017	27,815
	1,925,734	**1,864,804**

Information regarding the number of employees and their distribution by functional levels and gender is provided in the Statement of Non-Financial Information that forms part of the Management Report that accompanies these financial statements.

d) Impairment and gains/(losses) on disposal of fixed and non-current assets

The breakdown of the balance of the impairments and profit/(loss) due to the disposal of fixed and non-current assets in 2019 and 2018 is as follows:

	2019	2018
Impairment of the commercial fund (note 6)	(70,011)	–
Depreciation and amortisation of other prosperty, plant and equipment and intangible assets (endowment) / reversal (notes 6 and 7)	4,325	7,048
Profit/(loss) from disposals of other tangible and intangible assets	5,571	2,826
Other items	351	–
	(59,764)	**9,874**

The impairment carried out in the goodwill of Corporación Uniland for 70,011 thousand euros in 2019 is noteworthy (note 6). There were no notable events in 2018.

The amount of this heading is shown in the accompanying consolidated statement of cash flows under the heading "Other adjustments of profit/(loss) (net)".

e) Finance income and finance cost

The breakdown of the financial income, according to the assets that generate said income, in 2019 and 2018 is as follows:

	2019	2018
Financial assets at fair value with changes in other comprehensive income	4,693	3,609
Financial assets at amortised cost	15,670	16,394
Other financial income	30,704	32,940
	51,067	**52,943**

The "Other financial income" heading mainly includes the impact of financial costs agreed to in relation to the postponement of the collection of certain works in the Construction segment, mainly for the work of the Panama Metro, completed in 2019, for 22,067 thousand euros (29,461 thousand euros as at 31 December 2018).

The breakdown of financial expenses in 2019 and 2018 is as follows:

	2019	2018
Debt instruments and other marketable securities	39,800	35,138
Credits and loans	46,804	82,139
Debts with limited recourse for project financing	18,946	22,638
Creditors from leases	13,037	1,849
Assignment of credits	27,519	32,959
Financial update of provisions and other liabilities	20,101	19,100
Other financial expenses	29,580	68,199
	195,787	**262,022**

In 2019, the 46,804 thousand euros (82,139 thousand euros in 2018) of the "Credit and loans" item in the previous table should be noted, a decrease due mainly to the substantial reduction of debt interest with third parties in the Corporation Area due to the substantial modification of the corporate debt carried out at the end of the third quarter of 2018 from the sale of 49% of the capital of FCC Aqualia, S.A. (note 4).

The item "Leases payable" responds to the financial expenses derived from the lease liability of 13,037 thousand euros (1,849 thousand euros as at 31 December 2018). The difference between the two years is due to the fact that in 2019 the financial expenses derived from the lease liabilities recognised as a result of the application of IFRS 16 "Leases" (note 2) are included, while in 2018, only the expenses derived from lease liabilities that were considered as financial under the previous regulations were included.

In 2019, the "Other financial expenses" heading includes 18,837 thousand euros as interest derived from the recovery procedure of State Aid relating to the tax amortisation of the goodwill (note 23). In 2018 there is a recorded finance cost of 59,282 thousand euros for the allocation to profit/(loss) of the impact yet to be applied on the maturity date of the first-time application of IFRS 9 (Note 2.a) following the cancellation of the aforementioned syndicated loan.

The total amount of financial income and expenses impacts the accompanying statement of consolidated cash flows under the "Other adjustments to profit/(loss) (net)" and "Interest collection" and "Interest payments" headings at the time of collection or payment thereof.

f) Other financial profit/(loss)

The breakdown of other financial expenses in 2019 and 2018 is as follows:

	2019	2018
Change in fair value of current financial instruments	(10,051)	(753)
Exchange gains/(losses)	14,814	14,087
Impairment and losses on disposal of financial instruments	(3,308)	1,430
	1,455	**14,764**

The amount of this heading is shown in the accompanying consolidated statement of cash flows under the heading "Other adjustments of profit/(loss) (net)".

g) Profits/(losses) of companies accounted for by the equity method

The breakdown for this heading is as follows:

	2019		2018	
Profits/(losses) for the year (note 11)		78,946		62,212
Joint ventures	31,815		25,500	
Associates	47,131		36,712	
Profits/(losses) on disposals and others		41,695		4,649
		120,641		**66,861**

In 2019, the "Profit/(loss) on disposals and others" line mainly includes the profit from the takeover of the Cedinsa subgroup (notes 4 and 11) for a positive amount of 36,588 thousand euros from the recognition at fair value of the shareholding prior to the takeover and from the allocation to profit/(loss) of the valuation adjustments of derivative financial instruments recorded at the date of the takeover. It also includes the operation carried out in Shariket Tahlya Mostaganem, S.p.a. and Shariket Miyeh Djinet, S.p.a. by virtue of which they have ceased being consolidated under the equity method (notes 4 and 11), which has had a negative impact of 11 thousand euros due to the fair value of the shareholding prior to the change in consolidation method and for the allocation to profit/(loss) of valuation adjustments due to conversion differences (note 17).

h) Profit/(loss) attributable to non-controlling interests

As at 31 December 2019 the profit/(loss) attributed to non-controlling interests amounts to 73,220 thousand euros, mainly for the amount corresponding to the 49% held by the non-controlling shareholder of the Aqualia subgroup (note 4). As at 31 December 2019, 66,996 thousand euros was contributed by the aforementioned segment (24,550 thousand euros as at 31 December 2018) (note 27).

27. Information by activity segments

a) Activity segments

The activity segments presented coincide with the business areas, as described in Note 1. The information for each segment, reflected in the tables presented below, has been prepared in line with the management criteria established internally by the Group's management, which are consistent with the accounting policies adopted to prepare and present the Group's consolidated financial statements.

The "Corporation" column includes the activity of the functional areas that carry out operational support tasks and the exploitation of the aforementioned companies whose management is not attached to any of its business areas.

"Eliminations" includes the elimination of operations between different activity segments.

Income statement by segments

In particular, the information reflected in the following tables includes, as profit/(loss) for 2019 and 2018:

- All operating income and expenses of subsidiaries and joint management contracts that correspond to the activities carried out by the segment.
- Interest income and expenses generated on the segment's assets and liabilities, dividends and profits and losses on the sale of the segment's financial investments.
- The share in the profits/(losses) of the companies accounted for under the equity method.
- Corporation tax payable corresponding to the transactions carried out by each segment.
- "Contribution to the profit/(loss) of the FCC Group" contains the contribution of each area to the equity attributed to the shareholders of Fomento de Construcciones y Contratas, S.A.

2019	Group Total	Environmental Services	Comprehensive Water Management	Construction	Cement	Concessions	Corporation	Eliminations
Revenue	6,276,231	2,915,243	1,186,881	1,719,330	413,213	49,818	66,357	(74,611)
From external clients	*6,276,231*	*2,907,665*	*1,181,117*	*1,666,761*	*405,829*	*49,818*	*65,041*	–
From transactions with other segments	–	*7,578*	*5,764*	*52,569*	*7,384*	–	*1,316*	*(74,611)*
Other income	264,173	88,188	60,440	97,210	15,214	6,627	92,123	(95,629)
From external clients	*264,173*	*87,453*	*60,110*	*90,098*	*15,141*	*6,627*	*4,744*	–
From transactions with other segments	–	*735*	*330*	*7,112*	*73*	–	*87,379*	*(95,629)*
Operating expenses	(5,514,601)	(2,510,885)	(965,600)	(1,716,345)	(342,048)	(24,603)	(124,042)	168,922
Amortisation of fixed assets and allocation of grants for non-financial and other assets	(449,109)	(237,365)	(106,360)	(33,327)	(35,357)	(16,902)	(20,103)	305
Other operating income/(losses)	(65,080)	3,286	4,885	10,481	(71,040)	(2,921)	–	(9,771)
Operating Profit/(Loss)	**511,614**	**258,467**	**180,246**	**77,349**	**(20,018)**	**12,019**	**14,335**	**(10,784)**
Percentage of turnover	8.15%	8.87%	15.19%	4.50%	(4.84%)	24.13%	21.60%	14.45%
Finance income	51,067	6,573	37,579	26,300	2,013	7,026	72,969	(101,393)
Finance cost	(195,787)	(78,795)	(45,800)	(26,428)	(11,391)	(10,314)	(80,949)	57,890
Other financial profit/(loss)	1,455	(2,992)	289	10,442	885	98	213,228	(220,495)
Profit/(loss) companies accounted for using the equity method	120,641	17,719	(2,625)	17,919	(10,098)	64,250	33,413	63
Profit/(loss) before tax from continuing operations	**488,990**	**200,972**	**169,689**	**105,582**	**(38,609)**	**73,079**	**252,996**	**(274,719)**
Corporation tax	(149,066)	(40,152)	(46,149)	(35,078)	(7,049)	(3,706)	(17,221)	289
Profit/(loss) for the year from continuing operations	**339,924**	**160,820**	**123,540**	**70,504**	**(45,658)**	**69,373**	**235,775**	**(274,430)**
Consolidated profit/(loss) for the year	**339,924**	**160,820**	**123,540**	**70,504**	**(45,658)**	**69,373**	**235,775**	**(274,430)**
Non-controlling interests	73,220	4,785	66,996	560	1,355	(476)	–	–
Profit attributable to the parent company	**266,704**	**156,035**	**56,544**	**69,944**	**(47,013)**	**69,849**	**235,775**	**(274,430)**
Contribution to the profit/(loss) of the FCC Group	**266,704**	**156,035**	**56,544**	**69,944**	**(47,013)**	**69,849**	**235,775**	**(274,430)**

2018	Group Total	Environmental Services	Comprehensive Water Management	Construction	Cement	Concessions	Corporation	Eliminations
Revenue	5,989,805	2,822,403	1,115,207	1,655,097	372,799	35,302	30,007	(41,010)
From external clients	*5,989,805*	*2,815,091*	*1,110,466*	*1,630,394*	*368,545*	*35,302*	*30,007*	*–*
From transactions with other segments	*–*	*7,312*	*4,741*	*24,703*	*4,254*	*–*	*–*	*(41,010)*
Other income	207,003	60,440	48,085	77,532	19,328	8,491	71,400	(78,273)
From external clients	*207,003*	*60,064*	*47,624*	*70,615*	*19,316*	*8,491*	*893*	*–*
From transactions with other segments	*–*	*376*	*461*	*6,917*	*12*	*–*	*70,507*	*(78,273)*
Operating expenses	(5,335,641)	(2,441,417)	(915,809)	(1,667,677)	(321,242)	(24,236)	(84,544)	119,284
Amortisation of fixed assets and allocation of grants for non-financial and other assets	(376,338)	(217,747)	(90,456)	(16,265)	(33,893)	(9,565)	(8,591)	179
Other operating income/(losses)	1,108	1,438	52	953	(320)	(477)	(538)	–
Operating Profit/(Loss)	**485,937**	**225,117**	**157,079**	**49,640**	**36,672**	**9,515**	**7,734**	**180**
Percentage of turnover	8.11%	7.98%	14.09%	3.00%	9.84%	26.95%	25.77%	(0.44%)
Finance income	52,943	4,715	30,971	33,880	347	5,542	102,026	(124,538)
Finance cost	(262,022)	(80,751)	(41,861)	(29,820)	(14,011)	(5,046)	(145,850)	55,317
Other financial profit/(loss)	14,764	(1,952)	(841)	18,814	(1,299)	(327)	369	–
Profit/(loss) companies accounted for using the equity method	66,861	16,969	8,240	13,545	(9,982)	28,446	9,578	65
Profit/(loss) before tax from continuing operations	**358,483**	**164,098**	**153,588**	**86,059**	**11,727**	**38,130**	**(26,143)**	**(68,976)**
Corporation tax	(78,763)	(30,919)	(19,530)	(16,396)	(2,152)	(11)	(9,710)	(45)
Profit/(loss) for the year from continuing operations	**279,720**	**133,179**	**134,058**	**69,663**	**9,575**	**38,119**	**(35,853)**	**(69,021)**
Consolidated profit/(loss) for the year	**279,720**	**133,179**	**134,058**	**69,663**	**9,575**	**38,119**	**(35,853)**	**(69,021)**
Non-controlling interests	28,151	2,161	24,550	(457)	1,314	583	–	–
Profit attributable to the parent company	**251,569**	**131,018**	**109,508**	**70,120**	**8,261**	**37,536**	**(35,853)**	**(69,021)**
Contribution to the profit/(loss) of the FCC Group	**251,569**	**131,018**	**109,508**	**70,120**	**8,261**	**37,536**	**(35,853)**	**(69,021)**

The contribution of the "Corporation" segment to the profit/(loss) of the FCC Group mainly includes the billing of the support services provided to the rest of the Group's activities under the "Other operating income" heading, the impairment of the investments on the parents companies' shares from the other segments, as well as dividends distributed by group companies that are subsidiaries of the Group's parent company, the financial expenses billed by other group companies as a result of intra-group loans granted to the parent company by other subsidiaries and the financial income billed to other group companies as a result of intra-group loans granted by the parent company to other subsidiaries. All these items, as transactions with Group companies, are eliminated as shown under "Eliminations". Likewise, the "Corporation" segment includes the financial expenses for debts with credit institutions detailed in note 19.

Balance sheet by segments

2019	Total Group	Environmental Services	Integrated Water Management	Construction	Cement	Concessions	Corporation	Eliminaations
ASSETS								
Non-current assets	**8,529,551**	**2,815,460**	**2,461,787**	**902,785**	**1,112,526**	**1,754,581**	**3,669,047**	**(4,186,635)**
Intangible assets	3,458,398	827,011	808,476	77,991	447,815	1,345,127	8,317	(56,339)
Additions	*55,225*	*35,668*	*15,394*	*92*	*41*	*1*	*4,029*	–
Property, plant and equipment	2,863,892	1,524,556	428,160	154,194	547,783	894	226,762	(18,457)
Additions	*285,894*	*191,821*	*49,916*	*32,192*	*8,198*	*462*	*3,305*	–
Real estate investments	2,635	–	–	2,635	–	–	–	–
Additions	–	–	–	–	–		–	–
Investments accounted for using the equity method	741,524	116,737	87,620	48,315	37,160	146,186	306,119	(613)
Non-current financial assets	863,163	278,390	1,108,482	259,228	7,843	248,930	2,959,543	(3,999,253)
Deferred tax assets	599,939	68,766	29,049	360,422	71,925	13,444	168,306	(111,973)
Current assets	**4,044,589**	**1,166,465**	**815,865**	**1,432,640**	**199,282**	**147,828**	**529,079**	**(246,570)**
Non-current assets held for sale	–	–	–	–	–		–	–
Inventory	728,812	31,326	52,969	201,943	89,175	202	359,505	(6,308)
Trade and other receivables	1,836,806	713,641	266,741	700,215	80,910	41,112	100,611	(66,424)
Other current financial assets	189,566	93,596	69,654	125,497	12,599	8,299	53,759	(173,838)
Other current assets	70,861	35,048	4,976	30,049	937	522	(671)	–
Cash and cash equivalents	1,218,544	292,854	421,525	374,936	15,661	97,693	15,875	–
Total assets	**12,574,140**	**3,981,925**	**3,277,652**	**2,335,425**	**1,311,808**	**1,902,409**	**4,198,126**	**(4,433,205)**

2019	Total Group	Environmental Services	Integrated Water Management	Construction	Cement	Concessions	Corporation	Eliminaations
LIABILITIES								
Equity	**2,473,759**	**339,032**	**640,964**	**744,462**	**808,630**	**444,123**	**2,234,155**	**(2,737,607)**
Non-current liabilities	**6,797,228**	**2,717,785**	**1,995,178**	**250,207**	**408,568**	**1,358,569**	**1,515,372**	**(1,448,451)**
Grants	333,802	4,421	55,870	–	111	273,400	190,578	(190,578)
Non-current provisions	1,130,199	456,747	124,996	206,756	27,825	111,674	1,318,345	(1,116,144)
Non-current financial liabilities	5,030,270	1,974,923	1,776,700	25,108	305,157	973,480	6,448	(31,546)
Deferred tax liabilities	142,311	124,998	33,662	18,343	75,475	15	1	(110,183)
Other non-current liabilities	160,646	156,696	3,950	–	–	–	–	–
Current liabilities	**3,303,153**	**925,108**	**641,510**	**1,340,756**	**94,610**	**99,717**	**448,599**	**(247,147)**
Liabilities related to non-current assets held for sale	–	–	–	–	–		–	–
Current provisions	249,581	4,286	18,335	214,451	6,590	2,207	3,711	1
Current financial liabilities	683,611	216,318	50,724	26,668	18,191	79,138	466,200	(173,628)
Trade and other accounts payable	2,369,961	619,015	572,451	1,110,251	69,829	11,632	61,183	(74,400)
Internal relations	–	85,489	–	(10,614)	–	6,740	(82,495)	880
Total liabilities	**12,574,140**	**3,981,925**	**3,277,652**	**2,335,425**	**1,311,808**	**1,902,409**	**4,198,126**	**(4,433,205)**

2018	Group Total	Environmental Services	Integrated Water Management	Construction	Cement	Concessions	Corporation	Eliminations
ASSETS								
Non-current assets	**6,607,207**	**2,517,297**	**2,252,350**	**822,028**	**1,219,871**	**500,739**	**2,741,197**	**(3,446,275)**
Intangible assets	2,426,380	769,673	813,028	78,111	518,215	295,604	8,089	(56,340)
Additions	*37,495*	*16,882*	*18,143*	*64*	*328*	*2*	*2,076*	–
Property, plant and equipment	2,424,018	1,374,051	338,467	127,100	563,050	8	38,579	(17,237)
Additions	*263,092*	*200,745*	*31,485*	*19,516*	*8,125*	*3*	*3,218*	–
Real estate investments	2,798	–	–	2,798	–		–	–
Additions	*42*	*42*	–	–	–		–	–
Investments accounted for using the equity method	763,050	85,745	132,440	38,583	46,726	177,284	281,578	694
Non-current financial assets	380,552	221,652	916,647	195,625	7,684	16,739	2,261,921	(3,239,716)
Deferred tax assets	610,409	66,176	51,768	379,811	84,196	11,104	151,030	(133,676)
Current assets	**3,916,834**	**1,093,864**	**731,590**	**1,507,812**	**173,560**	**76,378**	**586,983**	**(253,353)**
Non-current assets held for sale	–	–	–	–	–		–	–
Inventory	691,034	29,995	50,984	176,169	73,649	176	366,449	(6,388)
Trade and other receivables	1,695,798	717,056	207,666	633,482	79,633	16,803	84,615	(43,457)
Other current financial assets	178,815	109,588	31,846	202,337	3,099	9,959	25,494	(203,508)
Other current assets	84,990	32,748	4,692	45,932	1,255	90	273	–
Cash and cash equivalents	1,266,197	204,477	436,402	449,892	15,924	49,350	110,152	–
Total assets	**10,524,041**	**3,611,161**	**2,983,940**	**2,329,840**	**1,393,431**	**577,117**	**3,328,180**	**(3,699,628)**

2018	Group Total	Environmental Services	Integrated Water Management	Construction	Cement	Concessions	Corporation	Eliminations
LIABILITIES								
Equity	**1,958,775**	**477,529**	**507,326**	**662,577**	**752,294**	**186,262**	**1,445,368**	**(2,072,581)**
Non-current liabilities	**5,574,710**	**1,443,268**	**1,884,873**	**322,382**	**544,447**	**331,156**	**2,419,674**	**(1,371,090)**
Grants	211,296	4,934	41,919	–	287	164,156	–	–
Non-current provisions	1,161,989	449,439	125,380	264,535	34,320	73,056	215,260	(1)
Non-current financial liabilities	3,900,432	708,239	1,666,381	32,279	432,078	93,893	2,200,666	(1,233,104)
Deferred tax liabilities	141,088	124,888	47,056	25,568	77,762	51	3,748	(137,985)
Other non-current liabilities	159,905	155,768	4,137	–	–	–	–	–
Current liabilities	**2,990,556**	**1,690,364**	**591,741**	**1,344,881**	**96,690**	**59,699**	**(536,862)**	**(255,957)**
Liabilities related to non-current assets held for sale	–	–	–	–	–		–	–
Current provisions	209,264	6,686	13,340	175,107	8,052	2,938	3,141	–
Current financial liabilities	380,902	232,406	46,060	36,750	24,979	51,672	195,962	(206,927)
Trade and other accounts payable	2,400,390	616,360	530,807	1,182, 983	63,659	5,089	50,892	(49,400)
Internal relations	–	834,912	1,534	(49,959)	–	–	(786,857)	370
Total liabilities	**10,524,041**	**3,611,161**	**2,983,940**	**2,329,840**	**1,393,431**	**577,117**	**3,328,180**	**(3,699,628)**

Cash flows by segment

	Group Total	Environmental Services	Comprehensive Water Management	Construction	Cement	Concessions	Corporation	Eliminations
2019								
Operating activities	630,550	454,027	206,722	(154,077)	75,069	55,047	42,359	(48,597)
Investment activities	(359,235)	(256,060)	(33,096)	122,857	(18,457)	6,545	1,066,023	(1,247,047)
Financing activities	(345,735)	(116,981)	(190,857)	(59,894)	(57,251)	(13,517)	(1,202,879)	1,295,644
Other cash flows	26,767	7,391	2,353	16,158	377	269	219	–
Cash flows for the year	**(47,653)**	**88,377**	**(14,878)**	**(74,956)**	**(262)**	**48,344**	**(94,278)**	**–**
2018								
Operating activities	489,412	375,743	248,886	(144,863)	46,651	41,645	(9,218)	(69,432)
Investment activities	(384,673)	(277,480)	65,897	(40,032)	5,575	(4,468)	868,959	(1,003,124)
Financing activities	(81,070)	(34,796)	(124,834)	20,883	(52,022)	(23,268)	(939,589)	1,072,556
Other cash flows	4,273	(263)	(600)	5,410	(287)	135	(122)	–
Cash flows for the year	**27,942**	**63,204**	**189,349**	**(158,602)**	**(83)**	**14,044**	**(79,970)**	**–**

b) Activities and investments by geographic markets

The Group performs approximately 45% of its activity abroad (46% in 2018).

Revenue made abroad by the Group companies for 2019 and 2018 is distributed among the following markets:

	Group Total	Environmental Services	Shared Water Management	Construction	Cement	Concessions	Corporation	Eliminations
2019								
United Kingdom	735,049	682,025	–	77	52,947	–	–	–
Middle East and Africa	576,850	63	113,232	401,546	67,363	–	–	(5,354)
Rest of Europe and Others	733,555	304,155	81,618	312,842	25,253	–	9,770	(83)
Latin America	388,894	–	86,360	300,868	9,223	2,308	–	(9,865)
Czech Republic	286,787	185,420	101,312	55	–	–	–	–
USA and Canada	89,545	41,921	–	38,636	8,988	–	–	–
	2,810,680	**1,213,584**	**382,522**	**1,054,024**	**163,774**	**2,308**	**9,770**	**(15,302)**
2018								
United Kingdom	752,721	718,076	–	475	34,170	–	–	–
Middle East and Africa	631,418	7,359	106,378	444,290	76,637	–	–	(3,246)
Rest of Europe and Others	567,546	275,875	66,774	189,871	26,676	–	9,266	(916)
Latin America	423,943	–	46,850	372,922	3,746	2,079	–	(1,654)
Czech Republic	278,948	181,439	97,482	27	–	–	–	–
USA and Canada	75,593	30,558	–	38,321	6,714	–	–	–
	2,730,169	**1,213,307**	**317,484**	**1,045,906**	**147,943**	**2,079**	**9,266**	**(5,816)**

The following items included in the accompanying financial statements are shown below by geographical areas:

	Group Total	Spain	United Kingdom	Czech Republic	Rest of Europe and Others	United States of America and Canada	Latin America	Middle East and Africa
2019								
ASSETS								
Intangible assets	3,458,398	2,481,538	495,659	1,894	260,058	306	218,942	1
Property, plant and equipment	2,863,892	1,517,994	664,105	301,007	310,370	18,575	29,378	22,463
Real estate investments	2,635	–	–	–	2,635	–	–	–
Deferred tax assets	599,939	546,022	21,368	4,050	13,594	1,683	10,109	3,113
2018								
ASSETS								
Intangible assets	2,426,380	1,514,158	465,242	1,821	233,662	–	211,495	2
Property, plant and equipment	2,424,018	1,185,773	623,107	284,205	275,329	13,156	27,186	15,262
Real estate investments	2,798	–	–	–	2,798	–	–	–
Deferred tax assets	610,409	558,678	17,960	3,675	11,987	1,652	13,718	2,739

c) Staff

The average number of people employed in 2019 and 2018 by business areas is as follows:

	2019	2018
Environmental Services	39,657	40,046
End-to-End Water Management	8,487	8,097
Construction	8,906	9,124
Cement	1,076	1,067
Concessions	28	14
Corporation	278	292
	58,432	**58,640**

28. Environmental information

During the meeting held on 3 June 2009, the FCC Board of Directors approved the Environmental Policy of the FCC Group, which responded to the initial objectives of the Corporate Responsibility Master Plan reinforcing the socially responsible commitment in the FCC Group strategy, which is very involved in environmental services.

The FCC Group carries out its activities on the basis of business commitment and responsibility, compliance with applicable legal requirements, respect for the relationship with its stakeholders and its ambition to generate wealth and social well-being.

Aware of the importance to the FCC Group of preserving the environment and using available resources responsibly, and in line with its vocation to serve through activities with a clear environmental focus, the FCC Group promotes and enhances the following principles, on which its contribution to sustainable development is based, throughout the organisation:

Continuous improvement

Promote environmental excellence by establishing objectives for the continuous improvement of performance, minimising the negative impacts of the FCC Group's processes, products and services, and enhancing the positive impacts.

Monitoring and control

Establish environmental indicator management systems for the operational control of processes, which provide the necessary knowledge for the monitoring, evaluation, decision-making and communication of the FCC Group's environmental performance and compliance with the commitments undertaken.

Climate change and pollution prevention

Lead the fight against climate change through the implementation of processes with lower greenhouse gas emissions, and by promoting energy efficiency and renewable energies.

Preventing pollution and protecting the natural environment through the responsible management and consumption of natural resources and by minimising the impact of emissions, discharges and waste generated and managed by the FCC Group's activities.

Observation of the environment and innovation

Identify the risks and opportunities of activities in the face of the changing landscape of the environment in order, among other things, to promote innovation and the application of new technologies, as well as the generation of synergies between the various activities of the FCC Group.

Life cycle of products and services

Enhance environmental considerations in business planning, procurement of materials and equipment, and relations with suppliers and contractors.

The necessary participation of all parties

Promote the knowledge and application of environmental principles among employees and other stakeholders.

Share experience in the most excellent practices with the different agents in order to promote alternative solutions to those currently in place, which contribute to the achievement of a sustainable environment.

This Environmental Policy is materialised through the implementation of quality management and environmental management systems, as well as follow-up audits, which accredit the FCC Group's performance in this area. Regarding the management of environmental risks, the Group has implemented environmental management systems certified under the ISO 14001 standards, which focus on:

a) Compliance with applicable regulations and the achievement of environmental objectives that exceed external requirements.

b) The reduction of environmental impacts through proper planning.

c) The continuous analysis of risks and possible improvements.

The basic tool to prevent this risk is the environmental plan that each operational unit must prepare and which consists of:

a) The identification of environmental aspects and applicable legislation.

b) Impact evaluation criteria.

c) The measures to be taken.

d) A system for measuring the objectives achieved.

The very nature of the activity of the Environmental Services Area is aimed at the protection and conservation of the environment, not only through productive activity (waste collection, road cleaning, operation and control of landfills, sewer cleaning, treatment and disposal of industrial waste, etc.), but also for the development of this activity through the use of production techniques and systems aimed at reducing environmental impact even more meticulously than required by the regulations on these matters.

The development of the production activity of the Environmental Services Area requires the use of buildings, technical installations and specialised machinery that are efficient in protecting and conserving the environment. At 31 December 2019, the acquisition cost of the productive fixed and non-current assets, net of depreciation, of the Environmental Services Area amounted to 2,351,566 thousand euros (2,143,724 thousand euros at 31 December 2018). Environmental provisions, mainly for landfill sealing and closing costs, amount to 393,175 thousand euros (376,912 thousand euros as at 31 December 2018).

The activities performed by Aqualia are directly tied to environmental protection, since the nexus of its operations is, in collaboration with different public authorities, the efficient management of the end-to-end water cycle and the search for guarantees to provide water resources that enable the sustainable growth of the towns in which it provides its services. One of the fundamental objectives of FCC Aqualia is the continuous improvement through an Integrated Management System, which includes both the quality management of processes, products and services, and environmental management. The main actions carried out are: Water quality control in both collection and distribution, 24-hour service 365 days a year making it possible to fix faults in distribution networks in the shortest possible time, with the consequent saving of water, optimisation of electricity consumption, the elimination of environmental impacts caused by wastewater discharges and the management of energy efficiency in order to reduce the carbon footprint.

Cement companies have fixed and non-current assets for filtering gases that are discharged into the atmosphere, in addition to meeting the commitments made in the environmental recovery of depleted quarries and applying technologies that contribute to the efficient environmental management of processes.

At year-end, the Cementos Portland Valderrivas group holds investments related to the environmental activity recorded in the "Intangible assets" and "Property, plant and equipment" headings for a total amount of 135,831 thousand euros (133,953 thousand euros in 2018), the corresponding amount being accumulated amortisation/depreciation of 93,440 thousand euros (88,064 thousand euros in 2018). Likewise, in 2019 it incurred expenses amounting to 2,920 thousand euros (2,062 thousand euros in 2018) to guarantee the protection and improvement of the environment, having recorded them under the "Other operating expenses" heading of the accompanying profit and loss statement.

For the cement activity, the Group receives free CO_2 emission rights in accordance with the corresponding national allocation plans. In this regard, it should be noted that in 2019, emission rights equivalent to 3,686 thousand tons per year (3,761 thousand tons per year in 2018) were received, corresponding to the companies Cementos Portland Valderrivas, S.A. and Cementos Alfa, S.A.

The "Operating Income" heading of the accompanying consolidated profit and loss statement includes the income obtained from the sales of greenhouse gas rights in 2019 for an amount of 5,776 thousand euros (9,409 thousand euros in 2018).

The Construction Area adopts environmental practices in the execution of the works that allow for a respectful action with the environment, minimising its environmental impact by reducing the emission of dust into the atmosphere, controlling the level of noise and vibrations, controlling water discharges with special emphasis on the treatment of fluids generated by the works, the maximum reduction of waste generation, the protection of the biological diversity of animals and plants, protection of the urban environment due to occupation, pollution or loss of soils and the development of specific training programmes for technicians involved in the process of making decisions with an environmental impact, as well as the implementation of an "Environmental performance code" that establishes the requirements for subcontractors and suppliers regarding the protection and defence of the environment.

Nor is it considered that there are no significant contingencies related to the protection and improvement of the environment as at 31 December 2019 that may have a significant impact on the accompanying financial statements.

For more information on the provisions of this note, the reader should refer to the Statement of Non-Financial Information and the "Statement of Non-Financial Information" document that the Group publishes annually, among other channels, on the **www.fcc.es** website.

29. Financial risk management policies

The concept of financial risk refers to the changes in the financial instruments arranged by the FCC Group as a result of political, market and other factors and the repercussion thereof on the financial statements. The risk management philosophy 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. The risk policy has been integrated into the Group's organisation in the appropriate manner.

In view of the Group'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 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 fundamental basis that the Group considers as capital is found in the Equity of the Balance Sheet, which, for the purposes of its management and follow-up, excludes both the "Changes in the fair value of financial instruments" items and the "Conversion differences" item.

The first of these headings is discarded for management purposes as it is considered within the interest rate management, being the result of the valuation of the instruments that transform the debt from a variable rate to a fixed rate. Conversion differences, meanwhile, are managed within the exchange rate risk.

Given the sector in which it operates, the Group is 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 are the extensions made in 2014 for 1,000,000 thousand euros and in 2016 for 709,519 thousand euros, both aimed at strengthening the capital structure of the Company.

As we looked at in note 19 of the Non-current and Current Financial Liabilities, two simple bonds were issued on 4 December 2019 by FCC Servicios Medioambiente Holding, S.A.U. for 1.1 billion euros. The main purpose of the funds was the voluntary early repayment of all the syndicated financing, which was signed in September 2018 and amounted to 1.2 billion. In November 2018, Fomento de Construcciones y Contratas, S.A. recorded a promissory notes programme amounting to 300 million euros, subsequently expanded to 600 million euros in March 2019. New credit facilities were taken out in 2019 in the form of credit policies and bilateral loans (note 19).

Additionally, and with part of the funds from the bond issuance made in Services, during 2019 the entire debt of Azincourt Investment, S.L. and Cementos Portland Valderrivas S.A. was repaid early and voluntarily for the amount of 25 million euros (note 19).

These operations have made it possible to complete the process of debt reduction and financial reorganisation initiated five years ago and to continue with the policy of diversifying financing sources; all this contributing to achieving a much more stable and efficient capital structure, with amounts, terms and financing costs suitable according to the nature of the different business areas.

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

b) The FCC Group is exposed to currency exchange risk

A noteworthy consequence of 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 Group mainly operates 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.

As shown in the following table, this risk is mitigated by 96% of the Group's net debt being denominated in euros at 31 December 2019, followed in second place by the pound sterling:

	CONSOLIDATED (thousands of euros)							
	Euro	Dollar	Pound	Czech Koruna	Rest of Europe not euro	Latin America	Rest	TOTAL
Gross debt	4,212,019	40,967	409,754	222,285	40,989	10,908	49,933	4,986,855
Financial assets	(788,956)	(184,779)	(94,711)	(45,551)	(35,399)	(44,439)	(214,274)	(1,408,109)
Total consolidated net indebtedness	**3,423,063**	**(143,812)**	**315,042**	**176,735**	**5,590**	**(33,531)**	**(164,341)**	**3,578,745**
% Net Debt of the total	95.65%	(4.02%)	8.80%	4.94%	0.16%	(0.94%)	(4.59%)	100.00%

Note 16 of these Financial Statements breaks down the Cash and Equivalents by currency, showing how 58.1% are denominated in euros (61.4% as at 31 December 2018).

The Group's general policy is to mitigate the adverse effect that exposure to the different foreign currencies could have on its financial statements 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.

Below is a summarised table of the sensitivity to changes in the exchange rate in the two main currencies in which the Group operates, pound sterling and the US dollar against the euro:

	+ 10% pound sterling and dollar	
	Profit and Loss	Net Equity
Pound sterling	2,362	30,941
US Dollar	(5,962)	(5,809)
Total	**(3,600)**	**25,132**

	-10% pound sterling and dollar	
	Profit and Loss	Net Equity
Pound sterling	(2,362)	(30,941)
US Dollar	5,962	5,809
Total	**3,600**	**(25,132)**

The impact on the pound sterling is mainly due to the conversion of the net assets corresponding to the investment held in the FCC Environment (UK) subgroup.

c) The FCC Group is exposed to interest rate risk

The FCC Group is 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 the Group's debt arranged with credit entities in euros is mainly the Euribor.

Any increase in interest rates could give rise to an increase in the Group's financing 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 Group, an interest rate risk management policy is actively implemented, with on-going monitoring of markets and assuming different positions depending primarily on the asset financed.

In addition, within the framework of the policy for managing this risk carried out by the Group, fixed-rate debt issuance operations have been carried out in capital markets together with interest rate hedges and fixed-rate financing, reaching 85.8% of the Group's total gross debt at the end of the year, including the hedging for Structured Project Financing.

The following table shows a breakdown of the gross debt of the FCC Group as well as the hedged debt, either because it is a fixed rate debt or through derivatives:

	Total Group	Environmental Services	Integrated Water Management	Construction	Cement	Concessions	Corporation
Total External Gross Debt	4,986,855	1,695,088	1,703,030	22,503	309,402	857,001	399,831
Fixed-Rate Headings and Financing at 31/12/19	(4,276,733)	(1,608,718)	(1,651,950)	(8,644)	(5,421)	(697,984)	(304,016)
Total variable rate debt	**710,122**	**86,370**	**51,079**	**13,859**	**303,981**	**159,017**	**95,815**
Ratio: Variable rate debt / Gross External Debt at 31/12/19	**14.2%**	**5.1%**	**3.0%**	**61.6%**	**98.2%**	**18.6%**	**24.0%**

The table below summarises the effect on the Group's profit and loss statement of the changes in the interest rate curve with respect to gross debt, excluding fixed rate debt associated with hedging arrangements:

	Gross indebtedness		
	+25 pb	+50 pb	+100 pb
Impact on profit or loss	2,444	4,889	9,777

d) Solvency risk

At 31 December 2019, the net financial indebtedness of the FCC Group contained in the accompanying balance sheet amounted to 3,578,744 thousand euros as shown in the following table:

	2019	2018
Bank borrowings	1,474,667	2,200,084
Debt instruments and other loans	3,124,949	1,725,939
Other interest-bearing financial debt	387,238	210,361
Current financial assets	(189,566)	(178,799)
Cash and cash equivalents	(1,218,544)	(1,266,197)
Net interest-bearing debt	**3,578,744**	**2,691,388**
Net debts with limited recourse	**(3,591,450)**	**(1,950,019)**
Net indebtedness with recourse	**(12,706)**	**741,369**

The decrease in Net Debt with recourse is mainly due to the fact that after the issuance of FCC Servicios Medioambiente Holding S.A.U. bonds in December 2019 and detailed in note 19 of Non-current and current financial liabilities, the financing of the Services area has been considered as debt with limited recourse.

e) The FCC Group is exposed to liquidity risk

The Group carries out its operations in industrial sectors that require a high level of financing, and has so far obtained adequate financing to carry out its operations. However, the Group cannot guarantee that these circumstances relating to obtaining financing will continue in the future.

The ability 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 availability of funds in financial institutions, the depth and availability of the capital markets and the monetary policy of the markets in which they operate. Adverse effects in debt and capital markets may hinder or prevent adequate financing being available to perform the Group's activities.

Historically, the Group has always been able to renew its loan arrangements, and it expects to continue doing so in the coming twelve months. However, FCC Group's ability to renew its financing depends on various factors, many of which are outside the control of the Group, such as general economic conditions, the availability of funds for loans from private investors and financial institutions, and the monetary policy of the markets in which it operates. Negative conditions in debt markets could hinder or prevent Group's capacity to renew its financing. Therefore, the Group cannot guarantee its ability to renew credit agreements and bond issues under economically attractive terms. The inability to renew said financing or to secure it under acceptable terms could have a negative impact on the Group's liquidity and its ability to meet the working capital needs.

To adequately manage this risk, the Group performs exhaustive monitoring of the repayment dates of all credit facilities of each Group company, in order to conclude all renewals in the best market conditions sufficiently in advance, analysing the suitability of the funding and studying alternatives if the conditions are unfavourable on a case-by-case basis. The Group is also present in several markets, which facilitates obtaining credit facilities and mitigating liquidity risk.

At 31 December 2019, the Group has the following schedule of maturities of external gross debt, which amounts to 538,172 thousand euros for 2020:

2020	2021	2022	2023 and beyond	TOTAL
538,172	397,233	1,084,260	2,967,190	4,986,855

A significant part of the gross financial debt, for the amount of 4,564,521 thousand euros, has no recourse to the Parent Company, highlighting the debt for bond issues of the Integral Water Management segment for the amount of 1,703,030 thousand euros, and of the Environmental Services segment amounting to 1,695,089 thousand euros as at 31 December 2019.

At 31 December 2019, the Group had working capital of 741,436 thousand euros (926,278 thousand euros at 31 December 2018).

In order to manage liquidity risk, at 31 December 2019, the Group has an amount of 1,107,039 thousand euros cash, in addition to the following current financial assets and cash equivalents, whose maturities are shown below:

Thousands of euros	Amount	1-3 months	3-6 months	6-9 months	9-12 months
Other current financial assets	189,566	13,513	49,103	9,205	117,744

Thousands of euros	Amount	1 month	1-2 months	2-3 months
Cash equivalents	111,505	36,526	31,974	43,005

f) Concentration risk

The risk arising from the concentration of lending transactions with common characteristics is distributed as follows:

- Funding sources: In order to diversify this risk, the Group works with a large number of national and international financial institutions and capital markets to obtain financing.

- Markets/geography (domestic, foreign): The Group operates in a wide variety of national and international markets, with the debt mainly concentrated in euros and the rest in various international markets, with different currencies.
- Products: The Group uses various financial products: loans, credit facilities, obligations, syndicated loans, assignments and discounting, etc.
- Currency: The Group is financed through many different currencies according to the country of the investment.

The 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, the market opportunities and the level of risk deemed acceptable. This process serves as a base for preparing operating plans that specify the goals to be reached each year.

To mitigate the market risks inherent to each line of business, the Group maintains a diversified position among businesses related to the construction and management of infrastructure, provision of environmental services and others. In the area of geographical diversification, in 2019 the weight of the external activity has been 45% of total sales, with special importance in the activities of Environmental Services and Infrastructure Construction.

g) Credit risk

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

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

The maximum level of exposure to credit risk has been calculated, with the breakdown of the amount as at 31 December 2019 as shown in the following table:

Financial credits granted	1,082,108
Trade and other receivables (note 15)	1,836,806
Derivative financial assets (note 22)	31
Cash and cash equivalents (Note 16)	1,218,544
Guarantees granted (note 25)	3,941,877
TOTAL	**8,079,366**

In general, the Group does not have collateral guarantees or improvements to reduce credit risk or for financial credits or accounts receivable from traffic. Although it should be noted that bonds are requested from subscribers in the case of certain contracts of the Water activity, mostly concessions affecting IFRIC 12, there are also offsetting mechanisms in certain contracts, mostly concessions affecting IFRIC 12 in Water, Environmental Services and Corporation activities, making it possible to guarantee the recovery of loans granted to finance early initial fees or investment plans.

In terms of credit quality, the Group applies its best criteria to impair financial assets that are expected to incur credit losses throughout their life (note 3.h). The Group regularly analyses changes in the public ratings of the entities to which it is exposed.

Risk hedging financial derivatives

In general, financial derivatives entered into by the FCC Group receive the accounting treatment provided for in the regulations for accounting hedges set forth in these financial statements. The main financial risk hedged by the FCC Group through derivative instruments relates to the fluctuations in floating interest rates to which Group company financing is tied. The financial derivatives are measured by experts on the subject using generally accepted methods and techniques. These experts were independent from the Group and the entities financing it.

Sensitivity analyses are carried out periodically with the objective of observing the effect of a possible change in interest rates on the Group's accounts.

A simulation was carried out, proposing three bullish scenarios of the basic interest rate curve of the Euro, coming in at around 0.09% in the medium/long term as at 31 December 2019, assuming an increase of 25 bp, 50 bp and 100 bp.

Below are the amounts (in thousands of euros) obtained in relation to the derivatives in force at the end of the year with an impact on equity, after applying, if applicable, the shareholding.

	Hedging derivatives		
	+25 pp	+50 pp	+100 pp
Impact on Equity:			
Global consolidation	13,827	27,447	53,945
Equity method	9,980	19,945	39,599

h) rexit risk

The activity that the Group carries out in the United Kingdom is basically concentrated in the Environmental Services business area, mainly through the shareholding in the FCC Environment Services (UK) Limited subgroup dedicated to the treatment, disposal and collection of waste, as well as to the management of waste recovery and incineration plants. Additionally, although to a lesser extent, the Group maintains a presence in the country through the export of cement and construction projects. At year-end, the Group posted 735,049 thousand euros in turnover and holds assets for a total amount of 1,712,455 thousand euros in the United Kingdom:

The net investment held in pounds amounts to 293,612 thousand euros (note 17.d). The following is a sensitivity analysis that reflects the possible impact on the Group's profit/(loss) and net worth in the event that the exchange rate of the pound against the euro increases or decreases by 10%:

	Profit and Loss	Net Equity
+ 10%	2,362	30,941
- 10%	(2,362)	(30,941)

The gross financial debt held in pounds amounts to 409.8 million euros as at 31 December 2019 and is concentrated in the aforementioned FCC Environment subgroup, consisting of various loans and project financing bonds at a fixed or variable rate hedged by hedging derivatives that make them fixed at a weighted average rate of 4.2%. Below is a summarised table with the effect that the changes in the interest rate curve of the debt denominated in pounds over gross indebtedness would have on the profit and loss statement of the FCC Group once the debt associated with hedging contracts has been excluded (in thousands of euros):

	Gross indebtedness			
	-25 pp	+25 pp	+50 pp	+100 pp
Impact on profit or loss	(9)	9	18	36

Although exposure to Brexit is mitigated by the natural hedging from holding assets and liabilities in the same currency, the Group monitors the progress of Brexit to adopt the measures it deems most appropriate for the activities carried out in the United Kingdom. At the close of these Financial Statements, the activities carried out by the Group in the country have a favourable performance with increasing returns compared to previous years (note 27).

30.Information on transactions with related parties

a) Transactions with directors of the Parent Company and senior executives of the Group

The amounts accrued for fixed and variable remuneration received by the Directors of Fomento de Construcciones y Contratas, S.A. in 2019 and 2018, to be paid by the latter or any of the Group companies, jointly managed or associated, are as follows:

	2019	2018
Fixed remuneration	525	525
Other remuneration (*)	1,308	1,340
	1,833	**1,865**

(*) Includes the services agreement signed on 27 February 2015 with the director Alejandro Aboumrad (until July 2019), amounting to 338 thousand euros a year. This was replaced from August 2019 by a contract for the same amount with similar terms and conditions with Vilafulder Corporate Group, S.L.U., a company associated with said Director.

The senior executives listed below, who are not members of the Board of Directors, received total remuneration of 1,819 thousand euros (4,164 thousand euros in 2018).

2019	
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	Managing Director of FCC Aqualia

The total remuneration figure for 2018 includes the remuneration received by the chairman of Environmental Services, Agustín García Gila until the end of his employment relationship with the Group on 18 December 2018, and the compensation for the termination of this contract.

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	Managing Director of FCC Aqualia

Note 24 “Pension plans and similar obligations” describes the insurance taken out in favour of certain executive directors and directors.

Details of Board members who 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 company name of the director	Company 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.	CEMENTOS PORTLAND VALDERRIVAS, S.A.	DIRECTOR
GERARDO KURI KAUFMANN	CEMENTOS PORTLAND VALDERRIVAS, S.A.	CHIEF EXECUTIVE OFFICER
	REALIA BUSINESS, S.A.	CHIEF EXECUTIVE OFFICER
JUAN RODRÍGUEZ TORRES	CEMENTOS PORTLAND VALDERRIVAS, S.A.	DIRECTOR
	FCC AQUALIA, S.A.	DIRECTOR
	REALIA BUSINESS, S.A.	NON-EXECUTIVE CHAIRMAN
ÁLVARO VÁZQUEZ DE LAPUERTA	CEMENTOS PORTLAND VALDERRIVAS, S.A.	DIRECTOR
ALEJANDRO ABOUMRAD GONZÁLEZ	CEMENTOS PORTLAND VALDERRIVAS, S.A.	REPRESENTATIVE OF THE DIRECTOR INMOBILIARIA AEG, S.A. DE C.V.
	FCC AQUALIA, S.A.	DIRECTOR AND CHAIRMAN OF THE BOARD OF DIRECTORS
ANTONIO GÓMEZ GARCÍA	FCC AMÉRICAS, S.A. DE C.V.	ALTERNATE DIRECTOR
PABLO COLIO ABRIL	FCC MEDIO AMBIENTE, S.A.	CHAIRMAN
	FCC AQUALIA, S.A.	DIRECTOR
	FCC CONSTRUCCIÓN, S.A.	CHAIRMAN
	FCC ENVIRONMENT (UK) LIMITED	DIRECTOR
	FCC MEDIO AMBIENTE REINO UNIDO S.L.U.	VICE CHAIRMAN
	FCC SERVICIOS MEDIO AMBIENTE HOLDING, S.A.U.	VICE 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. holds the majority of the voting rights, directly or indirectly.

In 2019, no significant transactions were performed entailing a transfer of assets or liabilities between Group companies and their executives and directors.

b) Situations of conflicts of interest

No conflict of interests have been directly or indirectly declared in the interest of Fomento de Construcciones y Contratas, S.A., in accordance with applicable regulations (Article 229 of the Spanish Corporate Enterprises Act), without prejudice to the operations of Fomento de Construcciones y Contratas, S.A. with its related parties reflected in this report or, as the case may be, of the agreements related to remuneration or 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, with the directors involved abstaining from the corresponding debates and votes.

c) Operations between Group companies or entities

There are numerous transactions between Group companies that are part of their routine business and that, in any case, are eliminated in the process of preparing the consolidated financial statements.

The turnover of the accompanying consolidated income statement includes 277,375 thousand euros (191,408 thousand euros in 2018) from Group companies billing associates and joint ventures.

Likewise, purchases made from associates and joint ventures amounting to 15,878 thousand euros (14,907 thousand euros in 2018) are also included in the Group's consolidated financial statements.

d) Transactions with other related parties

During the year, a number of transactions were approved involving companies in which shareholders of Fomento de Construcciones y Contratas, S.A. own equity interests, the most significant of which were as follows:

- Agreements between FC y C, S.L. Unipersonal and Realia Business, S.A. for the management and marketing of real estate developments: El Bercial, Getafe, Madrid (40 homes and parking spaces), plot 10A in Badalona, Barcelona (134 collective dwellings and parking spaces), plots RCL 3A and 3B in Arroyo Fresno, Madrid (144 collective dwellings and garage spaces), and plot RUL 1B in Arroyo Fresno, Madrid (42 single-family homes).
- Construction agreements between FCC Construcción, S.A. and the Realia Group for plots in Valdebebas, Madrid (40 homes, storage rooms, garages, commercial premises and swimming pool) and Parque Ensanche, Alcalá de Henares (116 homes, storage rooms, garages and commercial premises) in the amount of 7,900 thousand euros and 15,000 thousand euros.
- Sale between FC y C, S.L. Unipersonal and the Realia group of two plots in Tres Cantos for 8,130 thousand euros.
- Sale and installation of a cooling machine for the HVAC system between FCC Industrial e Infraestructuras Energéticos, S.A.U. and Realia, S.A. for 185 thousand euros.
- Termination of the service provision contract between Fomento de Construcciones y Contratas, S.A. and Alejandro Aboumrad, and its replacement with a new contract, also for consulting and advisory services, with the company Vilafulder Corporate Group, S.L.U. for a total annual amount of 338 thousand euros.
- Service provision contract between Cementos Portland Valderrivas, S.A. and Mr. Gerardo Kuri Kaufmann, for an amount of 175 thousand euros.
- 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 book value at 31 December 2019 of 69,929 thousand euros. The finance costs incurred in the year totalled 2,210 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 24,893 thousand dollars (22,158 thousand euros).

Furthermore, other transactions are carried out under market conditions, mainly telephone and internet access services, with parties related to the majority shareholder for a non-significant amount.

e) 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.

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.

31. Fees paid to auditors

Fees for audit services accrued in 2019 and 2018 relating to audit services and other verification services, as well as other professional services, provided to the different Group companies and joint management that comprise the FCC Group by the main auditor and other auditors participating in the audit of the different Group companies, and by associated entities, both in Spain and abroad, are shown in the following table:

	2019			2018		
	Principle auditor	Other auditors	Total	Principle auditor	Other auditors	Total
Audit services	3,477	599	4,076	3,070	519	3,589
Other assurance services	522	571	1,093	181	882	1,063
Total audit and related services	**3,999**	**1,170**	**5,169**	**3,251**	**1,401**	**4,652**
Tax advisory services	–	1,466	1,466	18	1,381	1,399
Other services	–	1,527	1,527	165	1,214	1,379
Total professional services	**–**	**2,993**	**2,993**	**183**	**2,595**	**2,778**
	3,999	**4,163**	**8,162**	**3,434**	**3,996**	**7,430**

32. Events after the reporting close

There have been no significant events between the end of the year and the date of preparation of these financial statements.

Annex I. Fully consolidated subsidiaries

Company	Address	% Effective ownership	Auditor
ENVIRONMENTAL SERVICES			
Alfonso Benítez, S.A.	Federico Salmón, 13 – Madrid	100.00	Deloitte
Aparcamientos Concertados, S.A.	Av. Aiguera, 1 – Benidorm (Alicante)	100.00	
Armigesa, S.A.	Paseo de Extremadura s/n – Armilla (Granada)	51.00	
Azincourt Investment, S.L.	Federico Salmón, 13 – Madrid	100.00	
Beootpad d.o.o. Beograd	Serbia	100.00	
Castellana de Servicios, S.A.	Federico Salmón, 13 – Madrid	100.00	Deloitte
Compañía Catalana de Servicios, S.A.	Balmes, 36 – Barcelona	100.00	
Corporación Inmobiliaria Ibérica, S.A.	Av. Camino de Santiago, 40 – Madrid	100.00	
Ecoactiva de Medio Ambiente, S.A.	Ctra. Puebla Albortón a Zaragoza Km. 25– Zaragoza	60.00	
Ecodeal-Gestao Integral de Residuos Industriais, S.A.	Portugal	53.62	Deloitte
Ecogenesis Societe Anonime Rendering of Cleansing and Waste Management Services	Greece	51.00	
Ecoparque Mancomunidad del Este, S.A.	Federico Salmón, 13 – Madrid	100.00	Deloitte
Egypt Environmental Services, S.A.E.	Egypt	100.00	Deloitte
Ekostone Áridos Siderúrgicos, S.L.	Superpuerto – Dique de Poniente. Punta Lucero, 5 – Ziérbana (Vizcaya)	51.00	
Empresa Comarcal de Serveis Mediambientals del Baix Penedés – ECOBP, S.L.	Plaça del Centre, 5 – El Vendrell (Tarragona)	66.60	Capital Auditors
Enviropower Investments Limited	United Kingdom	100.00	Deloitte
Europea de Tratamiento de Residuos Industriales, S.A.	Federico Salmón, 13 – Madrid	100.00	
FCC (E&M) Holdings Ltd.	United Kingdom	100.00	Deloitte
FCC (E&M) Ltd.	United Kingdom	100.00	Deloitte
FCC Ámbito, S.A. Unipersonal	Federico Salmón, 13 – Madrid	100.00	Deloitte
FCC Environment Developments Ltd.	United Kingdom	100.00	Deloitte
FCC Environment Portugal, S.A.	Portugal	100.00	Deloitte
FCC Environment Services (UK) Limited	United Kingdom	100.00	Deloitte
FCC Environmental Services (USA) Llc.	USA	100.00	

Company	Address	% Effective ownership	Auditor
FCC Environmental Services Florida Llc.	USA	100.00	
FCC Environmental Services Nebraska Llc.	USA	100.00	
FCC Environmental Services Texas Llc.	USA	100.00	
FCC Equal CEE, S.L.	Federico Salmón, 13 – Madrid	100.00	
FCC Equal CEE Andalucía, S.L.	Av. Molière, 36 – Málaga	100.00	
FCC Equal CEE Murcia, S.L.	Luis Pasteur, 8 – Cartagena (Murcia)	100.00	
FCC Equal CEE C. Valenciana, S.L.	Riu Magre, 6 P.I. Patada del Cid – Quart de Poblet (Valencia)	100.00	
FCC Medio Ambiente, S.A.	Federico Salmón, 13 – Madrid	100.00	Deloitte
FCC Medio Ambiente Reino Unido, S.L.Unipersonal	Av. Camino de Santiago, 40 – Madrid	100.00	
FCC Servicios Medioambiente Holding, S.A. Unipersonal [1]	Federico Salmón, 13 – Madrid	100.00	Deloitte
Gamasur Campo de Gibraltar, S.L.	Antigua Ctra. de Jimena de la Frontera, s/n – Los Barrios (Cadiz)	85.00	
Gandia Serveis Urbans, S.A.	Llanterners, 6 – Gandia (Valencia)	95.00	Centium
Gestió i Recuperació de Terrenys, S.A. Unipersonal	Balmes, 36 Entresuelo – Barcelona	80.00	Centium
Gipuzkoa Ingurumena BI, S.A.	Polígono Industrial Zubiondo Par A.5. – Hernani (Gipuzkoa)	82.00	Capital Auditors
Golrib, Soluções de Valorização de Residuos Lda.	Portugal	55.00	
Grupo FCC CEE			
.A.S.A. Hódmezövásárhely Köztisztasági Kft	Hungary	61.83	Deloitte
ASMJ s.r.o.	Czech Republic	51.00	
FCC Abfall Service Betriebs GmbH	Austria	100.00	
FCC Austria Abfall Service AG	Austria	100.00	Deloitte
FCC BEC s.r.o.	Czech Republic	100.00	Deloitte
FCC Bratislava s.r.o.	Slovakia	100.00	Deloitte
FCC Bulgaria E.O.O.D.	Bulgaria	100.00	Deloitte
FCC Centrum Nonprofit Kft.	Hungary	100.00	
FCC Ceska Republika s.r.o.	Czech Republic	100.00	Deloitte
FCC Ceské Budêjovice s.r.o.	Czech Republic	75.00	Deloitte
FCC Dacice s.r.o.	Czech Republic	60.00	Deloitte

[1] Change of name. Formerly Dédalo Patrimonial, S.L. Unipersonal

Company	Address	% Effective ownership	Auditor
FCC EKO d.o.o.	Serbia	100.00	Deloitte
FCC EKO Polska sp. z.o.o.	Poland	100.00	Deloitte
FCC EKO-Radomsko sp. z.o.o.	Poland	100.00	
FCC Entsorga Entsorgungs GmbH & Co. Nfg KG	Austria	100.00	
FCC Environment CEE GmbH	Austria	100.00	
FCC Environment Romania S.R.L.	Romania	100.00	Deloitte
FCC Freistadt Abfall Service GmbH	Austria	100.00	
FCC Halbenrain Abfall Service GmbH & Co. Nfg KG	Austria	100.00	
FCC HP s.r.o.	Czech Republic	100.00	Deloitte
FCC Industrieviertel Abfall Service GmbH & Co. Nfg KG	Austria	100.00	
FCC Inerta Engineering & Consulting GmbH	Austria	100.00	
FCC Kikinda d.o.o.	Serbia	80.00	Deloitte
FCC Liberec s.r.o.	Czech Republic	55.00	Deloitte
FCC Litovel s.r.o.	Czech Republic	49.00	
FCC Lublienec sp. z.o.o.	Poland	61.97	
FCC Magyarország Kft	Hungary	100.00	Deloitte
FCC Mostviertel Abfall Service GmbH	Austria	100.00	
FCC Neratovice s.r.o.	Czech Republic	100.00	
FCC Neunkirchen Abfall Service GmbH	Austria	100.00	
FCC Podhale sp. z.o.o. (2)	Poland	100.00	Deloitte
FCC Prostejov s.r.o.	Czech Republic	75.00	Deloitte
FCC Regios AS	Czech Republic	99.99	Deloitte
FCC Slovensko s.r.o.	Slovakia	100.00	Deloitte
FCC Tarnobrzeg.sp. z.o.o.	Poland	59.72	Deloitte
FCC Textil2Use GmbH	Austria	100.00	
FCC TRNAVA s.r.o.	Slovakia	50.00	Deloitte
FCC Uhy s.r.o.	Czech Republic	100.00	Deloitte

2) Change of name. Formerly IB Odpady SP z.o.o.

Company	Address	% Effective ownership	Auditor
FCC Únanov s.r.o.	Czech Republic	66.00	
FCC Vrbak d.o.o.	Serbia	51.00	
FCC Wiener Neustadt Abfall Service GmbH	Austria	100.00	
FCC Zabcice s.r.o.	Czech Republic	80.00	Deloitte
FCC Zabovresky s.r.o.	Czech Republic	89.00	
FCC Zisterdorf Abfall Service GmbH	Austria	100.00	Deloitte
FCC Znojmo s.r.o.	Czech Republic	49.72	Deloitte
FCC Zohor.s.r.o.	Slovakia	85.00	Deloitte
Miejskie Przedsiebiorstwo Gospodarki Komunalnej sp. z.o.o.	Poland	80.00	Deloitte
Obsed A.S.	Czech Republic	100.00	
Quail spol. s.r.o.	Czech Republic	100.00	Deloitte
RSUO Dobritch	Bulgaria	62.00	
Siewierskie Przedsiebiorstwo Gospodarki Komunalnej sp. z.o.o.	Poland	60.00	
FCC Environment Group			
3C Holding Limited	United Kingdom	100.00	Deloitte
3C Waste Limited	United Kingdom	100.00	Deloitte
Allington O & M Services Limited	United Kingdom	100.00	Deloitte
Allington Waste Company Limited	United Kingdom	100.00	Deloitte
Anti-Waste (Restoration) Limited	United Kingdom	100.00	Deloitte
Anti-Waste Limited	United Kingdom	100.00	Deloitte
Arnold Waste Disposal Limited	United Kingdom	100.00	Deloitte
BDR Property Limited	United Kingdom	80.02	Deloitte
BDR Waste Disposal Limited	United Kingdom	100.00	Deloitte
Darrington Quarries Limited	United Kingdom	100.00	Deloitte
Derbyshire Waste Limited	United Kingdom	100.00	Deloitte
East Waste Limited	United Kingdom	100.00	Deloitte
FCC Buckinghamshire Holdings Limited	United Kingdom	100.00	Deloitte
FCC Buckinghamshire Limited	United Kingdom	100.00	Deloitte

Company	Address	% Effective ownership	Auditor
FCC Buckinghamshire (Support Services) Limited	United Kingdom	100.00	
FCC Energy Limited	United Kingdom	100.00	Deloitte
FCC Environment (Berkshire) Ltd.	United Kingdom	100.00	Deloitte
FCC Environment (Lincolnshire) Ltd.	United Kingdom	100.00	Deloitte
FCC Environment (UK) Limited	United Kingdom	100.00	Deloitte
FCC Environment Limited	United Kingdom	100.00	Deloitte
FCC Environment Lostock Limited	United Kingdom	100.00	
FCC Environmental Services UK Limited	United Kingdom	100.00	Deloitte
FCC Lostock Holdings Limited	United Kingdom	100.00	Deloitte
FCC PFI Holdings Limited	United Kingdom	100.00	Deloitte
FCC Recycling (UK) Limited	United Kingdom	100.00	Deloitte
FCC Waste Services (UK) Limited	United Kingdom	100.00	Deloitte
FCC Wrexham PFI (Phase II) Ltd.	United Kingdom	100.00	Deloitte
FCC Wrexham PFI (Phase II Holding) Ltd.	United Kingdom	100.00	Deloitte
FCC Wrexham PFI Holdings Limited	United Kingdom	100.00	Deloitte
FCC Wrexham PFI Limited	United Kingdom	100.00	Deloitte
Finstop Limited	United Kingdom	100.00	Deloitte
Focsa Services (UK) Limited	United Kingdom	100.00	
Hykeham O&M Services Limited	United Kingdom	100.00	Deloitte
Integrated Waste Management Limited	United Kingdom	100.00	Deloitte
Kent Conservation & Management Limited	United Kingdom	100.00	
Kent Energy Limited	United Kingdom	100.00	Deloitte
Kent Enviropower Limited	United Kingdom	100.00	Deloitte
Landfill Management Limited	United Kingdom	100.00	Deloitte
Lincwaste Limited	United Kingdom	100.00	Deloitte
Norfolk Waste Limited	United Kingdom	100.00	Deloitte
Pennine Waste Management Limited	United Kingdom	100.00	Deloitte
RE3 Holding Limited	United Kingdom	100.00	Deloitte

Company	Address	% Effective ownership	Auditor
RE3 Limited	United Kingdom	100.00	Deloitte
Telford & Wrekin Services Limited	United Kingdom	100.00	Deloitte
T Shooter Limited	United Kingdom	100.00	
Waste Recovery Limited	United Kingdom	100.00	
Waste Recycling Group (Central) Limited	United Kingdom	100.00	Deloitte
Waste Recycling Group (Scotland) Limited	United Kingdom	100.00	Deloitte
Waste Recycling Group (UK) Limited	United Kingdom	100.00	Deloitte
Waste Recycling Group (Yorkshire) Limited	United Kingdom	100.00	Deloitte
Wastenotts (Reclamation) Limited	United Kingdom	100.00	Deloitte
Wastenotts O & M Services Limited	United Kingdom	100.00	Deloitte
Welbeck Waste Management Limited	United Kingdom	100.00	Deloitte
WRG (Midlands) Limited	United Kingdom	100.00	Deloitte
WRG (Northern) Limited	United Kingdom	100.00	Deloitte
WRG Acquisitions 2 Limited	United Kingdom	100.00	Deloitte
WRG Environmental Limited	United Kingdom	100.00	Deloitte
WRG Waste Services Limited	United Kingdom	100.00	
Integraciones Ambientales de Cantabria, S.A.	Monte de Carceña Cr CA-924 Pk 3,280 – Castañeda (Cantabria)	90.00	Deloitte
International Services Inc., S.A. Unipersonal	Av. Camino de Santiago, 40 – Madrid	100.00	
Jaime Franquesa, S.A.	P.I. Zona Franca Sector B calle D 49 – Barcelona	100.00	
Jaume Oro, S.L.	Av. del Bosc, s/n P.I. Hostal Nou – Bellpuig (Lleida)	100.00	
Limpieza e Higiene de Cartagena, S.A.	Luis Pasteur, 8 – Cartagena (Murcia)	90.00	Deloitte
Limpiezas Urbanas de Mallorca, S.A.	Ctra. Santa Margalida-Can Picafort – Santa Margalida (Balearic Islands)	100.00	Deloitte
Manipulación y Recuperación MAREPA, S.A.	Av. San Martín de Valdeiglesias, 22 – Alcorcón (Madrid)	100.00	Deloitte
Recuperació de Pedreres, S.L.	Balmes, 36 Entresuelo – Barcelona	80.00	
Servicio de Recogida y Gestión de Residuos Sólidos Urbanos del Consorcio Vega Sierra Elvira, S.A.	Antonio Huertas Remigio, 9 – Maracena (Granada)	60.00	Capital Auditors
Serveis Municipals de Neteja de Girona, S.A.	Pl. del Vi, 1 - Girona	75.00	Cataudit Auditors Associats

Company	Address	% Effective ownership	Auditor
Servicios de Levante, S.A.	Camino Pla de Museros, s/n – Almazora (Castellón)	100.00	Deloitte
Servicios Especiales de Limpieza, S.A.	Federico Salmón, 13 – Madrid	100.00	Deloitte
Sistemas y Vehículos de Alta Tecnología, S.A.	Federico Salmón, 13 – Madrid	100.00	Deloitte
Societat Municipal Mediambiental d'Igualada, S.L.	Pl. de l'Ajuntament, 1 – Igualada (Barcelona)	65.91	Centium
Tratamientos y Recuperaciones Industriales, S.A.	Balmes, 36 Entresuelo – Barcelona	75.00	
Valoración y Tratamiento de Residuos Urbanos, S.A.	Riu Magre, 6 – P.I. Patada del Cid – Quart de Poblet (Valencia)	80.00	Capital Auditors
Valorización y Tratamiento de Residuos, S.A.	Alameda de Mazarredo, 15-4º A – Bilbao (Vizcaya)	100.00	Centium
AQUALIA			
Abrantaqua – Serviço de Aguas Residuais Urbanas do Municipio de Abrantes, S.A.	Portugal	30.60	Oliveira, Reis & Asociados
Acque di Caltanissetta, S.p.A.	Italy	50.22	Deloitte
Agua y Gestión del Ciclo Integral, S.L.U.	Av. Diego Martínez Barrio, 4 – Seville	51.00	
Aguas de Alcaidesa, S.L. Unipersonal	Zona Centro Comercial La Hacienda local 11– Línea de la Concepción (Cadiz)	51.00	
Aguas de Alcázar Empresa Mixta, S.A.	Rondilla Cruz Verde, 1 – Alcázar de San Juan (Ciudad Real)	26.71	Capital Auditors
Aguas de las Galeras, S.L.	Av. Camino de Santiago, 40 – Madrid	51.00	
Aigües de Vallirana, S.A. Unipersonal	Conca de Tremp, 14 – Vallirana (Barcelona)	51.00	
Aqua Campiña, S.A.	Blas Infante, 6 – Écija (Seville)	45.90	Centium Auditores
Aquaelvas – Aguas de Elvas, S.A.	Portugal	51.00	Deloitte
Aquafundalia – Agua Do Fundão, S.A.	Portugal	51.00	Deloitte
Aquajerez, S.L.	Cristalería, 24 – Cadiz	51.00	Ernst & Young
Aqualia Czech, S.L.	Av. Camino de Santiago, 40 – Madrid	51.00	Deloitte
Aqualia Desalació n Guaymas, S.A. de C.V.	Mexico	51.00	Deloitte
Aqualia France [(3)]	France	51.00	SNR Audit
Aqualia Infraestructuras d.o.o. Beograd-Vracar	Serbia	51.00	
Aqualia Infraestructuras d.o.o. Mostar	Bosnia-Herzegovina	51.00	
Aqualia Infraestructuras Inzenyring, s.r.o.	Czech Republic	51.00	CMC Audit
Aqualia Infraestructuras Montenegro (AIM) d.o.o. Niksic	Montenegro	51.00	

3) Change of name. Formerly SPI Environment, S.A.S.

Company	Address	% Effective ownership	Auditor
Aqualia Infraestructuras Pristina Llc.	Kosovo	51.00	
Aqualia Intech, S.A.	Av. Camino de Santiago, 40 – Madrid	51.00	Deloitte
Aqualia Mace Contracting, Operation & General Maintenance Llc.	United Arab Emirates	26.01	Deloitte
Aqualia Mace Qatar	Qatar	26.01	Mazars
Aqualia México, S.A. de C.V.	Mexico	51.00	Deloitte
Aqualia New Europe B.V.	Holland	51.00	RSM
Aquamaior – Aguas de Campo Maior, S.A.	Portugal	51.00	Deloitte
C.E.G. S.P.A. Simplifiée	France	51.00	SNR Audit
Cartagua, Aguas do Cartaxo, S.A.	Portugal	30.60	Oliveira, Reis & Asociados
Compañía Onubense de Aguas, S.A.	Av. Martín Alonso Pinzón, 8 – Huelva	30.60	
Conservación y Sistemas, S.A.	Federico Salmón, 13 – Madrid	51.00	Deloitte
Depurplan 11, S.A.	Madre Rafols, 2 – Zaragoza	51.00	Capital Auditors
Empresa Gestora de Aguas Linenses, S.A.	Federico Salmón, 13 – Madrid	51.00	
Empresa Mixta de Conservación de La Estación Depuradora de Aguas Residuales de Butarque, S.A.	Princesa, 3 – Madrid	35.70	
Entenmanser, S.A.	Castillo, 13 – Adeje (Santa Cruz de Tenerife)	49.47	Deloitte
FCC Aqualia, S.A.	Av. Camino de Santiago, 40 – Madrid	51.00	Deloitte
FCC Aqualia América, S.A.U.	Uruguay, 11 – Vigo (Pontevedra)	51.00	
FCC Aqualia U.S.A. Corp	USA	51.00	Berkowitz Pollack Brant
Flores Rebollo y Morales, S.L.	Urbanización Las Buganvillas, 4 – Vera (Almería)	30.60	
Hidrotec Tecnología del Agua, S.L. Unipersonal	Pincel, 25 – Seville	51.00	Deloitte
Infraestructuras y Distribución General de Aguas, S.L.U.	La Presa, 14 – Adeje (Santa Cruz de Tenerife)	51.00	Deloitte
Servicios Hídricos Agricultura y Ciudad, S.L.U. (4)	Alfonso XIII – Sabadell (Barcelona)	51.00	
Severomoravské Vodovody a Kanalizace Ostrava A.S.	Czech Republic	51.00	Deloitte
Shariket Tahlya Miyah Mostaganem, S.P.A.	Algeria	13.00	Samir Hadj Ali
Sociedad Española de Aguas Filtradas, S.A.	Jacometrezo, 4 – Madrid	51.00	Deloitte
Sociedad Ibérica del Agua, S.A. Unipersonal	Federico Salmón, 13 – Madrid	51.00	

4) Change of name. Formerly Inversora Riutort, S.L.

Company	Address	% Effective ownership	Auditor
Societè des Eaux de Fin d'Oise, S.A.S.	France	51.00	SNR Audit
Tratamiento Industrial de Aguas, S.A.	Federico Salmón, 13 – Madrid	51.00	Deloitte
Vodotech, spol. s.r.o.	Czech Republic	51.00	CMC Audit s.r.o.
Water Sur, S.L.	Urbanización Las Buganvillas, 4 – Vera (Almería)	30.60	
CONSTRUCTION			
ACE Scutmadeira Sistemas de Gestao e Controlo de Tràfego	Portugal	100.00	
Agregados y Materiales de Panamá, S.A.	Panama	100.00	Deloitte
Áridos de Melo, S.L.	Finca la Barca y el Ballestar, s/n – Barajas de Melo (Cuenca)	100.00	Capital Auditors
Colombiana de Infraestructuras, S.A.S.	Colombia	100.00	ASTAF Auditores y Consultores
Concesiones Viales S. de R.L. de C.V.	Mexico	100.00	Deloitte
Concretos Estructurales, S.A.	Nicaragua	100.00	
Conservial Infraestructuras, S.L.	Federico Salmón, 13 – Madrid	100.00	
Consorcio FCC Iquique Ltda.	Chile	100.00	
Construcción Infraestructuras y Filiales de México, S.A. de C.V.	Mexico	52.00	
Construcciones Hospitalarias, S.A.	Panama	100.00	Deloitte
Constructora Meco-Caabsa, S.A. de C.V.	El Salvador	60.00	
Constructora Túnel de Coatzacoalcos, S.A. de C.V.	Mexico	55.60	Deloitte
Contratas y Ventas, S.A.	Av. de Santander, 3 1º – Oviedo (Asturias)	100.00	Deloitte
Corporación M&S de Nicaragua, S.A.	Nicaragua	100.00	
Desarrollo y Construcción Deyco CRCA, S.A.	Costa Rica	100.00	
Edificadora MSG, S.A. (Panamá)	Panama	100.00	
Edificadora MSG, S.A. de C.V. (El Salvador)	El Salvador	100.00	
Edificadora MSG, S.A. de C.V. (Nicaragua)	Nicaragua	100.00	
FCC Américas, S.A. de C.V.	Mexico	50.00	Deloitte
FCC Américas Colombia, S.A.	Colombia	50.00	
FCC Américas Panamá, S.A.	Panama	50.00	Deloitte

Company	Address	% Effective ownership	Auditor
FCC Colombia, S.A.S.	Colombia	100.00	ASTAF Auditores y Consultores
FCC Construcción, S.A.	Balmes, 36 – Barcelona	100.00	Deloitte
FCC Construcción América, S.A.	Costa Rica	100.00	Deloitte
FCC Construcción Chile, SPA	Chile	100.00	
FCC Construcción Costa Rica, S.A.	Costa Rica	100.00	Deloitte
FCC Construcción de México, S.A. de C.V.	Mexico	100.00	Deloitte
FCC Construcción Perú, S.A.C.	Peru	100.00	
FCC Construçoes do Brasil Ltda.	Brazil	100.00	
FCC Constructii Romania, S.A.	Romania	100.00	
FCC Construction Inc.	USA	100.00	
FCC Construction International B.V.	Holland	100.00	
FCC Construction Ireland DAC	Ireland	100.00	Deloitte
FCC Construction Northern Ireland Limited	United Kingdom	100.00	Deloitte
FCC Edificadora CR, S.A.	Costa Rica	100.00	
FCC Electromechanical Llc.	Saudi Arabia	100.00	Ernst & Young
FCC Elliott Construction Limited	Ireland	100.00	Deloitte
FCC Industrial de Panamá, S.A.	Panama	100.00	Deloitte
FCC Industrial e Infraestructuras Energéticas, S.A. Unipersonal	Av. Camino de Santiago, 40 – Madrid	100.00	Deloitte
FCC Industrial Perú, S.A.	Peru	100.00	
FCC Industrial UK Limited	United Kingdom	100.00	Deloitte
FCC Inmobilien Holding GMbH	Germany	100.00	
FCC Servicios Industriales y Energéticos México, S.A. de C.V.	Mexico	100.00	Deloitte
FCC Soluciones de Seguridad y Control, S.L.	Federico Salmón, 13 – Madrid	100.00	
Fomento de Construcciones Colombianas, S.A.S.	Colombia	100.00	
Fomento de Construcciones y Contratas Canadá Ltd.	Canada	100.00	
Guzmán Energy O&M, S.L.	Av. Camino de Santiago, 40 – Madrid	52.13	Deloitte
Impulsora de Proyectos Proserme, S.A. de C.V.	Mexico	100.00	

Company	Address	% Effective ownership	Auditor
Mantenimiento de Infraestructuras, S.A.	Federico Salmón, 13 2a planta – Madrid	100.00	Deloitte
Meco Santa Fe Limited	Belize	100.00	
Megaplás, S.A. Unipersonal	Hilanderas, 4-14 – La Poveda – Arganda del Rey (Madrid)	100.00	Deloitte
Megaplás Italia, S.p.A.	Italy	100.00	Collegio Sindicale
Participaciones Teide, S.A.	Av. Camino de Santiago, 40 – Madrid	100.00	
Prefabricados Delta, S.A. Unipersonal	Federico Salmón, 13 – Madrid	100.00	Deloitte
Ramalho Rosa Cobetar Sociedade de Construçoes, S.A.	Portugal	100.00	Deloitte
Servicios Dos Reis, S.A. de C.V.	Mexico	100.00	Deloitte
Tema Concesionaria, S.A.	Porto Pi, 8– Palma de Mallorca (Balearic Islands)	100.00	
CEMENT			
Canteras de Alaiz, S.A.	Dormilatería, 72 – Pamplona (Navarre)	69.38	Deloitte
Carbocem, S.A.	María Tubau, 9 – 4 planta – Madrid	69.07	
Cementos Alfa, S.A.	María Tubau, 9 – 4 planta – Madrid	87.25	Deloitte
Cementos Portland Valderrivas, S.A.	Dormilatería, 72 – Pamplona (Navarre)	99.08	Deloitte
Dragon Alfa Cement Limited	United Kingdom	87.25	Deloitte
Dragon Portland Limited	United Kingdom	99.08	Deloitte
Hormigones de la Jacetania, S.A.	Llano de la Victoria – Jaca (Huesca)	61.93	KPMG
Prebesec Mallorca, S.A.	Conradors (P.I. Marratxi) - Marratxi (Balearic Islands)	67.83	
Select Beton, S.A.	Tunisia	87.03	Guellaty
Société des Ciments d'Enfidha	Tunisia	87.06	Deloitte - Guellaty
Uniland Acquisition Corporation	USA	99.08	
Uniland International B.V.	Holland	99.08	
Uniland Trading B.V.	Holland	99.08	
OTHER ACTIVITIES			
Asesoría Financiera y de Gestión, S.A.	Federico Salmón, 13 – Madrid	100.00	
Autovía Conquense, S.A.	Av. Camino de Santiago, 40 – Madrid	100.00	Deloitte
Bvefdomintaena Beteiligungsverwaltung GmbH	Austria	100.00	

Company	Address	% Effective ownership	Auditor
Grupo Cedinsa Concessionària			
Cedinsa Concessionària, S.A.	Av. Josep Tarradellas, 38 – Barcelona	51.00	Deloitte
Cedinsa Conservació, S.L. Unipersonal	Ctra. C-16 – Puig-Reig (Barcelona)	51.00	Deloitte
Cedinsa d'Aro Concessionària de la Generalitat de Catalunya, S.A.Unipersonal	Av. Josep Tarradellas, 38 – Barcelona	51.00	Deloitte
Cedinsa Eix Llobregat Concessionària de la Generalitat de Catalunya, S.A.Unipersonal	Av. Josep Tarradellas, 38 – Barcelona	51.00	Deloitte
Cedinsa Eix Transversal Concessionària de la Generalitat de Catalunya, S.A.Unipersonal	Av. Josep Tarradellas, 38 – Barcelona	51.00	Deloitte
Cedinsa Ter Concessionària de la Generalitat de Catalunya, S.A.Unipersonal	Av. Josep Tarradellas, 38 – Barcelona	51.00	Deloitte
Cemark - Mobiliario Urbano e Publicidade, S.A. (5)	Portugal	100.00	PricewaterhouseCoopers
Concesionaria Atención Primaria, S.A.	Gremi de Sabaters, 21 (Loc. A. 15.2) - Palma de Mallorca (Balearic Islands)	82.50	Deloitte
Concesionaria Túnel de Coatzacoalcos, S.A. de C.V.	Mexico	85.60	Deloitte
Costa Verde Habitat, S.L.	Av. Camino de Santiago, 40 – Madrid	100.00	
F-C y C, S.L. Unipersonal	Federico Salmón, 13 – Madrid	100.00	Deloitte
FCC Concesiones de Infraestructuras, S.L.	Av. Camino de Santiago, 40 – Madrid	100.00	
FCC Midco, S.A.	Luxembourg	100.00	
FCC Topco, S.A.R.L.	Luxembourg	100.00	
FCC Versia, S.A.	Av. Camino de Santiago, 40 – Madrid	100.00	
Fedemes, S.L.	Federico Salmón, 13 – Madrid	100.00	Deloitte
Geneus Canarias, S.L.	Electricista, 2. U.I. de Salinetas – Telde (Las Palmas)	100.00	
Per Gestora, S.L.	Federico Salmón, 13 – Madrid	100.00	
PPP Infraestructure Investments B.V.	Holland	100.00	
Vela Boravica Koncern d.o.o.	Croatia	100.00	
Vialia Sociedad Gestora de Concesiones de Infraestructuras, S.L.	Av. Camino de Santiago, 40 – Madrid	100.00	
Zona Verde – Promoçao e Marketing Limitada	Portugal	100.00	PricewaterhouseCoopers

5) Change of name. Formerly Cemusa Portugal Companhia de Mobiliario Urbano e Publicidade, S.A.

Annex II. Companies jointly controlled with third parties outside the Group (
(consolidated using the equity method)

Company	Address	Net book value of the portfolio 2019	Net book value of the portfolio 2018	% Effective ownership	Auditor
ENVIRONMENTAL SERVICES					
Atlas Gestión Medioambiental, S.A.	Viriato, 47 – Barcelona	11,933	11,935	50.00	Ernst & Young
Beacon Waste Limited	United Kingdom	1,361	1,294	50.00	Deloitte
Ecoparc del Besós, S.A.	Av. Torre d'en Mateu. P.I. Can Salvatella s/n – Barcelona	6,638	6,115	49.00	Castellà Auditors Consultors S.L.P.
Ecoserveis Urbans de Figueres, S.L.	Av. de les Alegries, s/n – Lloret de Mar (Girona)	153	153	50.00	
Electrorecycling, S.A.	Ctra. BV – 1224 Km. 6,750 – El Pont de Vilomara i Rocafort (Barcelona)	1,294	1,309	33.33	Audinfor
Empresa Mixta de Limpieza de la Villa de Torrox, S.A.	Plaza de la Constitución, 1 – Torrox (Málaga)	400	390	50.00	Audinfor
Empresa Mixta de Medio Ambiente de Rincón de la Victoria, S.A.	Barrio Las Zorreras, 8 – Rincón de la Victoria (Málaga)	275	261	50.00	Audinfor
Fisersa Ecoserveis, S.A.	Alemanya, 5 – Figueres (Girona)	164	158	36.36	Auditoria i Control Auditors S.L.P.
Gestión y Valorización Integral del Centro, S.L.	De la Tecnología, 2. P.I. Los Olivos – Getafe (Madrid)	476	419	50.00	Deloitte
Hades Soluciones Medioambientales, S.L.	Mayor, 3 – Cartagena (Murcia)	—	(19)	50.00	
Ingenieria Urbana, S.A.	Calle I esquina calle 3, P.I. Pla de la Vallonga – Alicante	4,261	4,290	35.00	Deloitte
Mediaciones Comerciales Ambientales, S.L.	Av. Barcelona, 109. P.5 – Sant Joan Despí (Barcelona)	793	426	50.00	
Mercia Waste Management Ltd.	United Kingdom	10,682	17,881	50.00	Deloitte
Palacio de Exposiciones y Congresos de Granada, S.A.	Paseo del Violón, s/n – Granada	(1,850)	(1,806)	50.00	Hispanobelga Economistas Auditores, S.L.P.
Pilagest, S.L.	Ctra. BV – 1224 Km. 6,750 – El Pont de Vilomara i Rocafort (Barcelona)	212	347	50.00	
Reciclado de Componentes Electrónicos, S.A.	Calle El Matorral (Parque Actividades Medioambientales) – Aznalcóllar (Seville)	2,125	2,237	37.50	KPMG
Servicios de Limpieza Integral de Málaga III, S.A.	Camino Medioambiental (Ed. Limasa), 23–Málaga	1,965	1,563	26.01	PricewaterhouseCoopers
Servicios Urbanos de Málaga, S.A.	Av. Camino de Santiago, 40 – Madrid	668	345	51.00	
Severn Waste Services Limited	United Kingdom	209	193	50.00	Deloitte

Company	Address	Net book value of the portfolio 2019	Net book value of the portfolio 2018	% Effective ownership	Auditor
Tratamiento Industrial de Residuos Sólidos, S.A.	Rambla Cataluña, 91 – Barcelona	1,119	1,038	33.33	Castellà Auditors Consultors, S.L.P.
Zabalgarbi, S.A.	Camino Artigabidea, 10 – Bilbao (Vizcaya)	17,234	16,298	30.00	KPMG
AQUALIA					
Aguas de Langreo, S.L.	Alonso del Riesgo, 3–Langreo (Asturias)	885	882	24.99	Capital Auditors and Consultants, S.L.
Aguas de Narixa, S.A.	Málaga, 11 – Nerja (Málaga)	722	231	25.50	
Aigües de Girona, Salt i Sarrià del Ter, S.A.	Ciutadans, 11 – Girona	162	167	13.71	Cataudit Auditors Associats, S.L.
Compañía de Servicios Medioambientales do Atlántico, S.A.	Estrada de Cedeira Km. 1 – Narón (La Coruña)	302	298	24.99	Kreston Iberaudit APM, S.L.
Constructora de Infraestructura de Agua de Querétaro, S.A. de C.V.	Mexico	(2,995)	(2,996)	12.49	Deloitte
Empresa Municipal de Aguas de Benalmádena EMABESA, S.A.	Explanada de Tivoli, s/n – Arroyo de la Miel (Málaga)	1,745	1,795	25.50	Audinfor
Girona, S.A.	Travesia del carril, 2 – Girona	1,672	1,680	17.14	Cataudit Auditors Associats, S.L.
HA Proyectos Especiales Hidráulicos S. de R.L. de C.V.	Mexico	1,132	1,055	25.25	Grant Thornton SC
Orasqualia Construction, S.A.E.	Egypt	(110)	(109)	25.50	KPMG
Orasqualia for the Development of the Waste Water Treatment Plant S.A.E.	Egypt	11,700	9,601	14.25	Deloitte
Orasqualia Operation and Maintenance S.A.E.	Egypt	1,797	992	25.50	Deloitte
CONSTRUCTION					
Administración y Servicios Grupo Zapotillo, S.A. de C.V.	Mexico	143	68	50.00	
Construcciones Olabarri, S.L.	Ripa, 1 – Bilbao (Vizcaya)	5,521	5,607	49.00	Charman Auditores
Constructora de Infraestructura de Agua de Querétaro, S.A. de C.V.	Mexico	—	—	24.50	Deloitte
Constructora Durango Mazatlán, S.A. de C.V.	Mexico	1,613	1,522	51.00	
Constructora Nuevo Necaxa Tihuatlán, S.A. de C.V.	Mexico	(34,403)	(32,318)	40.00	Deloitte
Constructores del Zapotillo, S.A. de C.V.	Mexico	1,528	1,372	50.00	Grant Thornton

Company	Address	Net book value of the portfolio 2019	Net book value of the portfolio 2018	% Effective ownership	Auditor
Dragados FCC Canada Inc.	Canada	(862)	(861)	50.00	
Elaboración de Cajones Pretensados, S.L.	Av. Camino de Santiago, 40 – Madrid	2	2	50.00	
Integral Management Future Renewables, S.L.	A Condomiña, s/n – Ortoño (La Coruña)	3,257	2,997	50.00	Deloitte
North Tunnels Canada Inc.	Canada	(1,782)	(1,669)	50.00	
OHL Co Canada & FCC Canada Ltd. Partnership	Canada	(62,695)	(58,649)	50.00	
Servicios Empresariales Durango-Mazatlán, S.A. de C.V.	Mexico	136	128	51.00	
CEMENT					
Pedrera de l'Ordal, S.L.	Ctra. N 340 km. 1229,5 La Creu del L'Ordal – Subirats (Barcelona)	2,706	2,340	49.54	Deloitte
OTHER ACTIVITIES					
Ibisan Sociedad Concesionaria, S.A	Av. Isidor Macabich, s / n. Sant Rafel de Sa Creu (Balearic Islands)	7,291	8,123	50.00	Deloitte
MDM-Teide, S.A.	Panama	175	204	50.00	
Sociedad Concesionaria Tranvía de Murcia, S.A.	Paseo de la Ladera, 79– Murcia	21,248	20,064	50.00	Deloitte
Subgrupo FM Green Power Investments		17,074	7,228		
Enestar Villena, S.A.	Maestro Chanzá, 3 – Villena (Alicante)	__	__	49.00	Ernst & Young
Ethern Electric Power, S.A.	Paseo de la Castellana, 91 planta 11 – Madrid	__	__	49.00	Ernst & Young
Estructuras Energéticas Generales, S.A. Unipersonal	Paseo de la Castellana, 91 planta 11 – Madrid	__	__	49.00	
Evacuación Villanueva del Rey, S.L.	Albert Einstein, s / n - Seville	__	__	6.28	
FM Green Power Investments, S.L.	Paseo de la Castellana, 91 planta 11 – Madrid	__	__	49.00	Ernst & Young
Guzmán Energía, S.L.	Portada, 11 – Palma del Río (Córdoba)	__	__	34.30	Ernst & Young
Helios Patrimonial 1, S.L. Unipersonal	Paseo de la Castellana, 91 planta 11 – Madrid	__	__	49.00	Ernst & Young
Helios Patrimonial 2, S.L. Unipersonal	Paseo de la Castellana, 91 planta 11 – Madrid	__	__	49.00	Ernst & Young
Olivento, S.L. Unipersonal	Paseo de la Castellana, 91 planta 11 – Madrid	__	__	49.00	Ernst & Young
Teide-MDM Quadrat, S.A.	Panama	65	301	50.00	
TOTAL VALUE OF COMPANIES CONSOLIDATED USING THE EQUITY METHOD (JOINT VENTURES)		**38,141**	**34,882**		

Annex III. Associates (consolidated using the equity method)

Company	Address	Net book value of the portfolio 2019	Net book value of the portfolio 2018	% Effective ownership	Auditor
ENVIRONMENTAL SERVICES					
Aprochim Getesarp Rymoil, S.A.	P.I. Logrezana s/n– Carreño (Asturias)	1,016	960	23.49	
Aragonesa de Gestión de Residuos, S.A.	Paseo María Agustín, 36 – Zaragoza	15	16	12.00	CGM Auditores, S.L.y Villalba, Envid y Cia. Auditores, S.L.P.
Aragonesa de Tratamientos Medioambientales XXI, S.A.	Ctra. Castellón Km. 58 – Zaragoza	611	613	33.00	
Betearte, S.A.U.	Cr. BI – 3342 pk 38 Alto de Areitio – Mallabia (Vizcaya)	(376)	(258)	33.33	
Gestión Integral de Residuos Sólidos, S.A.	Serrans, 12 – 14 Ent. 1 – Valencia	5,208	4,993	49.00	DULA Auditores, S.L.P.
Grupo FCC CEE		**6,264**	**6,422**		
.A.R.K. Technicke Sluzby s.r.o.	Slovakia	__	__	50.00	
A.K.S.D. Városgazdálkodási Korlátolt FT	Hungary	__	__	25.50	Interauditor
ASTV s.r.o.	Czech Republic	__	__	49.00	
FCC + NHSZ Környezetvédelmi HKft	Hungary	__	__	50.00	Interauditor
FCC Hlohovec s.r.o.	Slovakia	__	__	50.00	
Huber Abfallservice Verwaltungs GmbH	Austria	__	__	49.00	
Huber Entsorgungs GmbH Nfg KG	Austria	__	__	49.00	
Killer GmbH	Austria	__	__	50.00	
Killer GmbH & Co KG	Austria	__	__	50.00	Rittmann
Recopap s.r.o.	Slovakia	__	__	50.00	Deloitte
FCC Group - PFI Holdings		**9,797**	__		
CI III Lostock Efw Limited	United Kingdom	__	__	40.00	
Lostock Power Limited	United Kingdom	__	__	40.00	
Lostock Sustainable Energy	United Kingdom	__	__	40.00	
Tirme Group		**7,423**	**6,630**		
Balear de Trituracions, S.L.	Cr. de Sóller Km. 8,2 – Palma de Mallorca (Balearic Islands)	__	__	20.00	

Company	Address	Net book value of the portfolio 2019	2018	% Effective ownership	Auditor
MAC Insular, S.L.	P.I. Ses Veles, (Cl. Romaní), 2 – Bunyola (Balearic Islands)	__	__	14.00	Deloitte
MAC Insular Segunda, S.L.	Cr. de Sóller Km. 8,2 – Palma de Mallorca (Balearic Islands)	__	__	15.00	
Tirme, S.A.	Ctra. Soller Km. 8,2 Camino de Son Reus – Palma de Mallorca (Balearic Islands)	__	__	20.00	Deloitte
Sogecar, S.A.	Polígono Torrelarragoiti – Zamudio (Vizcaya)	482	421	30.00	
AQUALIA					
Aguas de Archidona, S.L.	Pz. Ochavada, 1 – Archidona (Málaga)	75	62	24.48	Centium Auditores
Aguas de Denia, S.A.	Pedro Esteve, 17– Denia (Alicante)	408	424	16.83	Kreston Iberaudit APM, S.L.
Aguas de Guadix, S.A.	Plaza Constitución, 1– Guadix (Granada)	161	__	20.40	
Aguas de Priego, S.L.	Plaza Constitución, 3 – Priego de Córdoba (Córdoba)	(16)	(3)	24.99	Audinfor
Aguas del Puerto Empresa Municipal, S.A.	Aurora, 1 – El Puerto de Santa María (Cadiz)	4,094	3,832	24.98	Deloitte
Aigües de Blanes, S.A.	Canigó, 5 – Blanes (Girona)	68	62	8.40	Acorda ACR S.L.
Aigües del Segarra Garrigues, S.A.	C/ Mas d'en Colom, 14 – Tárrega (Lleida)	__	__	0.52	Deloitte
Aigües del Tomoví, S.A.	Vella, 1 – El Vendrell (Tarragona)	__	492	24.99	
Aigües del Vendrell, S.A.	Vella, 1 – El Vendrell (Tarragona)	503	__	24.99	
Aquos El Realito, S.A. de C.V.	Mexico	7,499	6,608	24.99	Deloitte México
Codeur, S.A.	Mayor, 22 – Vera (Almería)	6,504	__	13.26	
Concesionaria de Desalación de Ibiza, S.A.	Rotonda de Santa Eulalia, s/n – Ibiza (Balearic Islands)	1,243	1,300	25.50	BDO Auditores
Constructora de Infraestructuras de Aguas de Potosí, S.A. de C.V.	Mexico	(5,395)	(5,395)	12.49	Deloitte
EMANAGUA Empresa Mixta Municipal de Aguas de Nijar, S.A.	Plaza de la Glorieta, 1 – Nijar (Almería)	356	423	24.99	Deloitte
Empresa Mixta de Aguas de Ubrique, S.A.	Juzgado, s/n – Ubrique (Cadiz)	88	86	24.99	Deloitte
Empresa Municipal de Aguas de Algeciras, S.A.	Av. Virgen del Carmen – Algeciras (Cadiz)	151	214	24.99	Kreston Iberaudit
Empresa Mixta de Aguas de Jodar, S.A.	Pz. España, 1 – Jodar (Jaén)	6	6	24.99	Centium Auditores
Empresa Municipal de Aguas de Linares, S.A.	Cid Campeador, 7 – Linares (Jaén)	279	381	24.99	Centium Auditores
Empresa Municipal de Aguas de Toxiria, S.A.	Plaza de la Constitución – Torredonjimeno (Jaén)	68	66	24.99	Centium Auditores
Nueva Sociedad de Aguas de Ibiza, S.A.	Av. Bartolomé Roselló, 18 – Ibiza (Balearic Islands)	65	77	20.40	
Omán Sustainable Water Services SAOC	Oman	1,030	911	24.99	KPMG

Company	Address	Net book value of the portfolio 2019	2018	% Effective ownership	Auditor
Operadora El Realito, S.A. de C.V.	Mexico	316	193	7.65	Ernst & Young
Prestadora de Servicios Acueducto El Realito, S.A.de C.V.	Mexico	1	1	12.49	
Proveïments d'Aigua, S.A.	Astúries, 13 – Girona	571	535	7.71	Antoni Riera Economistes Auditors
Sera Q A Duitama E.S.P., S.A.	Colombia	13	13	15.61	
Shariket Miyeh Ras Djinet, S.P.A.	Algeria	__	12,704	13.01	Samir Hadj Ali
Shariket Tahlya Miyah Mostaganem, S.P.A.	Algeria	__	35,222	13.01	Samir Hadj Ali
Suministro de Aguas de Querétaro, S.A. de C.V.	Mexico	10,376	9,991	24.51	Deloitte Mexico
CONSTRUCTION					
Agrenic Complejo Industrial Nindiri, S.A.	Nicaragua	2,108	2,528	50.00	Deloitte
Aigües del Segarra Garrigues, S.A.	C/ Mas d'en Colom, 14 - Tárrega (Lleida)	6,905	6,587	24.68	Deloitte
Cafig Constructores, S.A. de C.V.	Mexico	3,391	3,233	45.00	Deloitte
Construcciones y Pavimentos, S.A.	Panama	4	4	50.00	
Constructora de Infraestructuras de Aguas de Potosí, S.A. de C.V.	Mexico	(5)	__	24.50	Deloitte
Constructora San José - Caldera CSJC, S.A.	Costa Rica	(1,683)	(1,647)	50.00	Deloitte
Constructora San José - San Ramón SJSR, S.A.	Costa Rica	(63)	(65)	50.00	
Constructora Terminal Valle de México, S.A. de C.V.	Mexico	8,915	3,505	14.28	Deloitte
Desarrollo Cuajimalpa, S.A. de C.V.	Mexico	7	6	25.00	
EFI Túneles Necaxa, S.A. de C.V.	Mexico	379	445	45.00	
FCC Tarrio TX-1 Construçao Ltda	Brazil	(1)	__	70.00	
M50 (D&C) Limited	Ireland	(3,273)	(3,273)	42.50	Deloitte
N6 (Construction) Limited	Ireland	(38,412)	(38,413)	42.50	Deloitte
Prestadora de Servicios Acueducto El Realito, S.A. de C.V.	Mexico	1	1	24.50	
Promvias XXI, S.A.	Anglesola, 6 - Barcelona	1	1	25.00	
Roadbridge FCC JV Limited	Ireland	143	__	50.00	Mazars
Servicios CTVM, S.A. de C.V.	Mexico	2	2	14.28	Deloitte
Serv. Terminal Valle de México, S.A. de C.V.	Mexico	27	18	14.28	Deloitte

Company	Address	Net book value of the portfolio 2019	2018	% Effective ownership	Auditor
CEMENT					
Aplicaciones Minerales, S.A.	Camino Fuente Herrero - Cueva Cardiel (Burgos)	654	572	34.25	
Canteras y Hormigones VRE, S.A.	Berroa (P.I. La Estrella)- Aranguren (Navarre)	(389)	(534)	49.54	
Giant Group		**13,661**	**24,212**		
Coastal Cement Corporation	USA	__	__	44.59	
Dragon Energy Llc.	USA	__	__	44.59	
Dragon Products Comany Inc.	USA	__	__	44.59	
Giant Cement Company	USA	__	__	44.59	
Giant Cement Holding Inc.	USA	__	__	44.59	Deloitte
Giant Cement NC Inc	USA	__	__	44.59	
Giant Cement Virginia Inc	USA	__	__	44.59	
Giant Resource Recovery Inc.	USA	__	__	44.59	
Giant Resource Recovery - Arvonia Inc.	USA	__	__	44.59	
Giant Resource Recovery - Attalla Inc.	USA	__	__	44.59	
Giant Resource Recovery - Harleyville, Inc.	USA	__	__	44.59	
Giant Resource Recovery - Sumter Inc.	USA	__	__	44.59	
Keystone Cement Company	USA	__	__	44.59	
Sechem Inc.	USA	__	__	44.59	
Hormigones Castro, S.A.	Ctra. Nacional 634 - Barcena de Cicero (Cantabria)	317	312	34.90	
Hormigones del Baztán, S.L.	Berroa (P.I. La Estrella) - Aranguren (Navarre)	408	472	49.54	
Hormigones Delfín, S.A.	Venta Blanca - Peralta (Navarre)	666	453	49.54	
Hormigones en Masa de Valtierra, S.A.	Ctra. Cadreita Km. 1 - Valtierra (Navarre)	2,356	1,580	39.63	
Hormigones Galizano, S.A.	Ctra. Nacional, 634 - Barcena de Cicero (Cantabria)	150	151	43.62	
Hormigones Reinares, S.A.	Pintor Murillo, s/n - Calahorra (La Rioja)	713	658	49.54	
Hormigones y Áridos del Pirineo Aragonés, S.A.	Ctra. Nacional, 260 Km. 516,5- Sabiñánigo (Huesca)	5,886	5,980	49.54	KPMG
Lázaro Echevarría, S.A.	P.I. Isasia- Alsasua (Navarre)	8,041	8,449	27.75	KPMG
Navarra de Transportes, S.A.	Ctra. Pamplona-Vitoria Km. 52 - Olazagutia (Navarre)	565	575	33.02	KPMG

Company	Address	Net book value of the portfolio 2019	2018	% Effective ownership	Auditor
Novhorvi, S.A.	Portal de Gamarra, 25 - Vitoria -Gasteiz (Alava)	134	137	33.02	
Portcemen, S.A.	Muelle Contradique Sur-Puerto Barcelona - Barcelona	1,230	1,307	33.02	
Terminal Cimentier de Gabes-Gie	Tunisia	35	32	29.01	Ernst & Young
Vescem-LID, S.L.	Valencia, 245 - Barcelona	27	29	24.77	
OTHER ACTIVITIES					
Concessió Estacions Aeroport L9, S.A.	Av. Carrilet, 3 Edificio D – L'Hospitalet de Llobregat (Barcelona	6,122	9,788	49.00	Deloitte
Cedinsa Concesionaria Group					
Cedinsa Concesionaria, S.A.	Av. Josep Tarradellas, 38 – Barcelona	__	40,412	51.00	Deloitte
Cedinsa Conservació, S.L. Unipersonal	Ctra. C-16 Puig-Reig – Barcelona	__	1,302	51.00	Deloitte
Cedinsa d'Aro Concessionària de la Generalitat de Catalunya, S.A. Unipersonal	Av. Josep Tarradellas, 38 – Barcelona	__	(674)	51.00	Deloitte
Cedinsa Eix del Llobregat Concessionària de la Generalitat de Catalunya, S.A. Unipersonal	Av. Josep Tarradellas, 38 – Barcelona	__	(5,776)	51.00	Deloitte
Cedinsa Eix Transversal Concessionària de la Generalitat de Catalunya, S.A. Unipersonal	Av. Josep Tarradellas, 38 – Barcelona	__	(8,966)	51.00	Deloitte
Cedinsa Ter Concessionària de la Generalitat de Catalunya, S.A. Unipersonal	Av. Josep Tarradellas, 38 – Barcelona	__	5,327	51.00	Deloitte
Realia Business Group		**276,540**	**272,493**		
As Cancelas Siglo XXI, S.L.	Av. Camino de Santiago, 40 – Madrid	__	__	18.57	Ernst & Young
Boane 2003, S.A. Unipersonal	Paseo de la Castellana, 41 – Madrid	__	__	18.12	
Guillena Golf, S.L. Unipersonal	Paseo de la Castellana, 216 – Madrid	__	__	37.13	
Hermanos Revilla, S.A.	Paseo de la Castellana, 41 – Madrid	__	__	18.12	Ernst & Young
Inversiones Inmobiliarias Rústicas y Urbanas 2000, S.L.	Ayala, 3 – Madrid	__	__	12.39	
Planigesa, S.A.	Av. Camino de Santiago,40– Madrid	__	__	28.22	
Realia Business Portugal – Unipessoal Lda.	Portugal	__	__	37.13	
Realia Business, S.A.	Av. Camino de Santiago, 40 – Madrid	__	__	37.13	Ernst & Young
Realia Contesti, S.R.L.	Romania	__	__	37.13	
Realia Patrimonio S.L.U.	Av. Camino de Santiago, 40 – Madrid	__	__	37.13	Ernst & Young

Company	Address	Net book value of the portfolio 2019	2018	% Effective ownership	Auditor
Servicios Índice, S.A.	Av. Camino de Santiago, 40 – Madrid	—	—	18.75	
Valaise, S.L. Unipersonal	Av. Camino de Santiago, 40 – Madrid	—	—	37.13	
Las Palmeras de Garrucha, S.L. en liquidación	Mayor, 19 – Garrucha (Almería)	975	977	20.00	
Metro de Lima Línea 2, S.A.	Peru	25,704	23,297	18.25	Ernst & Young
Sigenera, S.L.	Av. Linares Rivas, 1 – La Coruña	377	375	50.00	
World Trade Center Barcelona, S.A. de S.M.E.	Moll Barcelona (Ed. Este), s/n – Barcelona	9,319	8,979	24.01	Ernst & Young
TOTAL VALUE OF COMPANIES CONSOLIDATED USING THE EQUITY METHOD (ASSOCIATES)		**390,841**	**452,853**		

Annex IV. Changes in the scope of consolidation

ADDITIONS	Address
GLOBAL CONSOLIDATION	
AGUA Y GESTIÓN DEL CICLO INTEGRAL, S.L.U	Av. Diego Martínez Barrio, 4 – Seville
AQUALIA FRANCE	France
AQUALIA MACE QATAR	Qatar
C.E.G. S.P.A. SIMPLIFIEÉ	France
FCC ENVIRONMENT LOSTOCK LIMITED	United Kingdom
FCC ENVIRONMENTAL SERVICES FLORIDA, LLC.	USA
FCC ENVIRONMENTAL SERVICES NEBRASKA, LLC.	USA
FCC ENVIRONMENTAL SERVICES TEXAS, LLC.	USA
FCC LOSTOCK HOLDINGS LIMITED	United Kingdom
FCC MEDIO AMBIENTE REINO UNIDO, S.L.Unipersonal	United Kingdom
FLORES REBOLLO Y MORALES, S.L.	Urbanización Las Buganvillas, 4. – Vera (Almería)
SOCIETÈ DES EAUX DE FIN D'OISE, S.A.S.	France
WATER SUR, S.L.	Urbanización Las Buganvillas, 4. – Vera (Almería)
ASSOCIATES	
AGUAS DE GUADIX, S.A.	Plaza Constitución, 1– Guadix (Granada)
AIGÜES DEL VENDRELL, S.A.	Vella, 1 – El Vendrell (Tarragona)
CI III LOSTOCK EFW LIMITED	United Kingdom
CODEUR, S.A.	Mayor, 22 – Vera (Almería)
LOSTOCK POWER LIMITED	United Kingdom
LOSTOCK SUSTAINABLE ENERGY	United Kingdom
TEK-AKVA KORLÁLOLT FELELÖSSÉGÜ	Hungary

DERECOGNITIONS	Address
GLOBAL CONSOLIDATION	
BINATEC AL MAGHREB [1]	Morocco
COMPAÑÍA GENERAL DE SERVICIOS EMPRESARIALES, S.A. UNIPERSONAL [1]	Federico Salmón, 13 – Madrid
CORPORACIÓN ESPAÑOLA DE SERVICIOS, S.A. [1]	Federico Salmón, 13 – Madrid
EUROPEA DE GESTIÓN, S.A. UNIPERSONAL [1]	Federico Salmón, 13 – Madrid
FCC CONSTRUCTION HUNGARY KFT [1]	Hungary
FCC ENERGÍA ARAGÓN II, S.A. UNIPERSONAL [1]	Manuel Lasala, 36 – Zaragoza
GERAL I.S.V. BRASIL LTDA [1]	Brazil
PROYECTO FRONT MARÍTIM, S.L. [2]	Balmes, 36 – Barcelona
PROYECTOS Y SERVICIOS, S.A. UNIPERSONAL [3]	Av. Camino de Santiago, 40 – Madrid
JOINT VENTURES	
HADES SOLUCIONES MEDIOAMBIENTALES, S.L. [1]	Mayor, 3 – Cartagena (Murcia)
ASSOCIATES	
AIGÜES DEL TOMOVÍ, S.A. [4]	Vella, 1 – El Vendrell (Tarragona)
REALIA POLSKA INVESTYCJE SPOLKA Z OGRANICZONA ODPOWIEDZIALNOSCIA, S.A. [1]	Poland
RONDA NORTE DENIA, S.L. [1]	Juristes, 2 – Valencia
TEIDE GESTIÓN DEL SUR, S.L. [5]	Av. Camino de Santiago, 40 – Madrid

1) Derecognition due to liquidation.
2) Derecognition due to a merger by F-C y C, S.L. Unipersonal.
3) Derecognition due to a merger with FCC Construcción, S.A.
4) Derecognition due to the private partner leaving.
5) Derecognition due to dissolution.

COMPANY	Change in the consolidation method
GRUPO CEDINSA CONCESIONARIA	Previously consolidated using the equity method (associate) Currently consolidated using global integration.
CEDINSA CONCESSIONÀRIA, S.A.	
CEDINSA CONSERVACIÓ, S.L. UNIPERSONAL	
CEDINSA D'ARO CONCESSIONÀRIA DE LA GENERALITAT DE CATALUNYA, S.A. UNIPERSONAL	
CEDINSA EIX DEL LLOBREGAT CONCESSIONÀRIA DE LA GENERALITAT DE CATALUNYA, S.A. UNIPERSONAL	
CEDINSA EIX TRANSVERSAL CONCESSIONÀRIA DE LA GENERALITAT DE CATALUNYA, S.A. UNIPERSONAL	
CEDINSA TER CONCESSIONÀRIA DE LA GENERALITAT DE CATALUNYA, S.A. UNIPERSONAL	
SHARIKET MIYEH RAS DJINET, S.P.A.	Previously consolidated using the equity method (associate) Currently considered a fair value financial asset.
SHARIKET TAHLYA MIYAH MOSTAGANEM, S.P.A.	Previously consolidated using the equity method (associate) Currently consolidated using global integration.

Annex V. Temporary joint ventures, financial interest groups and other businesses managed in conjunction with third parties outside the Group

	Integration percentage at 31 December 2019
ENVIRONMENTAL SERVICES	
PUERTO UTE	50.00
UTE ABSA – PERICA	60.00
UTE ABSA – PERICA I	60.00
UTE ABSA – PERICA II	60.00
UTE AEROPUERTO VI	50.00
UTE AGARBI	60.00
UTE AGARBI BI	60.00
UTE AGARBI INTERIORES	60.00
UTE AIZMENDI	60.00
UTE AKEI	60.00
UTE ALCANTARILLADO MELILLA	50.00
UTE ALELLA	50.00
UTE ARAZURI 2016	50.00
UTE ALUMBRADO TIAS	67.00
UTE ARCOS	51.00
UTE ARTIGAS	60.00
UTE ARUCAS II	70.00
UTE BAILIN ETAPA 2	60.00
UTE BAIX EBRE-MONTSIÀ	60.00
UTE BERANGO	60.00
UTE BILBOKO SANEAMENDU	50.00
UTE BILBOKO SANEAMENDU BI	50.00

	Integration percentage at 31 December 2019
UTE BILKETA 2017	60.00
UTE BIOCOMPOST DE ÁLAVA	50.00
UTE BIZKAIAKO HONDARTZAK	50.00
UTE BOADILLA	50.00
UTE CABRERA DE MAR	50.00
UTE CANA PUTXA	20.00
UTE CARMA	50.00
UTE CASTELLANA – PO	50.00
UTE CHIPIONA	50.00
UTE CGR GUIPUZCOA	35.14
UTE CLAUSURA SAN MARCOS	60.00
UTE CMG2 KUDEAKETA	82.00
UTE CMG2 LANAK	82.00
UTE CONTENEDORES LAS PALMAS	30.00
UTE CONTENEDORES MADRID	38.25
UTE CONTENEDORES MADRID 2	36.50
UTE CTR. DE L'ALT EMPORDÀ	45.00
UTE CTR – VALLÈS	20.00
UTE CUA	50.00
UTE DONOSTIAKO GARBIKETA	70.00
UTE DOS AGUAS	35.00
UTE ECO A CORUÑA	85.00
UTE ECOGONDOMAR	70.00
UTE ECOPARQUE CÁCERES	50.00

	Integration percentage at 31 December 2019
UTE ECOURENSE	50.00
UTE EFIC. ENERG. PUERTO DEL ROSARIO	60.00
UTE ENERGÍA SOLAR ONDA	25.00
UTE ENLLUMENAT SABADELL	50.00
UTE ENVASES LIGEROS MÁLAGA	50.00
UTE EPELEKO KONPOSTA	60.00
UTE EPELEKO PLANTA	35.00
UTE EPREMASA PROVINCIAL	55.00
UTE ERETZA	70.00
UTE ES VEDRA	25.00
UTE ETXEBARRI	60.00
UTE F.L.F. LA PLANA	47.00
UTE F.S.S.	99.00
UTE FCC – ERS LOS PALACIOS	50.00
UTE FCC – HIJOS DE MORENO, S.A.	50.00
UTE FCC-MCC SANTIAGO DEL TEIDE	80.00
UTE FCC PERICA I	60.00
UTE FCC – PERICA	60.00
UTE FCC – SUFI MAJADAHONDA	50.00
UTE FUENTES LAS PALMAS	25.00
UTE GESTIÓ INTEGRAL DE RUNES DEL PAPIOL	40.00
UTE GESTIÓN INSTALACIÓN III	34.99
UTE GIREF	20.00
UTE GOIERRI GARBIA	60.00
UTE GUIPUZKOAKO PORTUAK 2019	40.00
UTE ICAT LOTE 7	50.00
UTE ICAT LOTE 11	50.00
UTE ICAT LOTE 15	50.00

	Integration percentage at 31 December 2019
UTE ICAT LOTE 20 Y 22	70.00
UTE INTERIORES BILBAO	80.00
UTE INTERIORES BILBAO II	70.00
UTE JARD. UNIVERSITAT JAUME I	50.00
UTE JARDINERAS 2019	60.00
UTE JARDINES MOGÁN	51.00
UTE JARDINES PTO DEL ROSARIO	78.00
UTE JEREZ	80.00
UTE JUNDIZ II	51.00
UTE KIMAKETAK	50.00
UTE KIMEKETAK BI	50.00
UTE LA LLOMA DEL BIRLET	80.00
UTE LAGUNAS II	33.34
UTE LAGUNAS DE ARGANDA	50.00
UTE LAS CALDAS GOLF	50.00
UTE LEGIO VII	50.00
UTE LEKEITIOKO MANTENIMENDUA	60.00
UTE LEZO GARBIKETA 2018	55.00
UTE LIMPIEZA SANTA COLOMA	50.00
UTE LIMPIEZA Y RSU LEZO	55.00
UTE LOGROÑO LIMPIO	50.00
UTE LUZE VIGO	40.00
UTE LV ARRASATE	60.00
UTE LV RSU VITORIA-GASTEIZ	60.00
UTE LV Y RSU ARUCAS	70.00
UTE LV ZUMAIA	60.00
UTE LV ZUMARRAGA	60.00
UTE MANT. EDIFICIOS VALENCIA	55.00

	Integration percentage at 31 December 2019
UTE MANTENIMENT LOT 12	75.00
UTE MANTENIMENT REG CORNELLÀ	60.00
UTE MANTENIMIENTO BREÑA ALTA	50.00
UTE MAREPA – CARPA PAMPLONA	50.00
UTE MELILLA	50.00
UTE MNTO. EDIFICI MOSSOS ESQUADRA	70.00
UTE MNTO. MEDITERRANEA FCC	50.00
UTE MUÉRDAGO	60.00
UTE MUSKIZ	60.00
UTE ONDA EXPLOTACIÓN	33.33
UTE PÁJARA	70.00
UTE PAMPLONA	80.00
UTE PARLA	50.00
UTE PARQUES INFANTILES LP	50.00
UTE PASAIA	70.00
UTE PASAIAKO PORTUA BI	55.00
UTE PISCINA CUBIERTA PAIPORTA	90.00
UTE PLAN RESIDUOS	47.50
UTE PLANTA ESTABILIZAC. TUDELA	55.00
UTE PLANTA RSI TUDELA	60.00
UTE PLANTA TR. FUERTEVENTURA	70.00
UTE PLANTA TRATAMIENTO VALLADOLID	90.00
UTE PLATGES VINARÓS	50.00
UTE PLAYAS GIPUZKOA	55.00
UTE PLAYAS GIPUZKOA II	55.00
UTE PLAYAS GIPUZKOA III	55.00
UTE PONIENTE ALMERIENSE	50.00
UTE PORTMANY	50.00

	Integration percentage at 31 December 2019
UTE PUERTO II	70.00
UTE PUERTO DE PASAIA	55.00
UTE PUERTO DE PTO DEL ROSARIO	70.00
UTE RBU ELS PORTS	50.00
UTE RBU VILLA-REAL	47.00
UTE RECOLLIDA SEGRIÀ	60.00
UTE REG CORNELLÀ	60.00
UTE RESIDENCIA	50.00
UTE RESIDUOS 3 ZONAS NAVARRA	60.00
UTE RSU BILBAO II	60.00
UTE RSU CHIPIONA	50.00
UTE RSU INCA	80.00
UTE RSU LV S. BME. TIRAJANA	50.00
UTE RSU MÁLAGA	50.00
UTE RSU SESTAO	60.00
UTE RSU TOLOSALDEA	60.00
UTE S.U. ALICANTE	33.33
UTE S.U. BENICASSIM	35.00
UTE S.U. BILBAO	60.00
UTE S.U. OROPESA DEL MAR	35.00
UTE SANEAMIENTO URBANO CASTELLÓN	65.00
UTE SANEAMIENTO VITORIA-GASTEIZ	60.00
UTE SANEJAMENT CELLERA DE TER	50.00
UTE SAV – FCC TRATAMIENTOS	35.00
UTE SEGURETAT URBICSA	60.00
UTE SELECTIVA LAS PALMAS	55.00
UTE SELECTIVA SANLUCAR	50.00
UTE SELECTIVA SAN MARCOS II	63.00

	Integration percentage at 31 December 2019
UTE SELECTIVA UROLA KOSTA	60.00
UTE SELECTIVA UROLA KOSTA II 2017	60.00
UTE SELLADO VERTEDERO LOGROÑO	50.00
UTE SOLARES CEUTA	50.00
UTE SON ESPASES	50.00
UTE TOLOSAKO GARBIKETA	40.00
UTE TOLOSALDEA RSU 2018	60.00
UTE TRANSPORTE RSU	33.33
UTE TRANSP. Y ELIM. RSU	33.33
UTE TXINGUDIKO GARBIKETA	73.00
UTE UROLA ERDIA	60.00
UTE URRETXU GARBIKETA	60.00
UTE URRETXU Y ZUMARRAGA	65.00
UTE URTETA	50.00
UTE VERTEDERO GARDELEGUI III	70.00
UTE VERTRESA	10.00
UTE VIDRIO MELILLA	50.00
UTE VIGO RECICLA	70.00
UTE VILOMARA II	33.33
UTE VINAROZ	50.00
UTE ZAMORA LIMPIA	30.00
UTE ZARAGOZA DELICIAS	51.00
UTE ZARAUZKO GARBIETA	60.00
UTE ZUMAIA	60.00
UTE ZURITA II	50.00
AQUALIA	
A.I.E. COSTA BRAVA ABASTAMENT AQUALIA-SOREA	50.00
A.I.E. ITAM DELTA DE LA TORDERA	50.00

	Integration percentage at 31 December 2019
A.I.E. SOREA AQUALIA	37.50
ABASTAMENT EN ALTA COSTA BRAVA EMPRESA MIXTA, S.A.	26.00
AGUAS Y SERVICIOS DE LA COSTA TROPICAL DE GRANADA, A.I.E.	51.00
CONSORTIUM O&M ALAMEIN	65.00
EMPRESA MIXTA D'AIGÜES DE LA COSTA BRAVA, S.A.	25.00
EMPRESA MIXTA DE AGUAS Y SERVICIOS, S.A.	41.25
GESTIÓN DE SERVICIOS HIDRÁULICOS DE CIUDAD REAL, A.I.E.	75.00
UTE ABU RAWASH CONSTRUCCIÓN	50.00
UTE AGUA SANTO DOMINGO	70.00
UTE AGUAS ALCALÁ	50.00
UTE AGUAS DEL DORAMÁS	50.00
UTE AIGÜES ELS POBLETS	95.00
UTE ALKHORAYEF-FCC AQUALIA	51.00
UTE AMPLIACIÓN IDAM DELTA DE LA TORDERA	66.66
UTE BADAJOZ ZONA ESTE	50.00
UTE BADAJOZ ZONA OESTE	50.00
UTE CALLE CRUZ	80.00
UTE CAP DJINET	50.00
UTE CONS. GESTOR PTAR SALITRE	30.00
UTE COSTA TROPICAL	51.00
UTE COSTA TROPICAL II	51.00
UTE COSTA TROPICAL III	51.00
UTE DEPURACIÓN PONIENTE ALMERIENSE	75.00
UTE EDAR A GUARDA 2013	50.00
UTE EDAR BAEZA	50.00
UTE EDAR GIJÓN	60.00
UTE EDAR TABLADA	50.00
UTE ETAPS ESTE	65.00

	Integration percentage at 31 December 2019
UTE EXPLOTACIÓN ITAM TORDERA	50.00
UTE FCC-ACISA AUDING	45.00
UTE GESTIÓN CANGAS	70.00
UTE GROUPEMENT SOLIDAIRE JERBA	50.00
UTE GUADIANA PUEBLONUEVO	51.00
UTE HIDC – HIDR. – INV DO CENTR. ACE	50.00
UTE IBIZA	50.00
UTE IDAM SAN ANTONI	50.00
UTE IDAM SANT ANTONI II	50.00
UTE IDAM SANTA EULALIA	50.00
UTE IDGA SANECA	70.00
UTE INFILCO	50.00
UTE LOURO	65.00
UTE MOSTAGANEM	50.00
UTE OBRA EDAR ARGAMASILLA DE CALATRAVA	70.00
UTE OYM CAP DJINET	50.00
UTE OYM MOSTAGANEM	50.00
UTE PTAR AMBATO	60.00
UTE PTAR SAN SILVESTRE	50.00
UTE PUEBLA REINA	65.00
UTE REDES CABB	65.00
UTE SCC SICE	50.00
UTE SEAFSA LANZAROTE	60.00
UTE SENTINAS	50.00
UTE SOLLONAKO URA	50.00
UTE TSE RIAD	51.00
UTE USSA A17	65.00
UTE VIGO PISCINAS	50.00

	Integration percentage at 31 December 2019
UTE ZAFRA	65.00
CONSTRUCTION	
ACE CAET XXI CONSTRUÇOES	50.00
ACE RIBEIRADIO-ERMIDA	55.00
ACP DU PORT DE LA CONDAMINE	45.00
ASOC. ASTALDI-FCC-SALCEF-THALES, LOT 2 A	49.50
ASOC. ASTALDI-FCC-SALCEF-THALES, LOT 2 B	49.50
ASOC. FCC AZVI STRACO S. ATEL-MICASASA	55.00
ASOCIEREA FCC-ASTALDI-CONVENSA, TRONSON 3	50.50
ASOCIEREA FCC AZVI S. SIGHISOARA - ATEL	55.00
ASTALDI – FCC J.V.	50.00
ATRAQUE RIBERA FONDO CS UTE	50.00
BSV MERSEY JOINT VENTURE UNINC	50.00
CJV-UJV	35.92
CONSORCIO AMANCAE	60.00
CONSORCIO ANTIOQUÍA AL MAR	40.00
CONSORCIO CENTENARIO DE PANAMÁ SOCIEDAD ACCIDENTAL	50.00
CONSORCIO CHICAGO II	60.00
CONSORCIO CJV CONSTRUCTOR METRO LIMA	25.50
CONSORCIO COBRA – FCC INDUSTRIAL	43.00
CONSORCIO EPC METRO LIMA	18.25
CONSORCIO FCC AMERICAS	50.00
CONSORCIO FCC – CORREDOR DE LAS PLAYAS	51.00
CONSORCIO FCC – CORREDOR DE LAS PLAYAS II	51.00
CONSORCIO FCC CONSTRUCCIÓN-FERROVIAL AGROMAN LTDA.	50.00
CONSORCIO FCC-FI	50.00
CONSORCIO FCC-JJC (PUERTO CALLAO)	50.00
CONSORCIO FCC MECO SANTA FE DE COSTA RICA	50.00

	Integration percentage at 31 December 2019
CONSORCIO ICA – FCC – MECO PAC-4	43.00
CONSORCIO LÍNEA 2	40.00
CONSORCIO LÍNEA 2 RAMAL	40.00
CONSORCIO LÍNEA UNO	45.00
CONSORCIO M&S SANTA FE MCA	50.00
CONSORCIO NUEVA ESPERANZA	63.00
CONSORCIO REMOS FASE I	60.00
FAST 5 – U.J.V.	28.25
FAST CONSORTIUM LIMITED LLC	35.92
FCC - YUKSEL – ARCHIDORON – PETROSERV J.V.	50.00
GROUPEMENT FCC - INGENIUM	93.00
J.V. ASOCIEREA ARAD-TIMISOARA FCC-ASTALDI	50.00
J.V. ASTALDI-FCC-UTI-ACTIV. MAGISTRALA	37.00
J.V. BYPASS CONSTATA	50.00
J.V. CENTURE OTOPENI OVERPASS	40.00
J.V ESTENSION OF LINE 2 TO ANTOHOUPOLI	50.01
J.V. FCC, HOCHTIEF UN ACB – AEROPUERTO RIGA	36.00
J.V. SFI LEASING COMPANY	30.00
MERSEYLINK CIVIL CONTRACTORS J.V.	33.33
METRO BUCAREST J.V.	47.50
SHIMMICK CO. INC. FCC CO. IMPREGILO SPA JV	30.00
SISK FCC GG PPP	50.00
THV CAFASSO CONSTRUCTION	50.00
TJV-UJV	16.16
UTE 2ª FASE DIQUE DE LA ESFINGE	35.00
UTE ACCESO FERROVIARIO APB	45.00
UTE ACCESO NORTE A VIGO NUEVA ESTACIÓN	50.00
UTE ACCESO PUERTO SECO MONFORTE	50.00

	Integration percentage at 31 December 2019
UTE ACCESOS A LA ESTACIÓN DE LA SAGRERA	37.50
UTE ACON. Y PEATON. SAN BARTOLOMÉ TIRAJANA	70.00
UTE ADAMUZ	33.33
UTE ADIF BANCADA 2018	50.00
UTE AEROPUERTO ADOLFO SUÁREZ	50.00
UTE AEROPUERTO DE CASTELLÓN	50.00
UTE ALAMEDA DE CERVANTES EN LORCA	60.00
UTE ALMENDRALEJO II	50.00
UTE ALUMBRADO ALAMEDA	20.00
UTE AMP. PLAT. COSTERA REC. GUINIGUADA	50.00
UTE ANAGA	33.33
UTE ANDENES L1-L9 TRAM BENIDORM	65.00
UTE APARATOS ATOCHA	39.97
UTE ARROYO DEL FRESNO	50.00
UTE AUCOSTA CONSERVACIÓN	50.00
UTE AUDITORIO DE BURGOS	65.00
UTE AUDITORIO DE LUGO	50.00
UTE AUTOPISTA CARTAGENA – VERA	50.00
UTE AUTOVÍA A-33 JUMILLA	65.00
UTE AUTOVÍA DE LA SAGRA	50.00
UTE AUTOVÍA EL BATÁN – CORIA	50.00
UTE AVE ALCÁNTARA-GARROVILLAS	85.00
UTE AVE EJE SUR	25.00
UTE AVE GIRONA	40.00
UTE AVE MASIDE	67.00
UTE AVENORESTE1	25.00
UTE AVENORESTE2	25.00
UTE AVE TÚNEL DE SERRANO	42.00

	Integration percentage at 31 December 2019
UTE BADAJOZ SUR	50.00
UTE BARBADOS	50.00
UTE BELLTALL	40.00
UTE BERGARA ANTZUOLA	50.00
UTE BOETTICHER	50.00
UTE BOETTICHER CLIMA	50.00
UTE BOETTICHER ELECTRICIDAD	50.00
UTE BOQUILLA SUR TÚNEL VIGO – DAS MACEIRA	50.00
UTE BRAZATORTAS	33.34
UTE BUSINESS	25.00
UTE C&F JAMAICA	50.00
UTE C.A.R.E. CÓRDOBA	75.00
UTE CÁCERES NORTE	50.00
UTE CÁCERES PLASENCIA	50.00
UTE CALDERS-VILASECA	20.00
UTE CAMPO GIBRALTAR	80.00
UTE CAMPUS CLIMA	50.00
UTE CANAL PRINCIPAL DE ORBIGO	50.00
UTE CÁRCEL MARCOS PAZ	35.00
UTE CARRETERA IBIZA – SAN ANTONIO	50.00
UTE CASTRUM ALBUM ELECTRIFICACION	80.00
UTE CASTUERA	33.34
UTE CATLÁNTICO	25.00
UTE CECOEX	20.00
UTE CENTRO SALUD TUI	50.00
UTE CHUAC	50.00
UTE CIERRE ANILLO INSULAR TFE	89.99
UTE CIRCUITO	70.00

	Integration percentage at 31 December 2019
UTE CIRCUNVALACIÓN LUCENTUM	50.00
UTE CIUTAT DE LA JUSTÍCIA	30.00
UTE CONEXIÓN CORREDOR MEDITERRÁNEO	40.00
UTE CONEXIÓN MOLINAR	70.00
UTE CONSERVACIÓN ANTEQUERA	50.00
UTE CONSERVACIÓN BADAJOZ	50.00
UTE CONSERVACION EX-A1	50.00
UTE CONSERVACIÓN MALPARTIDA	50.00
UTE CONSERVACION PLASENCIA	50.00
UTE CONSTRUCCIÓN TRANVÍA ZARAGOZA	50.00
UTE CONTROL MOGÁN	33.33
UTE CREAA	50.00
UTE DE SUMINISTROS PUENTE RÍO OZAMA	50.00
UTE DEANCENTRO	60.00
UTE DEAN PLASENCIA	60.00
UTE DEANSUR	60.00
UTE DESALADORA BAJO ALMANZORA	60.00
UTE DESARROLLO PUERTO DE AVILÉS FASE I	80.00
UTE DESDOBLAMIENTO C.V. – 309 EN SAGUNTO	50.00
UTE DIQUE ESTE	35.00
UTE DIQUE TORRES	27.00
UTE DISTRICTE ADMINISTRATIU LOT 2	99.99
UTE DOCENCIA HOSPITAL SON ESPASES	33.00
UTE DONOSTIALDEA 2014	60.00
UTE DONOSTIALDEA 2018	60.00
UTE DOZÓN	29.60
UTE DRENAJES ADAMUZ	33.33
UTE DUPLICACION CALZADA N-338	60.00

	Integration percentage at 31 December 2019
UTE EDIFICIO C. CULT. POLIV., F. II-V. D'UIXÓ	60.00
UTE EDIFICIO TERMINAL	40.00
UTE ELECTRICIDAD BY PASS SUR CALLE 30	33.33
UTE ELECTRIFICACIÓN LA SAGRERA	50.00
UTE ENCAUZAMIENTO BARRANCO DE FRAGA	60.00
UTE EQUIPAMIENTO AUDITORIO BURGOS	65.00
UTE ESCLUSA SEVILLA	70.00
UTE ESTACIÓN GIRONA	40.00
UTE ESTACIONS AEROPORT L9	49.00
UTE ESTACIONS LÍNEA 9	33.00
UTE ESTACIONS TERRASSA	36.00
UTE EZKIO ITSASO	40.00
UTE F.I.F. GNL FB 301/2	35.96
UTE FACULTAD DE FILOSOFÍA	60.00
UTE FASE II C.I.C.C.M.	60.00
UTE FASE II PABELLÓN REYNO DE NAVARRA	50.00
UTE FCC INDUSTRIAL - ATON	90.00
UTE FCCI-ORBE	70.00
UTE FGV LINEA 9 CALP-TEULADA	62.50
UTE FGV VARIANTE TRAMO FINCA ADOC	55.00
UTE FUENTE DE CANTOS	50.00
UTE GALINDO-BEURKO	55.10
UTE GC – 1 PUERTO DE RICO – MOGÁN	40.00
UTE GIRONA NORTE II	70.00
UTE GIRONA NORTE 2014	70.00
UTE GOIÁN	70.00
UTE GRANADA	70.00
UTE GRANADILLA II	50.00

	Integration percentage at 31 December 2019
UTE GUADARRAMA 3	33.33
UTE GUADARRAMA 4	33.33
UTE HELIOS I	74.50
UTE HELIOS 2	74.50
UTE HOSPITAL ALCÁZAR	60.00
UTE HOSPITAL CAMPUS DE LA SALUD	80.00
UTE HOSPITAL DE CARTAGENA	70.00
UTE HOSPITAL DE MIRANDA	65.00
UTE HOSPITAL DEL SUR	80.00
UTE HOSPITAL DEL SUR, SEGUNDA FASE	40.00
UTE HOSPITAL FCC – VVO	80.00
UTE HOSPITAL NORTE TENERIFE	80.00
UTE HOSPITAL SON DURETA	33.00
UTE HOSPITAL UNIVERSITARIO DE MURCIA	50.00
UTE HUELVA SUDESTE	40.00
UTE IECISA-FCC/CPD DE CONSELL MALLORCA	50.00
UTE IECISA-FCC/INTERFONIA EN ESTACIONES	50.00
UTE IMPERMEABILIZACIÓN TÚNEL PAJARES NORTE	50.00
UTE INSTALACIONES EDIFICIO C	25.00
UTE INSTALACIONES FGC	36.00
UTE INSTALACIONES MADRID ESTE	46.25
UTE INSTALACIONES METRO MÁLAGA	54.00
UTE INSTALACIONES URBANAS ESTE	50.00
UTE INTERMODAL PRAT	35.00
UTE JAÉN – MANCHA REAL	80.00
UTE JUAN GRANDE	50.00
UTE LA ALDEA	35.00
UTE LA ROBLA	30.00

	Integration percentage at 31 December 2019
UTE LÍNEA 1 TRANVÍA DE MURCIA	50.00
UTE LÍNEA 2	50.00
UTE LÍNEA 9	33.00
UTE LLOVIO 2012	70.00
UTE LOT 2 PMI BCN	80.00
UTE LOT 3 PMI BCN	80.00
UTE LOT 5 GLORIES	37.50
UTE M-407	50.00
UTE MADRID SEVILLA AVE	60.00
UTE MAN. AEROPORT L9	49.00
UTE MANTENIMENT RONDES 2012	70.00
UTE MANTENIMIENTO ARANJUEZ II	76.00
UTE MANTENIMIENTO ARANJUEZ III	76.00
UTE MANTENIMIENTO CÓRDOBA	49.00
UTE MANTENIMIENTO CÓRDOBA II	49.00
UTE MANTENIMIENTO ENERGÍA METRO MÁLAGA	50.00
UTE MANTENIMIENTO HUSE	50.00
UTE MANTENIMIENTO JÚCAR	50.00
UTE MANTENIMIENTO TDM	50.00
UTE MANTENIMIENTO TDM 2018	50.00
UTE MANTENIMIENTO TRANVÍA ZARAGOZA	50.00
UTE MANTENIMIENTO SISTEMAS METRO MÁLAGA	35.00
UTE MANTENIMIENTO VÍA ARANJUEZ	50.00
UTE MAQUINARIA PESADA 2015	50.00
UTE MAQUINARIA VERÍN	50.00
UTE MÁRGENES NORTE 2016	50.00
UTE MATADERO	57.50
UTE MEDINACELI	22.40

	Integration percentage at 31 December 2019
UTE MEJORA ESTRUCTURAS MORA	39.97
UTE MADRID SEVILLA AVE	60.00
UTE METRO MADRID	70.00
UTE METRO MÁLAGA	36.00
UTE MIV CENTRO	19.00
UTE MIV SUR	27.00
UTE MOLL ADOSSAT 3ª FASE	37.50
UTE MONFORTE	24.00
UTE MONTAJE VÍA MOLLET – GIRONA	50.00
UTE MORA - CALATRAVA	39.97
UTE MTM. ARQUITECTURA, INFRAESTR. Y VÍA	28.00
UTE MTMTO. ENERGÍA Y ELECTROMEC. METRO MÁLAGA	50.00
UTE MTMTO. REDES Y SISTEMAS METRO MÁLAGA	40.00
UTE MUELLE DE LA QUÍMICA	70.00
UTE MUELLE PONIENTE NORTE DE PTO PALMA	75.00
UTE MUELLES COMERCIALES	60.00
UTE MURCIA	40.00
UTE MURSIYA MANTENIMIENTO	85.00
UTE MUSEO NACIONAL DE LA ENERGÍA	50.00
UTE NAVE FRÍO CILSA	50.00
UTE NTC CADIZ	50.00
UTE NUDO DE MOLLET	50.00
UTE NUEVO ESTADIO VCF	49.00
UTE NUEVO HOSPITAL DE CÁCERES	50.00
UTE NUEVO PUERTO DE IGOUMENITZA	50.00
UTE OPERADORA TERMOSOLAR GUZMÁN	67.50
UTE OPERADORA VILLENA	88.00
UTE OSORNO 2019	60.00

	Integration percentage at 31 December 2019
UTE PABELLÓN ARENA	50.00
UTE PABELLÓN REYNO DE NAVARRA	50.00
UTE PAGO DE ENMEDIO	75.00
UTE PALACIO DE CONGRESOS DE LEÓN	50.00
UTE PARQUE TECNOLÓGICO	60.00
UTE PASAIA BERRI	50.00
UTE PASAIA BERRI INSTALACIONES	80.00
UTE PEDRALBA - OURENSE	75.00
UTE PLA DE NA TESA	70.00
UTE PLATAFORMA TPTE PBCO CASTELLÓN	55.00
UTE PLATAFORMA TTE.PUB. TRAMO I COLUMBRETES	55.00
UTE POLA DE LENA	70.00
UTE POLÍGONO BOBES	50.00
UTE POLÍGONO LLOREDA	70.00
UTE PONT DE CANDI	75.00
UTE PRESA ENCISO	50.00
UTE PRESAS ITOIZ	33.00
UTE PREVENCIÓN INCENDIOS PATRIMONIO	20.00
UTE PRIM BARRIO SAN ANTON – ELCHE	80.00
UTE PROSER – GEOCONTROL	60.00
UTE PROSER – GEOCONTROL II	62.00
UTE PSIR CASTRO URDIALES	50.00
UTE PUENTE RÍO OZAMA (DFC-COCIMAR)	35.00
UTE PUENTE DEL REY	33.33
UTE PUERTO DE GRANADILLA	50.00
UTE PUERTO DE LAREDO	50.00
UTE RADIALES	35.00

	Integration percentage at 31 December 2019
UTE RED ARTERIAL PALENCIA FASE I	80.00
UTE REHABILITACIÓN PARQUE LA GAVIA	75.00
UTE REFORMA HOSPITAL V SALUD (TOLEDO)	60.00
UTE REFORMA PLAZA ESPAÑA	80.00
UTE REGADÍOS RÍO FLUMEN	60.00
UTE RUTA NACIONAL HAITÍ	55.00
UTE SAGUNTO	60.00
UTE SANEAMIENTO ARCO SUR	56.50
UTE SANEAMIENTO DE VILLAVICIOSA	80.00
UTE SANTA MARIA D'OLÓ-GURB	60.00
UTE SECTOR M-5 2012	70.00
UTE SERV. ENERG. PISCINA CUB. S. CABALLO	50.00
UTE SICA	60.00
UTE SICA II	50.00
UTE SIMULADOR APBA	50.00
UTE SISTEMA INTEGRAL ALACANTI SUR	66.67
UTE SISTEMAS METRO MALAGA	25.00
UTE SOTIELLO	50.00
UTE SSAA AP – 7	50.00
UTE TARRAGONA LITORAL	70.00
UTE TECSACON	20.00
UTE TECSACON 2017	20.00
UTE TF-5 2ª FASE	70.00
UTE TINDAYA	50.00
UTE TORQUEMADA	50.00
UTE TORRE DON JIMENO	50.00
UTE TORRE ISLA CARTUJA	80.00
UTE TS VILLENA	88.00

	Integration percentage at 31 December 2019
UTE TÚNEL AEROPORT	49.00
UTE TÚNEL AEROPORT II	49.00
UTE TÚNEL ATOCHA CHAMARTÍN	40.00
UTE TÚNEL C.E.L.A.	50.00
UTE TÚNEL DE PAJARES 1	50.00
UTE TÚNEL FIRA	49.00
UTE TÚNEL LA ALDEA	50.00
UTE TÚNEL PROVISIONAL ESTACIÓN ATOCHA	42.00
UTE TÚNEL TERRASSA	36.00
UTE TUNELADORA METRO	49.00
UTE TÚNELES BOLAÑOS	47.50
UTE TÚNELES DE BARAJAS	50.00
UTE TÚNELES DE GUADARRAMA	33.33
UTE TÚNELES DE SORBES	67.00
UTE UE 1 ARROYO DEL FRESNO	50.00
UTE UE 2 ARROYO DEL FRESNO	50.00
UTE UNQUERA – PENDUELES	80.00
UTE URBANITZACIÓ GIRONA	40.00
UTE URBANIZACIÓN PARC SAGUNT	50.00
UTE URBANIZACION VARA DEL REY	57.50
UTE URBANIZACIÓN VIA PARQUE TRAMO AV. CARB.-P	60.00
UTE VALDEVIVIENDAS II	33.33
UTE VANDELLÓS	24.00
UTE VARIANTE MANCHA REAL	67.00
UTE VELÓDROMO	60.00
UTE VERTEDERO CASTAÑEDA	62.50
UTE VÍA PAJARES	50.00
UTE VIADUCTOS PREFABRICADOS METRO RIYAD	50.00

	Integration percentage at 31 December 2019
UTE VIC - RIPOLL	34.00
UTE VIGO-DAS MACEIRAS	50.00
UTE VILARIÑO (VÍA IZQUIERDA)	90.00
UTE VILLAR – PLASENCIA	70.00
UTE YELTES	75.00
UTE YESA	33.33
UTE ZONAS VERDES ENSANCHE DE VALLECAS	33.33
OTHER ACTIVITIES	
C.G.T. – UTE JEREZ CB	50.00
UTE F C Y C HARRI IPARRA	50.00
UTE MEL 9	49.00
UTE OPERACIÓN TRANVÍA DE MURCIA	50.00
UTE SAGUNTO PARCELA M17-3	50.00

Management report

FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A. AND SUBSIDIARIES (CONSOLIDATED GROUP)

1. Status of the entity

1.1. Status of the entity: Organisational structure and decision-making process in management

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

The Operating Areas include all those activities related to the productive 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 2.2. of the Non-Financial Information Statement:

- **Environmental Services.**
- **End-to-End Water Management.**
- **Construction.**
- **Cement Business.**
- **Concessions.**

Each of these operating Areas is headed by one or more specialised companies which, depending on FCC, encompass the Group's activities.

In addition, there are the Functional Areas, which carry out support tasks for the operational ones:

- **Administration and Finance:** the General Department of Administration and Finance includes the areas of Administration, Information Systems and Technologies, Finance, Investor Relations and Management Control, Corporate Marketing and Branding, Procurement and Human Resources.

  The Administration area directs the administrative management of the FCC Group and has the following duties, among others, in relation to Information Systems and Internal Control:

  – General accounting.

  – Accounting standardisation.

  – Consolidation.

  – Tax advice.

  – Tax procedures.

  – Tax compliance.

  – Administrative procedures.

- **Internal Audit and Risk Management:** aims to provide the Board of Directors, through the Audit and Control Committee, and the Senior Management of the FCC Group with support in their responsibilities for supervising the Internal Control System, by exercising a single and independent governance function aligned with professional standards, which contributes to good corporate governance, verifies correct compliance with applicable regulations, both internal and external, and reduces the possible impact of risks on the achievement of the FCC Group's objectives to reasonable levels.

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

- **General Secretary:** reporting directly to the Group's CEO, its main duty is to support the management of the Group, as well as management support for the heads of the other areas of FCC, by providing the services detailed in the corresponding sections of the divisions and departments that make up the Group, which are promoted and supervised by the General Secretary.

  It is made up of the following areas: Legal Advice Department, Quality Management, Corporate Security and General Services and Corporate Responsibility.

  The Areas, on a second level, can be divided into Sectors, the operational ones, and Divisions, the functional ones, establishing areas that allow greater specialisation when considered necessary.

The structure of the main decision-making bodies is set out below:

- **Board of Directors:** is the body that holds the broadest powers, without any limitation, except those that are expressly reserved, by the Spanish Corporate Enterprises Act or the Articles of Association, for the jurisdiction of the General Shareholders' Meeting.
- **Audit And Control Committee:** its main function is to support the Board of Directors in its supervisory duties by periodically reviewing the process for preparing economic and financial information, its internal controls and the independence of the external auditor.
- **Appointments and Remuneration Committee:** supports the Board of Directors in relation to proposals for the appointment, re-election, ratification and removal of Directors, establishes and controls the policy for the remuneration of the company's Directors and senior managers and the fulfilment of their duties by Directors, particularly in relation to situations of conflict of interest and related-party transactions.
- **Managing Committee:** Each of the business units has a Managing Committee or Committee with similar duties.

Further information on the duties of the FCC Group's decision-making bodies is provided in section 1 of the Internal Financial Reporting Control System (IFRS) and in section 3.1. of the Non-Financial Information Statement.

1.2. Status of the entity: Business model and company strategy

FCC is one of the leading European groups specialising in the environment, water, infrastructure development and management, with a presence in over 30 countries worldwide and nearly 45% of its turnover generated in international markets, mainly Europe (28%), the Middle East (6.7%), Latin America (6.2%), North Africa (2.46%) and the United States (1.37%).

Environmental Services

The Environmental Services area has a strong presence in Spain, having maintained a leading position in the provision of urban environmental services for over 100 years.

At a national level, FCC provides environmental services in municipalities and bodies in all the autonomous communities, serving a population of over 22 million inhabitants. Among the various services provided in this sector, waste collection and street cleaning stand out, representing 68% of revenue. It is followed in order of importance by waste treatment and disposal (14%), cleaning and maintenance of buildings, parks and gardens and, to a lesser extent, sewage. In terms of client types, more than 85% of the activity is carried out with public clients.

During 2019, this activity has been involved in a reorganisation process, which has meant that, all the activity that was carried out through the parent company FCC, S.A. has been transferred to the head subsidiary company of the activity in Spain (FCC Medio Ambiente, S.A.U.) through separation of a branch of activity, and, furthermore, that all the companies whose shares were held by companies other than the Environment area have been transferred and are dependent on the new parent company, FCC Servicios Medioambientales Holding.

International business is mainly carried out in the United Kingdom, Central Europe and the USA. For years, the Group has held a leading position in the United Kingdom and Central European markets in the comprehensive management of municipal solid wastes, as well as in the provision of a wide range of environmental services. The various services provided in this sector include treatment and recycling, disposal, waste collection and the generation of renewable energy. With a growing emphasis on treatment, recycling and renewable energy generation activities and a gradual reduction of disposal in controlled landfills.

The Environmental Services area also specialises in the comprehensive management of industrial and commercial waste, the recovery of by-products and soil decontamination, through the FCC Ámbito brand, which encompasses a group of companies with a wide network of management and revaluation facilities that enable proper waste management, ensuring the protection of the environment and people's health.

At an international level, the growth in the United States is noteworthy, where activities of collection and management of solid urban waste are carried out. This was the first year of activity in the collection service in Palm Beach (Florida) and the waste recycling plant in Houston (Texas). We have also been awarded other contracts that will begin operations in 2020, such as the waste collection contract in Omaha (Nebraska), Volusia (Florida), which has also been renewed for 5 years. In addition, the waste management contract for the Houston (Texas) plants, and contracts have also been signed for the Huntsville (Texas) and La Porte (Texas) recyclables, among others, with an additional backlog awarded in the year for the USA of approximately 600 million dollars.

As has already been done for years, the strategy in Spain will focus on maintaining competitiveness through quality and innovation, increasing the efficiency and quality of services based on innovation and accumulated know-how (a clear commitment to electric vehicles as developed with the VEMTESU project), as well as continuing to make progress in achieving more intelligent services for more sustainable and responsible cities.

This year, the focus will continue to be on operational efficiency and business growth. In this regard, the incorporation of new technologies will enable the company to gain a foothold in the waste recycling and recovery markets in Europe and to position itself as a key player in the circular economy. As for the United States, the development of the activity will continue in the coming years.

In general, there is a broad commitment to climate change, for example with the issuance of green bonds to finance the operation and acquisition of assets developed with the activity.

End-to-End Water Management

FCC Aqualia serves over 25 million users and provides services in over 1,100 municipalities in 18 countries, offering the market all the solutions for the needs of public and private entities and organisations in all phases of the comprehensive water cycle and for all uses: human, agricultural or industrial.

FCC Aqualia's activity focuses on concessions and services, including distribution network concessions, BOT (Built-Operate-Transfer), operation and maintenance services and irrigation, as well as technology and network activities, including EPC (Engineering-Procurement-Construction) contracts and industrial water treatment activities.

In 2019 the market in Spain represents 67.7% of revenue. 2019 saw a recovery in the volumes of water billed that were reached in 2018. It was a dry year in terms of rainfall compared to 2018 and this circumstance led to this recovery. The reduction in the volume of consumption has been 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 related to concession contracts.

In the public sector, there is still a low level of bidding for hydraulic infrastructure concessions, which increases the deficit in the renovation and expansion of existing infrastructure. Despite this, tenders have been won and comprehensive cycle concession contracts have been extended when they expired, with a very high loyalty rate (over 90%) from those municipalities in which it operates. In addition, Aqualia has worked hard to expand its presence in the O&M and facilities market (WWTP, DWTP, desalination and network management).

The international market reached a turnover of 32.2%. FCC Aqualia focuses its activity in Europe, North Africa, the Middle East and the Americas, with ongoing contracts in more than 15 countries at present.

FCC Aqualia seeks to maintain its competitive position in those comprehensive water management markets where it has an established presence (Europe) and to take advantage of the opportunities that arise in this activity. In other expanding markets, it is planned to boost growth via BOT and O&M (North Africa, Latin America and the Middle East), along with comprehensive cycle management, while the study of possibilities in others (such as the USA) will continue. In addition, FCC Aqualia will use its extensive experience in comprehensive water cycle management for business opportunities in countries with a stable political and social balance.

Construction

FCC Construcción focuses its activity on the design, development and construction of large civil, industrial and building infrastructure projects. The presence in public works of complex elements such as railways, tunnels and bridges stands out, which together with those involving installation and industrial maintenance, form a large part of the activity.

Its teams have the experience, technical training and innovation to participate in the entire project value chain, from the definition and design, to its complete execution and subsequent operation.

In 2019, 61% of the total income comes from abroad, highlighting the execution of large infrastructure works such as lines 4, 5 and 6 of the Riyadh Metro, line 2 of the Lima Metro, Grangegorman University (Dublin-Ireland), Gerald Desmond Bridge (USA), line 2 of the Panama Metro and the Gurasada-Simeria railway line (Romania) – Sectors 2a, 2b and 3.

During 2019, the following contracts were awarded: design, construction and maintenance of the section of the A-9 motorway Badhoevedorp-Holendrecht (Netherlands) for 845.0 million euros, remodelling of the Santiago Bernabéu Stadium for 475.0 million euros, closure of the Insular Ring of Tenerife for 203.0 million euros and the section of the high-speed Mediterranean corridor Murcia-Almería, Níjar-Río Andarax section (Almería) for 88.1 million euros.

Cement

The FCC Group carries out its cement activity through the Cementos Portland Valderrivas Group. Its main activity is the manufacturing of cement, which in 2019 accounted for approximately 90% of the subgroup's total income. The remaining percentage was contributed by the concrete, mortar and aggregates businesses.

In terms of geographical diversification, by 2019, 40% of income came from international markets. The Cementos Portland Valderrivas Group is present in Spain, Tunisia and the United Kingdom. Moreover, from these three countries, the Group also exports to Africa, Europe and America.

The Cementos Portland Valderrivas Group has a leading position both in its main market, Spain, and in the Tunisian market.

The main objective of the Cementos Portland Valderrivas Group is to maintain a competitive edge both regarding costs and in the markets in which it operates, seeking to remain a leader in the sector in all the countries in which it is present.

2. Business performance and results

2.1. Operational performance

2.1.1. Significant events

FCC Construcción has increased its backlog by 24.5% this year

At the end of the year, the Construction area had a backlog of projects to be developed of €5,623 million, 24.5% more than the previous year. In the last quarter, the company was awarded a two-year contract for the construction and subsequent maintenance of a section of the A-9 motorway ring road connecting Amsterdam and its airport, worth €845 million. In Spain, among other awards, backlog increased thanks to the remodelling of the Santiago Bernabéu stadium worth €475 million and the closure of the Insular Ring of Tenerife for another €203 million.

New business boost in the USA in the Environment area

The Environment area reinforced its presence in North America by adding the contract of solid urban waste collection in the city of Omaha, Nebraska, for the next ten years amounting $255 million. FCC will provide the service with a fleet of 69 trucks powered by compressed natural gas. The contract includes a possible extension for an additional period of 10 years. In addition, last August, Volusia County, in Florida, approved the awarding of a seven and a half year urban solid waste collection contract, with a backlog of $87 million. This fifth contract won in Florida and added to those in Orlando (Orange County) and Lakeland (Polk County), strengthens the presence of FCC in the US. The total volume of the FCC backlog in the country, where it already has another ten contracts in Texas, exceeding €1,000 million at the end of the year and serves more than 8 million citizens.

Aqualia enters France and strengthens its presence in the UAE with new contracts worth €100 million

In June, FCC Aqualia acquired the end-to-end water management company Services Publics et Industries Environnement (SPIE) in France. Likewise, in Spain, Agua y Gestión was purchased as well as a stake in Codeur. The combined amount of these acquisitions was €38 million.

In addition, it was awarded the operation and maintenance contract for the sanitation of the capital of Abu Dhabi, as well as the adjacent islands, for €40 million. In addition, the sanitation contract for the city of Al Ain was renewed for seven years, for a total of over €60 million. The total value of the contracts managed by Aqualia in the Arabian Peninsula (Saudi Arabia, UAE and Oman) exceeds 600 million euros. The projects, mostly of a medium and long-term concessional nature, reflect the growing success and acceptance of collaboration models between public and private institutions to promote the development and operation of essential infrastructure in the region, where the company serves a total of 6 million people.

The Environment area completes its reorganisation and is awarded the World Smart City award

The Environment area completed its corporate and financial optimisation in the last quarter. The allocation to subsidiaries and reorganisation of holdings was completed with a new parent company that brings together all the area's activity in its different jurisdictions, FCC Servicios Medio Ambiente Holding. In addition, last November the new parent company of the area made two long-term green bond issues in the GBE of the Irish Stock Exchange (ISE), for a combined amount of €1,100 million. Both issues were rated investment grade and viewed favourably for their potential regarding sustainable and assets that tackle climate change.

Additionally, in November FCC Medio Ambiente won World Smart City awards in the "Innovative Idea" category for its highly energy-efficient e-mobility platform. The award-winning project is a modular chassis-platform, 100% electric, for urban service vehicles that has been developed by FCC Medio Ambiente and the Irizar Group, and which is subsidised by European funds. The strategic objective of this platform is the implementation of affordable electric mobility in urban services with environmental benefits, such as the reduction of pollutants, noise, carbon footprint and the maximisation of energy efficiency.

2.1.2. Executive Summary

- Attributable net profit rose 6% year-on-year to €266.7 million, with solid operating growth in all business areas, with a significant reduction in financial expenses being noteworthy. This more than offset the €45 million increase in profit attributable to minority shareholders, mainly in the Water area, and the €70 million adjustment made in the last quarter to the carrying value of certain assets in the Cement area.
- The Group's revenues amounted to €6,276.2 million, 4.8% higher than in the same period in 2018. This increase was generated in all areas of activity, with a greater dynamism in Water, thanks to the contribution of new contracts, and in Cement, due to higher demand.
- The gross operating profit increased by 19.1% to €1,025.8 million, leading to a rise in the operating profit to 16.3%, as a result of the aforementioned increase in activity in all areas, the increase in operating efficiency and the greater relative weight of higher-margin activities, utilities (environment and water). To this we must add the increase in transport concessions, following the acquisition of an additional stake in the Cedinsa Group and its change to global consolidation since last November.
- The profit and loss of equity-accounted affiliates increased significantly to €120.6 million. In addition to the recurring contribution of affiliates, mention should be made of the positive impact of €36.5 million due to the fair value adjustment of the stake in Cedinsa Group, prior to the change in the consolidation method, and the contribution of €24.4 million from renewable energy activity.
- Consolidated net financial debt closed in 31 December at €3,578.7 million, with an increase of 33% compared to December 2018, mainly due to the effect of the change to Cedinsa's global consolidation, which explains €730.2 million and, in a lesser extent, due to the investments in growth made in Environment, Water and an exceptional tax payment last May.
- The FCC Group's backlog stood at last 31 December at €31,038.4 million with an increase of 7.1%. By contribution volume, the increase in Construction in Spain and Environment in the USA stood out.

KEY FIGURES

(M€)

	Dec. 19	Dec. 18	Chg. (%)
Net sales	6,276.2	5,989.8	4.8%
Gross Operating Profit (Ebitda)	1,025.8	861.2	19.1%
Ebitda Margin	*16.3%*	*14.4%*	*2.0 p,p*
Net Operating Profit (EBIT)	511.6	485.9	5.3%
EBIT Margin	*8.2%*	*8.1%*	*0.1 p,p*
Net attributable income	266.7	251.6	6.0%

	Dec, 19	Dec, 18	Chg, (%)
Equity	2,473.8	1,958.8	26.3%
Net financial debt	3,578.7	2,691.4	33.0%
Backlog	31,038.4	28,990.8	7.1%

2.1.3. Summary by business area

(M€)

Zone	Dec. 19	Dec. 18	Chg. (%)	% of 2019 total	% of 2018 total
REVENUES BY BUSINESS AREA					
Environment	2,915.2	2,822.4	3.3%	46.4%	47.1%
Water	1,186.9	1,115.2	6.4%	18.9%	18.6%
Construction	1,719.3	1,655.1	3.9%	27.4%	27.6%
Cement	413.2	372.8	10.8%	6.6%	6.2%
Transport Concessions	49.8	35.3	41.1%	0.8%	0.6%
Corporate serv., etc.	(8.2)	(11.0)	-25.2%	-0.1%	-0.2%
Total	**6,276.2**	**5,989.8**	**4.8%**	**100.0%**	**100.0%**
REVENUES BY GEOGRAPHIC AREA					
Spain	3,465.6	3,259.6	6.3%	55.2%	54.4%
United Kingdom	734.9	752.8	-2.4%	11.7%	12.6%
Rest of Europe & Others	733.9	565.2	29.8%	11.7%	9.4%
Middle East and Africa	576.8	632.2	-8.8%	9.2%	10.6%
Latin America	388.7	425.5	-8.6%	6.2%	7.1%
Czech Republic	286.8	278.9	2.8%	4.6%	4.7%
US and Canada	89.5	75.6	18.4%	1.4%	1.3%
Total	**6,276.2**	**5,989.8**	**4.8%**	**100.0%**	**100.0%**
Ebitda*					
Environment	492.5	441.4	11.6%	48.0%	51.3%
Water	281.7	247.5	13.8%	27.5%	28.7%
Construction	100.2	65.0	54.1%	9.8%	7.5%
Cement	86.4	70.9	21.8%	8.4%	8.2%
Transport Concessions	31.8	19.6	62.2%	3.1%	2.3%
Corporate serv., etc.	33.2	16.8	97.9%	3.2%	2.0%
Total	**1,025.8**	**861.2**	**19.1%**	**100.0%**	**100.0%**

(M€)

Zone	Dec. 19	Dec. 18	Chg. (%)	% of 2019 total	% of 2018 total
EBIT					
Environment	258.5	225.1	14.8%	50.5%	46.3%
Water	180.2	157.1	14.7%	35.2%	32.3%
Construction	77.3	49.6	55.8%	15.1%	10.2%
Cement	(20.0)	36.7	-154.5%	-3.9%	7.6%
Transport Concessions	12.0	9.5	26.3%	2.3%	2.0%
Corporate serv., etc.	3.6	7.9	-54.4%	0.7%	1.6%
Total	**511.6**	**485.9**	**5.3%**	**100.0%**	**100.0%**
NET FINANCIAL DEBT*					
With Recourse	(12,8)	741.4	-101.7%	-0.4%	27.5%
Without Recourse					
Environment	1,332.2	361.8	268.2%	37.2%	13.4%
Water	1,214.5	1,197.6	1.4%	33.9%	44.5%
Construction	0.0	0.0	-	0.0%	0.0%
Cement	293.0	337.9	-13.3%	8.2%	12.6%
Transport Concessions	751.8	52.7	1,326.6%	21.0%	2.0%
Total	**3,578.7**	**2,691.4**	**33.0%**	**100.0%**	**100.0%**
BACKLOG*					
Environment	10,366.2	9,804.1	5.7%	33.4%	33.8%
Water	15,018.3	14,651.4	2.5%	48.4%	50.5%
Construction	5,623.2	4,516.4	24.5%	18.1%	15.6%
Real Estate	30.7	18.9	62.4%	0.1%	0.1%
Total	**31,038.4**	**28,990.8**	**7.1%**	**100.0%**	**100.0%**

* See page 343 for a definition of the calculation in accordance with ESMA rules (2015/1415en).

2.1.4. Income Statement

(M€)

	Dec. 19	Dec. 18	Chg. (%)
Net sales	**6,276.2**	**5,989.8**	**4.8%**
Gross Operating Profit (Ebitda)	**1,025.8**	**861.2**	**19.1%**
Ebitda Margin	**16.3%**	**14.4%**	**2.0 p,p**
Depreciation and amortisation	(458.4)	(386.2)	18.7%
Other operating income	(55.8)	11.0	N/A
Net Operating Profit (EBIT)	**511.6**	**485.9**	**5.3%**
EBIT margin	8.2%	8.1%	0.1 p,p
Financial income	(144.7)	(209.1)	-30.8%
Other financial results	1.5	14.8	-89.9%
P/L of equity-accounted affiliates	120.6	66.9	80.3%
Profit/(loss) before tax from continuing activities	**489.0**	**358.5**	**36.4%**
Corporate income tax expense	(149.1)	(78.8)	89.2%
Income from continuing operations	**339.9**	**279.7**	**21.5%**
Net Income	**339.9**	**279.7**	**21.5%**
Non-controlling interests	(73.2)	(28.2)	159.6%
Net attributable income	**266.7**	**251.6**	**6.0%**

2.1.4.1. Net SaSles

The Group's consolidated revenues amounted to €6,276.2 million in the year, 4.8% higher than at the end of the previous year, due to the increase in activity in all areas, but mainly in Water and Cement. In the Water area, due to the increase in both its concession activity as a whole and in Technology and Networks in the international area. In Cement, due to the good performance of volumes and prices, mainly in the Spanish market.

By business areas, Environment, with the largest contribution, has grown 3.3%, mainly in Spain, thanks to both the entry into operation of new contracts and to the development of new treatment plants, that have compensated minor contribution of the United Kingdom due to the completion of the construction phase of the thermal treatment and energy-from-waste plant in Edinburgh in the middle of last year. Operations in Central Europe have also increased their contribution.

The Water area grew by 6.4%, due to its greater concession activity, with the contribution of revenues from France after the acquisition of the French company SPIE, and to the greater contribution of the activity in Algeria with the Mostaganem treatment plant, as well as to the Technology and Networks activity due to the good pace of project execution in Latin America.

In Construction, there has been 3.9% growth in activity, with an increased contribution from new and existing projects in the domestic market, as well as an increase in its activity in Europe, focused on projects such as the three railway lines in Romania or projects initiated in other EU countries. On the contrary, there has been a decrease in activity in Latin America due to the completion and delays in some works, as well as in the Middle East due to the termination of the Doha metro contract.

In the Cement area, revenues increased by 10.8%, largely due to increased demand in Spain and a recovery in the level of revenues generated by exports from Spain.

Revenue breakdown, by region (M€)

	Dic. 19	Dic. 18	Var. (%)
Spain	3,465.6	3,259.6	6.3%
United Kingdom	734.9	752.8	-2.4%
Rest of Europe and Others	733.9	565.2	29.8%
Middle East & Africa	576.8	632.2	-8.8%
Latin America	388.7	425.5	-8.6%
Czech Republic	286.8	278.9	2.8%
USA	89.5	75.6	18.4%
Total	**6,276.2**	**5,989.8**	**4.8%**

By region, in Spain revenues increased 6.3% to €3,465.6 million. Environment performed solidly with an increase of 5.8%, accounted for by the development of two urban waste treatment and recovery projects, together with the contribution of new services and extensions to municipal collection contracts. Water recorded a more moderate increase of 0.8%, due to an increase in the volumes invoiced and to a lower contribution of the Technology and Networks activity. The Construction area rose by an outstanding 9.2% due to an increase in its activity, both in building and in civil engineering works. The Cement area also achieved a considerable increase of 10.9%, supported by the good performance of volumes and prices. Lastly, it is worth highlighting the contribution of €14.6 million coming from the contribution of Cedinsa Group, in global consolidation since last 1 November.

In the United Kingdom, revenues fell by 2.4% due to minor contribution of the treatment and energy-from-waste plant in Edinburgh, following the completion of its construction phase and the beginning of its operation phase.

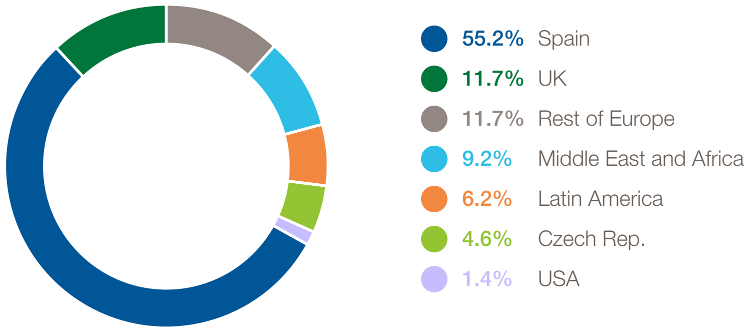
In the rest of regions, Rest of Europe and Others stands out with a 29.8% increase, due to the improved rate of progress of the railway lines in Romania in the Construction area together with new contracts in Belgium and Ireland, plus the positive evolution of demand in the Environment area in all countries in which the Group operates, mainly in Austria, Hungary and Poland. In the Czech Republic, the 2.8% increase in the period is due to the rise in rates in end-to-end water managmente business together with a good performance in the Environment activity.

Outside the EU, the Middle East and Africa recorded a reduction of 8.8% due to several factors, in a positive sense, the greater contribution in the execution of the extensions of the Riyadh metro contract (Saudi Arabia), together with an increase from the operation of a treatment plant in Algeria in the Water area. On the contrary, the effect of the termination of the railway contract in Doha (Qatar) in the Construction area and the completion of the construction phase of a desalination plant in Egypt, stand out.

Revenues in Latin America fell by 8.6%, mainly due to the slower pace of projects in Panama and those completed in the Construction area in Chile, although progress in the execution of projects in Colombia and Mexico in the Water area, have also made a positive contribution.

In the United States revenues rose by 18.4%, due to the greater contribution of the various waste collection and treatment contracts in Florida and Texas in the Environment area and an improvement in exports from Spain in the Cement area.

% Revenue by region



2.1.4.2. Gross Operating Profit (Ebitda)

Gross operating profit rose to €1,025.8 million in the period, representing an increase of 19.1% over the previous year. The rise is based on the increase in income generated in all the Group's areas of activity and the increase in operating profitability obtained, particularly in Construction and Environment. In addition, it incorporates the effect of the entry into force on 1 January of the accounting regulations on the recording of operating leases (IFRS 16), which are now capitalised and their payment is recorded mainly as a depreciation charge, based on the time of use remaining in their contribution to the generation of revenue. Also noteworthy is the contribution since 1 November 2019 of the Cedinsa concession group, following the acquisition of an additional 17% stake and the subsequent takeover and change from equity to global consolidation since that date.

The main developments in the business areas were as follows:

Environment increased by 11.6% and reached €492.5 million due to the good performance of all the activities and in all the regions in which the group operates. Operating margin rose to 16.9%, compared to 15.6% the previous year.

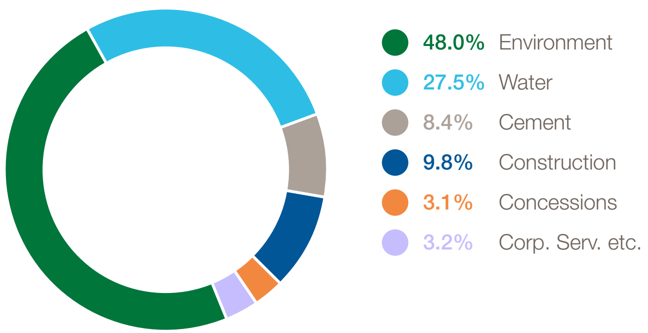
The Water area registered €281.7 million, 13.8% more than the previous year, supported especially by the contribution of the concessions and services activity in Spain, as well as by remarkable growth, both in the BOT concession activity and in Technology and Networks in the international area. Overall, operating margin rose to 23.7% from 22.5% in the previous year.

The Construction area recorded €100.2 million, an outstanding 54.1% more than the previous year, with a sustained increase in the margin throughout the period to 5.8%, thanks to the positive development of the projects underway, mainly in the international area.

In Cement, Ebitda increased 21.8% to €86.4 million, supported by the positive evolution of demand in Spain and despite the reduction of €3.6 million obtained from a minor sale of CO_2 rights in this year, compared to the previous year, together with the effect of the depreciation of the Tunisian Dinar (5.27% in the year).

Also noteworthy is the significant contribution of the Cedinsa concession group to the consolidated Ebitda as at 1 November, which amounted to €11.9.

% Ebitda by Business Area



As a result of the performance of the different areas of activity in the year, the "Utilities", Environment and Water (together with Transport Concessions) areas contributed 78.6% to Ebitda in the period, compared with 21.4% from those linked to the demand for infrastructure construction and building and other activities.

2.1.4.3. Net Operating Profit (EBIT)

The net operating profit grew up to €511.6 million, 5.3% higher than in the previous year. The change between the two periods is explained by various factors, including most notably the aforementioned increase in income, the 18.7% increase in the depreciation charge recorded in this period, largely due to the application of IFRS 16 since 1 January and, lastly, the €70 million impairment of goodwill in the cement business to adapt it to the more moderate growth expected in the construction business. Without this exceptional adjustment, EBIT would have grown 19.7%, in line with the performance of the gross operating profit.

2.1.4.4. Earnings before taxes (EBT) from continuing operations

Earnings before tax from continuing activities were €489 million, up 36.4% on the previous year, mainly due to the development already mentioned regarding the operating profit, to which we must add both a higher contribution from affiliates and a substantial reduction in financial expenses.

2.1.4.4.1. Financial income

Net financial income amounted to €-144.7 million, with a reduction of 30.8% compared to the level recorded in the previous year. However, this heading includes two non-recurring factors in both periods, of equal importance but varying relevance. In the second quarter 2019, an expense of €18.8 million was recorded for default interest expenses in relation to a procedure by the Spanish tax authorities, the details of which were set out in the 1H2019 management report and for which the Group's parent company has filed a tax appeal. In 2018, a charge of €-59.3 million was recorded due to the accounting of the repayment of the existing syndicated loan of the parent company (IFRS 9, which came into force in January 2018).

Therefore, adjusted for these two exceptional items, the financial result at year-end would have fallen by 16%, in line with the reduction in the Group's average cost of financing as a result of the financial optimisation process carried out.

2.1.4.4.2. Other financial results

This heading includes a result of €1.5 million, 13.3 million less than at the close of the previous year. The difference is largely due to the adjustment of the sale price of a company transferred in 2009 for an amount of €-10 million.

2.1.4.4.3. Profit/(loss) of equity-accounted affiliates

The contribution of equity-accounted affiliates has risen to €120.6 million, an increase of €53.7 million compared to the previous year. Noteworthy is the net positive impact of €36.5 million due to the recognition at fair value of the stake in the Cedinsa Group prior to the change of consolidation method. In addition, the energy division contributed a positive result of €24.4 million, which includes an adjustment of €9.9 million to the value of its shareholding.

2.1.4.5. Income attributable to the parent company

Net attributable profit for the period amounted to €266.7 million, an increase of 6% compared to 2018. This profit is achieved by the contribution to the EBT of the following concepts:

2.1.4.5.1. Corporate tax expense

A corporate tax expense of €149.1 million, compared with €78.8 million at the close of the previous year. This increase is explained by a major result from operations, together with an adjustment of deferred taxes amounting to €25 million, as a result of the exit from the water parent company, FCC Aqualia, and its subsidiaries from the tax group of the Group's parent company.

2.1.4.5.2. Non-controlling interests

An increase in the attributable profit to non-controlling interest of €73.2 million compared with €28.2 million in the previous year, mainly concentrated in the Water area (€67 million compared with €24.5 million in the previous period), which includes the entry of a minority shareholder from September 2018.

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

The most significant figures in the income statement, calculated following effective stake of the company in each of the subsidiaries, joint ventures and associates, is as follows.

	Dec. 19	Dec. 18	Chg. (%)
Net sales	**6,368.5**	**6,467.4**	**-1.5%**
Gross Operating Profit (Ebitda)	**1,132.4**	**1,064.4**	**6.4%**
Ebitda Margin	*17.8%*	*16.5%*	*1.3 p.p*
Net Operating Profit (EBIT)	**597.4**	**634.2**	**-5.8%**
EBIT margin	*9.4%*	*9.8%*	*-0.4 p.p*
Income attributable to equity holders of the parent company	**266.7**	**251.6**	**6.0%**

2.1.5. Balance Sheet

(M€)

	Dec. 19	Dec. 18	Chg. (Mn€)
Intangible assets	3,458.4	2,426.4	1,032.0
Property, Plant and Equipment	2,866.5	2,426.8	439.7
Equity-accounted affiliates	741.5	763.0	(21.5)
Non-current financial assets	863.2	380.6	482.6
Deferred tax assets and other non-current assets	599.9	610.4	(10.5)
Non-current assets	**8,529.6**	**6,607.2**	**1,922.4**
Inventories	728.8	691.0	37.8
Trade and other accounts receivable	1,907.7	1,780.8	126.9
Other current financial assets	189.6	178.8	10.8
Cash and cash equivalents	1,218.5	1,266.2	(47.7)
Current assets	**4,044.6**	**3,916.8**	**127.8**
TOTAL ASSETS	**12,574.1**	**10,524.0**	**2,050.1**
Equity attributable to shareholders of the parent company	1,951.3	1,684.0	267.3
Non-controlling interests	522.5	274.8	247.7
Equity	**2,473.8**	**1,958.8**	**515.0**
Grants	333.8	211.3	122.5
Non-current provisions	1,130.2	1,162.0	(31.8)
Long-term financial debt	4,448.7	3,839.1	609.6
Other non-current financial liabilities	581.6	61.3	520.3
Deferred tax liabilities and other non-current liabilities	303.0	301.0	2.0
Non-current liabilities	**6,797.2**	**5,574.7**	**1,222.5**
Current provisions	249.6	209.3	40.3
Short-term financial debt	538.2	297.3	240.9
Other current financial liabilities	145.4	83.6	61.8
Trade and other accounts payable	2,370.0	2,400.3	(30.3)
Current liabilities	**3,303.2**	**2,990.5**	**312.7**
Current liabilities	**12,574.1**	**10,524.0**	**2,050.1**

2.1.5.1. Fixed and non-current financial assets

The heading "Intangible assets" includes a €1,032 million increase in the year due mainly to the incorporation of the intangible assets from the Cedinsa concession group, amounting to €1,051 million, following the change of consolidation method to global consolidation after the takeover.

The balance of the heading "Property, plant and equipment" at the end of the year amounted to €2,866.5 million, that is €439.7 million more than the previous year. This difference is largely explained by the application from 1 January 2019 of IFRS 16, which establishes that operating leases are now capitalised and their payment is recognised mainly as period depreciation as a function of the remaining time over which they will contribute to producing revenues, and its counterpart in "Other financial liabilities" for the future payment obligations incurred.

Non-current financial assets are at €863.2 million, €482.6 million more than in the previous year. The increase in collection rights under concession agreements resulting from the entry into global consolidation of various companies, of which the Cedinsa Group, totalling €367.4 million. Furthermore, although to a lesser extent, the increase in collection rights corresponding to waste treatment plants in Spain and the United Kingdom within the Environment area.

2.1.5.2. Equity-accounted affiliates

Investments in equity-accounted companies amounted to €741.5 million in the period, comprising:

1) 1€276.5 million for the 36.9% stake in Realia after subscribing the capital increase carried out by the investee in December 2018.

2) €35.5 million for stakes in companies in the Water area, mainly service concession companies abroad (North Africa and Mexico).

3) €90.6 million for holdings in companies in the Environment area (recycling and municipal services, mainly in Spain and the United Kingdom).

4) €13.7 million for the 44.6% stake in Giant Cement Holding, the parent company of the Cement area in the USA, together with another €23.5 million where the Cement parent company has a stake.

5) €76.6 million for participation in various transport infrastructure and equipment concessions.

6) Another €225.1 million corresponding to other stakes and loans to subsidiaries.

2.1.5.3. Cash and cash equivalents

The balance of the heading Cash and cash equivalents amounts to €1,218.5 million, 68% of which is non-recourse and the remaining 32% with recourse to the Group's parent company.

2.1.5.4.Equity

Equity at the end of the year amounts to €2,473.8 million, 26.3% more than at the end of the previous year. This increase is due to the contribution of the net profit achieved in the period of €339.9 million and, additionally to the increase in minority interests both in the Water area and in Cedinsa due to the change in the consolidation method.

2.1.5.5. Net financial debt

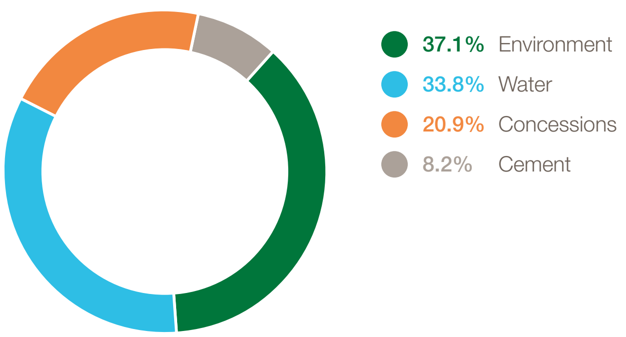
(M€)

	Dec. 19	Dec. 18	Chg. (M€)
Bank borrowings	1,474.7	2,200.0	(725.3)
Debt instruments and other loans	3,125.0	1,726.0	1,399.0
Accounts payable due to finance leases	63.8	51.5	12.3
Other financial liabilities	323.4	158.9	164.5
Gross financial Debt	**4,986.9**	**4,136.4**	**850.5**
Cash and other current financial assets	(1,408.2)	(1,445.0)	36.8
Net Financial Debt	**3,578.7**	**2,691.4**	**887.3**
With recourse	*(12.8)*	*741.4*	*(754.2)*
Without recourse	*3,591.5*	*1,950.0*	*1,641.5*

Net financial debt at the end of the year amounted to €3,578.7 million, which is an increase of €887.3 million compared to December 2018. This increase is due to a combination of several factors, but what is most significant is the change to global consolidation of the Cedinsa concession group which, together with the €58 million takeover investment, has led to a €788.2 million increase in net financial debt. Also noteworthy is the impact of various growth initiatives, focused on end-to-end water management and on various treatment and recycling plants in the Environment area. Therefore, in the Group as a whole and excluding the aforementioned Cedinsa investment, growth in investments in 2019 amounted to €204.9 million. In addition, the already mentioned effect of a non-recurring tax payment to the tax authorities of €110.9 million and that related to expected performance of working capital in certain projects under way.

According to its nature, the total net financial debt is for the first time fully allocated to subsidiaries and in project debt, for an amount of €3,591.5 million at the end of the year. The parent company has achieved a positive cash position of €12.8 million.

Net Debt by Business Area (without recourse)



The net financial debt without recourse to the Group's parent company is structured as follows:

(i) The Water area totals €1,214.5 million, of which, in addition to the parent's company corporate bond financing, €192 million related to business in the Czech Republic and the remainder of several end-to-end water management concessions; (ii) the Cement area totals €293 million; (iii) the Environment area amounts to €1332.2 million of which €1,093.7 million are related to the issue of two bonds amounting to €600 million and €500 million, maturing in 2023 and 2026, respectively, issued by FCC Servicios Medio Ambiente Holding, S.A.U. This company is wholly owned by FCC, in line with the area's process of subsidiarisation and the transfer of debt to the cash generating units; in addition, €253.1 million relate to activity in the United Kingdom, €37.1 million to the area's activity in central Europe and the remainder to project financing for three waste treatment and recycling plants in Spain; (iv) €751.8 million associated with the transport concession area, most of which (€730.2 million) relates to the inclusion of the project debt of the Cedinsa concession group.

2.1.5.6. Other current and non-current financial liabilities

The heading of other current and non-current financial liabilities totals €727 million at the end of the year. The increase compared to the balance at December 2018 includes mainly the liability relating to the recognition on the assets side of the cost of operating leases amounting €420.6 million, in accordance with the entry into force of the new accounting regulations. It also includes other liabilities that are not financial liabilities, such as those associated with hedging derivatives, suppliers of fixed assets, guarantees and deposits received.

2.1.6. Cash Flow

(Millions of Euros)

	Dec. 19	Dec. 18	Chg. (%)
Gross Operating Profit (Ebitda)	**1,025.8**	**861.2**	**19.1%**
(Increase)/decrease in working capital	(183.3)	(316.8)	-42.1%
Corporate income tax (paid)/received	(173.0)	(111.9)	54.6%
Other operating cash flow	(39.0)	56.9	-168.5%
Operating cash flow	**630.5**	**489.4**	**28.8%**
Investment payments	(546.6)	(434.7)	25.7%
Divestment receipts	28.5	42.0	-32.1%
Other investing cash flows	158.9	8.0	N/A
Investing cash flow	**(359.2)**	**(384.7)**	**-6.6%**
Interest paid	(136.8)	(142.4)	-3.9%
(Payment)/receipt of financial liabilities	(97.4)	(851.2)	-88.6%
Other financing cash flow	(111.5)	912.5	-112.2%
Financing cash flow	**(345.7)**	**(81.1)**	**N/A**
Exchange differences, change in consolidation scope, etc.	26.8	4.3	N/A
Increase/(decrease) in cash and cash equivalents	**(47.7)**	**27.9**	**N/A**

2.1.6.1. Operating cash flow

The operating cash flow generated during the year amounted to €630.5 million, 28.8% more than in the previous year. This was due to the improved development of operating working capital, which reduced the application of funds down to €183.3 million in the period, 42.1% less than in the previous year, largely due to the slower rate of consumption of pre-payments on various contracts in advanced progress in the Construction area.

The heading Corporate income tax (paid)/received includes an outflow of €173 million, due partially to the payment of €92.1 million recorded to adjust the tax incentives applied by the Group in previous years, already commented on in the 1H2019 earnings report, compensated by close to €30 million the refund made by the tax authorities of outstanding fees for the most part of 2017, as well as a higher payment due to tax adjustments in various international companies.

Other operating cash flow includes an outflow of €39 million, mainly due to a greater provision application than in the previous year, especially in the Construction area.

2.1.6.2. Investing cash flow

The investing cash flow represents an outflow of €359.2 million, 6.6% less than that applied in the previous year. The payments for investments include various growth operations in the Water area, including most notably the acquisition of the SPIE group in France for €31.7 million and the investment in the Guaymas (Mexico) BOT for €16.9 million. In the Environment area, in Spain, €47 million invested in treatment plants, the main ones being those associated with the development of the CMR Loeches and the completion of the one in Guipúzcoa. In the international area, among the most significant investments are in the United Kingdom €43.1 million for the development of the Lostock plant, and €22.2 million for the commissioning of the Edinburgh plant. In the USA, €35.3 million for the Palm Beach contract in Florida and €7.3 million in the MRF plant in Houston. In the Transport Concession area, €58 million for the purchase of an additional 17% stake in the Cedinsa concession group.

In turn, proceeds from disposals fell to €28.5 million compared with €42 million the previous year, distributed between €8.2 million for Construction, €9.3 million for Environment and €11 million for Water.

The breakdown of net investments by business area, excluding other cash flows from investment activities, in terms of payments and receipts, is as follows:

(M€)

	Dec. 19	Dec. 18	Chg. (M€)
Environment	(301.2)	(246.5)	(54.7)
Water	(124.5)	23.4	(147.9)
Construction	30.5	(4.0)	34.5
Cement	(8.3)	(6.7)	(1.6)
Corporate serv., etc. & adjustments	(114.6)	(188.9)	74.3
Net investments *(Net investments)*	**(518.1)**	**(422.7)**	**(95.4)**

Other investment flows include an inflow of €158.9 million at year-end compared to €8 million at the end of the previous year. In this increase, €52.8 million are due to the entry into global consolidation of two water concession companies in Algeria and France and a further €59.5 million corresponding to the concession group Cedinsa, and for the same reason. Additionally, there are smaller amounts in loans to third parties and investee companies.

2.1.6.3. Financing cash flow

The consolidated financing cash flow at the end of the year amounted to an outflow of €345.7 million compared to €81.1 million in the previous year. Interest payment includes an outflow of €136.8 million, similar to last year, of which €18.8 million correspond to default interest on texes in connection with the tax assessment to recover State aid mentioned above.

The heading (Payment)/receipt of financial liabilities includes an application of €97.4 million in the year. The most significant item was the issue of two green bonds in the environmental area for €600 and €500 million, respectively, of which €1,020 million were used to repay the debt with its parent company FCC and the rest to repay in advance the entire debt of its parent company in the United Kingdom. FCC has earmarked the funds received for the early repayment of all its syndicated financing, which was signed in September 2018 and amounted to €1,200 million. There is also a commercial paper programme on the Irish Stock Exchange, with an outstanding balance at year-end of €300 million.

Other financing cash flows include most notably the payment of €55.6 million for the purchase of 49% of the minority shareholders in the water concession company Aquajerez, together with a further €44.1 million paid to the minority shareholders in the same area in the form of dividends. Another €9.6 million were paid to the FCC Group's parent company shareholders in connection with the distribution of a scrip dividend in the second quarter of the year.

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

This heading shows an increase of €22.5 million compared 2018, mainly due to the effect on cash flow of the changes in the euro exchange rate, concentrated mainly in the Construction area.

2.1.6.5. Variation in cash and cash equivalents

As a result of the performance of the different components of cash flow, the Group's cash position declined €47.7 million compared to the end of the previous year, down to €1,218.5 million at the end of the year.

2.1.7. Business Performance

2.1.7.1. Environment

The Environment area accounted for 48% of the Group's Ebitda in the year. A total of 80% of its activity involves the provision of waste collection, treatment and disposal services, as well as street cleaning. The remaining 20% corresponds to other types of urban environmental activities, such as garden upkeep or maintenance of sewage systems.

In Spain, urban waste management and street cleaning are the most important activities, while in the United Kingdom the focus is on urban waste treatment, recovery and disposal. In central Europe, mainly Austria and the Czech Republic, FCC is present throughout the waste management chain (collection, processing and disposal). FCC's activities in the USA include both the collection and end-to-emd management of urban waste.

2.1.7.1.1. Results

(M€)

	Dec. 19	Dec. 18	Chg. (%)
Revenues	2,915.2	2,822.4	3.3%
Waste collection and street cleaning	*1,379.7*	*1,316.5*	*4.8%*
Waste treatment	*960.1*	*930.4*	*3.2%*
Other services	*575.4*	*575.5*	*0.0%*
Ebitda	492.5	441.4	11.6%
Ebitda Margin	*16.9%*	*15.6%*	*1.3 p.p*
EBIT	258.5	225.1	14.8%
Margen EBIT	*8.9%*	*8.0%*	*0.9 p.p*

The revenues of the Environment area reached €2,915.2 million in the period, 3.3% more than the previous year, due to the positive performance of waste collection and treatment activities, mainly in Spain and Central Europe, due to the contribution of already existing contracts, new ones and those underway.

Revenue breakdown, by region *(M€)*

	Dec. 19	Dec. 18	Chg. (%)
Spain	1,701.7	1,609.1	5.8%
United Kingdom	682.0	718.1	-5.0%
Central Europe	466.9	441.7	5.7%
USA and others	64.6	53.5	20.8%
Total	**2,915.2**	**2,822.4**	**3.3%**

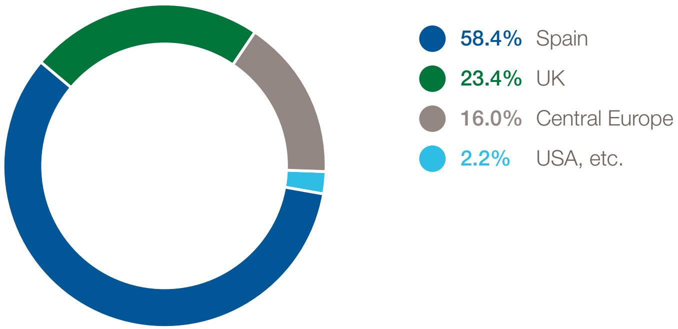
In Spain, revenues increased by 5.8% to €1,701.7 million, mainly due to the contribution of the performance of the new treatment plants at the CMR Loeches (Madrid) and the one in Guipúzcoa, together with the contribution of extensions and new services, such as the organic waste service in Madrid, Jerez de la Frontera and El Prat de Llobregat.

In the United Kingdom, revenue fell by 5% to €682 million due to a minor contribution from the construction phase of the recycling and waste-to-energy plant in Edinburgh, which is now operational, and the planned completion of a contract in the southern area.

In Central Europe, revenues grew by 5.7% to €466.9 million due to the higher volume of activity in Austria, Hungary and the recovery of business in Poland.

Finally, revenues in the US and other markets increased by 20.8%, mainly due to the commencement of new contracts in the country, such as those in Rowlett (Texas), Polk County (Florida), or the collection contract in Palm Beach (Florida), together with the entry into operation of the recycling plant in Houston. This offests the non-activity in Egypt, where the contract ended in 2018.

Revenue breakdown, by region



Gross operating profit (Ebitda) increased by 11.6% to €492.5 million, due to the good performance of all activities and the positive development of some contracts, together with the reclassification of operating leases due to the change in accounting regulations. Operating margin rose to 16.9%.

Net operating profit (EBIT) increased by 14.8% over the previous year to €258.5 million, thanks to the evolution of different components mentioned in the Ebitda.

Backlog breakdown, by region *(M€)*

	Dec. 19	Dec. 18	Chg. (%)
Spain	5,354.5	5,606.5	-4.5%
International	5,011.7	4,197.6	19.4%
Total	**10,366.2**	**9,804.1**	**5.7%**

At the end of the year, the area's backlog increased by 5.7% compared to the end of 2018, reaching €10,366.2 million, due to new contracts in the international area, mainly in the USA, such as the urban waste collection contract in Omaha (Nebraska) and those in Palm Beach and Volusia (Florida), which offset the decline in Spain due to the continuing preference for extensions over renewals, all in a context of low tender volumes.

2.1.7.1.2. Financial Debt

(M€)

	Dec. 19	Dec. 18	Chg. (M€)
Net financial debt without recourse	1,332.2	361.8	970.4

Net financial debt, without recourse to the parent company, reached €1,332.2 million at the end of the financial year. The main balance corresponds to the issue of two (€600 and €500 million) green bonds by its new parent company in the fourth quarter of the year, following the process of segregation and financial ring-fence completed in the area in 2019; of the remaining balance, €253.1 million correspond to the activity in the United Kingdom, and €37.1 million to the activity in central Europe.

2.1.7.2. End-to-End Water Management

The Water area accounted for 27.5% of FCC Group Ebitda in the period. An 82.8% of its activity is focused on the public end-to-end concession management (capture, treatment and distribution); the remaining 17.2% corresponds to Technology and Networks, which is responsible for the design, engineering and equipment of water infrastructures, to a large extent related to the development of new concessions or ancillary works for operations.

In Spain the area serves more than 13 million inhabitants in more than 850 municipalities. In Central Europe it serves 1.3 million users, mainly in the Czech Republic, while in the rest of the continent it is present in Italy, Portugal and France, following the acquisition last June. In Latin America, the Middle East and Africa it is present through the design, equipment and operation of treatment plants. Overall, the area of Water provides supply and/or sanitation services to more than 23.6 million inhabitants.

2.1.7.2.1. Earnings

(M€)

	Dec. 19	Dec. 18	Chg. (%)
Revenues	1,186.9	1,115.2	6.4%
Concessions and services	*982.2*	*933.1*	*5.3%*
Technology and networks	*204.7*	*182.1*	*12.4%*
Ebitda	281.7	247.5	13.8%
Ebitda Margin	*23.7%*	*22.2%*	*1.5 p.p*
EBIT	180.2	157.1	14.7%
EBIT margin	*15.2%*	*14.1%*	*1.1 p.p*

The area's revenues increased by 6.4% year-on-year to €1,186.9 million. The Concessions and Services activity reaches €982.28, mainly explained by the increase in contribution of the activity in Algeria (Mostaganem treatment plant) and the contribution of the business in France after the acquisition of the company SPIE. Technology and Networks activity grew by 12.4% to €204.7 million, due to the good pace of project execution in Latin America.

Revenue breakdown, by region

(M€)

	Dec. 19	Dec. 18	Chg. (%)
Spain	804.4	797.7	0.8%
Middle East, Africa and Others	113.3	106.4	6.5%
Central Europe	111.7	108.1	3.3%
Latin America	86.3	46.9	84.0%
Rest of Europe (France, Portugal and Italy)	71.2	56.1	26.9%
Total	**1,186.9**	**1,115.2**	**6.4%**

By region, revenues in Spain reached €804.4 million, due to an increase in the volumes invoiced in concessions, which offset less activity in Technology and Networks due to the investment plans related to concessions underway.

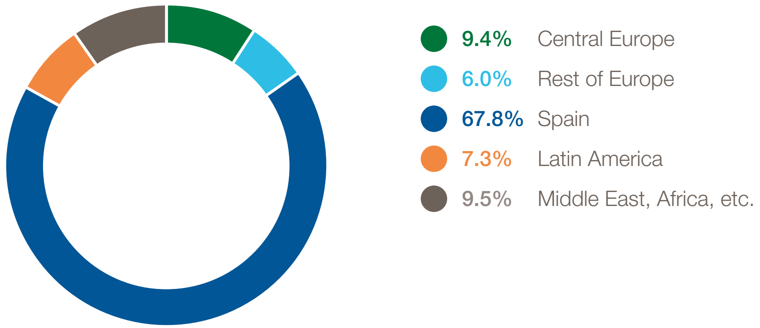
On the international front, in the Middle East, Africa and Others, revenues rose by 6.5% to €113.3 million, due to the, above mentioned, increase in contribution of Algeria, which offest the decrease in Technology and Networks activity, after the completion of the El-Alamein project, and which has not fully compensated the higher level of progress of the Abu Rawash wastewater treatment plant (both in Egypt).

Central Europe increased its revenues by 3.3% to €111.7 million, with a stable growth throughout the year focused on the concession activity in the Czech Republic, where the rise in rates compensated the decrease in the volume invoiced due to the drop in the volume of water invoiced. Technology and Networks activity has remained at similar levels of activity to those recorded in 2018.

In Latin America, turnover grew by 84% to €86.3 million, thanks to greater progress in the execution of projects such as Salitre (Colombia) and the BOT in Guaymas (Mexico).

In the Rest of Europe, revenues increased by 26.9% to €71.2 million. This is largely due to the integration in France of the Spie concession group, acquired last June.

Revenue breakdown, by region



The gross operating profit (Ebitda) increased by 13.8% over the previous year to €281.7 million. This increase is based both on the greater contribution of the concessions and services activity, in the different regions in which the area operates, and on the set of projects in Technology and Networks in the international area. Overall, the operating margin rose to 23.7%.

Backlog breakdown, by region

(M€)

	Dec. 19	Dec. 18	Chg. (%)
España	7,813.1	8,078.8	-3.3%
Internacional	7,205.2	6,572.6	9.6%
Total	**15,018.3**	**14,651.4**	**2.5%**

The backlog increased by 2.5% at year-end to €15,018.3 million. The international area grew by 9.6%, supported by the impact of the acquisition of SPIE in France or the contracts for the operation and maintenance of the "East Area" and "Island Area" sanitation system in Abu Dhabi. This largely compensated for the decline in Spain, due, among other things, to the delay in awarding some contracts.

2.1.7.2.2. Net Debt

(M€)

	Dec. 19	Dec. 18	Chg. (M€)
Dec. 19 Dec. 18 Chg. (M€)	1,214.5	1,197.6	16.9

Net financial debt, which is entirely without recourse to the Group's parent company, amounted to €1,214.5 million at the end of the financial year, without major variations when compared to December of the previous year. Most of the balance of the debt corresponds to long-term bonds issued by the area's parent company, with a gross balance of €1,345.3 million.

2.1.7.3. Construction

The Construction area contributed 9.8% of the Group's Ebitda in the year. Its activity is focused on the design and construction of large civil, industrial and complex building works. The presence in public works such as railways, tunnels and bridges, account for the bulk of its activity.

(M€)

	Dec. 19	Dec. 18	Chg. (%)
Revenues	1,719.3	1,655.1	3.9%
Ebitda	100.2	65.0	54.1%
Ebitda Margin	*5.8%*	*3.9%*	*1.9 p.p*
EBIT	77.3	49.6	55.8%
EBIT margin	*4.5%*	*3.0%*	*1.5 p.p*

The area's revenues increased by 3.9% in the period to €1,719.3 million, mainly due to the contribution of both new and existing projects, centred in the domestic market, with more moderate growth in the international area.

Revenue breakdown, by region

(M€)

	Dec. 19	Dec. 18	Chg. (%)
Spain	665.3	609.2	9.2%
Middle East and Africa	401.5	444.3	-9.6%
Europe, USA, etc.	351.7	228.7	53.8%
Latin America	300.8	372.9	-19.3%
Total	**1,719.3**	**1,655.1**	**3.9%**

In Spain, revenues increased by 9.2% to €665.3 million, due to the contribution of new contracts such as the remodelling of the Real Madrid football stadium or the Loeches treatment complex, together with other minor civil works contracts.

In the Middle East and Africa, revenues decreased by 9.6%, where the positive contribution of the Riyadh metro installations contract could not offset other concluded ones such as the Doha metro contract.

In Europe, the United States and other markets, revenues increased by a remarkable 53.8% to €351.7 million, as a result of the good pace of execution of various railway lines in Romania, and the increased activity in projects initiated in EU countries such as the Haren complex in Belgium or the new educational facilities in Dublin, Ireland.

In Latin America, revenues fell 19.3% in the year to €300.8 million due to the completion of line 2 of the Panama metro, which has not yet been compensated for by other new early stage constructions.

Revenue breakdown, by region

- 38.7% Spain
- 23.4% Middle East and Africa
- 20.4% Europe, USA, etc.
- 17.5% Latin America

The gross operating profit (Ebitda) increased by 54.1% compared the previous year, to €100.2 million, due to the improved evolution of projects in progress, mainly in the international area. Therefore, the margin increased by 1.9 p.p. in the period.

The net operating profit stands at €77.3 million, which represents a 55.8% increase over the previous year, reflecting the abovementioned evolution at the Ebitda level.

Backlog breakdown, by region

(M€)

	Dec. 19	Dec. 18	Chg. (%)
Spain	2,010.3	1,075.8	86.9%
International	3,612.9	3,440.6	5.0%
Total	**5,623.2**	**4,516.4**	**24.5%**

The area's backlog grew by 24.5% at the end of the year to €5,623.2 million. Spain experienced outstanding growth of 86.9% due to new contracts such as the remodelling of the Real Madrid football stadium or the construction of the Insular Ring in Tenerife. The international area grew more moderately to €3,612.9 million, where the contribution of the contract for the construction of a section of the A9 motorway in Holland was noteworthy.

Backlog breakdown, by business segment

(M€)

	Dec. 19	Dec. 18	Chg. (%)
Civil engineering	3,991.6	3,218.0	24.0%
Building	1,251.6	888.6	40.9%
Industrial Projects	380.0	409.9	-7.3%
Total	**5,623.2**	**4,516.4**	**24.5%**

Civil engineering accounted for 71% of the total and is where the largest volume of contracts have been awarded during the year, mainly in the international area, with the A9 Netherlands motorway project mentioned previously.

2.1.7.4. Cement

The Cement area contributed 8.4% of the FCC Group's Ebitda this year. Its activity is carried out by the CPV Group, focused on the production of cement and derivatives, with 7 main factories in Spain and 1 in Tunisia, as well as a minority stake of 44.6% in Giant Cement, which operates another 2 factories on the east coast of the USA.

2.1.7.4.1. Results

(M€)

	Dec. 19	Dec. 18	Chg. (%)
Revenues	413.2	372.8	10.8%
Cement	374.5	341.3	9.7%
Other	38.7	31.5	22.8%
Ebitda	86.4	70.9	21.8%
Ebitda Margin	20.9%	19.0%	1.9 p.p
EBIT	(20.0)	36.7	-154.5%
EBIT margin	-4.8%	9.8%	-14.7 p.p

Revenues increased by 10.8% compared to the end of the previous year to €413.2 million, due both to the increase in volumes and prices in Spain and to the improvement in exports, also from Spain.

Revenue breakdown, by region

(M€)

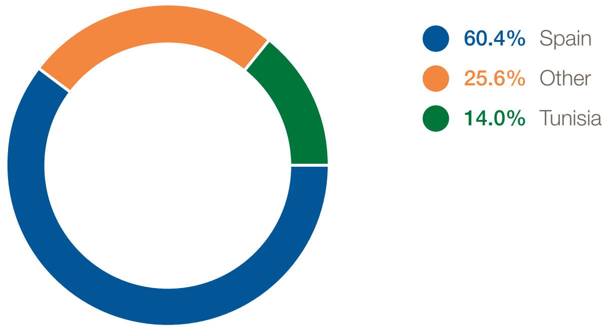
	Dec. 19	Dec. 18	Chg. (%)
Spain	249.4	224.9	10.9%
Tunisia	57.9	56.4	2.7%
Other (exports)	105.9	91.5	15.7%
Total	**413.2**	**372.8**	**10.8%**

Revenues in Spain grew by 10.9% to €249.4 million, thanks to the sustained increase in volumes and prices, supported by the increase in demand in the construction market.

Revenues in the local market in Tunisia grew by 2.7% to €57.9 million in the year, where the increase in prices offset the decrease in volumes together with the effect of the depreciation of the Tunisian Dinar of 5.3% in the year (revenues increased by 3.8% in local currency terms).

Furthermore, income from exports rose by 15.7%, due to an improvement in the shipments made from Spain, mainly to Europe (where those made to the United Kingdom and Denmark stand out) and to the USA, which offset the decrease in those made from Tunisia.

Revenue breakdown, by region



Gross operating profit increased by 21.8% to €86.4 million, explained by the improvement in activity already mentioned in Spain and the increase in prices in the Tunisian market. The sale of CO_2 rights amounts to €5.8 million compared to €9.4 million in the prior year. Excluding the impact of the sale of rights in both periods, Ebitda increased by 31.1%.

In the last quarter of the year there was an impairment of €70 million in the value of the goodwill of certain assets to accommodate the forecast of a more moderate growth in future construction demand. Therefore, the net operating profit (EBIT) had a negative result of €20 million for the year. Without this exceptional adjustment, EBIT would have grown by 36.2%, in line with the performance obtained through the gross operating profit.

2.1.7.4.2. Net Debt

(M€)

	Dec. 19	Dec. 18	Chg. (M€)
Net financial debt without recourse	293.0	337.9	(44.9)

2.2. Net financial debt without recourse

The information relating to the FCC Group's environmental policy is set out in greater detail in note 28 to the consolidated financial statements and in section 6 of the Non-Financial Information Statement.

The FCC Group carries out its activities on the basis of business commitment and responsibility, compliance with applicable legal requirements, respect for the relationship with its stakeholders and its ambition to generate wealth and social well-being.

Aware of the importance to the FCC Group of preserving the environment and using available resources responsibly, and in line with its vocation to serve through activities with a clear environmental focus, the FCC Group promotes and enhances the following principles, on which its contribution to sustainable development is based, throughout the organisation:

- Continuous improvement: Promote environmental excellence by establishing objectives for the continuous improvement of performance, minimising the negative impacts of the FCC Group's processes, products and services, and enhancing the positive impacts.
- Monitoring and control: establish environmental indicator management systems for the operational control of processes, which provide the necessary knowledge for the monitoring, evaluation, decision-making and communication of the FCC Group's environmental performance and compliance with the commitments undertaken.
- Climate change and pollution prevention: to lead the fight against climate change through the implementation of processes with lower greenhouse gas emissions, and by promoting energy efficiency and renewable energies. Preventing pollution and protecting the natural environment through the responsible management and consumption of natural resources and by minimising the impact of emissions, discharges and waste generated and managed by the FCC Group's activities.
- Observation of the environment and innovation: To identify the risks and opportunities of activities in the face of the changing landscape of the environment in order, among other things, to promote innovation and the application of new technologies, as well as the generation of synergies between the various activities of the FCC Group.
- Life cycle of products and services: enhancing environmental considerations in business planning, procurement of materials and equipment, and relations with suppliers and contractors.
- The necessary participation of all parties: promote the knowledge and application of environmental principles among employees and other stakeholders. To share experience of the best practices with the different agents in order to promote alternative solutions to those currently in place, which contribute to the achievement of a sustainable environment.

2.3. Business performance. Personnel

Details are attached of the FCC Group's staff at year-end, by business area:

Areas	Spain	Abroad	Total	%s/Total	%Chg. 2018
Environment	32.691	7.316	40.007	69%	1.57%
Water Management	6.570	2.939	9.509	16%	16.85%
Construction	3.855	4.346	8.201	14%	-11.90%
Cement	806	277	1.083	2%	2.36%
Concessions	111	-	111	0%	N/A
Central Services and Others	332	71	403	1%	29.58%
TOTAL	**44.365**	**14.949**	**59.314**	**102%**	**1.91%**

3. Liquidity and capital resources

Liquidity

In order to optimise its financial position, the FCC Group maintains a proactive liquidity management policy with daily cash monitoring and forecasts.

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

In order to improve the Group's liquidity position, active collection management is carried out with customers to ensure that they meet their payment commitments.

To ensure liquidity and meet all payment commitments arising from the business, the Group has cash flows as shown in the balance sheet (see note 16 to the consolidated financial statements) and detailed financing (see note 19 to the consolidated financial statements).

Note 29 to the consolidated financial statements sets forth the policy implemented by the FCC Group to manage liquidity risk and the factors mitigating said risk.

En la nota 29 de la Memoria consolidada se desarrolla la política puesta en práctica por el Grupo FCC para gestionar el riesgo de liquidez, así como los factores mitigantes del mismo.

Capital resources

The Group manages its capital to ensure that its member 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.

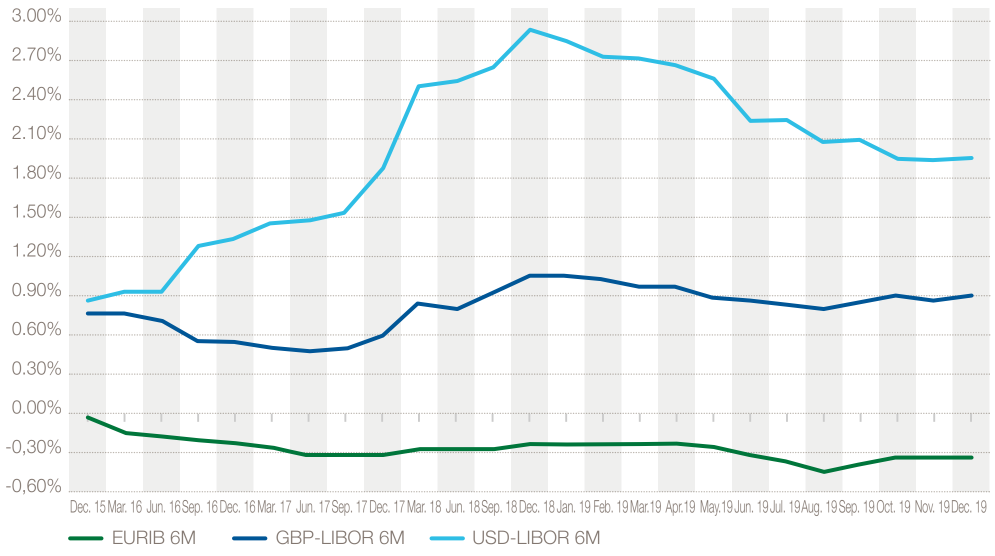
During 2019, FCC Servicios Medioambiente Holding, S.A.U. completed the issuance of two single bonds in the amount of 1,100 million euros, just as FCC Aqualia, S.A. did in 2017. The main use of these funds was the voluntary early repayment of all of FCC's syndicated financing, which was signed in September 2018 and amounted to 1,200 million euros.

Also, in November 2018 FCC, S.A. registered a promissory note programme amounting to 300 million euros, which was subsequently extended to 600 million euros in March 2019, and during 2019 new financing facilities were arranged in the form of credit facilities and bilateral loans (see Note 19 on non-current and current financial liabilities in the 2019 Report).

These operations have made it possible to complete the process of debt reduction and financial reorganisation initiated five years ago and to continue with the policy of diversifying financing sources; all this contributing to achieving a much more stable and efficient capital structure, with amounts, terms and financing costs suitable according to the nature of the different business areas.

In order to optimise the cost of capital resources, the FCC Group maintains an active policy of interest rate risk management, constantly monitoring the market and taking different positions depending mainly on the assets financed.

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



This section is discussed in greater detail in note 29 to the consolidated financial statements.

4. Major risks and uncertainties

4.1. Risk Management Policy and System

The FCC Group has a Risk Management Policy and System approved by the Board of Directors, designed to identify and evaluate potential risks that could affect the business and to establish mechanisms integrated into the organisation's processes to manage the risks within the accepted levels, providing the Board of Directors and management of the FCC Group with reasonable assurance that the objectives will be met. Its scope of application covers all the Group companies, as well as the investees in which FCC has effective control and the companies acquired, from the date on which the acquisition becomes effective.

It also covers FCC Group employees belonging to consortiums, joint ventures and partly state-owned companies.

The risk management activity at FCC is governed, among other principles, by the integration of the risk-opportunity vision and the assignment of responsibilities, which, together with the separation of functions, enable continuous monitoring and control of risks, consolidating a suitable control environment.

The activities included in the FCC Group's Risk Management Model include the assessment of risks, including tax risks, in terms of impact and probability of occurrence, giving rise to Risk Maps, and subsequently the establishment of prevention and control activities to mitigate the effect of such risks. In addition, this Model includes the establishment of reporting flows and communication mechanisms at different levels, which allow both decision-making and its review and continuous improvement.

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

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

4.2. Major risks and uncertainties

The FCC Group operates worldwide and in different sectors and, therefore, its activities are subject to a variety of socio-economic environments and regulatory frameworks, as well as to different risks inherent to its operations and risks arising from the complexity of the projects in which it participates, which could affect the achievement of its objectives.

Details of the main strategic, operational and compliance risks that could affect the Group's activities, as well as a description of the systems used to manage and monitor them, can be found in section E of the Annual Corporate Governance Report, as well as in section 3.3. of the Non-Financial Information Statement.

With regard to financial risks, which are considered to be the changes in the financial instruments arranged by the FCC Group due to political, market and other factors, and their repercussions on the financial statements, the risk management philosophy is consistent with the business strategy, seeking maximum efficiency and solvency at all times. To this end, strict financial risk control and management criteria have been established, 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 29 to the consolidated financial statements, in section E of the Annual Corporate Governance Report and in section 3.3. of the Non-Financial Information Statement.

In addition, the FCC Group is also subject to certain risks relating to environmental and social issues, the management of which is described in greater detail in sections 6 and 7 of the Non-Financial Information Statement.

5. Acquisition and disposal of own shares

At 31 December 2019, the FCC Group owned, directly and indirectly, a total of 1,250,837 shares of FCC S.A. (0.319% of the company's capital).

Transactions involving the acquisition and disposal of own shares during the year are detailed in note 17 to the consolidated financial statements.

6. Significant events occurring after the end of the year

There have been no significant events between the end of the year and the date of preparation of these financial statements.

7. Information on the foreseeable performance of the entity

Set forth below are the prospects for the performance in 2020 of the FCC Group's main business areas.

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

In Spain, moderate growth in activity is expected through the award of new contracts and the entry into operation of disposal facilities that were under construction. In general and once the new local governments emerging from the municipal elections are settled, no major changes are expected in the domestic market conditions.

In Portugal, the business opportunities related to environmental liability decontamination activities are noteworthy.

In the UK by 2020 (as industrial production indicators have already anticipated by the end of 2019) some slowdown in economic activity is expected mainly due to the uncertainties arising from Brexit, so the Bank of England is already prepared to relax monetary policy if necessary. In the environmental area, there is a belief that the UK will not move away from the objectives of the EU's circular economy, so no sudden changes are expected. It is possible that the export of RDF (refuse derived fuels) to Europe will continue to decline, which would create opportunities for the Group due to its degree of diversification in the production chain.

Moderate organic growth is expected in Central Europe. Austria is a mature and fully developed market while the other two most important countries, the Czech Republic and Slovakia, must gradually transform their business model, reducing volumes in landfills and increasing treatment and recycling activities in order to adapt to European Union directives. In principle, this process is more medium-term but, given that the obtaining of permits and the final construction of treatment plants or incinerators is long-term, various projects that could be started in the short term have already begun to be analysed.

As far as the USA is concerned, it represents a market with high development potential for a company with the know-how, experience and use of the most advanced and efficient technologies in providing quality environmental services, as FCC has.

In the **Water business area**, the expectations for 2020 are for an increase in sales and results, if we consider the new contracts already awarded, the maintenance of the high rates of renewal of contracts that Aqualia has historically recorded on expiry, and the expectations of maintaining water consumption after the recovery achieved in 2019 compared to 2018.

In Spain, the expectation of maintaining similar renewal rates in concessions in 2020 as in 2019 is noteworthy, above 90%, although not many opportunities for new contracts are expected due to the downturn of the market.

The Spanish state is paying a half-year fine to the EU of 15 million euros for insufficient water treatment in cities with more than 15,000 inhabitants, and an inspection process is underway in towns with more than 2,000 inhabitants, where non-fulfilment is 25% among the more than 2,000 existing municipalities. The new Government must find solutions to this deficit, via tariff systems through the creation of final, budgetary or concessionary fees. In some Autonomous Communities (Andalusia and Castilla la Mancha), BOT type concessional systems are being studied, but development is very slow.

In the international market the forecast is as follows:

- Within Europe:
  - In Portugal a reactivation of the concession business is expected after the legislative elections held in 2019 and based on the high budget deficit of the Municipalities and the need for infrastructure investment. Similarly, operation and maintenance contracts are expected to be promoted by the public companies belonging to Aguas de Portugal. The Administration will begin the search for solutions to the management of sludge from the sewage treatment plants in the country.
  - In France new tenders are expected for the assignment of public services due to the termination of the contractual term for some of the existing contracts in the country. During this period the partial sale process for the fifth-largest French operator in population served will also be completed.
- In North Africa and the Middle East seawater desalination and wastewater treatment activities continue to present business opportunities in countries where Aqualia is already implemented:
  - In Algeria, the engineering works for the new Mostaganem EDAM sea water abstraction plant continued without incident throughout the year and were completed by mid-December, a substantial improvement on the planned deadline. In January 2020, the complete installation will start up with the new collection facility. The plant will then increase its capacity and be less subject to the influence of sea conditions.

    With regard to the Mostaganem and Cap Djinet projects, in 2019 an agreement was reached for the reassignment of management and operational control functions with our partner for these projects, GS Inima, through which we were able to optimise the management and resources dedicated to supervising their progress and to distribute them more efficiently.

    Regarding the execution of the project for the Abu Rawash wastewater treatment plant, throughout the year progress in the work on the plant was good, with the completion of construction engineering and most of the civil works for the project. In 2020, civil engineering works are expected to be completed and the electromechanical installations assembled.
  - In Saudi Arabia the process of modernisation and provision of the country's hydraulic infrastructures will continue, promoted by the Government in the Vision 2030 programme, by means of public-private collaboration. Progress has been made in the execution of diversion and adjustment works in the affected services on the Riyadh Metro, where Aqualia is continuing work on the diversion of services and provisional and definitive connections on Lines 5 and 6. These activities will continue in 2020.

    With regard to new projects, in 2019 the company tendered on behalf of SWPC (Saudi Water Partnership Company) for three BOT projects for major desalination and wastewater treatment plants. These have been Yanbu 4 (desalination plant with a capacity of 450,000 m^3/d), Jubail 3A (desalination plant with a capacity of 600,000 m^3/d), and Taif (treatment plant with a capacity of 100,000). On the date of preparation of the report, we were waiting for the licensees to be announced. A bid on behalf of National Water Company for water management in the provinces of Medina and Tabuk with 3.6 Million inhabitants has also been prepared. This contract will be awarded in 2020.
  - In Qatar, the Al Dhakhira wastewater treatment plant is expected to start operations by summer 2020, executed by Hyundai with a capacity of 55,000 m^3/d and which will be operated by Aqualia MACE once it enters into service.
- In the USA, during 2019 Aqualia has continued to strengthen its commercial analysis activity. Water scarcity, the obsolescence of the hydraulic infrastructures and the low penetration of private operators in the sector are the source of the main growth opportunities for the company in certain states.
- As for Latin America, the lack of water infrastructures and the search for efficiency in the existing ones are two factors that strengthen Aqualia's growth possibilities:
  - In Mexico the experience gained in the Aqueduct II and Realito BOT (Build, Operate, Transfer) contracts is being used to propose similar projects, where more demanding technical and financial capabilities give Aqualia a benchmark position. As a result of this strategy, Aqualia was awarded the BOT contract for the Guaymas desalination plant, which is currently under construction.

– In Colombia, construction of the El Salitre PTAR (Wastewater Treatment Plant) in Bogotá continues. The company pursues business opportunities for the management of comprehensive services in important municipalities in the country under municipal concession models after the award in December of the comprehensive management of the Municipality of Villa del Rosario for a period of 14 years. Opportunities are also being pursued for the design, construction and financing of hydraulic infrastructures for the purification of wastewater, as well as the search for new sources of drinking water supply in areas where this is required.

– In Panama, work began on the Arraiján WWTP engineering, construction and 10-year operation project that will treat waters for 130,000 inhabitants. The Company was also awarded an assistance and advisory contract for the operational and commercial management of the IDAAN (Institute of National Aqueducts and Sewers), a body that deals with the management of the country's water service. The contract was endorsed by the Comptroller General in last December.

– In Peru the preparation of the significant private initiatives declared in favour of Aqualia will continue (5 treatment plants and 1 desalination plant) and in the USA, there will be a presentation of the projects currently under study to their corresponding clients under the formula of "unsolicited proposals", for their evaluation and, if accepted, for subsequent execution.

In the **Construction** area, in the international market FCC focuses on countries and markets with a stable presence and on the execution of projects with guaranteed financing.

The search for contracts in the domestic and international markets is one of the Group's objectives, although this is done through demanding risk management that must provide access to a selective backlog of projects that ensure the company's profitability and cash flow generation.

Taking into account the above, it is estimated that in 2020, the turnover obtained in Spain will remain similar to that obtained in 2019.

In the foreign market, it is estimated that turnover in 2020 will be similar to that obtained in 2019, with the development of large infrastructure works obtained between 2017 and 2019 and the contribution of markets in America (Central America, Chile, Peru, Colombia), the Middle East (Saudi Arabia) and Europe (the Netherlands, Ireland and Romania).

In the **Cement** area, in 2019 the Spanish economy will continue to grow faster than the surrounding economies, but at an increasingly slower rate.

According to the Association of National Construction Companies (Seopan), in 2019 public tenders have grown by 16.7% (mobile data for November), building approvals increased in 2019 by over 30% and investment in public works by around 9%. These growths are transferred to the consumption of cement, which will increase by 5.9% over the previous year, equivalent to 14.2 million tons, according to December 2019 estimates of the sector's employers, Oficemen. According to this same source, market growth in 2020 will be 2.6%. In 2019 the Cementos Portland Valderrivas Group's domestic sales exceeded 3 million tonnes and exports reached 1.5 million tonnes in the aggregate of cement and clinker.

In Tunisia, growth in the domestic market is not expected for 2020.

In this context, the Cementos Portland Valderrivas Group will continue to develop its cost containment and investment optimisation policies and to adapt all its organisational structures to the reality of the various markets in which it operates, with the aim of improving the generation of resources.

8. R+D+I activities

The FCC Group's R&D&I activities in 2019 have resulted in more than 40 projects.

These projects seek to respond to the challenges of each business area while maintaining overall coordination between the different business areas of the FCC Group.

The activities of the different Business Areas and the main projects developed throughout 2019 are detailed below.

Services

In the environmental services activity, we have continued with the development of projects started in previous years, such as:

- **ADVANCED GLOBAL ENVIRONMENTAL PROCESS AND AGENT MANAGEMENT SOLUTION**
- **METHAMORPHOSIS.**

- **LIFE FILM.**
- **H2020 SCALABLE TECHNOLOGIES FOR BIO-URBAN WASTE RECOVERY (SCALIBUR).**

In addition, new ones have been launched during 2019, which are summarised below:

- **BICOMPARTMENTALISED AUXILIARY TROLLEY:** This is a new motorised street cleaning trolley with electric power, with two versions being built: One with a platform for transporting personnel and one without, both made of fibreglass-reinforced polyester resin.
- **INSECTUM:** It consists of the recovery of urban by-products and bio-waste by means of bio-conversion with insects, for the generation of innovative products in strategic sectors.
- **BICISENDAS:** The project seeks the integration of different technologies to create a modular and customised cycle lane according to the needs of each city. Sustainable, self-sufficient in terms of energy, intelligent, decontaminating, integrated and safe.

Environmentally sustainable materials to develop new structural materials, from industrial waste and by-products are sought. Two alternatives for the removal of hydrocarbons will be developed (one based on microorganisms and the other based on elastomeric absorbent materials).

End-to-End Water Management

Innovation activity in Aqualia focuses on achieving the United Nations Sustainable Development Goals (SDGs), with regard to a water and sanitation service with sufficient and affordable quality (SDG 6), improving its energy balance (SDG 7) and reducing the carbon footprint (SDG 13) through sustainable production and consumption (SDG 12). The activity of the Department of Innovation and Technology (DIT) is in line with European policies for the transition to a circular economy with a zero carbon footprint, for which it seeks the development of new smart management tools and new proposals for sustainable services.

Se enuncian seguidamente los proyectos destacados en 2019:

- **LIFE MEMORY:** in a 50 m^3 industrial reactor in Alcazar de San Juan (Ciudad Real), the project demonstrated the technical and economic feasibility of an innovative Anaerobic Membrane Bioreactor (AnMBR), that enables the direct conversion of the organic matter contained in wastewater into biogas and the production of disinfected recycled water rich in nutrients. The elimination of conventional primary and secondary stages allows a reduction in energy consumption and CO_2 emissions by up to 80%, the required space by 25% and sludge production by around 50%. This technology has been implemented in other projects, such as the WWTP for a small population in Terassa, and the **METHAMORPHOSIS and RUN4LIFE** projects.
- **LIFE BIOSOL (BIOSOLAR WATER REUSE AND ENERGY RECOVERY):** the project led by the French SME Heliopur has demonstrated solar disinfection of reuse water combined with biological processes (algaculture) In addition to the first demonstration stage at the facilities of the CENTA Foundation (Seville), a larger scale facility has been built (3000 m^2 of cultivation) at the El Toyo treatment plant in Almería, where biomass recovery is also demonstrated.
- **H2020 INCOVER:** is a project led by the Aimen technology centre, with FCC Aqualia as the largest company in a consortium of 18 entities from seven different countries. The project seeks to evaluate the use of algae biomass in higher-value products such as bio-fertilisers and bio-plastics. The production of recycled water was also improved with several treatment options involving vegetable filters, solar disinfection and smart irrigation, implemented in the WWTP for Chiclana and Almería, also including biogas washing with algae for CO_2 adsorption.
- **ALL-GAS:** during the execution of the project, the world's first algae biofuel plant has been built and operated, with a capacity of up to 2,000 m^3/day of tertiary treatment of municipal effluent, on an area of two hectares (ha) of algaculture. In addition to recycled water, it produces biomethane to power up to 20 vehicles/ha with a positive energy balance. The biofuel powered three test vehicles that each travelled 70,000 km, with detailed regular analysis of wear and emissions. Together with other municipal service vehicles, a distance of 400,000 km was covered without mechanical incidents, making this a sustainable option for manufacturing autochthonous methane with a neutral carbon footprint.

- **LIFE ANSWER:** this project, led by Mahou, installs microbial fuel cell technology (fluidised MFC - developed by FCC Aqualia together with the University of Alcalá de Henares in a previous project) in the consortium leader's brewery in Guadalajara. It has been shown that there have been energy savings in the process and in the recycling of residual aluminium from cans, by combining the process with a pre-treatment based on electrocoagulation. Recycling options with membranes were also implemented at the factory.
- **LIFE METHAMORPHOSIS:** is a project entrusted to a consortium of six entities (Área Metropolitana de Barcelona, FCC SA, Naturgy, Icaen and Seat) and led by FCC Aqualia, which is completing the construction of two demonstration plants, the first in the Besós Ecopark, managed by the FCC Group. This plant integrates three technologies recently developed by FCC Aqualia (AnMBR, ELAN and the washing of biogas), to convert leachates from urban waste into biomethane. In the second plant, Naturgy is working on the conversion of slurry into biofuel. In both cases, biomethane is tested for injection into the natural gas grid and for use in cars.
- **LIFE ICIRBUS (INNOVATIVE CIRCULAR BUSINESSES):** the project led by the Intromac technology centre, brings together eight companies to demonstrate the reuse of waste from wastewater treatment plants for building materials and the generation of biofertilisers at a plant managed by FCC Aqualia in the town of Lobón, in Extremadura.
- **H2020 MIDES:** through a new technology, the Microbial Desalination Cell (MDC), developed between FCC Aqualia and IMDEA Agua, the energy cost of desalination is reduced by ten times compared to traditional reverse osmosis. Waste organic matter from effluents is used to activate bacteria that transport salts through membranes without external energy input. 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 now up and running, and there is another planned implementation in the Canary Islands.
- **SABANA,** led by the University of Almería, has FCC Aqualia as a main industrial partner, along 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 optimises the production of new bio-fertilisers and bio-stimulants, and the selection of an Aqualia WWTP for the construction of a five-hectare bio-refinery that will enable alternative products to be obtained from microalgae, as an aquaculture model that is environmentally friendly and safer for the consumer.
- **H2020 RUN4LIFE:** led by FCC Aqualia, it emerges from a consortium with fourteen partners from seven different countries. The project implements in four locations (Sneek/Holland, Ghent/Belgium, Helsingborg/Sweden and Vigo/Spain), new concepts of nutrient recovery from the separation of grey and black waters. The Sneek and Vigo facilities are already in service, the first with new depopulation with minimal water consumption, and the second with an AnMBR to produce bioenergy and water for irrigation. The project has encouraged dialogue with the users of new services and by-products to optimise of water and energy consumption through decentralised management of these systems and to assess the effect of new fertilisers.
- **RIS3 VALORASTUR:** this project is part of the RIS-3 programme of the Ministry 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 generating new resources.
- **ADVISOR:** project co-financed by the CDTI and supported by the municipality of Guijuelo. It aims to jointly take in the waste from the meat industry in the area at the WWTP facilities.
- **BBI DEEP PURPLE:** project led by Aqualia has 13 other partners in the consortium. The project aims to implement on an industrial scale a new biological platform integrating purple and phototrophic bacteria (PPB). In the execution of the project, organic matter from wastewater and municipal waste are used, bio-refinery works are being developed to produce biofuels and to recover cellulose and plastics as new raw materials in the chemical and cosmetic industry. Aqualia's first trials were carried out in Toledo, and a second phase is planned in the Czech Republic.
- **BBI B-FERST:** project in which Aqualia is participating with the aim of developing and evaluating new bio-fertilisers from urban waste and water treatment by-products. Sludge from the Jerez WWTP is expected to be used to supply a fertiliser factory in Huelva.
- **LIFE INTEXT:** the project evaluates and adapts low cost purification technologies to minimise energy costs, carbon footprint and waste. The aim is to provide sustainable solutions for small populations from an ecological and economic point of view. The construction of a platform for the demonstration of these technologies is envisaged at the Talavera WWTP operated by Aqualia.

- **LIFE ULISES:** the project is developing options to transform a conventional WWTP into an "energy production factory", eliminating the carbon footprint. It is being implemented at the El Bobar WWTP in Almería, operated by Aqualia.

There are also two projects that do not involve pilot implementations and development of new processes, but are aimed at training personnel. The first one related to an industrial doctorate supported by the Generalitat de Catalunya, Virtual CSIC whose work has concluded with a doctoral thesis. And the second relating to the H2020 Marie Sklodowska Curie programme of doctorates in European networks, Rewatergy. Within the framework of this programme, two researchers were selected to carry out their doctoral studies at the Universities of Cambridge and Ulster, and then incorporate practical work into Aqualia during the second phase of the training.

In addition, in 2019, two new patents were granted. The first granted by the American patent office, concerning the Anaerobic Membrane Bioreactor. The second granted by the EPO, concerning the Bio-electrochemical Fluidised Bed.

Construction

FCC Construcción promotes an active policy of technological development, constantly bringing innovation to its projects, with a strong commitment to research and development, sustainability and contribution to the quality of life of society as competitive factors. This innovation policy is coordinated with all other business areas of the FCC Group.

The development and use of innovative technologies to carry out the works is an important contribution to added value and is a differentiating factor in today's highly competitive and internationalised market.

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

In addition, the presence of universities and technology centres is essential in almost all projects.

Some of the projects are carried out in a consortium formed with Public Administrations, as is the case of the European Project **LIFE ZERO IMPACT**, *Development and demonstration of an anti-bird strike tubular screen for High Speed Rail lines*, in which the Administrator of Railway Infrastructures (Adif) participates.

The projects highlighted in 2019 are listed below:

- **CALA:** Challenges-Partnership project, the objective of which is to improve hydrological safety and increase the reservoir capacity of concrete dams by implementing side discharge collection channels. Calculation code, experimental validation and construction process. In which FCC Construcción and MATINSA participate.
- **ROBIM:** project within the CIEN programme whose objective is autonomous robotics for the inspection and evaluation of existing buildings with BIM integration, with the development of an automated, active and multidisciplinary technology for the inspection, evaluation and diagnosis of the composition and state of conservation and energy efficiency of the enclosures of the building assets, which facilitates obtaining accurate and sufficiently detailed information on the construction systems and pathologies as well as an in-depth analysis of the building.
- **CYRENE:** project approved by CDTI (Centre for Industrial Technological Development) for MATINSA, the objective of which is the development of a new system for the comprehensive management of road tunnels that contains the control of all the facilities and implements optimised strategies of global management.
- **PWDRON:** project financed by CDTI (Centre for the Development of Industrial Technology), the objective of which is the development of a centralised system for the automated monitoring of the execution of infrastructures in linear civil engineering works, using 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.
- **REFORM2:** project presented with the help of the Catalan Waste Agency and whose objective is the revaluation of by-product (of 0/6 porphyry, a by-product that originates from the generation of ballast and gravel) from quarry extraction through its incorporation into thermoset and thermoplastic matrices for different applications.
- **BIMCHECK:** innovation project approved by CDTI consisting of the implementation of a secure and automated technological management environment based on BIM and Blockchain for FCCCO's quality processes.

- **BICI SENDAS:** project within the CIEN programme, the objective of which is the development of a sustainable, energy self-sufficient, intelligent, decontaminating, integrated and safe cycle lane.
- **POTAMIDES:** MATINSA project and approved by CDTI whose objective is the development of a new technologically advanced universal tool that allows the decision-making in the comprehensive management of the hydraulic public domain at a hydrographic basin level, with the purpose of optimising the availability and quality of the resource guaranteeing the satisfaction of demands.
- **PIELSEN:** belonging to the Challenges-Partnership programme, seeks to create a homeostatic 3D wrap-around architecture to create intelligent adaptive sensitive skin on Building Facades.
- **SAFE:** project of the Challenges-Partnership programme, where the objective is the Development of an Autonomous System for Anchoring Structures in Maritime Construction Work. This intelligent system makes it possible to reduce dependence on human resources, minimise risk, maximise efficiency and increase the safety of field manoeuvres.
- **STARPORTS:** project of the INNTERCONECTA programme (Canary Islands) of CDTI, which will develop a Distributed Wireless System for monitoring, prevention and action for Coastal Management. It consists of the development of an intelligent platform capable of providing detailed information on the state of any maritime infrastructure in real time. It is also intended to develop advanced sensor networks that can be integrated within the same infrastructure and allow significant and reliable data on the state of the infrastructure to be obtained.
- **RESALTO:** project approved by CDTI with the aim of researching and developing sustainable road elements for speed reduction. Three main objectives are investigated; power generation, safety signalling and environmental connectivity.
- **SAFETY 4D:** project financed by CDTI and the objective of which is to develop an advanced and high performance process for occupational hazard prevention in construction with the implementation of the BIM methodology.

FCC Construcción participates in many European and national R&D organisations that share the objective of coordinating the company's role as a driving force for research, development and technological innovation in the building area, in accordance with the proposals of the European Union's current H2020 programme.

Cementos Portland Valderrivas

At the Cementos Portland Valderrivas Group (GCPV), our commitment to society translates into innovation in products, processes and technologies inherent in the materials we 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.

In 2019 Cementos Portland Valderrivas continued its collaboration in the European R&D project in which it is participating as a leading partner; the project is called **BIORECO2VER.**

This project aims to obtain alternative processes for the production, on a commercial scale, of certain chemical products in a more sustainable way from the capture of industrial CO_2 emissions. The ultimate goal is to use this industrial CO_2 as a raw material and stop depending on fossil resources for the manufacture of these products.

During 2019, GCPV has carried out the classification of the emission gases, capturing them on site and sending them to project partners for their subsequent treatment within the framework of the project.

9. Other relevant information. share performance and other information

9.1. Share performance

Attached is a table detailing the performance of FCC's shares during the year compared to the previous year.

	Jan – Dec 2019	Jan – Dec 2018
Closing price (€)	10.92	11.30
Change in the period	-3.36%	35.64%
High (€)	12.80	13.00
Low (€)	10.36	8.22
Average daily trading (shares)	46,163	85,640
Average daily trading (M€)	0.5	0.9
Market capitalisation at end of period (M€)	4,284	4,432
No. of shares outstanding	392,264,826	378,825,506

9.2. Dividends

The Company's Board of Directors resolved to execute the decision adopted by FCC's Shareholders' Meeting on 8 May 2019, under item five on the agenda, to distribute a flexible (scrip) dividend. The main details of this scrip dividend were as follows: the rights were traded on 14-28 May; the cash dividend of €0.40 gross per share was paid on 30 May to the shareholders who had requested it; the capital increase of 13,439,320 shares was registered with the Barcelona Mercantile Registry on 12 June, with the result that the company's capital was increased to 392,264,826 shares. More than 99% of the shareholders chose to receive new shares. This is the first time FCC Group is offering this kind of flexible dividend.

9.3. Own shares

At 31 December 2019, the FCC Group owned, directly and indirectly, a total of 1,250,837 shares of FCC S.A. (0.319% of the company's capital).

10. Definition of alternative performance measures according to ESMA regulations (2015/1415en)

EBITDA

We define Ebitda as earnings from continuing operations before tax, results of companies accounted for using the equity method, financial result, depreciation and amortisation charges, impairment, gains or losses on disposals of non-current assets, grants, net changes in provisions and other non-recurring revenues and expenses. The reconciliation of Ebitda to the income statement headings is as follows:

	Dec 2019	Dec 2018
Operating profit/(loss)	**511.6**	**485.9**
Amortisation of fixed assets and allocation of grants for non-financial and other assets	449.1	376.4
Impairment and profit/loss from disposals of fixed and non-current assets	59.8	(9.8)
Other gains/(losses)	5.3	8.7
Ebitda	**1,025.8**	**861.2**

EBIT

This corresponds to the operating profit in the consolidated income statement presented in the accompanying consolidated financial statements.

Backlog

The FCC Group uses backlog as an extra accounting measure in certain areas of our businesses. We calculate the backlog for our Environment, Water and Construction business areas because these businesses are characterised by medium- and long-term contracts. Because of its typically short-term purchase cycle, we do not calculate backlog for our Cement business area.

As at any given date, the backlog reflects pending production, that is, amounts under contracts or customer orders, net of taxes on production, less any amounts under those contracts or orders that have already been recognised as revenue. We value pending production according to the expected number of units at current prices as at the date of calculation. We include in backlog only amounts to which customers are obligated by a signed contract or firm order.

In the Environment area, we recognise the backlog for our waste management contracts only when the relevant contract grants us exclusivity in the geographical area where the plant, landfill or other facility is located.

In our Water business area, we calculate initial backlog on the basis of the same long-term volume estimates that serve as the basis for our contracts with customers and for the tariffs set in those contracts.

In our Construction business area, we recognise the backlog only when we have a signed contract with, or a firm order from, the end customer.

Once we have included a contract in our backlog, the value of pending production under that contract remains in backlog until fulfilled or cancelled. However, we do adjust the values of orders in the backlog as needed to reflect price and schedule changes that are agreed with customers. For example, after the date of calculation, a price may increase or decrease as a result of changes in contractual production due to additional works to be performed. Due to a number of possible factors, we could fail to realise as revenue part or all of our calculated backlog with regard to a given contract or order. Our backlog is subject to adjustments and project cancellations and is, therefore, an uncertain indicator of future earnings.

In the Real Estate area, the FCC Group calculates the backlog as the amount of the collection corresponding to the sales of homes pending completion at year-end.

Net financial debt

Net financial debt is defined as total gross financial debt (current and non-current) less current financial assets, cash and other current financial assets. The calculation of net debt is provided in note 29 to the consolidated financial statements.

Voluntary turnover rate

Ratio of voluntary departures during the year to staff. Both voluntary departures and leaves of absence are considered to be low.

Fomento de Construcciones y Contratas, S.A. and Subsidiaries

Consolidated Financial Statements for the year ended 31 December 2019 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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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.

INDEPENDENT AUDITOR'S REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

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

Report on the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Fomento de Construcciones y Contratas, S.A. (the Parent) and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2019, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in total equity, consolidated statement of cash flows and notes to the consolidated financial statements for the year then ended.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated equity and consolidated financial position of the Group as at 31 December 2019, and its consolidated results and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRSs) and the other provisions of the regulatory financial reporting framework applicable to the Group in Spain.

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 Consolidated Financial Statements* section of our report.

We are independent of the Group in accordance with the ethical requirements, including those pertaining to independence, that are relevant to our audit of the consolidated 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.

Key Audit Matters

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

Impairment test on Corporación Uniland goodwill

Description	Procedures applied in the audit
The consolidated balance sheet includes goodwill associated with the Corporación Uniland cash-generating unit (CGU) of the Cement area, the carrying amount of which is EUR 326 million, following the recognition of the impairment loss of EUR 70 million estimated in 2019. The Group tests these assets for impairment each year. Management's assessment of the possible impairment is a key matter in our audit, since the assessment is a complex process that requires a significant number of estimates, judgements and assumptions to be made in both determining the valuation method used, which was the discounted future cash flow method, and in evaluating the key assumptions, mainly in relation to the calculation of the discount rate, and the cash flows in the projected period, the cash flows used for calculating the residual value and the perpetuity growth rate, among others.	Our audit procedures included, among others, the performance of substantive tests based on the obtainment of the impairment test performed by management, and the verification of the clerical accuracy of the calculations made, evaluating the reasonableness of the main assumptions considered therein. In this connection, the review of the impairment test included, inter alia, the identification of the key assumptions included therein and the evaluation of the reasonableness thereof, including their consistency with available external and internal evidence and with historical performance. These key assumptions include the discount rate used, which our internal experts evaluated based on general market indicators, the reasonableness of which was evaluated by questioning and checking the calculations detailed by Group management. We also retrospectively reviewed the projections made in prior years in order to identify bias in Group management's assumptions, and evaluated the Group's historical achievement of budgets in order to determine the reliability of the estimates made by management. In addition, we reviewed the sensitivity analyses of the key assumptions. Lastly, we focused our work on reviewing Notes 3.e and 6.b to the accompanying consolidated financial statements, which contain information relating to the impairment test, in particular, the detail of the main assumptions, and on analysing the high sensitivity of the conclusions to possible variances in the key assumptions in the tests carried out.

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Recoverability of deferred tax assets of the Spanish tax group

Description	Procedures applied in the audit
The Group has recognised deferred tax assets in relation to the Spanish tax group amounting to EUR 625 million (see Note 23) at 31 December 2019. At year-end, Group management prepares financial models to assess the recoverability of the deferred tax assets recognised, taking into account the applicable regulatory framework and the most recent business plans approved for the various business areas, in addition to the estimated reversal periods for the temporary differences recognised in the consolidated balance sheet. 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 tax assets recognised in the consolidated balance sheet.	Our audit procedures to address this matter included, among others, the performance of tests on the design and implementation of the relevant controls that mitigate the risks associated with the process of assessing the recoverability of the deferred tax assets recognised, as well as verification that the aforementioned controls operate effectively. In addition, we performed substantive tests based on the obtainment of the financial models prepared by the Group to assess the recoverability of the deferred tax assets recognised and the supporting documentation used as the basis for their preparation. We reviewed the financial models obtained, analysing, among other matters, the consistency of the pre-tax profits projected for the coming years with historical and actual data for the current year. Also, we analysed the estimated reversal periods for the temporary differences recognised in the consolidated balance sheet and involved our internal tax experts in analysing the most significant estimates affecting income tax for the current year. Notes 3.p and 23 to the accompanying consolidated financial statements contain the disclosures relating to the Group's deferred taxes.

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Provisions and contingent liabilities relating to Alpine	
Description	**Procedures applied in the audit**
As a result of the process of liquidating the Alpine Group that started in 2013, a series of lawsuits were initiated against the Group, some of which are for a significant amount. Group management has to assess whether these claims constitute contingent liabilities or whether, on the other hand, a provision should be recognised in the consolidated balance sheet. This was a key matter in our audit, since this assessment requires Group 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 Group management based on the opinions of the internal legal department and its external legal counsel, and are submitted to controls designed to ensure the consistency and reasonableness of the criteria applied.	Our audit procedures included, among others, the review of the evolution of each of the lawsuits affecting the Group as a result of the liquidation of the Alpine Group. To this end, we obtained confirmations from its internal and external legal counsel in order to analyse the current status of the proceedings in progress and discussed with Group management its assessment of the related risk, classifying the risk as "remote", "possible" or "probable". Also, we evaluated whether the Group's disclosures in the consolidated financial statements in relation to the claims currently in progress were 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. Notes 3.m, 18 and 25 to the accompanying consolidated financial statements contain the detail of the provisions and disclosures regarding the contingent liabilities relating to the claims associated with Alpine.

Revenue recognition in certain long-term contracts in the Construction area	
Description	**Procedures applied in the audit**
For a significant proportion of the long-term construction contracts in the Construction area the Group recognises the revenue earned over time by reference to the stage of completion of the contracts in economic terms. This revenue recognition method was a key matter in our audit, as it affects a significant amount of total consolidated revenue, as well as the measurement of the amounts to be billed for work performed, and requires Group management to make highly significant estimates relating mainly to the expected outcome of the contract, the amount of costs yet to be incurred and the accounting, where appropriate, for modifications to the initial contract, all of which fall within the framework of the criteria established in IFRS 15, Revenue from Contracts with Customers. These judgements and estimates are made by the persons in charge of performing the construction work, are subsequently reviewed at the various levels of the organisation and are submitted to controls to ensure the consistency and reasonableness of the criteria applied.	Our audit procedures included the performance of an in-depth, itemised analysis of a selection of projects in order to evaluate the reasonableness of the hypotheses and assumptions made by the Group with an impact on the revenue recognised in the year which include, among others, the determination of the transaction price, the allocation of the transaction price to the various performance obligations, the treatment for accounting purposes of any modifications approved by the customer and the recognition of variable consideration. In addition, we evaluated, with the additional support, where appropriate, of internal experts in infrastructure projects, the reasonableness of the assumptions and hypotheses used by the Group to update the estimated costs, and to measure progress towards satisfaction of the performance obligations. We also reviewed the consistency of the estimates made by the Group in 2018 with the actual data for the contracts in 2019. Lastly, we reviewed the disclosures made by the Group in relation to these matters. Notes 3.r and 15.a to the accompanying consolidated financial statements contain relevant information relating to the recognition of revenue from long-term construction contracts and additional disclosures in relation to balances corresponding to amounts to be billed for work performed.

Other Information: Consolidated Directors' Report

The other information comprises only the consolidated directors' report for 2019, the preparation of which is the responsibility of the Parent's directors and which does not form part of the consolidated financial statements.

Our audit opinion on the consolidated financial statements does not cover the consolidated directors' report. Our responsibility relating to the information contained in the consolidated 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 consolidated 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 consolidated directors' report, or, as the case may be, that the consolidated 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 consolidated directors' report, which consists of evaluating and reporting on whether the aforementioned information is consistent with the consolidated financial statements, based on the knowledge of the Group obtained in the audit of those consolidated 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 consolidated 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 observed that the information described in section a) above was provided in the consolidated directors' report and that the other information in the consolidated directors' report was consistent with that contained in the consolidated financial statements for 2019 and its content and presentation were in conformity with the applicable regulations.

Responsibilities of the Directors and Audit and Control Committee of the Parent for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, the Parent's directors are responsible for assessing the Group'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 Group or to cease operations, or have no realistic alternative but to do so.

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is included in Appendix I to this auditor's report. This description, which is on pages 8 and 9 below, forms part of our auditor's report.

Report on Other Legal and Regulatory Requirements

Additional Report to the Parent's Audit and Control Committee

The opinion expressed in this report is consistent with the content of our additional report to the Parent's audit and control committee dated 27 February 2020.

Engagement Period

The Annual General Meeting held on 28 June 2018 appointed us as auditors for a period of one year from the year ended 31 December 2018.

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. 20.755

27 February 2020

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 consolidated financial statements.

Auditor's Responsibilities for the Audit of the Consolidated 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 consolidated 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Parent's directors.
- Conclude on the appropriateness of the use by the Parent's 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 Group'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 consolidated 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Parent'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 Parent'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 Parent's audit and control committee, we determine those matters that were of most significance in the audit of the consolidated 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.

Balance sheet at closure of 2019

FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A. year ended 31 December 2019 (in thousands of euros)

ASSETS	31/12/19		31/12/18	
NON-CURRENT ASSETS		**3,320,421**		**3,886,375**
Intangible fixed and non-current assets (Note 5 and 8)		**34,452**		**107,342**
Property, plant and equipment (Note 6)		**102,875**		**381,460**
Land and buildings	11,870		51,232	
Other intangible assets	91,005		330,228	
Long-term investments in group and associated companies (Notes 10.a and 21.b)		**3,059,014**		**3,261,214**
Equity instruments	2,775,433		2,759,746	
Loans to companies	283,581		501,468	
Long-term financial investments (Note 9.a)		**23,161**		**42,577**
Deferred tax assets (Note 18)		**100,919**		**72,431**
Non-current commercial debtors		**–**		**21,351**
CURRENT ASSETS		**168,096**		**795,099**
Inventory		**537**		**7,271**
Commercial debtors and other receivables		**112,955**		**479,467**
Trade receivables for sales and services (Note 11)	10,283		368,827	
Clients, group companies and associates (Note 21.b)	33,925		47,255	
Receivables from the public administrations (Note 18)	66,258		49,713	
Other receivables	2,489		13,672	
Short-term investments in group and associated companies (Notes 10.b and 21.b)		**42,968**		**231,061**
Short-term financial investments (Note 9.b)		**1,173**		**7,614**
Cash and cash equivalents		**10,463**		**69,686**
TOTAL ASSETS		**3,488,517**		**4,681,474**

Notes 1 to 24 and the attached annexes I to III form an integral part of the financial statements and, together with these, make up the annual accounts for 2019.

Balance sheet at closure of 2019

FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A. year ended 31 December 2019 (in thousands of euros)

EQUITY AND LIABILITIES	31/12/19		31/12/18	
EQUITY (Note 13)		**1,847,777**		**1,627,680**
Shareholders' equity		**1,847,777**		**1,620,313**
Capital		**392,265**		**378,826**
Issued capital	392,265		378,826	
Share premium		**1,673,477**		**1,673,477**
Reserves		**1,949,424**		**1,140,784**
Shares and equity interests		**(16,068)**		**(11,723)**
Accumulated losses		**(2,392,774)**		**(2,392,774)**
Income statement		**241,453**		**831,723**
Valuation adjustments		**–**		**6,843**
Subsidies, donations and legacies received		**–**		**524**
NON-CURRENT LIABILITIES		**1,080,136**		**2,367,820**
Long-term provisions (Note 14)		**182,740**		**262,914**
Non-current payables (Note 15)		**88,269**		**1,249,960**
Bank borrowings	61,667		1,219,453	
Other financial liabilities	26,602		30,507	
Long-term payables to Group and associated companies (Note 10.c)		**806,485**		**823,052**
Deferred tax liabilities (Note 18)		**2,642**		**27,723**
Trade and other non-current accounts payable		**–**		**4,171**
CURRENT LIABILITIES		**560,604**		**685,974**
Short-term provisions		**1,675**		**3,476**
Current payables (Note 15)		**342,625**		**141,533**
Debt instruments and other marketable securities	300,000		–	
Bank borrowings	25,528		106,410	
Other financial liabilities	17,097		35,123	
Short-term payables to Group companies and associates (Notes 10.d and 21.b)		**188,687**		**283,335**
Trade and other payables		**27,617**		**257,630**
Suppliers	4,048		67,279	
Suppliers, Group companies and associates (Note 21.b)	3,393		8,231	
Other payables to public administrations (Note 18)	1,332		38,623	
Other payables	18,844		143,497	
TOTAL EQUITY AND LIABILITIES		**3,488,517**		**4,681,474**

Notes 1 to 24 and the attached annexes I to III form an integral part of the financial statements and, together with these, make up the annual accounts for 2019.

Income statements corresponding to the business

FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A. year ended 31 December 2019 (in thousands of euros)

	31/12/19	31/12/18
CONTINUING OPERATIONS		
Revenue (Note 20)	**170,426**	**1,247,461**
Trade receivables for sales and services	84,007	1,214,288
Income from interests in Group companies and associates (Note 21.a)	64,534	11,111
Financial income from marketable securities and other financial instruments in Group companies and associates (Notes 20 and 21.a)	**21,885**	**22,062**
Procurements	**(12,168)**	**(158,154)**
Other operating income	**41,428**	**87,745**
Staff expenses (Note 20)	**(32,850)**	**(792,548)**
Other operating expenses	**(69,590)**	**(179,348)**
Fixed and non-current asset amortisation and allocation of subsidies (Notes 5, 6 and 13.f)	**(13,546)**	**(85,735)**
Provision surpluses	**1**	**5,055**
Impairment and gains/(losses) on disposal of assets and other results	–	**(10,588)**
OPERATING PROFIT/(LOSS)	**83,701**	**113,888**
Finance income (Note 20)	**1,281**	**4,483**
Interests in equity instruments in third parties	29	3,381
Marketable securities and other financial instruments of third parties	1,252	1,102
Finance costs	**(78,755)**	**(84,347)**
Payables to Group companies and associates (Note 21.a)	(31,090)	(28,462)
On payables to third parties	(43,371)	(51,383)
Interest cost relating to provisions	(4,294)	(4,502)
Change in fair value of financial instruments (Note 20)	**(7,067)**	**(986)**
Exchange differences	**1,405**	**(1,812)**
Impairment losses and gains/(losses) on disposal of financial instruments (Note 10)	**230,461**	**813,590**
FINANCIAL PROFIT/(LOSS)	**147,325**	**730,928**
PROFIT/(LOSS) BEFORE TAX	**231,026**	**844,816**
INCOME TAX (Note 18)	**10,427**	**(13,093)**
PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS	**241,453**	**831,723**
PROFIT/(LOSS) FOR THE YEAR	**241,453**	**831,723**

Notes 1 to 24 and the attached annexes I to III form an integral part of the financial statements and, together with these, make up the annual accounts for 2019.

Statement of changes in net equity for business

FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A. year ended 31 December 2019 (in thousands of euros)

A) Acknowledged income statement

	31/12/19	31/12/18
Statement of profit and loss	**241,453**	**831,723**
Income and expense recognised directly in equity		
Financial assets available for sale	–	(2,052)
Arising from cash flow hedges	–	161
Subsidies, donations and legacies received	–	23
Tax effect	–	(46)
Income and expenses recognised directly in equity	**–**	**(1,914)**
Write-offs to profit and loss statement		
Subsidies, donations and legacies received	–	(116)
Tax effect	–	13
Total transfers to the income statement	**–**	**(103)**
TOTAL RECOGNISED INCOME AND EXPENDITURE	**241,453**	**829,706**

Notes 1 to 24 and the attached annexes I to III form an integral part of the financial statements and, together with these, make up the annual accounts for 2019.

Statement of changes in net equity for business

FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A. year ended 31 December 2019 (in thousands of euros)

B) Statement of changes in equity

	Capital stock (Note 13.a)	Share premium (Note 13.b)	Reserves (Note 13.c)	Own shares (Note 13.d)	Accumulated losses	Profit/(loss) for the year	Other equity instruments	Valuation adjustments (Note 13.e)	Subsidies (Note 13.f)	Equity
Equity as at 31 December 2017	**378,826**	**1,673,477**	**953,856**	**(4,427)**	**(2,392,774)**	**184,337**	**2,590**	**8,775**	**617**	**805,277**
Total recognised income and expenditure						**831,723**		**(1,932)**	**(85)**	**829,706**
Transactions with partners or owners				**(7,296)**						**(7,296)**
Transactions with shares or equity interests (net)				(7,296)						(7,296)
Other changes in net equity			**186,928**			**(184,337)**	**(2,590)**		**(8)**	**(7)**
Equity as at 31 December 2018	**378,826**	**1,673,477**	**1,140,784**	**(11,723)**	**(2,392,774)**	**831,723**		**6,843**	**524**	**1,627,680**
Total recognised income and expenditure						**241,453**				**241,453**
Transactions with partners or owners	**13,439**		**(23,083)**	**(4,345)**						**(13,989)**
Capital increases (Note 13)	13,439		(13,517)							(78)
Distribution of dividends (Notes 3 and 13)			(9,566)							(9,566)
Transactions with shares or equity interests (net)				(4,345)						(4,345)
Other changes in net equity			**831,723**			**(831,723)**		**(6,843)**	**(524)**	**(7,367)**
Equity as at 31 December 2019	**392,265**	**1,673,477**	**1,949,424**	**(16,068)**	**(2,392,774)**	**241,453**				**1,847,777**

Notes 1 to 24 and the attached annexes I to III form an integral part of the financial statements and, together with these, make up the annual accounts for 2019. In particular, note 13 "Net equity" contains further details on this statement.

Cash flow statement for the business

FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A. year ended 31 December 2019 (in thousands of euros)

	31/12/19		31/12/18	
Profit/(loss) for the year before tax		**231,026**		**844,816**
Adjustments to profit/(loss)		**(212,458)**		**(661,410)**
Depreciation and amortisation (Notes 5 and 6)	13,546		85,850	
Impairment loss allowances (Note 10)	(230,348)		98,835	
Changes in provisions (Note 14)	7,688		17,721	
Profit/loss from cancellations and disposals of fixed and non-current assets (Note 20)	(1)		(44)	
Gains from cancellations and disposal of financial instruments (Note 10)	(59)		(913,146)	
Finance income (Note 20)	(87,700)		(37,656)	
Finance costs	78,754		84,347	
Exchange differences	(1,405)		1,812	
Change in fair value of financial instruments	7,067		986	
Other income and expenses	–		(115)	
Changes in working capital		**(4,766)**		**(20,351)**
Trade and other receivables	(19,753)		(25,780)	
Trade and other payables	15,064		1,712	
Miscellaneous current assets and liabilities	(77)		3,717	
Other cash flows from operating activities		**(71,611)**		**(155,783)**
Payment of interests	(72,408)		(82,775)	
Interest and dividend collections	78,830		29,196	
Income tax refunded/(paid) (Note 18)	(72,649)		(92,603)	
Other collections and payments	(5,384)		(9,601)	
TOTAL CASH FLOWS FROM OPERATING ACTIVITIES		**(57,809)**		**7,272**

Notes 1 to 24 and the attached annexes I to III form an integral part of the financial statements and, together with these, make up the annual accounts for 2019.

Cash flow statement for the business

FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A. year ended 31 December 2019 (in thousands of euros)

	31/12/19		31/12/18	
Investment payments		**(141,233)**		**(381,569)**
Group companies and associates (Note 10)	(118,114)		(288,595)	
Intangible fixed and non-current asset and property, plant and equipment (Notes 5 and 6)	(22,849)		(84,091)	
Other financial assets	(270)		(8,883)	
Divestment receipts		**1,062,513**		**1,124,093**
Group companies and associates (Note 10)	1,060,970		1,097,137	
Intangible fixed and non-current asset and property, plant and equipment (Notes 5 and 6)	172		15,088	
Other financial assets	1,371		11,868	
TOTAL CASH FLOWS FROM INVESTMENT ACTIVITIES		**921,280**		**742,524**
Proceeds and payments from equity instruments		**(4,423)**		**(7,273)**
Issuance of equity instruments (Note 13.d)	(78)		–	
Acquisition of equity instruments (Note 13.d)	(4,345)		(7,296)	
Subsidies, donations and legacies received	–		23	
Proceeds from (payments on) financial liabilities (Note 15)		**(918,883)**		**(736,081)**
Issuance of:				
Debt instruments and other marketable securities	939,000		–	
Bank borrowings	189,140		1,333,312	
Payables to Group companies and associates	47,140		133,679	
Other payables	2		3,250	
Repayment and amortization of:				
Debt instruments and other marketable securities	(639,000)		(30,250)	
Bank borrowings	(1,324,136)		(2,072,566)	
Payables to Group companies and associates	(117,054)		(102,225)	
Other payables	(4,410)		(1,281)	
Dividend payments	(9,565)		–	
TOTAL CASH FLOWS FROM FINANCING ACTIVITIES		**(923,306)**		**(743,354)**
Effect of changes in exchange rates		**612**		**73**
NET INCREASE/(DECREASE) IN CASH OR CASH EQUIVALENTS		**(59,223)**		**6,515**
Cash and cash equivalents at the start of the period		**69,686**		**63,171**
Cash and cash equivalents at the end of the period		**10,463**		**69,686**

Notes 1 to 24 and the attached annexes I to III form an integral part of the financial statements and, together with these, make up the annual accounts for 2019.

Notes to the financial statements at 2019 year-end

1. Company activity

Fomento de Construcciones y Contratas, S.A. is a company constituted in Spain in accordance with the Spanish Limited Liability Companies Law. It is the holding company of FCC Group, which comprises a wide range of Spanish and foreign subsidiaries and associates performing a range of business activities, grouped into the following areas:

- Environmental services. Services related to the collection and processing of solid waste and sanitation of public roads and drainage, the treatment of industrial waste, including both the construction and operation of plants, and energy recovery from waste.
- End-to-end water management. Services relating to the end-to-end management of water: capturing, purification 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 the construction of infrastructure, buildings and similar acilities: toll motorways, motorways, roads, tunnels, bridges, waterworks, ports, airports, urban developments, homes, non-residential construction, lighting, industrial HVAC, environmental restoration, etc.
- Cement. Operation of quarries and mineral sites, the manufacture of cement, limestone, plaster and derivate pre-manufactured products and the production of concrete.
- Concessions. Mainly focusing on operation of contracts classified as concession arrangements, particularly motorways, tunnels and a wide range of other infrastructure.

FCC Group is also present in the real estate sector, both through the company FC y C, S.L.U., and through its direct and indirect 37.14% holding in Realia Business, S.A., whose main activity focuses on the development of homes and the office rental market, both domestically and internationally.

Its registered office is at C/ Balmes 36, Barcelona.

At its meeting on 8 May 2019, the Ordinary General Shareholders' Meeting resolved to approve the corporate reorganisation of the Group's environmental services activities and the allocation of core assets (spinoff) in this area to a subsidiary. As a result, the spinoff deed "Spinoff between Fomento de Construcciones y Contratas, S.A. (as the company divesting the assets) and FCC Medio Ambiente, S.A. (as the beneficiary company)" was signed on 5 September 2019, through which the former allocated a portion of its assets, including:

- Collection, treatment and disposal of municipal solid wastes, cleaning of public roads, building maintenance, urban sanitation and maintenance of green spaces and beaches.
- Activities related to industrial waste management and treatment services performed directly in Spain by the company divesting the assets.
- Financial holdings in a number of commercial companies through which it performs these activities.

The above activities represent an autonomous and independent business unit transferred as a block by universal succession to the entity FCC Medio Ambiente, S.A., pursuant to the provisions of Articles 71, 73 and subsequent articles of Law 3/2009, of 3 April, on structural modifications of commercial companies. The beneficiary company therefore subrogates the position of Fomento de Construcciones y Contratas, S.A. in relation to all of the assets, rights, actions, obligations, holdings, responsibilities and charges relating to the spun off assets and liabilities by universal succession. The beneficiary company is also legally obliged to accept as part of its workforce all of the workers of the company divesting the assets (18,562) involved in the management of the spun off assets.

FCC Group undertook this operation to streamline its organisational structure by organising the entire environmental services business line under an independent entity to optimise commercial, business and financial risk management through greater specialisation and a sharper individual focus.

The spinoff balance sheet used for this operation is that for the year-ended 31 December 2018, when the net value of the equity divested amounted to 475,291 thousand euros. This has no effect on the consolidated financial statements of FCC Group, as the beneficiary company is 100% owned, directly and indirectly, by Fomento de Construcciones y Contratas, S.A. Details of the spinoff, including the proportional integration of the spun off joint ventures, are as follows:

ASSETS		
NON-CURRENT ASSETS		**578,168**
Intangible assets		**98,304**
Property, plant and equipment		**285,151**
Land and buildings	36,965	
Other intangible assets	248,186	
Non-current investments in Group companies and associates		**139,631**
Equity instruments	57,637	
Loans to companies	81,994	
Non-current financial assets		**21,072**
Deferred tax assets		**12,659**
Non-current trade receivables		**21,351**
CURRENT ASSETS		**466,941**
Inventories		**7,078**
Commercial debtors and other receivables		**406,661**
Trade and other receivables	363,546	
Trade receivables from Group companies and associates	27,036	
Accounts receivable from public authorities	6,142	
Other receivables	9,937	
Current investments in Group companies and associates		**11,183**
Current financial assets		**8,495**
Cash and cash equivalents		**33,524**
TOTAL ASSETS (A)		**1,045,109**

LIABILITIES		
NON-CURRENT LIABILITIES		**129,762**
Non-current provisions		**69,449**
Non-current payables		**30,056**
Bank borrowings	15,559	
Other financial liabilities	14,497	
Non-current payables to Group companies and associates		**11**
Deferred tax liabilities		**26,075**
Trade and other non-current accounts payable		**4,171**
CURRENT LIABILITIES		**432,689**
Short-term provisions		**1,517**
Current payables		**124,972**
Bank borrowings	98,312	
Other financial liabilities	26,660	
Current payables to Group companies and associates		**66,934**
Trade and other payables		**239,266**
Payables to suppliers	62,944	
Suppliers, Group companies and associates	5,568	
Other accounts payables to public authorities	47,126	
Other payables	123,628	
TOTAL LIABILITIES (B)		**562,451**
DIVESTED NET ASSETS (A-B)		**482,658**
Valuation adjustments and grants received		**7,367**
CAPITAL INCREASE IN BENEFICIARY COMPANY		**475,291**

The spinoff did not involve any exchange of securities and there is therefore no requirement to calculate a swap rate. For the purposes of Article 71 of the Structural Modifications act, there was no reduction in share capital of the company divesting the assets, with Fomento de Construcciones y Contratas, S.A. having received the shares resulting from the increase in share capital of the beneficiary company FCC Medio Ambiente, S.A., amounting to 6,727 thousand euros, and an issue premium of 468,564 thousand euros, in exchange for its divested equity.

This spinoff has accounting effect from 1 January 2019 and is subject to the special tax neutrality regime provided for in Chapter VII of Title VII of Act 27/2014 of 27 November 27 on Corporate Income Tax, under Article 76.3 of that Act. This spinoff was filed with the Mercantile Registry of Barcelona on 1 October 2019.

A corporate reorganisation was subsequently carried out in the environmental services area through the incorporation of a holding company, FCC Servicios Medio Ambiente Holding, S.A.U., fully owned by Fomento de Construcciones y Contratas, S.A. (Note 10).

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 is involved, pursuant to the Code of Commerce, 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 introduced the Spanish General Chart of Accounts, together with its amendment, incorporated by Royal Decree 602/2016, of 2 December. The accounting policies and standards contained in the regulatory amendments of Royal Decree 1159/2010, of 17 September, and sector plans, including Order EHA/3362/2010, enacting the accounting plan of public infrastructure concessionary companies, and all applicable obligatory standards, resolutions and recommendations of the Spanish Accounting and Audit Institute (ICAC) have also been included. Accordingly, these financial statements present a fair view the company's equity, financial position, results and cash flows in the corresponding year.

In particular, it should be noted that as a result of the publication in 2009 by the ICAC of a consultation 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" are 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 2018 financial statements were approved by shareholders at the Annual General Meeting held on 8 May 2019.

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 ownership of each joint venture.

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 corresponding amounts are broken down when they are significant.

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

	2019	2018
Revenue	1,864	172,542
Operating profit/(loss)	68	17,221
Non-current assets	29	101,929
Current assets	2,915	217,498
Non-current liabilities	2	33,794
Current liabilities	2,869	272,036

The contribution of the joint ventures is much lower than in the previous year due to the transfer of a significant part of them to environmental services activities (Note 1).

The joint ventures and percentage holdings are listed in Annex II.

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.

Going concern

At 31 December 2019, the company had negative working capital of 392,508 thousand euros.

Despite this, the directors of Fomento de Construcciones y Contratas, S.A. have prepared the financial statements on a going-concern basis, as the debt is: (i) with its subsidiaries (188,687 thousand euros); and (ii) from the issuance of a 300,000 thousand euro Euro Commercial Paper Programme (ECP) in the Euronext Dublin market in Ireland. In addition, there are no doubts about the capacity of the group of companies of which the company is the head to generate funds from its operations, or of its ability to finance itself if it needs working capital, having increased the Euro Commercial Paper Programme (ECP) to 600,000 thousand euros in March 2019, of which only the aforementioned amount of 300 million has been drawn. This is further bolstered by the confidence deriving from the renewal of bank credit facilities amounting to 435,000 thousand euros, of which 20,923 thousand had been drawn at 31 December. The company also has the capital and financial support of its equity holders.

Consolidated financial statements

Fomento de Construcciones y Contratas, S.A. is the head of a group of companies forming 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), as set forth in Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002 and all enacting provisions and interpretations. These 2019 consolidated financial statements of FCC Group, which have been 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) show a total volume of assets amounting to 12,574 million euros (10,524 million euros at 31 December 2018) and net equity attributable to the company's shareholders of 1,951 million euros (1,684 million euros at 31 December 2018). Likewise, consolidated sales amount to 6,276 million euros (5,990 million euros at 31 December 2018). Lastly, attributable consolidated profit was 267 million euros (252 million euros at 31 December 2018).

Restatements

No restatements were made in the current financial statements.

Comparison of information

The spinoff detailed in Note 1 should be taken into account when comparison information. The corresponding notes in this report indicate the resulting changes, under the title "Spinoff of environmental activity".

3. Distribution of profit

The Board of Directors of Fomento de Construcciones y Contratas, S.A. decided to make the mandatory allocation of profit to the legal reserve in the amount of 2,687 thousand euros, allocating the remaining profit for 2019 of 238,766 thousand euros to retained earnings; accordingly, it was not proposed to distribute or apply this profit to any other account.

In 2018 the company made a profit of 831,723 thousand euros, which was allocated to voluntary reserves. After the preparation of these financial statement, the Ordinary General Shareholders' Meeting approved the distribution of a scrip dividend with an impact on voluntary reserves of 23,083 thousand euros.

4. Recognition and measurement standards

The main recognition and measurement bases used by the company in the preparation of the 2019 financial statements, in accordance with the Spanish General Chart of Accounts, were as follows:

a) Intangible assets

a.1) Concession arrangements

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 concessionary companies. 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 restoration 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 Provisions to replace and repair the infrastructure are systematically charged to 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 for 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, basically software applications, 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 property, plant and equipment, and the recoverable amount of the assets was not lower 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 property, plant and equipment 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 resulting from external costs, in-house costs determined on the basis of the in-house consumption of materials, 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 useful life
Buildings and other constructions	25 – 50
Technical installations and machinery	5 – 15
Other fixtures, tools and furniture	8 – 12
Other items of property, plant and equipment	4 – 10

However, some contracts may have terms shorter than the useful life of the related property, plant and equipment, in which case they are depreciated over the term of the contract.

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

All of the company's intangible assets and property, plant and equipment have a finite useful life and it therefore performs impairment tests to estimate the possible existence of losses that cause their recoverable amount to fall below their carrying amount.

The recoverable amount is the higher of fair value less costs to sell and value in use. To calculate the recoverable amount of assets subject to impairment tests, the present value of the net cash flows originating from the associated cash-generating units (CGUs) is estimated, and a pre-tax discount rate is used to discount cash flows; this discount rate 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 an impairment loss 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 of 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 the 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, service costs or 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. The lease agreements do not contain any renewal agreements or 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 the 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 applied for recognition of 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, as 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 from 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 joint control is exercised with one or more partners through an agreement.
- Available-for-sale financial assets: 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 control, the costs of which 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 this value is lower than its carrying amount, in which case, the 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 payment 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 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 profit or loss corresponding to the hedging instrument recognised 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, this 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.

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) Inventories

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 converted at the exchange rates prevailing at the transaction date.

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

h) Corporate income tax

The expense for corporate 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, adjustments to deferred tax assets and liabilities due to changes in the prevailing tax rate are recognised as an corporate income tax expense.

The temporary differences between accounting profit and taxable profit for corporate 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 performing financial discounting at any time.

The company capitalises deferred tax assets corresponding to temporary differences and tax losses pending offset, except in 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 payment) 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, 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. 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 funds 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 restoration 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.

Contingent liabilities resulting from 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 are not recognised in the financial statements, as the probability that such obligation will have to be met is remote.

k) Environmental assets

As indicated in Note 1, following the spinoff of its environmental activities, the company is now practically a holding company and the head of the FCC Group. It therefore has hardly any assets of an environmental nature on its balance sheet.

The acquisition of these elements is recognised in "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 prevailing accounting legislation.

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

The company's management considers that any contingencies related to environmental protection and improvement at 31 December 2019 would not have a significant impact on the accompanying financial statements, which include provisions to cover the probable environmental risks that might arise.

l) Pension and similar obligations

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

The company has taken out insurance to cover death, permanent employment disability, retirement bonuses and pensions and other concepts for some executive directors and company officers. The contingencies that might give rise to compensation include 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 mergers or disposals.
- 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 expenses" in the income statement.

m) Grants

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

m.1) Non-repayable grants

These 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 accrue.

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 (notes 4.h and 18).
- The recoverability of investments in Group companies and associates, and loans and accounts receivable with these (notes 4.e and 10).
- The measurement of possible impairment losses on certain assets (notes 4.c, 5 and 6).
- The useful life of property, plant and equipment and intangible assets (notes 4.a and 4.b).
- The calculation of certain provisions (notes 4.j and 14).
- The recognition of income pending invoicing (notes 4.i and 11).

Although these estimates were made on the basis of the best information available at 31 December 2019, 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 from the company's principal revenue-producing activities and other activities that are not classified as 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 settlement of financial liabilities, equity instruments and dividends.

5. Intangible assets

Changes in this heading in the accompanying balance sheet in 2019 and 2018 were as follows:

	Concession arrangements (Note 8)	Software applications	Other intangible assets	Accumulated amortisation	Impairment	Total
Balance at 31.12.17	**115,655**	**47,349**	**34,877**	**(97,785)**	**(3,595)**	**96,501**
Additions or allocations	707	2,460	2,385	(14,422)	56	(8,814)
Derecognitions, disposals or reductions	(7,817)	(37)	(1,536)	3,476	3,539	(2,375)
Transfers	28,830	—	2,124	(8,924)	—	22,030
Balance at 31.12.18	**137,375**	**49,772**	**37,850**	**(117,655)**	**—**	**107,342**
Additions or allocations	—	3,973	1,189	(3,937)	—	1,225
Derecognitions, disposals or reductions	—	(733)	—	733	—	—
"Divestment of environmental activities" (Note 1)	(137,322)	(3,309)	(36,690)	79,017	—	(98,304)
Transfers (Note 6)	24,113	97	—	(21)	—	24,189
Balance at 31.12.19	**24,166**	**49,800**	**2,349**	**(41,863)**	**—**	**34,452**

The "Concession arrangements" heading for 2019 features the transfer from the Property, plant and equipment heading of the assets related to waste collection in Houston, USA, amounting, to 24,096 thousand euros. There were also derecognitions in 2018 as a result of the transfer of assets involved in the water business line to the subsidiary FCC Aqualia, S.A., amounting to 6,745 thousand euros, with accumulated depreciation of 2,126 thousand euros.

The balance for "Software applications" relates mainly to implementation, development and improvement costs for the corporate information system, and costs related to information technology infrastructure.

The detail of intangible assets and of the related accumulated amortisation at 31 December 2019 and 2018 is as follows:

	Cost	Accumulated amortisation	Net
2019			
Concession arrangements (Note 8)	24,166	(24)	24,142
Software applications	49,800	(41,526)	8,274
Other intangible assets	2,349	(313)	2,036
	76,315	**(41,863)**	**34,452**
2018			
Concession arrangements (Note 8)	137,375	(53,581)	83,794
Software applications	49,772	(40,167)	9,605
Other intangible assets	37,850	(23,907)	13,943
	224,997	**(117,655)**	**107,342**

With regard to net intangible assets, only 29 thousand euros (26,910 thousand euros at 31 December 2018) relate to assets arising from arrangements operated jointly through joint ventures.

All intangible assets at year-end were used in production processes; however, some such intangible assets, basically software applications, had been fully amortised, in the amount of 31,464 thousand euros (34,295 thousand euros at 31 December 2018). The amount corresponding to joint ventures was insignificant.

At 31 December 2019, the company did not own any significant intangible 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 2019 and 2018 were as follows:

		Other property, plant and equipment				
	Land and buildings	Technical installations and other PP&E	Advances and PP&E under construction	Accumulated amortisation	Impairment	Total
Balance at 31.12.17	**99.316**	**1,012,373**	**7,940**	**(724,230)**	**(5,145)**	**390,254**
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)
Balance at 31.12.18	**101,595**	**1,007,273**	**22,300**	**(744,563)**	**(5,145)**	**381,460**
Additions or allocations	57	38,093	2,883	(10,102)	—	30,931
Derecognitions, disposals or reductions	—	(11,799)	—	11,651	—	(148)
"Divestment of environmental activities" (Note 1)	(81,351)	(908,620)	(7,816)	712,579	57	(285,151)
Transfers (Note 5)	(2,397)	(4,453)	(17,367)	—	—	(24,217)
Balance at 31.12.19	**17,904**	**120,494**	**—**	**(30,435)**	**(5,088)**	**102,875**

The most significant additions in 2019 and 2018 related to assets associated with environmental service arrangements operated by the company, basically for vehicles and machinery used in street cleaning and waste collection contracts. In particular, in 2019 37,708 thousand euros related to contracts in the United States of America. Regarding these contracts, which could not be transferred in the spinoff and whose legal ownership remains with Fomento de Construcciones y Contratas, S.A., an agreement for the assignment of rights and obligations of an economic nature was signed in favour of FCC Medio Ambiente, S.A. on 25 September 2019 and novated on 1 October 2019. This contract will remain in force until the change of ownership of the contracts, once authorisations is received from the administrations that awarded the contracts.

The "Derecognition, disposals or reductions" heading basically includes derecognition of assets that had mostly been depreciated in full.

The detail of property, plant and equipment and of the related accumulated depreciation at 31 December 2019 and 2018 was as follows:

	Cost	Accumulated amortisation	Impairment	Net
2019				
Land and buildings	17,904	(946)	(5,088)	11,870
Technical installations and other PP&E	120,494	(29,489)	—	91,005
	138,398	**(30,435)**	**(5,088)**	**102,875**
2018				
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
	1,131,168	**(744,563)**	**(5,145)**	**381,460**

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:

	2019	2018
Land	10,293	20,442
Buildings	1,577	30,790
	11,870	**51,232**

At year-end 2019, there were no assets related to contracts jointly operated through temporary joint ventures (48,975 thousand euros net of accumulated depreciation at 31 December 2018).

Between 2016 and 2018, the company won service contracts for the treatment and marketing of recyclable waste and to collect municipal solid wastes in Florida and Texas in the USA. These arrangements form virtually all property, plant and equipment located abroad and total 72,100 thousand euros net of accumulated depreciation (65,264 thousand euros at 31 December 2018); investments in property, plant and equipment in these arrangements totalled 37,708 thousand euros in 2019 (18,690 thousand euros at 31 December 2018).

In 2019 and 2018, the company had not capitalised any finance costs under “Property, plant and equipment”.

At year-end 2019, 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 property, plant and equipment at year-end had been used in various production processes; however, some of this property, plant and equipment had been fully depreciated, in the amount of 1,569 thousand euros (413,220 thousand euros at 31 December 2018), with the amounts corresponding to temporary joint ventures not being significant.

Property, plant and equipment whose ownership has been restricted by the company basically relates to assets financed through 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 ten years, payable in instalments in arrears in general; accordingly, their present value does not differ significantly from their nominal value. Almost all of the leased assets are lorries and machinery used in the waste collection and cleaning services performed by the company in the United States of America.

The characteristics of the finance lease contracts in effect at the closing date of 2019 and 2018 were as follows:

	2019	2018
Net carrying amount:	**44,078**	**57,901**
Accumulated depreciation	11,831	15,644
Cost of the assets	**55,909**	**73,545**
Finance costs	10,054	5,864
Cost of capitalised assets	**65,963**	**79,409**
Lease payments paid in the year	(15,159)	(17,674)
Lease payments made in prior years	(8,407)	(17,077)
Lease payments outstanding, including the purchase option	**42,397**	**44,658**
Finance costs pending accrual	(7,318)	(2,529)
Present value of the lease instalments outstanding, including purchase option (Note 15)	**35,079**	**42,129**
Average term of leases (years)	3 to 10	3 to 5
Value of purchase options	—	1,301

The maturity dates of the payments pending for lease instalments 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 lease instalments.

b) Operating leases

The company pays operating leases basically for the use of buildings and structures housing its Central Services offices. In 2018, this also included premises and industrial buildings used as offices, warehouses, changing rooms and garages in the performance of the environmental services spun off during this financial year (Note 1).

The amount recognised in 2019 for such lease expenses totalled 12,064 thousand euros (32,773 thousand euros at 31 December 2018).

Noteworthy among the operating lease arrangements signed by Fomento de Construcciones y Contratas, S.A., due to their size, were those relating to 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 this building, with the rental arrangement beginning, once the building had been completed, on 23 November 2012. This arrangement has an 18-year term, extendable at the company's discretion by two periods of five years each, with annual rent adjusted annually in line with the CPI.

  On 21 September 2018, a non-extinguishing modifying Addendum to the original agreement was signed 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.

  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 FCC Group companies that occupied the buildings, including Fomento de Construcciones y Contratas, S.A., with the same duration conditions as the original arrangement. Prior to this, on 29 December 2011, the owners of these buildings and Fomento de Construcciones y Contratas, S.A. had signed two lease agreements for them, for a minimum committed period of 30 years, extendable, at the company's discretion, by two periods of five years each, with initial annual rent adjustable in line with the CPI. These buildings were transferred by the company to their current owner through a sale and leaseback 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 adjusted by the CPI, if this is higher.

At year-end, there were non-cancellable future payment commitments amounting to 159,411 thousand euros (199,171 thousand euros in 2018). Details, by maturity, of the non-cancellable future minimum payments at 31 December 2019 and 2018 were as follows:

	2019	2018
Within one year	10,835	20,486
Second to fifth years inclusive	41,901	67,525
After five years	106,675	111,160
	159,411	**199,171**

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

8. Service concession arrangements

The following table details all the company's assets held under service concession arrangements, classified by asset type:

	Intangible assets	Financial assets	Total
2019	24,142	—	24,142
2018	83,794	24,051	107,845

After the spinoff of the environmental services activity (Note 1), the company retains a single asset classified as a concession arrangement: the recyclables management contract in Houston, United States of America. At the beginning of 2018, the municipality of Houston awarded Fomento de Construcciones y Contratas, S.A. a contract for the design, financing, construction and operation of a plant to separate and market all of the city's recyclable materials, for a period of 15 years, extendable up to a maximum of 20 years. The net assets related to this contract amount to 24,142 thousand euros. This is classified as intangible as invoicing is based on the metric tons processed and, therefore, the demand risk falls on the concessionaire. The ownership of the facilities and land was transferred to the municipality of Houston on 30 December, with the company retaining the right to operate the facilities for a minimum of 15 years from their inauguration (March 2019). The price is regulated by the municipality. This contract is included in the agreement for the assignment of economic rights and obligations signed with FCC Medio Ambiente, S.A. (Note 6).

9. Current and non-current financial assets

a) Non-current financial assets

The balance of "Non-current financial assets" at 2019 and 2018 year-end is as follows:

	Equity instruments	Loans to third parties	Other financial assets	Total
2019				
Loans and receivables	—	1,488	21,556	23,044
Available-for-sale assets	117	—	—	117
	117	**1,488**	**21,556**	**23,161**
2018				
Loans and receivables	—	7,810	25,886	33,696
Available-for- sale assets	8,881	—	—	8,881
	8,881	**7,810**	**25,886**	**42,577**

Loans and receivables

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

	2021	2022	2023	2024	2025 and beyond	Total
Loans and receivables	130	—	—	—	22,914	23,044

The most significant amount recognised under "Loans and receivables" was the 17,555 thousand euro escrow deposit in relation to the sale of Global Vía Infraestructuras, S.A., formalised in 2016, the maturity of which was "2025 and beyond" 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 activities.

Available-for-sale assets

The details at 31 December 2019 and 2018 were as follows:

	Effective ownership	Fair value
2019		
Port Torredembarra, S.A.	15.71%	116
Other		1
		117
2018		
Vertederos de Residuos, S.A.	16.03%	8,764
Port Torredembarra, S.A.	15.71%	116
Other		1
		8,881

The change relates to the spinoff of the environmental services activity in which the holding in Vertedero de Residuos, S.A. was transferred to the company FCC Medio Ambiente, S.A. (Note 1).

b) Current financial assets

The amount shown 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

Details of non-current investments in group companies and associates at 31 December 2019 and 2018 are as follows:

	Cost	Accumulated impairment	Total
2019			
Equity instruments of Group companies	3,715,699	(1,220,103)	2,495,596
Equity instruments of associates	519,851	(240,014)	279,837
Loans to Group companies	320,411	(36,857)	283,554
Loans to associates	27	—	27
	4,555,988	**(1,496,974)**	**3,059,014**
2018			
Equity instruments of Group companies	5,221,459	(2,745,578)	2,475,881
Equity instruments of associates	539,805	(255,940)	283,865
Loans to Group companies	552,112	(50,672)	501,440
Loans to associates	841	(813)	28
	6,314,217	**(3,053,003)**	**3,261,214**

Details of changes in these headings were as follows:

	Equity instruments of Group companies	Equity instruments of associates	Loans to Group companies	Loans to associates	Impairment	Total
Balance at 31.12.17	**5,284,560**	**488,225**	**473,269**	**841**	**(2,954,515)**	**3,292,380**
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
Balance at 31.12.18	**5,221,459**	**539,805**	**552,112**	**841**	**(3,053,003)**	**3,261,214**
Additions or allocations	739,260	—	1,337,058	28	(45,787)	2,030,559
Disposals or reversals	(2,283,029)	—	(1,386,792)	—	1,576,693	(2,093,128)
"Divestment of environmental activities" (Note 1)	(61,991)	(19,954)	(81,967)	(842)	25,123	(139,631)
Transfers	100,000	—	(100,000)	—	—	—
Balance at 31.12.19	**3,715,699**	**519,851**	**320,411**	**27**	**(1,496,974)**	**3,059,014**

The corporate reorganisation in the environmental services area (Note 1), which is detailed below, was particularly significant for movements in equity instruments, loans to companies and impairment in 2019:

- Subscription of 1,119,300 new shares in FCC Medio Ambiente, S.A., with a value of 475,291 thousand euros (6.01 euros nominal value and 418.62 euros issue premium for each share received) as consideration for the spinoff of environmental services activities.
- Sale to FCC Servicios Medio Ambiente Holding, S.A.U. of 8,245,757 shares (99.99%) in FCC Medio Ambiente, S.A. for an amount of 510,393 thousand euros, generating a credit right.
- Assignment to FCC Servicios Medio Ambiente Holding, S.A.U. of the debtor position in the loan of 136,606 thousand euros held by the company with FCC Medio Ambiente, S.A.
- Contribution of 14,530 thousand euros to FCC Servicios Medio Ambiente Holding, S.A.U. to offset losses.
- As a result of the capitalisation of some of the credits generated in the transactions in the previous points, the company subscribed to 9,939 new shares in FCC Servicios Medio Ambiente Holding, S.A.U., with a value of 200,571 thousand euros (115,101 thousand euros and 85,470 thousand euros corresponding to the sale and assignment of credits to FCC Servicios Medio Ambiente Holding, S.A.U., respectively), through capitalisation to settle credits (1,000 euros nominal and 19,180.22 euro issue premium for each share received).
- Sale of shares in FCC Austria Abfall Service AG to FCC Servicios Medio Ambiente Holding, S.A.U. (47,240 shares, 94.48%) and International Services Inc., S.A. (2,750 shares, 5.5%). The values of these transactions were 219,034 thousand euros and 12,751 thousand euros, respectively, generating credit rights in favour of Fomento de Construcciones y Contratas, S.A. with the purchasing companies. The company's credit right for the company International Services Inc. SA, together with a loan for 5,000 thousand euros extended to FCC Austria Abfall Service AG was subsequently assigned to FCC Servicios Medio Ambiente Holding, S.A.U.

- Assignment to FCC Servicios Medio Ambiente Holding, S.A.U. of the debtor position in the 8,000 thousand euro principal loan between the company and FCC Environment CEE Gmbh (the lender). The amount assigned was 8,999 thousand euros, including accrued and unpaid interest.
- Sale to FCC Medio Ambiente Reino Unido, S.L.U. of: 1 share (100%) in FCC PFI Holdings Limited, 1 share (100%) in Enviropower Investments Limited, and 3,530 shares (100%) in Azincourt Investment, S.L.U., for a total price of 245,576 thousand euros, generating a credit right in favour of the company.
- Assignment to FCC Medio Ambiente UK, S.L.U. of credit rights totalling 333,735 thousand euros with the companies FCC PFI Holdings Limited, Azincourt Investment, S.L.U., FCC Recycling (UK) Limited, FCC Lostock Holdings Limited and Enviropower Investments Limited.
- Assignment to FCC Servicios Medio Ambiente Holding, S.A.U. of a credit right for the amount of 579,311 thousand euros in relation to FCC Medio Ambiente UK, S.L.U., arising from the sale of shares and assignments of credits detailed in the previous two points.
- Assignment to FCC Servicios Medio Ambiente Holding, S.A.U. of a credit right amounting to 44,646 thousand euros in relation to FCC Ámbito, S.A.U.
- Granting of a 275,376 thousand euro subordinated loan to FCC Servicios Medio Ambiente Holding, S.A.U.
- Repayment of the 1,020,000 thousand euro debt that FCC Servicios Medio Ambiente Holding, S.A.U. had to the company (excluding the subordinated loan mentioned in the previous point), which originated mainly from the corporate restructuring operations mentioned in the previous points. This was repaid with funds from the issuance of two bonds by FCC Servicios Medio Ambiente Holding, S.A.U. for a total amount of 1,100,000 thousand euros (Note 15.b).

Equity instruments of Group companies

In addition to the reorganisation in the environmental services area, the following significant movements occurred in 2019:

- Subscription of shares in the capital increase by Cementos Portland Valderrivas, S.A., as compensation for the 100,000 thousand euro subordinated loan granted by the company.
- Acquisition of 39,011 shares in FC y C, S.L. (Unipersonal) belonging to FCC Construcción, S.A. for the amount of 48,780 thousand euros.
- Winding up and liquidation of Corporación Española de Servicios, S.A., Europea de Gestión, S.A. and Compañía General de Servicios Empresariales, S.A., for a total of 167 thousand euros.

The most significant changes in 2018 corresponded to:

- Acquisition of shares of Cementos Portland Valderrivas, S.A. 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. This was followed by the subscription of 20,147 shares amounting to 20,147 thousand euros in the capital increase performed by F C y C, S.L. (Unipersonal) 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 Infraco 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, in accordance with the sale agreements for 49% of the holding in FCC Aqualia, S.A.
- 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. (Aqualia) to the IFM fund.

The conditions established for collection under the contingent price clause in the sale agreement for 49% of Aqualia occurred in 2019: distribution of dividends by Aqualia and interest paid by Fomento de Construcciones y Contratas, S.A. in excess of the amount that would result from applying a rate of 0.25% to the principal of the loan granted by Aqualia. For this reason, the company received the amount of 1,213 thousand euros from the buyer, IFM.

Details by company of the "Investments in Group companies and associates" headings are presented in Annexes I and III, respectively, indicating the following details for each company in which direct ownership interests are held: name, registered office, activity, share of capital directly or indirectly owned, amount of equity (capital, reserves and others), profit or loss, dividends received and whether the company is listed on the stock market, together with its carrying amount.

Equity instruments of associates

The changes in 2019 corresponds to the spinoff of activity (Note 1).

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

Long-term loans to Group companies

The most significant balances were as follows:

	2019	2018
FCC Servicios Medio Ambiente Holding S.A.U. (previously Dédalo Patrimonial)	275,376	18,410
FCC Versia, S.A.	45,000	74,075
FCC Medio Ambiente, S.A.	—	136,606
Cementos Portland Valderrivas, S.A.	—	100,000
FCC PFI Holdings Limited	—	58,746
FCC Ámbito, S.A. Unipersonal	—	48,202
Enviropower Investments Limited	—	44,646
Azincourt Investments, S.L.	—	29,066
Other	35	42,361
GROSS TOTAL	**320,411**	**552,112**
Impairment:		
FCC Versia, S.A.	(36,857)	(36,491)
FCC Servicios Medio Ambiente Holding S.A.U. (previously Dédalo Patrimonial)	—	(14,181)
NET TOTAL	**283,554**	**501,440**

The changes in 2019 related mainly to the corporate reorganisations in environmental services already mentioned and the capitalisation of the loan to Cementos Portland Valderrivas, S.A.

The following are noteworthy with regard to the balance at 31 December 2019:

– Participating loan of 45,000 thousand euros to FCC Versia, S.A., due to transformation of an ordinary loan on 25 November 2015. The initial maturity, 31 January 2018, could be tacitly extended for successive additional two-year periods, provided that neither of the parties stated their wish to terminate it at least two months in advance Since neither of the parties did this, its current maturity date is 31 January 2022. It is therefore classified in non-current assets in the accompanying balance sheet at 31 December 2019. The fixed interest rate is 1%. The interest rate also has a variable part calculated based on indicators of the borrower's profitability. The total maximum interest rate (fixed + variable) has a ceiling and will not exceed 10%. At year-end, interest of 450 thousand euros had accrued (the same as at 31 December 2018). This loan suffered impairment of 36,857 thousand euros at 31 December 2019 (36,491 thousand euros at 31 December 2018).

– Subordinated loan of 275,376 thousand euros extended to FCC Medio Ambiente Holding, S.A.U. in relation to the corporate restructuring in the environmental services area mentioned at the beginning of this note, with maturity at 15 years, with no partial repayments and at a fixed annual interest rate of 2.5%, which will be capitalised. Any amount, whether interest or principal, to be collected by the lender will be subordinated to the full repayment of the bonds issued by the borrower.

Impairment

The following changes occurred:

– Reversal of the impairment of the investment in FCC Construcción, S.A. for the amount of 165,704 thousand euros in 2019 (charge of 101,932 thousand euros in 2018). Impairment was calculated as the difference between the carrying amount of the investment in the books of Fomento de Construcciones y Contratas, S.A. and its recoverable amount, taking consolidated equity as the best evidence of this recoverable amount, which was increased in 2019 by the earnings for the period, among other factors.

– Reversal of the impairment of FCC Servicios Medio Ambiente Holding, S.A.U. for an amount of 85,863 thousand euros, calculated as the difference between the book value of that investment and its recoverable value, taking consolidated equity as the best evidence of this.

– Reversal of impairment of Per Gestora, S.L. amounting to 991 thousand euros in 2019 (4,896 thousand euros in 2018), calculated as the difference between the book value of that investment and its recoverable value, taking equity as the best evidence of this.

– Reversal of the impairment of FM Green Power Investments, S.L. amounting to 9,847 thousand euros.

– Impairment of the holding in Cementos Portland Valderrivas, S.A. of 45,250 thousand euros (3,735 thousand euro charge in 2018), resulting from a reduction in the equity of the Cementos Group as a result of impairment to the goodwill of Uniland. The impairment was calculated as the difference between the book value of that investment in the books of Fomento de Construcciones y Contratas, S.A. and its recoverable value, taking consolidated equity as the best evidence of this.

– The most significant events in relation to the corporate reorganisation of environmental services include the derecognition of the impairment on the holding in Azincourt Investment, S.L.U., in the amount of 1,300,109 thousand euros, and the derecognition of impairment of credits in FCC Medio Ambiente Holding SAU for 14,180 thousand euros.

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. It also includes the balances generated by tax effects with the subsidiaries in the tax consolidation group.

The most significant balances in this regard were as follows:

	2019	2018
FCC Servicios Medio Ambiente Holding S.A.U. (previously Dédalo Patrimonial)	21,727	8,384
F C y C, S.L. (Unipersonal)	11,461	21,290
Fedemes, S.L.	6,247	273
FCC Medio Ambiente, S.A.	1,878	18,047
FCC Environment (UK) Ltd.	464	29,216
Azincourt Investment, S.L. (Unipersonal)	—	113,301
Grupo FCC-PFI Holding	—	20,785
FCC Construcción, S.A.	—	9,845
Other	1,191	9,920
	42,968	**231,061**

c) Non-current payables to Group companies and associates

The changes in 2019 were caused by assignments of loans between Fomento de Construcciones y Contratas, S.A. and companies involved in the corporate reorganisation.

The balance at 31 December 2019 corresponded mainly to the loan extended by FCC Aqualia, S.A. (806,479 thousand euros) to the company, with the following characteristics:

– Loan amount: 806,479 thousand euros.

– Maturity: 28 September 2048.

– Interest periods: annual periods, except the final period which will end on 28 September 2048.

– Interest rate: 3.55%.

– Payment of annual interest when 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. Any unpaid matured interest will be capitalised and accrue interest, as regulated in article 317 of the Code of Commerce.

– Collateral: the guarantees mentioned in Notes 10.a and 19 continued to be granted.

The non-current loans related to FCC Aqualia, S.A. accrued interest in the year amounting to 29,028 thousand euros (16,365 thousand euros at 31 December 2018).

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; details are as follows:

	2019	2018
Asesoría Financiera y de Gestión, S.A.	57,159	119,807
Per Gestora Inmobiliaria, S.L.	50,413	50,398
Fedemes, S.L.	25,453	17,942
FCC Construcción, S.A.	23,636	9,184
F C y C, S.L. (Unipersonal)	14,211	664
Cementos Portland Valderrivas, S.A.	11,112	2,043
Ecoparque Mancomunidad del Este, S.A.	—	30,883
FCC Medio Ambiente, S.A.	—	16,570
Sistemas y Vehículos de Alta Tecnología, S.A.	—	6,803
Other	6,703	29,041
	188,687	**283,335**

In 2019, the decrease in the balance was due in large part to the spinoff and corporate reorganisation of environmental services activity, which resulted in the assignment of the loans between Fomento de Construcciones y Contratas, S.A. and these.

11. Trade receivables for sales and services

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

	2019	2018
Output billed pending collection	6,222	216,158
Output pending invoicing	4,061	152,669
Trade and other receivables	10,283	368,827
Customer advances	—	(13,909)
Total net trade receivables	**10,283**	**354,918**

The decrease in the balance compared to the previous year is due almost entirety to the spinoff of environmental services activities (Note 1).

The total 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" includes the amount of invoices issued to clients for services rendered and pending collection at the balance sheet date.

"Output pending invoicing" includes the difference between the output recognised by the company for each contract and the invoices issued to clients, basically to estimate work performed billed in arrears.

Of the total net trade receivables balance, 190 thousand euros (61,058 thousand euros at 31 December 2018) relate to balances arising from arrangements operated jointly through joint ventures.

The company did not have a significant volume of delinquent trade receivables that were not provisioned at 31 December 2019 (176,758 thousand euros at 31 December 2018). The company considers all balances past due that have not been satisfied by the counterparty to be delinquent.

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	Impact on equity	Impact on profit or loss
2019				
Hedging derivatives	–	–	–	–
Other derivatives	–	–	–	–
2018				
Hedging derivatives	–	1,204	(814)	19
Other derivatives	–	–	–	(5)
	–	**1,204**	**(814)**	**14**

As can be seen in the above table, there were no derivative financial instruments at year-end 2019. Those existing in the previous year were transferred in the spin off of environmental services activity (Note 1) and the amounts were not particularly significant, so no additional information is offered for 2018.

13. Equity

A public deed for the company's bonus capital increase charged to voluntary reserves was filed with the Mercantile Registry of Barcelona on 12 June 2019, formalising the resolution of the 8 May 2019 Ordinary General Shareholders' Meeting to distribute a scrip dividend by issuing new ordinary shares with a nominal value of 1 euro each, with no issue premium, all of the same class and series as those in circulation. This resolution also included an offer by the company to acquire the free allocation rights at a guaranteed price.

At its meeting on 8 May 2019, following the General Shareholders' Meeting, the Board of Directors of Fomento de Construcciones y Contratas, S.A. resolved to execute the scrip dividend distribution resolution adopted by the Shareholders' Meeting, the most significant characteristics of which are described below:

- Maximum value of the scrip dividend: 151,530,202.40 euros, equivalent to 0.40 euros per share.
- Shareholders received the corresponding allocation rights and could choose between three options: receiving the new shares released, transferring their rights in the market or selling their rights to the company for the guaranteed price of 0.40 euros per share.
- The number of free allotment rights required to receive a new share was set at 28. Shareholders who chose this option also received a compensatory cash dividend of 0.638 euros for each new bonus share received, to make this financially equivalent to transferring their rights to the company.
- At the end of the trading period for the free allocation rights on 28 May 2019, holders of 376,300,974 (99.33%) rights had chosen to receive new shares, while shareholders holding 2,524,532 rights had opted to accept the company's offer to acquire their rights at the guaranteed price. Accordingly, a total of 13,439,320 bonus shares with a nominal value of 1 euro were issued, representing 3.55% of the share capital prior to the increase.

The following table shows the effect of distribution of the scrip dividend on the equity of Fomento de Construcciones y Contratas, S.A.:

Share capital increase	13,439
Share capital	**13,439**
Share capital increase	(13,439)
Costs, net of tax	(78)
Acquisition rights at guaranteed price	(1,010)
Compensatory dividend	(8,556)
Voluntary reserves	**(23,083)**
Change in equity	**(9,644)**

a) Capital

Following the capital increase already described, the capital of Fomento de Construcciones y Contratas, S.A. is represented by 392,264,826 ordinary shares, represented by a book entry system, of 1 euro nominal value each.

At 31 December 2018, the capital of the company was represented by 378,825,506 shares.

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 their 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 61.13% at the date of preparation of these financial statements. Furthermore, Samede Inversiones 2010, S.L. has an indirect holding of 15.45% 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%).

Esther Koplowitz Romero de Juseu also holds 127,716 direct shares in Fomento de Construcciones y Contratas, S.A.

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., all of the debt of DDG with the shares of Fomento de Construcciones y Contratas, S.A. as collateral.

b) Share premium

The Spanish Limited Liability Companies Law, as amended, 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 2019 and 2018 is as follows:

	2019	2018	2017
Legal reserve	75,766	75,766	26,114
Other reserves	1,873,658	1,065,018	927,742
	1,949,424	**1,140,784**	**953,856**

In accordance with the Spanish Limited Liability Companies Law, as amended, 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.

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

d) Own shares

Movements in the "Own shares" heading in 2019 and 2018 were as follows:

Balance at 31 December 2017	**(4,427)**
Sales	—
Acquisitions	(7,296)
Balance at 31 December 2018	**(11,723)**
Sales	—
Acquisitions	(4,345)
Balance at 31 December 2019	**(16,068)**

Details of own shares at 31 December 2019 and 2018 were as follows:

2019		2018	
Number of shares	**Amount**	**Number of shares**	**Amount**
1,250,837	(16,068)	823,430	(11,723)

At 31 December 2019, the company's shares represented 0.32% of the share capital (0.22% at 31 December 2018).

e) Valuation adjustments

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

	2019	2018
Available-for-sale financial assets (Note 9)	—	7,657
Hedging transactions (Note 12)	—	(814)
	—	**6,843**

f) Grants

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

	Balance at the beginning of the year	Additions net of tax effect	Transfers to the income statement, net of tax effect	Other changes	Balance at the end of the year
2019	524	—	—	(524)	—
2018	617	17	(102)	(8)	524

In 2019, all grants awarded passed to the company FCC Medio Ambiente, S.A. as part of the spinoff process (Note 1).

14. Non-current provisions

The changes in the year were as follows:

	Procedures related to infras-tructure	Liti-gation	Liabilities and contingencies	Contractual and legal guarantees and obligations	Other	Total
Balance at 31.12.17	**35,348**	**77,547**	**121,059**	**48,857**	**9,002**	**291,813**
Charges	1,535	117	11,915	7,685	5,170	26,422
Amounts used	(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)
Balance at 31.12.18	**35,383**	**93,169**	**76,325**	**48,325**	**9,712**	**262,914**
Charges	—	3,015	6,813	—	1,402	11,230
Amounts used	—	—	(20,813)	—	(951)	(21,764)
Reversals	—	—	—	—	(191)	(191)
"Divestment of environmental activities" (Note 1)	(35,383)	(166)	—	(29,170)	(4,730)	(69,449)
Balance at 31.12.19	**—**	**96,018**	**62,325**	**19,155**	**5,242**	**182,740**

Provisions for procedures related to infrastructure

This provision relates to infrastructure linked to the environmental services activity that has been spun off (Note 1).

Provisions for litigation

These provisions cover the company's risks as the defendant in certain disputes relating to liabilities arising from its activities. Following the spinoff, this provision (96,018 thousand euros) corresponds entirely to the challenge over the sale of Alpine Energie, with the increase in the year being due to financial updating. In relation to the bankruptcy process of the Alpine subgroup, legally answerable to FCC Construcción, S.A., there were no significant changes with respect to the position reported in the 2018 financial statements. The situation is described in greater detail in the following paragraphs.

In 2006, FCC Group acquired an 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 recovery proposal under official receivership. After the court-appointed receiver evidenced the unviability of the bail-out proposal, it filed for - and the court declared - bankruptcy and closure of the company, with the court-ordered liquidation commencing on 25 June 2013. As a result of the bankruptcy of AB, its parent, AH, filed insolvency proceedings before the mercantile court, requesting that the company be declared bankrupt on 28 June 2013; this application was agreed on 2 July 2013.

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

At the date of these financial statements, the insolvency administrators reported recognised liabilities of approximately 1,669 million euros in AB and 550 million euros in AH in the respective court-ordered liquidation processes. The current share in the bankrupt assets amounts to 13%.

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

In July 2015, the Court that was processing AB's bankruptcy agreed to the request of the insolvency receiver to commission the preparation of a report to determine the date on which it should be understood that AB became over-indebted for bankruptcy purposes. The appointed expert was Mr Schima who, based on the report by BDO (the firm at which he was a partner at the issue date of the report), reached the same conclusions, indicating that AB had been insolvent since October 2010. However, in contrast to these conclusions by the insolvency receiver, which were used in several court proceedings, other reports were prepared 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 whom reached different conclusions to BDO/Schima. In particular, in October 2017, the Prosecutor's expert - a doctor of law and audit expert - issued their fourth and final report, which concluded 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 with a joint nominal value of 290 million euros; these bonds 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 prospectuses for these bonds was incorrect, incomplete or supported by false data.

A complaint filed by a bondholder before the Central Financial Crimes and Corruption Prosecutor (Wirtschafts- und Korruptions-Staatsanwaltschaft) immediately after the companies were declared bankrupt prompted the initiation of criminal proceedings in July 2013. Around 480 private prosecutions were filed, mainly by bondholders (Privatbeteiligte), claiming damages of 378 million euros plus interest at the legally established rate.

The Prosecutor investigated more than 25 natural and legal persons with respect to crimes relating to the bankruptcy of the Alpine Group - specifically allegations of negligent insolvency and fraud through false accounting in the Alpine Group's financial statements - before deciding to shelve the investigation on 15 May 2018.

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. During the first half of 2018, the Prosecutor shelved the criminal proceedings filed against FCC and others, although some parties to the private prosecution requested that the proceedings be reopened. The Prosecutor opposed this, arguing that, in addition to the time bar, none of the petitions to reopen the case were supported by the law, as all they were doing was seeking an appraisal of the evidence that was more in line with their particular interests in the case.

In July 2019, Vienna's High Court of Justice rejected the suits filed by the bondholders and other private prosecutions in full, meaning that the preliminary proceedings in the context of the investigation into the commission of any crime in the bankruptcy of the Alpine Group have been definitively archived, as the ruling by the Vienna's High Court is final.

As a result of this bankruptcy process, at 31 December 2019, the Group had recognised provisions amounting to 135,850 thousand euros in relation to the Alpine subgroup, to cover risks and liabilities arising from the bankruptcies of AH and AB. The breakdown of these provisions is as follows:

Challenge against the sale of Alpine Energie	96,018
Guarantees and receivables for work performed by Alpine	39,832
Total	**135,850**

The provision for the challenge to the sale of Alpine Energie Holding AG, amounting to 96,018 thousand euros covers the risk relating to the retroactive suit filed by the insolvency administrator of AB on 11 June 2014 against the Group's parent company, Fomento de Construcciones y Contratas, S.A. and two of its subsidiaries, Asesoría Financiera y de Gestión, S.A. and BVEFT-DOMINTAENA Beteiligunsgverwaltung GmbH.

FCC Construcción, S.A. granted corporate guarantees for AB and other operating subsidiaries of AB to tender and successfully bid for works contracts; six and a half years after the bankruptcy, the risk of these guarantees being enforced has waned. Furthermore, during the normal course of its operations, FCC Group generated receivables from the Alpine Group which, as a result of the bankruptcy proceedings, are unlikely to be collected. FCC Construcción, S.A. has set aside provisions on the liability side of its balance sheet totalling 39,832 thousand euros to cover both of these risks.

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:**

  These proceedings were initiated in July 2013 following the complaint filed by a bondholder against the directors of Alpine Holding GmbH at the time the bonds were issued and insolvency proceedings were initiated. This complaint formed the basis for the investigations by the Financial Crimes and Anti-corruption Prosecutor, who ruled in May 2018 that they should be archived; this decision to archive the investigations was confirmed in the final ruling of Vienna's High Court of Justice in July 2019.

- **Civil and commercial proceedings**

  – Retroactive suit filed by the administrator of Alpine Bau GmbH on 11 June 2014 against FCC and two subsidiaries from its scope of consolidation, Asesoría Financiera y de Gestión, SA and BVEFDOMINTAENA Beteiligungsverwaltung GmbH, as jointly liable parties, challenging the sale of the shares in Alpine Energie Holding AG to the latter of the two subsidiaries. The bankruptcy administrator is not seeking 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 evidence phase.

  – In April 2015, the bankruptcy administrator 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 administrator filed an appeal due to procedural defects in September 2018, which was challenged by FCC Construcción S.A. in October 2018. In April, the Provincial Court of Vienna issued a ruling confirming the procedural defects, referring the cases back to the courts for witness evidence to be taken and for a ruling to be handed down accordingly. FCC filed an appeal against this ruling in May 2019 before the Supreme Court.

  – In April 2017, a Group company, Asesoría Financiera y de Gestión S.A. was notified of a suit in which the bankruptcy administrator 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, 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 issued a report that is being considered by the parties.

  – 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 administrator of Alpine Bau GmbH, claiming 72 million euros for alleged damages caused to the bankruptcy assets, caused by an alleged culpable delay in filing bankruptcy proceedings.

FCC Group has recognised provisions to cover the likely risks relating to some of this litigation.

Provision for third-party liability

This item includes the risks arising for the company in the performance of its activities that are not included in other categories. These include the risks arising from international expansion, as well as tax risks. In 2019 the company applied provisions amounting to 20,186 thousand euros (38,130 thousand euros at 31 December 2018) as part of the procedure initiated by the tax authorities for the recovery of state aid through the adjustment of the tax incentives applied by the FCC Group in previous years related to the tax amortisation of financial goodwill from the acquisitions of foreign shareholdings resulting from the indirect acquisition of shares (Note 18.g).

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, such as 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:

	Non-current	Current
2019		
Debt instruments and other marketable securities	—	300,000
Bank borrowings	61,667	25,528
Finance lease payables (Note 7)	24,650	10,429
Other financial liabilities	1,952	6,668
	88,269	**342,625**
2018		
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
	1,249,960	**141,533**

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

	Maturity					
	2021	2022	2023	2024	2025 and beyond	Total
Bank borrowings	41,667	20,000	—	—	—	61,667
Finance lease payables	7,997	5,964	4,128	6,561	—	24,650
Other financial liabilities	643	366	366	577	—	1,952
	50,307	**26,330**	**4,494**	**7,138**	**—**	**88,269**

a) Bonds and other current marketable securities

In November 2018, Fomento de Construcciones y Contratas, S.A. registered a Euro Commercial Paper Programme (ECP) for an amount of 300,000 thousand euros in the Euronext Dublin market. This was subsequently expanded to 600,000 thousand euros in March 2019, at a fixed interest rate and with a maximum maturity of one year, allowing issues with maturities between 1 and 364 days from the issue date, to meet general funding needs.

At 31 December 2019 the outstanding balance on this programme was 300,000 thousand euros, with maturities ranging, from four to nine months.

b) Non-current and current bank borrowings

All of the syndicated financing arranged in 2018, amounting to 1,200,000 thousand euros, was repaid early and in full on 5 December 2019.

This repayment was largely financed with the funds obtained from the issuance of bonds in the investee company FCC Servicios Medioambiente Holding, S.A.U. (Note 10.a) and funds from new bilateral facilities arranged.

This enabled Fomento de Construcciones y Contratas, S.A. and the FCC Group to successfully complete the debt reduction and financial reorganisation process initiated five years ago, resulting in a much more robust and efficient capital structure, with amounts, maturities and financing costs appropriate to the nature of its business areas.

At 31 December 2019, this heading mainly includes financing facilities in the form of credit facilities and bilateral loans with a maximum limit of 495,000 thousand euros with a number of financial institutions. At 31 December 2019, the balance of this financing drawn down amounted to 80,923 thousand euros. Most of these credit facilities are benchmarked against the Euribor, with a margin of 50 to 70 basis points. The maturities are 12 or 13 months, of which policies amounting to 195,000 thousand euros are tacitly renewable.

16. Trade payables

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, the following table provides information on the average payment period to suppliers for commercial transactions arranged since the date of entry into force of Law 31/2014, i.e. 24 December 2014:

	2019	2018
	Days	Days
Average payment period to suppliers	50	94
Ratio of transactions paid	54	91
Ratio of transactions pending payment	31	108
	Amount	Amount
Total payments made	49,496	337,412
Total payments pending	8,915	82,577

17. Information on the nature and risk of financial instruments

The concept of financial risk refers to changes in the financial instruments arranged by Fomento de Construcciones y Contratas, S.A., as a result of political, market and other factors and their impact on the financial statements. The risk management philosophy of the company and of 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. 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 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.

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, together with the sale in 2018 of a 49% minority stake in FCC Aqualia, S.A. to the IFM fund for 1,024,000 thousand euros.

In addition, on 4 December 2019, two straight bonds were issued by the investee company FCC Servicios Medioambiente Holding, S.A.U. for 1,100 million euros. The resulting funds were mainly used for the voluntary early repayment of the syndicated financing of Fomento de Construcciones y Contratas, S.A., amounting to 1,200 million euros, arranged in September 2018. In November 2018, the company registered a 300 million euro promissory notes programme, which was subsequently expanded to 600 million euros in March 2019 (Note 15.a). In 2019, new funding facilities were arranged in the form of credit facilities and bilateral loans (Note 15.b).

These operations have enabled completion of the debt reduction and financial reorganisation process initiated five years ago and continuation of the policy of diversifying sources of funding. These measures have contributed to achieving a much more robust and efficient capital structure, with suitable volumes, terms and financing costs for the nature of the FCC Group.

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

b) Foreign currency risk

A noteworthy consequence of 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 FCC Group mainly operate is the euro, they also hold 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.

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 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 arranged with credit entities in euros is mainly the Euribor.

Any increase in interest rates could give rise to an increase in financing 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 FCC Group, an interest rate risk management policy is actively implemented, with 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 increases in the interest rate curve with respect to gross debt, excluding debt associated with hedging arrangements:

	+25 pb	+50 pb	+100 pb
Impact on profit or loss	662	1,325	2,650

d) Solvency risk

The most suitable ratio for measuring solvency and debt repayment ability is Net debt/Ebitda.

In 2019, the company improved its solvency with respect to 2018, as can be observed in the changes in net bank borrowings included in the accompanying balance sheet, as shown in the following table:

	2019	2018
Bank borrowings	87,194	1,325,863
Debt instruments and other marketable securities	300,000	—
Financial payables to Group and associated companies	971,965	1,087,743
Other interest-bearing financial debt	41,415	45,726
Financial loans with Group and associated companies	(29,086)	(221,387)
Other current financial assets	(1,172)	(10,313)
Cash and cash equivalents	(10,463)	(69,686)
	1,359,853	**2,157,946**

The most significant variations were due mainly to the repayment of bank debt (Note 15.b).

e) Liquidity risk

Fomento de Construcciones y Contratas, S.A. performs its business in industrial sectors requiring a high level of financing, having so far obtained adequate financing for its operations. However, the company cannot guarantee that these circumstances relating to obtaining financing will continue in the future.

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

Historically, FCC Group has always been able to renew its loan arrangements, and it expects to continue doing so in the coming twelve months. However, FCC Group's ability to renew loan arrangements depends on various factors, many of which are outside the control of FCC Group, such as general economic conditions, the availability of funds for loans from private investors and financial institutions, and the monetary policy of the markets in which it operates. Negative conditions in debt markets could hinder or prevent FCC Group's capacity to renew its financing. Accordingly, FCC Group cannot guarantee its ability to renew its loan arrangements on economically attractive terms. The inability to renew such loans or to ensure adequate financing under 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 meet its working capital needs.

To adequately manage this risk, the Group performs 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, analysing the suitability of the funding and studying alternatives if the conditions are unfavourable on a case-by-case basis. The Group is also present in several markets, which facilitates obtaining credit facilities and mitigating liquidity risk.

f) Concentration risk

The risk arising from the concentration of lending transactions with common characteristics is distributed as follows:

– Funding sources: in order to diversify this risk, the company and FCC Group work with a large number of Spanish and foreign financial entities to obtain funds.

– Markets/geography (domestic, foreign): the company basically operates in the Spanish market; accordingly, its debt is mainly concentrated in euros.

– Products: the company uses various financial products, such as loans, credit facilities, promissory notes, syndicated loans, assignments and discounting.

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, the market opportunities and the level of risk deemed acceptable. This process serves as a base for preparing operating plans that specify the goals to be reached each year.

g) Credit risk

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

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

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

18. Deferred taxes and tax matters

a) Balances with public authorities and deferred taxes

a.1) Tax receivables

	2019	2018
Non-current		
Deferred tax assets	100,919	72,431
	100,919	**72,431**
Current		
Current tax assets	65,385	46,037
Other receivables from the public authorities	873	3,676
	66,258	**49,713**

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

	2019	2018
Capitalisation of tax loss carryforwards	63,180	—
Non-deductible finance costs	18,978	38,396
Provisions	17,228	21,753
Other	1,533	12,282
	100,919	**72,431**

The "Capitalisation of tax loss carryforwards" item arises from the state aid recovery procedure mentioned in Note 18.g.

The management of Fomento de Construcciones y Contratas, S.A., the parent of the Tax Group 18/89 (Note 18.h), has assessed the recoverability of 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 for the related permanent and temporary differences expected to arise each year. The projections show increased profit, as a result of continuing the measures taken to reduce costs and the reinforcement of the Group's financial structure, which have enabled a reduction in financial debt and lower interest rates, resulting in a significant reduction in finance costs.

a.2) Payable balances

	2019	2018
Non-current		
Deferred tax liabilities	2,642	27,723
	2,642	**27,723**
Current		
Other accounts payables to public authorities:		
Withholdings	249	9,905
VAT and other indirect taxes	230	19,101
Social Security bodies	851	8,199
Other items	2	1,418
	1,332	**38,623**

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

	2019	2018
Tax impairment of goodwill	2,167	11,559
Finance leases	—	4,501
Accelerated amortisation and depreciation	25	3,739
Other	450	7,924
	2,642	**27,723**

a.3) Changes in deferred tax assets and liabilities

Movements in deferred tax assets and liabilities in 2019 and 2018 were as follows:

	Deferred tax assets	Deferred tax liabilities
Taxable temporary differences		
Balance at 31.12.17	**87,568**	**29,196**
Arising in the year	–	723
Arising in prior years	(6,400)	(3,625)
Other adjustments	(9,008)	1,326
Balance at 31.12.18	**72,160**	**27,620**
Arising in prior years	(17,230)	–
Other adjustments	45,989	(24,978)
Balance at 31.12.19	**100,919**	**2,642**
Temporary differences arising in the balance sheet		
Balance at 31.12.17	**339**	**113**
Arising in the year	(40)	6
Arising in prior years	–	(13)
Other adjustments	(28)	(3)
Balance at 31.12.18	**271**	**103**
Other adjustments	(271)	(103)
Balance at 31.12.19	**–**	**–**
Total balance at 31.12.19	**100,919**	**2,642**

"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, due to the reversal of deferred tax assets recognised in prior years and the capitalisation of tax loss carryforwards (Note 18.g).

b) Reconciliation of accounting profit to taxable profit

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

	2019			2018		
Accounting profit/(loss) before tax for the year			**231,026**			**844,816**
	Increases	**Decreases**		**Increases**	**Decreases**	
Permanent differences	60,116	(342,420)	(282,304)	121,672	(980,952)	(859,280)
Adjusted accounting profit/(loss)			**(51,278)**			**(14,464)**
Temporary differences						
– Arising in the year	–	–	–	–	(2,890)	(2,890)
– Arising in prior years	–	(68,920)	(68,920)	14,499	(25,598)	(11,099)
Taxable profit			**(120,198)**			**(28,453)**

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

- Impairment on investments of the Tax Group 18/89 and at the remaining investees.
- The exemption to avoid the double taxation of dividends. Corporate income tax Law 27/2014, of 27 November, applicable from 2015, eliminated the tax credit for double taxation of dividends, replacing it with the aforementioned exemption.
- The exemption of gains/losses on the sale of investments in Group companies.

c) Tax recognised in equity

The taxes recognised in equity at year-end 2019 and 2018 were not significant.

d) Reconciliation of accounting profit to the corporate income tax expense

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

	2019	2018
Adjusted accounting profit/(loss)	(51,278)	(14,465)
Corporate income tax charge	(12,820)	(3,616)
Other adjustments	2,393	16,709
Corporate income tax expense/(income)	**(10,427)**	**13,093**

"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 corporate income tax expense

The breakdown of "Corporate income tax expense" for 2019 and 2018 is as follows:

	2019	2018
Current tax	(22,573)	(797)
Deferred tax	12,146	13,890
Total tax expense	**(10,427)**	**13,093**

f) Tax loss carryforwards and unused tax credits

At year-end, the company had tax loss carryforwards from prior years pending offset amounting to 358,969 thousand euros, as a member of Tax Group 18/89, detailed as follows, by year:

	Amount
2013	252,720
2014	47,860
2016	58,389
Total	**358,969**

The company has only recognised a deferred tax asset for the tax loss carryforwards from 2013 (Note 18.g).

The company also has unused tax credits pending application from previous years amounting to 4,025 thousand euros. The company has not recognised a deferred tax asset for this concept. The breakdown is as follows:

Deductions	Amount	Deadline for use
R&D&i activities	2,050	18 years
Internal double taxation relief	770	Indefinite
Reinvestment	730	15 years
Other	475	15 years
	4,025	

The company also has an uncapitalised tax asset, totalling 333 million euros, corresponding to the impairment test performed in prior years on its holding in Azincourt, S.L., the holding company for the shares of the British company FCC Environment (UK). The impairment, which was not deemed to be deductible from the corporate income tax base, amounts to 1,333 million euros. This amount may be tax deductible in the future if Azincourt Investment, S.L. is wound up.

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.

In May 2019, the tax authorities completed a procedure to recover state aid, arising from European Commission Decision 2015/314/EU, of 15 October 2014, relating to the tax amortisation of financial goodwill from the indirect acquisition of foreign holdings. This procedure aims to adjust the tax incentives applied by the company and FCC Group in prior years as a result of the acquisition of the Alpine, FCC Environment (formerly the WRG Group) and FCC CEE (formerly the ASA Group) Groups. The tax authorities have filed a claim for a total of 111 million euros, including 19 million euros in interest, from Fomento de Construcciones y Contratas, S.A., parent company of the FCC Group (Note 20). For the remainder, 63 million euros in tax loss carryforwards from the adjustment by the tax authorities have been capitalised, deferred tax liabilities amounting to 9 million euros have been reversed and a 20 million euro provision in place at year-end 2018 has been applied (notes 14 and 18.a). The company has settled this tax debt but has also filed an economic-administrative appeal against it, which is pending resolution. The legal advisors of Fomento de Construcciones y Contratas, S.A. consider it likely that the amounts already paid in this recovery procedure will be returned. As part of this procedure, the Tax Administration has also recognised tax credits amounting to 63.2 million euros in favour of the FCC group (Note 18.f).

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 corporate income tax of 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 corporate income tax withholdings (periods from 04/2011 to 12/2013) of certain Group companies. In the third quarter of 2018, an corporate 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 FCC Group were adjusted. This tax adjustment did not have an impact on the company's income statement, since the corresponding risks had been adequately provisioned in the financial statements (Note 14). The filing of the aforementioned return completed the inspection of Tax Group 18/89, headed by Fomento de Construcciones y Contratas, S.A., that commenced in June 2015.

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 the parent, Fomento de Construcciones y Contratas, S.A. files consolidated corporate income tax returns, including all the Group companies that comply with the requirements of the tax legislation.

i) Other tax information

The following table includes the details of the "Corporate income tax refunded/(paid)" heading in the statement of cash flows for 2019 and 2018.

	2019	2018
Recovery procedure for state aid	(92,034)	—
Prepayments	(38,008)	(27,559)
Collections from/payments to Group companies for prior years' corporate income tax charge and corporate income tax prepayments in the year	25,183	(39,899)
Prior years' corporate income tax	32,277	2,806
Tax deferrals	—	(27,617)
Withholdings and other	(67)	(334)
	(72,649)	**(92,603)**

19. Guarantee commitments to third parties and other contingent liabilities

At 31 December 2019, Fomento de Construcciones y Contratas, S.A. provided guarantees visà-vis public bodies and private clients, mainly to secure the proper performance of the services under contracts in the United States of America, for 31,588 thousand euros (464,905 thousand euros at 31 December 2018). The decrease compared to the previous year was due to the spinoff of environmental activity (Note 1).

Also, at year-end, the company had provided securities and guarantees to third parties with respect to certain Group companies, totalling 237,148 thousand euros (360,673 thousand euros at 31 December 2018), mainly companies belonging to the Environmental Services division.

Fomento de Construcciones y Contratas, S.A. has also appeared as the respondent in some lawsuits. However, the company's directors consider that the resulting liabilities would not have a material effect on the company's equity.

The possible financial effects of the main contingent liabilities derived from the bankruptcy of the Alpine subgroup would be the cash outflows indicated in the respective lawsuits detailed in Note 14 of this report.

In addition to the disputes related with Alpine, on 15 January 2015 the Competition Chamber of the Spanish National Markets and Competition Commission handed down a ruling with respect to proceedings S/0429/12, for an alleged breach of article 1 of Law 15/2007 on the Defence of Competition. This ruling affects various companies and associations in the waste sector, including Fomento de Construcciones y Contratas, S.A. and other companies that also belong to FCC Group. The Group has 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 FCC Group investees, 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 2018, we were notified of the agreement initiating new legal proceedings for the same conduct investigated in the previous proceedings forming the scope of the upholding decision, commencing an 18-month examining period. In September 2019, an agreement was issued suspending these legal proceedings until the National Court's decision on appeals filed by other companies that had been penalised.

In April 2018, the National Court issued a judgment in relation to the 6 euros per share price applied in the 2017 takeover bid by Fomento de Construcciones y Contratas, S.A. for Cementos Portland Valderrivas, S.A., asking the National Securities Market Commission (CNMV) to recalculate the price. The Group has appealed this judgment, as it disagrees with the valuation criteria applied and because the CNMV had approved the price. The CNMV also filed an appeal. The company believes that it is unlikely that significant additional disbursements will result from this judgment. The accompanying financial statements therefore do not include any provisions in this regard.

As a result of an internal investigation in May 2019 in application of its compliance policy and regulations, the company has become aware of the existence of payments between 2010 and 2014 amounting to USD 82 million that might not be justified and may therefore be illegal. These acts were uncovered as a result of application of the procedures in the FCC Group's compliance rules. The company has informed prosecutors in Spain and Panama about these acts, and has been providing the utmost cooperation since then to clarify what happened, applying the "zero tolerance" anti-corruption principle that permeates the entire FCC Compliance System.

In the context of this cooperation, on 29 October 2019, the National Court's Central Court of Instruction No. 2 resolved to investigate FCC Construcción, S.A. and two of its subsidiaries, FCC Construcción América, S.A. and Construcciones Hospitalarias, S.A. in the context of Preliminary Measures 34/2017. These proceedings have only just begun and it is therefore impossible to determine whether charges will eventually be filed against these companies, and, if so, what their scope will be. These actions may therefore have a financial impact, although we do not have the information needed to qualify this impact.

Additionally, the 2018 agreement for the sale of the FCC Aqualia holding (Note 10.a) 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 has it recognised 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.

This sale led to the formation of the companies FCC Topco, s.a.r.l. and its subsidiary FCC Midco, S.A., with the latter having received securities representing 10% of the shares of FCC Aqualia, which is owned by the company. These shares are pledged to secure certain obligations to FCC Aqualia, primarily the repayment of the 806,479 thousand euro loan that the latter extended to Fomento de Construcciones y Contratas, S.A. 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.

The company is involved in other lawsuits and legal procedures aside from those already described that it considers will not generate significant cash outflows.

The company's stake in joint operations managed through joint ventures, joint ownership, participation accounts and other similar arrangements means that participants share joint and several liability for the activities performed.

The company has not obtained any significant assets as a result of the guarantees enforced in its favour or released.

20. Revenue and expenses

In addition to sales and services, revenue includes dividends and accrued interest arising from finance extended to investees (Note 2).

Of the total for "Sales and services", 37,159 thousand euros corresponds to contracts for environmental services located abroad, specifically in the United States of America (25,914 thousand euros at 31 December 2018), the contracts for which could not be transferred in the spinoff as their legal ownership was retained by Fomento de Construcciones y Contratas, S.A. As indicated in Note 6 of this report, on 25 September 2019, the company and FCC Medio Ambiente, S.A. signed an agreement for the assignment of economic rights and obligations to the latter, which was novated on 1 October. This agreement shall remain in force until the effective transfer of the contracts, once authorisation has been received from the administrations that awarded the contracts. The remaining 46,848 thousand euros classified as sales and services relate to the invoicing of management support services provided to other Group companies.

Details of "Staff expenses" are shown below:

	2019	2018
Wages and salaries	29,840	585,698
Employee welfare costs	3,010	206,850
	32,850	**792,548**

"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:

	2019	2018
FCC Servicios Medio Ambiente Holding S.A.U. (previously Dédalo Patrimonial)	7,186	1,516
Azincourt Investments, S.L. Unipersonal	4,540	6,070
FCC Medio Ambiente, S.A.	3,965	4,204
Grupo FCC-PFI Holding	2,526	2,418
Enviropower Investments, Limited	1,957	2,618
FCC Versia, S.A.	793	751
Grupo FCC Environment (UK)	484	1,801
FCC Ámbito, S.A. Unipersonal	—	1,153
Other	434	1,531
	21,885	**22,062**

Additionally, in 2019 "Financial expenses for loans with third parties" includes 18,837 thousand euros in delay payment surcharges related to the state aid recovery procedure (Note 18.g).

Finally, in 2019, there was a loss of 8,280 thousand euros under the heading "Change in the fair value of financial instruments" due to an adjustment to the sale price of the company FCC Global Insurance, General Services, S.A. in 2009.

21. Related party transactions and balances

a) Related party transactions

Details of transactions with related parties in 2019 and 2018 are as follows:

	Group companies	Joint ventures	Associates	Total
2019				
Services rendered	83,218	311	83	83,612
Receipt of services	14,570	—	162	14,732
Dividends	53,761	9,368	1,405	64,534
Finance costs	31,085	5	—	31,090
Finance income	21,885	—	—	21,885
2018				
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 costs	28,462	—	—	28,462
Finance income	22,062	—	—	22,062

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
2019				
Current financial assets (Note 10)	42,968	—	—	42,968
Non-current financial assets (Note 10)	2,779,150	17,075	262,789	3,059,014
Current payables (Note 10)	188,685	2	—	188,687
Non-current payables (Note 10)	806,485	—	—	806,485
Trade receivables	33,854	52	19	33,925
Trade payables	3,391	1	1	3,393
2018				
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)	276,194	6,896	245	283,335
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

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

	2019		2018	
Company	**Receivable**	**Payable**	**Receivable**	**Acreedor**
FCC Construcción, S.A.	15,667	105	13,977	800
FCC Medio Ambiente, S.A.	10,834	1,987	6,892	96
FCC Aqualia, S.A.	3,149	188	3,538	59
Hidrotec Tecnología del Agua, S.L. Unipersonal	1,840	5	1,233	14
Fedemes, S.L.	1,235	912	511	867
Cementos Portland Valderrivas, S.A.	413	—	558	21
FCC Ámbito, S.A. Unipersonal	142	3	386	73
Grupo FCC Environment (UK)	98	—	805	—
Alfonso Benitez, S.A.	5	4	655	42
Servicios Especiales de Limpieza, S.A.	2	—	674	588
Serveis Municipals de Neteja de Girona, S.A.	—	—	3,957	—
Societat Municipal Mediambiental d'Igualada, S.L.	—	—	2,529	—
Grupo ASA	—	—	1,532	1,450
Servicio de Recogida y Gestión de Resíduos Sólidos Urbanos del Consorcio Vega Sierra Elvira, S.A.	—	—	1,199	630
FCC Environment Services (UK) Limited	—	—	1,038	—
Servicios Urbanos de Málaga, S.A.	—	—	998	—
Valoración y Tratamiento de Resíduos Sólidos Urbanos, S.A.	—	—	970	—
Azincourt Investments, S.L.	—	—	713	—
Ecoparc del Besós, S.A.	—	—	537	—
Empresa Comarcal de Serveis Mediambientals del Baix Penedés COBP, S.L.	—	—	506	—
Empresa Mixta de Medio Ambiente Rincón de la Victoria, S.A.	—	—	459	52
Palacio de Exposiciones y Congresos de Granada, S.A.	—	1	418	—
Sistemas y Vehículos de Alta Tecnologia, S.A.	—	—	283	657
Manipulación y Recuperación MAREPA, S.A.	—	—	216	6
Gandia Serveis Urbans, S.A.	—	—	116	—
FCC Environmental Services (USA) Llc.	—	—	76	711
Gestió i Recuperació de Terrenys, S.A. Unipersonal	—	—	1	1,338
Other	540	188	2,478	827
	33,925	**3,393**	**47,255**	**8,231**

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

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

	2019	2018
Fixed remuneration	525	525
Other remuneration (*)	1.041	1.032
	1,566	**1,557**

(*) Includes the services agreement signed on 27 February 2015 with the director Alejandro Aboumrad (until July 2019), amounting to 338 thousand euros a year. This was replaced from August 2019 by a contract for the same amount with similar terms and conditions with Vilafulder Corporate Group, S.L.U., a company linked to that director.

The senior executives listed below, who are not members of the Board of Directors, received total remuneration of 1,819 thousand euros (4,164 thousand euros in 2018).

2019-2018	
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 for 2018 includes the remuneration received by the chairman of Environmental Services, Agustín García Gila until the end of his employment relationship with the Group on 18 December 2018, and the compensation for the termination of this contract.

The company had previously taken out insurance and paid a premium to settle contingencies related to the death, permanent employment disability, retirement bonuses and other items for certain executive directors and officers of Fomento de Construcciones y Contratas, S.A. (Note 4.l). No new contributions were made in the form of premiums for this insurance in 2019 and revenue, while 3,459 thousand euros was received in the form of rebates on previously paid premiums. No contributions were paid or income received in this regard in 2018.

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 is a collective policy covering all the Group's executives, with a premium of 489 thousand euros being paid in 2019.

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 as indicated in the preceding paragraphs, no other 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.

Details of Board members who 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 company name of the director	Company 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.	CEMENTOS PORTLAND VALDERRIVAS, S.A.	DIRECTOR
GERARDO KURI KAUFMANN	CEMENTOS PORTLAND VALDERRIVAS, S.A.	CHIEF EXECUTIVE OFFICER
	REALIA BUSINESS, S.A.	CHIEF EXECUTIVE OFFICER
JUAN RODRÍGUEZ TORRES	CEMENTOS PORTLAND VALDERRIVAS, S.A.	DIRECTOR
	FCC AQUALIA, S.A.	DIRECTOR
	REALIA BUSINESS, S.A.	NON-EXECUTIVE CHAIRMAN
ÁLVARO VÁZQUEZ DE LAPUERTA	CEMENTOS PORTLAND VALDERRIVAS, S.A.	DIRECTOR
ALEJANDRO ABOUMRAD GONZÁLEZ	CEMENTOS PORTLAND VALDERRIVAS, S.A.	REPRESENTATIVE OF THE DIRECTOR INMOBILIARIA AEG, SA DE CV
	FCC AQUALIA, S.A.	DIRECTOR AND CHAIRMAN OF THE BOARD OF DIRECTORS
ANTONIO GÓMEZ GARCÍA	FCC AMERICAS, S.A. DE CV	ALTERNATE DIRECTOR
PABLO COLIO ABRIL	FCC SERVICIOS MEDIO AMBIENTE HOLDING, S.A.U.	VICE CHAIRMAN
	FCC MEDIO AMBIENTE, S.A.	CHAIRMAN
	FCC ENVIRONMENT (UK) LIMITED	DIRECTOR
	FCC MEDIO AMBIENTE REINO UNIDO, S.L.U.	VICE 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. holds the majority of the voting rights, directly or indirectly.

d) Situaciones de conflicto de interés

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 prejudice to the company's transactions with its related parties set forth in these notes to the financial statements or, where appropriate, agreements related to remuneration matters or appointments. 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, with the directors involved abstaining from the corresponding debates and votes.

e) Transactions with other related parties

During the year, a number of transactions took place involving companies in which shareholders of Fomento de Construcciones y Contratas, S.A. own equity interests, the most significant of which were as follows:

- Agreements between FC y C, S.L. Unipersonal and Realia Business, S.A. for the management and marketing of real estate developments: El Bercial, Getafe, Madrid (40 homes and parking spaces), plot 10A in Badalona, Barcelona (134 collective dwellings and parking spaces), plots RCL 3A and 3B in Arroyo Fresno, Madrid (144 collective dwellings and garage spaces), and plot RUL 1B in Arroyo Fresno, Madrid (42 single-family homes).
- Construction agreements between FCC Construcción, S.A. and the Realia Group for plots in Valdebebas, Madrid (40 homes, storage rooms, garages, commercial premises and swimming pool) and Parque Ensanche, Alcalá de Henares (116 homes, storage rooms, garages and commercial premises) in the amount of 7,900 thousand euros and 15,000 thousand euros.
- Sale between FC y C, S.L. Unipersonal and the Realia group of two plots in Tres Cantos for 8,130 thousand euros.
- Sale and installation of a cooling machine for the HVAC system between FCC Industrial e Infraestructuras Energéticos, S.A.U. and Realia, S.A. for 185 thousand euros.
- Termination of the service provision contract between Fomento de Construcciones y Contratas, S.A. and Alejandro Aboumrad, and its replacement with a new contract, also for consulting and advisory services, with the company Vilafulder Corporate Group, S.L.U. for a total annual amount of 338 thousand euros.
- 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 2019 of 69,929 thousand euros. The finance costs incurred in the year totalled 2,210 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 24,893 thousand dollars (22,158 thousand euros).
- Service provision contract between Cementos Portland Valderrivas, S.A. and Gerardo Kuri Kaufmann, for an amount of 175 thousand euros.

Other operations, mainly telephony services and internet access, were also performed on an arm's length basis 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

FCC Group has established specific mechanisms to 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

As indicated in Note 1 to these financial statements, Fomento de Construcciones y Contratas, S.A. is the parent of FCC Group, which carries out diverse activities that, due to their characteristics, specifically focus on controlling environmental impact. These aspects are described in detail in the "Corporate Social Responsibility" document published annually by the Group through various channels, including the www.fcc.es website. Readers are advised to refer 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 2019 and 2018 was as follows:

	2019	2018
Managers and university graduates	62	216
Line personnel (holding further education qualifications)	166	461
Clerical and similar staff	56	608
Remaining employees	3	23,726
	287	**25,011**

The decrease in 2019 shown in this and subsequent tables is due to the spinoff of activity (Note 1).

The table below details the average number of people with a disability of 33% or more in 2019 and 2018, pursuant to Royal Decree 602/2016, of 2 December, which introduced new disclosure requirements for companies' financial statements.

	2019	2018
Managers and university graduates	—	2
Line personnel (holding further education qualifications)	2	11
Clerical and similar staff	1	9
Remaining employees	—	618
	3	**640**

The numbers of employees, directors and senior executives at the company at 31 December 2019 and 2018, broken down by gender, were as follows:

2019	Men	Women	Total
Directors	10	4	14
Senior executives	4	—	4
Managers and university graduates	39	17	56
Line personnel (holding further education qualifications)	94	84	178
Clerical and similar staff	18	33	51
Remaining employees	3	—	3
	168	**138**	**306**

2018	Men	Women	Total
Directors	11	4	15
Senior executives	4	—	4
Managers and university graduates	172	30	202
Line personnel (holding further education qualifications)	333	110	443
Clerical and similar staff	229	365	594
Remaining employees	17,595	5,227	22,822
	18,344	**5,736**	**24,080**

The average number of employees, directors and senior executives of the company, distributed by men and women, was as shown below in 2019 and 2018.

	2019	2018
Men	162	152
Women	137	133
	299	285

b) Fees paid to auditors

The fees incurred for auditing and other professional services provided to the company by the principal auditor, Deloitte, S.L., and other participating auditors in 2019 and 2018 are as follows:

	2019			2018		
	Principle auditor	Other auditors	Total	Principle auditor	Other auditors	Total
Audit services	181	–	181	277	19	296
Other assurance services	359	81	440	91	32	123
Total audit and related services	540	81	621	368	51	419
Tax advisory services	–	–	–	–	71	71
Other services	–	519	519	104	373	477
Total professional services	–	519	519	104	444	548
TOTAL	540	600	1.140	472	495	967

24. Events after the reporting period

At the date of preparation of these financial statements, no matters of a nature that could modify them or be the subject of additional disclosure had arisen.

Annex I. Group companies

Company	Book value: Assets	Book value: Impairment	% of Ownership	Dividends received	Capital	Reserves	Other net equity line items	Profit/(loss) for the year 2019: Operating profit or loss	Profit/(loss) for the year 2019: Continuing activities
Asesoría Financiera y de Gestión, S.A. Federico Salmón, 13 - Madrid -Holding company-	3,008	—	dta. 43.84 indt. 56.16	—	6,843	11,073	—	631	1,675
Bvefdomintaena Beteiligungsverwaltung GmbH Nottendorfer, 11 – Vienna (Austria) -Instrumental-	185	185	100	—	35	(1,188)	—	—	(396)
Cementos Portland Valderrivas, S.A. Dormilatería, 72 – Pamplona -Cements-	1,016,762	232,810	99.08	—	233,955	378,513	5,338	(17,668)	(19,211)
Egypt Environment Services SAE El Cairo – Egipto -Urban sanitation-	7,760	2,609	dir. 97.00 indt. 3.00	361	36,400 (Leg)(*)	6,263 (Leg)(*)	—	17,719 (Leg)(*)	12,231 (Leg)(*)
FCC Aqualia, S.A. Federico Salmón, 13 – Madrid -Water management-	91,115	—	dir. 41.00 indt. 10.00	36,900	145,000	242,634	9,621	78,328	80,883
FCC Concesiones de Infraestructuras, S.L. Avenida Camino de Santiago, 40 – Madrid -Concessions-	3	—	100	—	3	—	—	—	—
FCC Construcción, S.A. Balmes, 36 – Barcelona -Construction-	1,728,051	915,323	100	—	220,000	343,003	—	59,195	29,152
FCC Servicios Medioambiente Holding, S.A.U. Federico Salmón,13 - Madrid -Environmental services-	300,965	—	100	—	10,000	190,921	—	(77)	8,971
FCC TopCo S.à.r.l. 48, Boulevard Grande-Duchesse Charlotte Luxembourg -Holding company-	22,263	49	100	9,000	50	13,180	—	(21)	8,974

Company	Book value		% of Ownership	Dividends received	Capital	Reserves	Other net equity line items	Profit/(loss) for the year 2019	
	Assets	Impairment						Operating profit or loss	Continuing activities
FCC Versia, S.A. Avenida Camino de Santiago, 40 – Madrid -Management company-	62,624	62,624	100	—	120	(36,611)	—	(7)	(366)
FCCyC, S.L. Unipersonal Federico Salmón, 13 – Madrid -Property-	400,647	—	100	—	28,439	319,071	—	8,031	6,023
Fedemes, S.L. Federico Salmón, 13 – Madrid -Inmobiliaria-	10,764	—	dir. 92.67 indt. 7.33	—	10,301	9,552	—	1,964	1,488
Per Gestora, S.L. Federico Salmón, 13 – Madrid -Instrumental-	71,552	6,502	dir. 99.00 indt. 1.00	—	60	64,646	—	(2)	1,001
TOTAL	**3,715,699**	**1,220,102**		**46,261**					

(*) (Leg): Egyptian pounds.

NOTE:
During the business year, the company made the required notifications, pursuant to Art. 155 of the Consolidated Text of the Capital Companies Act, to the acquired companies where it directly or indirectly holds more than 10%.

Annex II. Temporary joint ventures

	% of Ownership
ALCANTARILLADO MADRID LOTE D	0.01
AQUALIA-FCC-VIGO	0.01
BOMBEO ZONA SUR	1.00
CANGAS DE MORRAZO	0.01
CENTRO DEPORTIVO GRANADILLA DE ABONA	1.00
CONSERVACION GETAFE	1.00
EDAR CUERVA	5.00
EDAR REINOSA	1.00
EDAR SAN VICENTE DE LA BARQUERA	1.00
FCC SANEAMIENTO LOTE D	100.00
FCC – ACISA - AUDING	45.00
LOTE 4 CULEBRO A	1.00
MANCOMUNIDAD DE ORBIGO	1.00
NIGRAN	1.00
PERIFÉRICO LOTE 3	50.00
REDONDELA	0.01
SANTOMERA	0.01

Annex III. Associates and jointly controlled entities

	Book value							Profit/(loss) for the year 2019	
Sociedad	Assets	Impairment	% of Ownership	Dividends received	Capital	Reserves	Other net equity line items	Operating profit or loss	Continuing activities
FM Green Power Investments, S.L. Paseo de la Castellana, 91 – Madrid -Energy -	257.089	240.014	49	9.367	54.482	(596)	—	(43)	3.881
Realia Business, S.A. Avenida Camino de Santiago, 40 – Madrid -Real estate -	258.395	—	dir. 34,54 indt. 2,60	—	196.864	386.543	—	7.532	3.343
Suministros de Agua de Queretaro S.A. de C.V. Santiago de Queretaro (Mexico) -Water management-	4.367	—	dir. 24,00 indt. 2,00	1.405	347.214 (Pm)(*)	392,322 (Pm)(*)	—	236.475 (Pm)(*)	109.024 (Pm)(*)
TOTAL	**519.851**	**240.014**		**10.772**					

(*) (Pm): Mexican pesos.

NOTE:
- Bolsa Realia Business, S.A. is the only listed company, with price at the balance sheet closing date of 0.93. The average price for the last quarter of the business year was 0.90 euros.
- During the business year, the company made the required notifications, pursuant to Art. 155 of the Consolidated Text of the Capital Companies Act, to the acquired companies where it directly or indirectly holds more than 10%.

Management Report

FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A.

1. Status of the entity

Fomento de Construcciones y Contratas, S.A. is the Parent Company of the FCC Group and holds direct or indirect ownership of the interests in the Group's business and activity areas. Therefore, to provide information on the economic, financial, social and environmental events that occurred during the year and place them in their proper context, the FCC Group's Consolidated Management Report, which includes the consolidated Statement of Non-Financial Information, is reproduced below. The company's non-financial information can be found in the aforementioned report.

1.1. Status of the entity: Organisational structure and decision-making process in management

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

The Operating Areas include all activities related to the productive 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 2.2. of the Non-Financial Information Statement:

- **Environmental services.**
- **Integrated Water Management.**
- **Construction.**
- **Cement Business.**
- **Concessions.**

Each of these operating areas is headed by one or more specialised companies which, depending on FCC, encompass the Group's own activities.

In addition, there are the Functional Areas, which carry out support tasks for the operational ones:

- **Administration and Finance:** the General Department of Administration and Finance includes the areas of Administration, Information Systems and Technologies, Finance, Investor Relations and Management Control, Corporate Marketing and Branding, Procurement and Human Resources.

  The Administration area directs the administrative management of the FCC Group and has the following duties, among others, in relation to Information Systems and Internal Control:

  – General accounting.

  – Accounting standardisation.

  – Consolidation.

  – Tax advice.

  – Tax procedures.

  – Tax compliance.

  – Administrative procedures.

- **Internal Audit and Risk Management:** its aim is to support the FCC Group's Board of Directors (through the Audit and Control Committee) and Senior Management as supervisors of the Internal Control System, through a single and independent governance function aligned with professional standards, which contributes to Good Corporate Governance; verifies correct compliance with the applicable internal and external regulations; and reduces to reasonable levels the possible impact of risks on the fulfilment of the FCC Group's objectives.

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

- **General Secretary:** reporting directly to the Group's Chief Executive, its main duty is to support the management of the Group, and offer management support for the heads of the other FCC areas, by providing the services detailed in the corresponding sections of the divisions and departments that make up the Group, which are promoted and supervised by the General Secretary.

  It is made up of the following areas: Legal Advice Department, Quality Management, Corporate Security and General Services and Corporate Responsibility.

The Areas, on a second level, can be divided into Sectors (operating areas) and into Divisions (functional areas), created more specialising scopes when deemed appropriate.

The structure of the main decision-making bodies is set out below:

- **Board of Directors:** body that holds the broadest powers, without any limitation, except those that are expressly reserved by the Spanish Corporate Enterprises Act or the Articles of Association for the jurisdiction of the General Shareholders' Meeting.
- **Audit and Control Committee:** its main duty is to support the Board of Directors in its supervisory duties by periodically reviewing the process for preparing economic and financial information, its internal controls and the independence of the external auditor.
- **Appointments and Remuneration Committee:** supports the Board of Directors in relation to proposals for the appointment, re-election, ratification and removal of Directors, establishes and controls the policy for the remuneration of the company's Directors and senior managers and the fulfilment of their duties by the Directors, particularly in relation to situations of conflict of interest and related-party transactions.
- **Managing Committee:** each of the business units has a Managing Committee or Committee with similar duties.

Further information on the duties of the FCC Group's decision-making bodies is provided in section 1 of the Internal Financial Reporting Control System (IFRS) and in section 3.1. of the Non-Financial Information Statement.

1.2. Status of the entity: Business model and company strategy

FCC is one of the leading European groups specialising in the environment, water, infrastructure development and management, with a presence in over 30 countries worldwide and nearly 45% of its turnover generated in international markets, mainly Europe (28%), the Middle East (6.7%), Latin America (6.2%), North Africa (2.46%) and the United States (1.37%).

Environmental Services

The Environmental Services area has a strong presence in Spain, having maintained a leading position in the provision of urban environmental services for over 100 years.

At a national level, FCC provides environmental services in municipalities and organisations in all the autonomous regions, serving a population of over 22 million inhabitants. Waste collection and street cleaning are two of the most important services in this sector, representing 68% of revenue. They are followed, in order of importance, by disposal of wastes (14%), cleaning and maintenance of buildings, parks and gardens and, to a lesser extent, sewage. Regarding the type of client, more than 85% of the activity is carried out with public clients.

During 2019, this activity has been involved in a reorganisation process, which has meant that all the activity that was carried out through the parent company FCC, S.A. has been transferred to the head subsidiary of the activity in Spain (FCC Medio Ambiente, S.A.U.) through branching out, and, furthermore, that all the companies whose shares were held by companies other than the Environment area have been transferred and are dependent on the new head, FCC Servicios Medioambientales Holding.

International business is mainly carried out in the United Kingdom, Central Europe and the USA. For years, the Group has held a leading position in the United Kingdom and Central European markets in the integrated management of municipal solid wastes, as well as in the provision of a wide range of environmental services. The various services provided in this sector include treatment and recycling, disposal, waste collection and the generation of renewable energy. With a growing emphasis on treatment, recycling and renewable energy generation activities and a gradual reduction of disposal in controlled landfills.

The Environmental Services area also specialises in the integrated management of industrial and commercial waste, and the recovery of by-products and soil decontamination, through the FCC Ámbito brand, which encompasses a group of companies with a wide network of management and revaluation facilities that enable proper waste management, ensuring the protection of the environment and people's health.

Internationally, notice should be given to growth in the USA, where municipal solid wastes collection and management activities are carried out. This was the first business year for the collection service in Palm Beach (Florida) and the waste recycling plant in Houston (Texas). We have also been awarded other contracts that will begin operations in 2020, such as the waste collection contract in Omaha (Nebraska), Volusia (Florida). In addition, the waste management contract for the Houston (Texas) plants has been renewed for 5 years, and contracts have been signed for the Huntsville (Texas) and La Porte (Texas) recyclables, among others, with an additional portfolio awarded in the year for the USA of approximately 600 million dollars.

As has already been done for years, the strategy in Spain will focus on maintaining competitiveness through quality and innovation, increasing the efficiency and quality of services based on innovation and accumulated know-how (a clear commitment to electric vehicles as developed with the VEMTESU project), as well as continuing to make progress in achieving more intelligent services for more sustainable and responsible cities.

This year, the focus will continue to be on operational efficiency and business growth. In this regard, the incorporation of new technologies will enable the company to gain a foothold in the waste recycling and revaluation markets in Europe and to position itself as a key player in the circular economy. As for the United States, the development of the activity will continue in the coming years.

In general, there is a broad commitment to climate change, for example with the issuance of green bonds to finance the operation and acquisition of assets developed with the activity.

Integrated Water Management

FCC Aqualia serves over 25 million users and provides services in over 1,100 municipalities in 18 countries, offering the market all the solutions to the needs of public and private entities and organisations in all phases of the end-to-end water cycle and for all uses: human, agricultural or industrial.

FCC Aqualia's activity focuses on concessions and services, including distribution network concessions, BOT (Built-Operate-Transfer), operation and maintenance services and irrigation, as well as technology and network activities, including EPC (Engineering-Procurement-Construction) contracts and industrial water treatment activities.

In 2019 the market in Spain represents 67.7% of revenue. 2019 saw a recovery in the volumes of water billed that were reached in 2018. It was a dry year in terms of rainfall compared to 2018 and this circumstance led to this recovery. The reduction in the volume of consumption has been 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 related to concession contracts.

In the public sector, there is still a low level of bidding for hydraulic infrastructure concessions, which increases the deficit in the renovation and expansion of existing infrastructure. Despite this, tenders have been won and comprehensive cycle concession contracts have been extended on expiry, with a very high loyalty rate (over 90%) from those municipalities in which it operates. In addition, Aqualia has worked hard to expand its presence in the O&M and facilities market (WWTP, DWTP, desalination and network management).

The international market reached a turnover of 32.2%. FCC Aqualia focuses its activity in Europe, North Africa, the Middle East and the Americas, with contracts underway in more than 15 countries at present.

FCC Aqualia seeks to maintain its competitive position in those end-to-end water management markets where it has an established presence (Europe) and to take advantage of the opportunities that arise in this activity. In other expanding markets, it plans to boost growth via BOT and O&M (North Africa, Latin America and the Middle East), along with comprehensive cycle management, while the study of possibilities in others (such as the USA) will continue. In addition, FCC Aqualia will use its extensive experience in the comprehensive management of the water cycle for business opportunities in countries with a stable political and social balance.

Construction

FCC Construcción focuses its activity on the design, development and construction of large civil, industrial and building infrastructure projects. Notice should be given to the presence in public works of complex elements such as railways, tunnels and bridges. Together with those involving installation and industrial maintenance, these elements form a large part of the activity.

Its teams have the experience, technical training and innovation to participate in the entire project value chain, from the definition and design, to its complete execution and subsequent operation.

In 2019, 61% of the total income comes from abroad, namely the execution of large infrastructure works such as lines 4, 5 and 6 of the Riyadh Metro, line 2 of the Lima Metro, Grangegorman University (Dublin-Ireland), Gerald Desmond Bridge (USA), line 2 of the Panama Metro and the Gurasada-Simeria railway line (Romania) – Sectors 2a, 2b and 3.

The following contracts were awarded in 2019: design, construction and maintenance of the section of the A-9 motorway Badhoevedorp-Holendrecht (Netherlands) for 845.0 million euros, remodelling of the Santiago Bernabéu Stadium for 475.0 million euros, closure of the Insular Ring of Tenerife for 203.0 million euros and the section of the high-speed Mediterranean corridor Murcia-Almería, Níjar-Río Andarax section (Almería) for 88.1 million euros.

Cement

The FCC Group carries out its cement activity through the Cementos Portland Valderrivas Group. Its main activity is the manufacturing of cement, which in 2019 accounted for approximately 90% of the subgroup's total income. The remaining percentage was contributed by the concrete, mortar and aggregates businesses.

In terms of geographical diversification, by 2019, 40% of income came from international markets. The Cementos Portland Valderrivas Group is present in Spain, Tunisia and the United Kingdom. Moreover, from these three countries, the Group also exports to Africa, Europe and America.

The Cementos Portland Valderrivas Group has a leading position both in its main market, Spain, and in the Tunisian market.

The main objective of the Cementos Portland Valderrivas Group is to maintain a competitive edge both regarding costs and in the markets in which it operates, seeking to remain a leader in the sector in all the countries in which it is present.

2. Business performance and results

2.1. Operational performance

2.1.1. Significant events

FCC Construcción has increased its backlog by 24.5% this year

At the end of the year, the Construction area had a backlog of projects to be developed of €5,623 million, 24.5% more than the previous year. In the last quarter, the company was awarded a two-year contract for the construction and subsequent maintenance of a section of the A-9 motorway ring road connecting Amsterdam and its airport, worth €845 million. In Spain, among other awards, backlog increased thanks to the remodelling of the Santiago Bernabéu stadium worth €475 million and the closure of the Insular Ring of Tenerife for another €203 million.

New business boost in the USA in the Environment area

The Environment area reinforced its presence in North America by adding the contract of solid urban waste collection in the city of Omaha, Nebraska, for the next ten years amounting $255 million. FCC will provide the service with a fleet of 69 trucks powered by compressed natural gas. The contract includes a possible extension for an additional period of 10 years. In addition, last August, Volusia County, in Florida, approved the awarding of a seven and a half year urban solid waste collection contract, with a backlog of $87 million. This fifth contract won in Florida and added to those in Orlando (Orange County) and Lakeland (Polk County), strengthens the presence of FCC in the US. The total volume of the FCC backlog in the country, where it already has another ten contracts in Texas, exceeding €1,000 million at the end of the year and serves more than 8 million citizens.

Aqualia enters France and strengthens its presence in the UAE with new contracts worth €100 million

In June, FCC Aqualia acquired the end-to-end water management company Services Publics et Industries Environnement (SPIE) in France. Likewise, in Spain, Agua y Gestión was purchased as well as a stake in Codeur. The combined amount of these acquisitions was €38 million.

In addition, it was awarded the operation and maintenance contract for the sanitation of the capital of Abu Dhabi, as well as the adjacent islands, for €40 million. In addition, the sanitation contract for the city of Al Ain was renewed for seven years, for a total of over €60 million. The total value of the contracts managed by Aqualia in the Arabian Peninsula (Saudi Arabia, UAE and Oman) exceeds 600 million euros. The projects, mostly of a medium and long-term concessional nature, reflect the growing success and acceptance of collaboration models between public and private institutions to promote the development and operation of essential infrastructure in the region, where the company serves a total of 6 million people.

The Environment area completes its reorganisation and is awarded the World Smart City award

The Environment area completed its corporate and financial optimisation in the last quarter. The allocation to subsidiaries and reorganisation of holdings was completed with a new parent company that brings together all the area's activity in its different jurisdictions, FCC Servicios Medio Ambiente Holding. In addition, last November the new parent company of the area made two long-term green bond issues in the GBE of the Irish Stock Exchange (ISE), for a combined amount of €1,100 million. Both issues were rated investment grade and viewed favourably for their potential regarding sustainable and assets that tackle climate change.

Additionally, in November FCC Medio Ambiente won World Smart City awards in the "Innovative Idea" category for its highly energy-efficient e-mobility platform. The award-winning project is a modular chassis-platform, 100% electric, for urban service vehicles that has been developed by FCC Medio Ambiente and the Irizar Group, and which is subsidised by European funds. The strategic objective of this platform is the implementation of affordable electric mobility in urban services with environmental benefits, such as the reduction of pollutants, noise, carbon footprint and the maximisation of energy efficiency.

2.1.2. Executive Summary

- Attributable net profit rose 6% year-on-year to €266.7 million, with solid operating growth in all business areas, with a significant reduction in financial expenses being noteworthy. This more than offset the €45 million increase in profit attributable to minority shareholders, mainly in the Water area, and the €70 million adjustment made in the last quarter to the carrying value of certain assets in the Cement area.
- The Group's revenues amounted to €6,276.2 million, 4.8% higher than in the same period in 2018. This increase was generated in all areas of activity, with a greater dynamism in Water, thanks to the contribution of new contracts, and in Cement, due to higher demand.
- The gross operating profit increased by 19.1% to €1,025.8 million, leading to a rise in the operating profit to 16.3%, as a result of the aforementioned increase in activity in all areas, the increase in operating efficiency and the greater relative weight of higher-margin activities, utilities (environment and water). To this we must add the increase in transport concessions, following the acquisition of an additional stake in the Cedinsa Group and its change to global consolidation since last November.
- The profit and loss of equity-accounted affiliates increased significantly to €120.6 million. In addition to the recurring contribution of affiliates, mention should be made of the positive impact of €36.5 million due to the fair value adjustment of the stake in Cedinsa Group, prior to the change in the consolidation method, and the contribution of €24.4 million from renewable energy activity.
- Consolidated net financial debt closed in 31 December at €3,578.7 million, with an increase of 33% compared to December 2018, mainly due to the effect of the change to Cedinsa's global consolidation, which explains €730.2 million and, in a lesser extent, due to the investments in growth made in Environment, Water and an exceptional tax payment last May.
- The FCC Group's backlog stood at last 31 December at €31,038.4 million with an increase of 7.1%. By contribution volume, the increase in Construction in Spain and Environment in the USA stood out.

KEY FIGURES

(M€)

	Dec. 19	Dec. 18	Chg. (%)
Net sales	6,276.2	5,989.8	4.8%
Gross Operating Profit (Ebitda)	1,025.8	861.2	19.1%
Ebitda Margin	16.3%	14.4%	2.0 p,p
Net Operating Profit (EBIT)	511.6	485.9	5.3%
EBIT Margin	8.2%	8.1%	0.1 p,p
Net attributable income	266.7	251.6	6.0%

	Dic, 19	Dic, 18	Var, (%)
Equity	2,473.8	1,958.8	26.3%
Net financial debt	3,578.7	2,691.4	33.0%
Backlog	31,038.4	28,990.8	7.1%

2.1.3. Summary by business area

(M€)

Zone	Dec. 19	Dec. 18	Chg. (%)	% of 2019 total	% of 2018 total
REVENUES BY BUSINESS AREA					
Environment	2,915.2	2,822.4	3.3%	46.4%	47.1%
Water	1,186.9	1,115.2	6.4%	18.9%	18.6%
Construction	1,719.3	1,655.1	3.9%	27.4%	27.6%
Cement	413.2	372.8	10.8%	6.6%	6.2%
Transport Concessions	49.8	35.3	41.1%	0.8%	0.6%
Corporate serv., etc.	(8.2)	(11.0)	-25.2%	-0.1%	-0.2%
Total	**6,276.2**	**5,989.8**	**4.8%**	**100.0%**	**100.0%**
REVENUES BY GEOGRAPHIC AREA					
Spain	3,465.6	3,259.6	6.3%	55.2%	54.4%
United Kingdom	734.9	752.8	-2.4%	11.7%	12.6%
Rest of Europe & Others	733.9	565.2	29.8%	11.7%	9.4%
Middle East and Africa	576.8	632.2	-8.8%	9.2%	10.6%
Latin America	388.7	425.5	-8.6%	6.2%	7.1%
Czech Republic	286.8	278.9	2.8%	4.6%	4.7%
US and Canada	89.5	75.6	18.4%	1.4%	1.3%
Total	**6,276.2**	**5,989.8**	**4.8%**	**100.0%**	**100.0%**
Ebitda*					
Environment	492.5	441.4	11.6%	48.0%	51.3%
Water	281.7	247.5	13.8%	27.5%	28.7%
Construction	100.2	65.0	54.1%	9.8%	7.5%
Cement	86.4	70.9	21.8%	8.4%	8.2%
Transport Concessions	31.8	19.6	62.2%	3.1%	2.3%
Corporate serv., etc.	33.2	16.8	97.9%	3.2%	2.0%
Total	**1,025.8**	**861.2**	**19.1%**	**100.0%**	**100.0%**

(M€)

Zone	Dec. 19	Dec. 18	Chg. (%)	% of 2019 total	% of 2018 total
EBIT					
Environment	258.5	225.1	14.8%	50.5%	46.3%
Water	180.2	157.1	14.7%	35.2%	32.3%
Construction	77.3	49.6	55.8%	15.1%	10.2%
Cement	(20.0)	36.7	-154.5%	-3.9%	7.6%
Transport Concessions	12.0	9.5	26.3%	2.3%	2.0%
Corporate serv., etc.	3.6	7.9	-54.4%	0.7%	1.6%
Total	**511.6**	**485.9**	**5.3%**	**100.0%**	**100.0%**
NET FINANCIAL DEBT*					
With Recourse	(12,8)	741.4	-101.7%	-0.4%	27.5%
Without Recourse					
Environment	1,332.2	361.8	268.2%	37.2%	13.4%
Water	1,214.5	1,197.6	1.4%	33.9%	44.5%
Construction	0.0	0.0	-	0.0%	0.0%
Cement	293.0	337.9	-13.3%	8.2%	12.6%
Concessions	751.8	52.7	1,326.6%	21.0%	2.0%
Total	**3,578.7**	**2,691.4**	**33.0%**	**100.0%**	**100.0%**
BACKLOG*					
Environment	10,366.2	9,804.1	5.7%	33.4%	33.8%
Water	15,018.3	14,651.4	2.5%	48.4%	50.5%
Construction	5,623.2	4,516.4	24.5%	18.1%	15.6%
Real Estate	30.7	18.9	62.4%	0.1%	0.1%
Total	**31,038.4**	**28,990.8**	**7.1%**	**100.0%**	**100.0%**

* See page 440 for a definition of the calculation in accordance with ESMA rules (2015/1415en).

2.1.4. Income Statement

(M€)

	Dec. 19	Dec. 18	Chg. (%)
Net sales	**6,276.2**	**5,989.8**	**4.8%**
Gross Operating Profit (Ebitda)	**1,025.8**	**861.2**	**19.1%**
Ebitda Margin	16.3%	14.4%	2.0 p,p
Depreciation and amortisation	(458.4)	(386.2)	18.7%
Other operating income	(55.8)	11.0	N/A
Net Operating Profit (EBIT)	**511.6**	**485.9**	**5.3%**
EBIT margin	8.2%	8.1%	0.1 p,p
Financial income	(144.7)	(209.1)	-30.8%
Other financial results	1.5	14.8	-89.9%
P/L of equity-accounted affiliates	120.6	66.9	80.3%
Profit/(loss) before tax from continuing activities	**489.0**	**358.5**	**36.4%**
Corporate income tax expense	(149.1)	(78.8)	89.2%
Income from continuing operations	**339.9**	**279.7**	**21.5%**
Net Income	**339.9**	**279.7**	**21.5%**
Non-controlling interests	(73.2)	(28.2)	159.6%
Net attributable income	**266.7**	**251.6**	**6.0%**

2.1.4.1. Net Sales

The Group's consolidated revenues amounted to €6,276.2 million in the year, 4.8% higher than at the end of the previous year, due to the increase in activity in all areas, but mainly in Water and Cement. In the Water area, due to the increase in both its concession activity as a whole and in Technology and Networks in the international area. In Cement, due to the good performance of volumes and prices, mainly in the Spanish market.

By business areas, Environment, with the largest contribution, has grown 3.3%, mainly in Spain, thanks to both the entry into operation of new contracts and to the development of new treatment plants, that have compensated minor contribution of the United Kingdom due to the completion of the construction phase of the thermal treatment and energy-from-waste plant in Edinburgh in the middle of last year. Operations in Central Europe have also increased their contribution.

The Water area grew by 6.4%, due to its greater concession activity, with the contribution of revenues from France after the acquisition of the French company SPIE, and to the greater contribution of the activity in Algeria with the Mostaganem treatment plant, as well as to the Technology and Networks activity due to the good pace of project execution in Latin America.

In Construction, there has been 3.9% growth in activity, with an increased contribution from new and existing projects in the domestic market, as well as an increase in its activity in Europe, focused on projects such as the three railway lines in Romania or projects initiated in other EU countries. On the contrary, there has been a decrease in activity in Latin America due to the completion and delays in some works, as well as in the Middle East due to the termination of the Doha metro contract.

In the Cement area, revenues increased by 10.8%, largely due to increased demand in Spain and a recovery in the level of revenues generated by exports from Spain.

Revenue breakdown, by region *(M€)*

	Dec. 19	Dec. 18	Chg. (%)
Spain	3,465.6	3,259.6	6.3%
United Kingdom	734.9	752.8	-2.4%
Rest of Europe and Others	733.9	565.2	29.8%
Middle East & Africa	576.8	632.2	-8.8%
Latin America	388.7	425.5	-8.6%
Czech Republic	286.8	278.9	2.8%
USA	89.5	75.6	18.4%
Total	**6,276.2**	**5,989.8**	**4.8%**

By region, in Spain revenues increased 6.3% to €3,465.6 million. Environment performed solidly with an increase of 5.8%, accounted for by the development of two urban waste treatment and recovery projects, together with the contribution of new services and extensions to municipal collection contracts. Water recorded a more moderate increase of 0.8%, due to an increase in the volumes invoiced and to a lower contribution of the Technology and Networks activity. The Construction area rose by an outstanding 9.2% due to an increase in its activity, both in building and in civil engineering works. The Cement area also achieved a considerable increase of 10.9%, supported by the good performance of volumes and prices. Lastly, it is worth highlighting the contribution of €14.6 million coming from the contribution of Cedinsa Group, in global consolidation since last 1 November.

In the United Kingdom, revenues fell by 2.4% due to minor contribution of the treatment and energy-from-waste plant in Edinburgh, following the completion of its construction phase and the beginning of its operation phase.

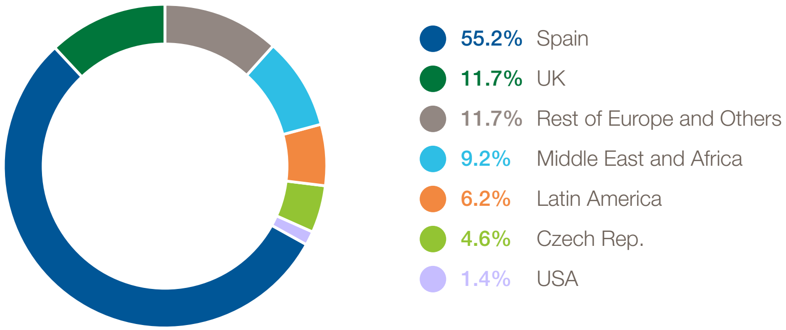
In the rest of regions, Rest of Europe and Others stands out with a 29.8% increase, due to the improved rate of progress of the railway lines in Romania in the Construction area together with new contracts in Belgium and Ireland, plus the positive evolution of demand in the Environment area in all countries in which the Group operates, mainly in Austria, Hungary and Poland. In the Czech Republic, the 2.8% increase in the period is due to the rise in rates in end-to-end water managmente business together with a good performance in the Environment activity.

Outside the EU, the Middle East and Africa recorded a reduction of 8.8% due to several factors, in a positive sense, the greater contribution in the execution of the extensions of the Riyadh metro contract (Saudi Arabia), together with an increase from the operation of a treatment plant in Algeria in the Water area. On the contrary, the effect of the termination of the railway contract in Doha (Qatar) in the Construction area and the completion of the construction phase of a desalination plant in Egypt, stand out.

Revenues in Latin America fell by 8.6%, mainly due to the slower pace of projects in Panama and those completed in the Construction area in Chile, although progress in the execution of projects in Colombia and Mexico in the Water area, have also made a positive contribution.

In the United States revenues rose by 18.4%, due to the greater contribution of the various waste collection and treatment contracts in Florida and Texas in the Environment area and an improvement in exports from Spain in the Cement area.

% Revenue by region



2.1.4.2. *Gross Operating Profit (Ebitda)*

Gross operating profit rose to €1,025.8 million in the period, representing an increase of 19.1% over the previous year. The rise is based on the increase in income generated in all the Group's areas of activity and the increase in operating profitability obtained, particularly in Construction and Environment. In addition, it incorporates the effect of the entry into force on 1 January of the accounting regulations on the recording of operating leases (IFRS 16), which are now capitalised and their payment is recorded mainly as a depreciation charge, based on the time of use remaining in their contribution to the generation of revenue. Also noteworthy is the contribution since 1 November 2019 of the Cedinsa concession group, following the acquisition of an additional 17% stake and the subsequent takeover and change from equity to global consolidation since that date.

The main developments in the business areas were as follows:

Environment increased by 11.6% and reached €492.5 million due to the good performance of all the activities and in all the regions in which the group operates. Operating margin rose to 16.9%, compared to 15.6% the previous year.

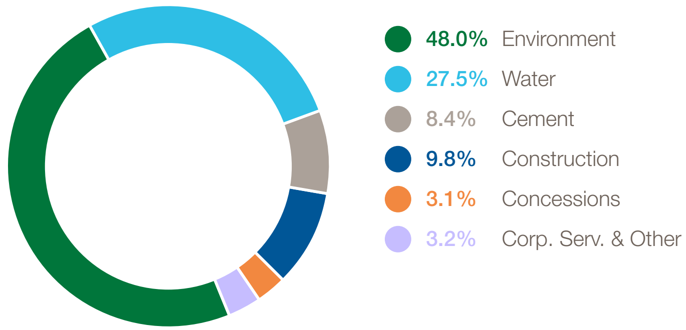
The Water area registered €281.7 million, 13.8% more than the previous year, supported especially by the contribution of the concessions and services activity in Spain, as well as by remarkable growth, both in the BOT concession activity and in Technology and Networks in the international area. Overall, operating margin rose to 23.7% from 22.5% in the previous year.

The Construction area recorded €100.2 million, an outstanding 54.1% more than the previous year, with a sustained increase in the margin throughout the period to 5.8%, thanks to the positive development of the projects underway, mainly in the international area.

In Cement, Ebitda increased 21.8% to €86.4 million, supported by the positive evolution of demand in Spain and despite the reduction of €3.6 million obtained from a minor sale of CO_2 rights in this year, compared to the previous year, together with the effect of the depreciation of the Tunisian Dinar (5.27% in the year).

Also noteworthy is the significant contribution of the Cedinsa concession group to the consolidated Ebitda as at 1 November, which amounted to €11.9.

% Ebitda by Business Area



As a result of the performance of the different areas of activity in the year, the “Utilities”, Environment and Water (together with Transport Concessions) areas contributed 78.6% to Ebitda in the period, compared with 21.4% from those linked to the demand for infrastructure construction and building and other activities.

2.1.4.3. Net Operating Profit (EBIT)

The net operating profit grew up to €511.6 million, 5.3% higher than in the previous year. The change between the two periods is explained by various factors, including most notably the aforementioned increase in income, the 18.7% increase in the depreciation charge recorded in this period, largely due to the application of IFRS 16 since 1 January and, lastly, the €70 million impairment of goodwill in the cement business to adapt it to the more moderate growth expected in the construction business. Without this exceptional adjustment, EBIT would have grown 19.7%, in line with the performance of the gross operating profit.

2.1.4.4. Earnings before taxes (EBT) from continuing operations

Earnings before tax from continuing activities were €489 million, up 36.4% on the previous year, mainly due to the development already mentioned regarding the operating profit, to which we must add both a higher contribution from affiliates and a substantial reduction in financial expenses.

2.1.4.4.1. Financial income

Net financial income amounted to €-144.7 million, with a reduction of 30.8% compared to the level recorded in the previous year. However, this heading includes two non-recurring factors in both periods, of equal importance but varying relevance. In the second quarter 2019, an expense of €18.8 million was recorded for default interest expenses in relation to a procedure by the Spanish tax authorities, the details of which were set out in the 1H2019 management report and for which the Group's parent company has filed a tax appeal. In 2018, a charge of €-59.3 million was recorded due to the accounting of the repayment of the existing syndicated loan of the parent company (IFRS 9, which came into force in January 2018).

Therefore, adjusted for these two exceptional items, the financial result at year-end would have fallen by 16%, in line with the reduction in the Group's average cost of financing as a result of the financial optimisation process carried out.

2.1.4.4.2. Other financial results

This heading includes a result of €1.5 million, 13.3 million less than at the close of the previous year. The difference is largely due to the adjustment of the sale price of a company transferred in 2009 for an amount of €-10 million.

2.1.4.4.3. Profit/(loss) of equity-accounted affiliates

The contribution of equity-accounted affiliates has risen to €120.6 million, an increase of €53.7 million compared to the previous year. Noteworthy is the net positive impact of €36.5 million due to the recognition at fair value of the stake in the Cedinsa Group prior to the change of consolidation method. In addition, the energy division contributed a positive result of €24.4 million, which includes an adjustment of €9.9 million to the value of its shareholding.

2.1.4.5. Income attributable to the parent company

Net attributable profit for the period amounted to €266.7 million, an increase of 6% compared to 2018. This profit is achieved by the contribution to the EBT of the following concepts:

2.1.4.5.1. Corporate tax expense

A corporate tax expense of €149.1 million, compared with €78.8 million at the close of the previous year. This increase is explained by a major result from operations, together with an adjustment of deferred taxes amounting to €25 million, as a result of the exit from the water parent company, FCC Aqualia, and its subsidiaries from the tax group of the Group's parent company.

2.1.4.5.2. Non-controlling interests

An increase in the attributable profit to non-controlling interest of €73.2 million compared with €28.2 million in the previous year, mainly concentrated in the Water area (€67 million compared with €24.5 million in the previous period), which includes the entry of a minority shareholder from September 2018.

2.1.4.6. *Key figures from the Income Statement following the proportional criteria*

The most significant figures in the income statement, calculated following effective stake of the company in each of the subsidiaries, joint ventures and associates, is as follows.

	Dec. 19	Dec. 18	Chg. (%)
Net sales	**6,368.5**	**6,467.4**	**-1.5%**
Gross Operating Profit (Ebitda)	**1,132.4**	**1,064.4**	**6.4%**
Ebitda Margin	*17.8%*	*16.5%*	*1.3 p.p*
Net Operating Profit (EBIT)	**597.4**	**634.2**	**-5.8%**
EBIT margin	*9.4%*	*9.8%*	*-0.4 p.p*
Income attributable to equity holders of the parent company	**266.7**	**251.6**	**6.0%**

2.1.5. Balance Sheet

(M€)

	Dec. 19	Dec. 18	Chg. (Mn€)
Intangible assets	3,458.4	2,426.4	1,032.0
Property, Plant and Equipment	2,866.5	2,426.8	439.7
Equity-accounted affiliates	741.5	763.0	(21.5)
Non-current financial assets	863.2	380.6	482.6
Deferred tax assets and other non-current assets	599.9	610.4	(10.5)
Non-current assets	**8,529.6**	**6,607.2**	**1,922.4**
Inventories	728.8	691.0	37.8
Trade and other accounts receivable	1,907.7	1,780.8	126.9
Other current financial assets	189.6	178.8	10.8
Cash and cash equivalents	1,218.5	1,266.2	(47.7)
Current assets	**4,044.6**	**3,916.8**	**127.8**
TOTAL ASSETS	**12,574.1**	**10,524.0**	**2,050.1**
Equity attributable to shareholders of the parent company	1,951.3	1,684.0	267.3
Non-controlling interests	522.5	274.8	247.7
Equity	**2,473.8**	**1,958.8**	**515.0**
Grants	333.8	211.3	122.5
Non-current provisions	1,130.2	1,162.0	(31.8)
Long-term financial debt	4,448.7	3,839.1	609.6
Other non-current financial liabilities	581.6	61.3	520.3
Deferred tax liabilities and other non-current liabilities	303.0	301.0	2.0
Non-current liabilities	**6,797.2**	**5,574.7**	**1,222.5**
Current provisions	249.6	209.3	40.3
Short-term financial debt	538.2	297.3	240.9
Other current financial liabilities	145.4	83.6	61.8
Trade and other accounts payable	2,370.0	2,400.3	(30.3)
Current liabilities	**3,303.2**	**2,990.5**	**312.7**
TOTAL LIABILITIES	**12,574.1**	**10,524.0**	**2,050.1**

2.1.5.1. Fixed and non-current financial assets

The heading "Intangible assets" includes a €1,032 million increase in the year due mainly to the incorporation of the intangible assets from the Cedinsa concession group, amounting to €1,051 million, following the change of consolidation method to global consolidation after the takeover.

The balance of the heading "Property, plant and equipment" at the end of the year amounted to €2,866.5 million, that is €439.7 million more than the previous year. This difference is largely explained by the application from 1 January 2019 of IFRS 16, which establishes that operating leases are now capitalised and their payment is recognised mainly as period depreciation as a function of the remaining time over which they will contribute to producing revenues, and its counterpart in "Other financial liabilities" for the future payment obligations incurred.

Non-current financial assets are at €863.2 million, €482.6 million more than in the previous year. The increase in collection rights under concession agreements resulting from the entry into global consolidation of various companies, of which the Cedinsa Group, totalling €367.4 million. Furthermore, although to a lesser extent, the increase in collection rights corresponding to waste treatment plants in Spain and the United Kingdom within the Environment area.

2.1.5.2. Equity-accounted affiliates

Investments in equity-accounted companies amounted to €741.5 million in the period, comprising:

1) €276.5 million for the 36.9% stake in Realia after subscribing the capital increase carried out by the investee in December 2018.
2) €35.5 million for stakes in companies in the Water area, mainly service concession companies abroad (North Africa and Mexico).
3) €90.6 million for holdings in companies in the Environment area (recycling and municipal services, mainly in Spain and the United Kingdom).
4) €13.7 million for the 44.6% stake in Giant Cement Holding, the parent company of the Cement area in the USA, together with another €23.5 million where the Cement parent company has a stake.
5) €76.6 million for participation in various transport infrastructure and equipment concessions.
6) Another €225.1 million corresponding to other stakes and loans to subsidiaries.

2.1.5.3. Cash and cash equivalents

The balance of the heading Cash and cash equivalents amounts to €1,218.5 million, 68% of which is non-recourse and the remaining 32% with recourse to the Group's parent company.

2.1.5.4. Equity

Equity at the end of the year amounts to €2,473.8 million, 26.3% more than at the end of the previous year. This increase is due to the contribution of the net profit achieved in the period of €339.9 million and, additionally to the increase in minority interests both in the Water area and in Cedinsa due to the change in the consolidation method.

2.1.5.5. Net financial debt

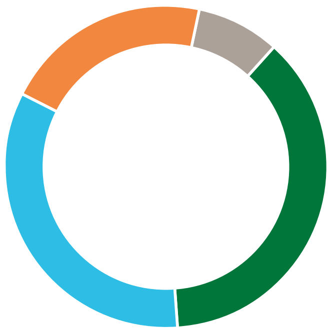
(M€)

	Dec. 19	Dec. 18	Chg. (M€)
Bank borrowings	1,474.7	2,200.0	(725.3)
Debt instruments and other loans	3,125.0	1,726.0	1,399.0
Accounts payable due to finance leases	63.8	51.5	12.3
Other financial liabilities	323.4	158.9	164.5
Gross financial Debt	**4,986.9**	**4,136.4**	**850.5**
Cash and other current financial assets	(1,408.2)	(1,445.0)	36.8
Net Financial Debt	**3,578.7**	**2,691.4**	**887.3**
With recourse	*(12.8)*	*741.4*	*(754.2)*
Without recourse	*3,591.5*	*1,950.0*	*1,641.5*

Net financial debt at the end of the year amounted to €3,578.7 million, which is an increase of €887.3 million compared to December 2018. This increase is due to a combination of several factors, but what is most significant is the change to global consolidation of the Cedinsa concession group which, together with the €58 million takeover investment, has led to a €788.2 million increase in net financial debt. Also noteworthy is the impact of various growth initiatives, focused on end-to-end water management and on various treatment and recycling plants in the Environment area. Therefore, in the Group as a whole and excluding the aforementioned Cedinsa investment, growth in investments in 2019 amounted to €204.9 million. In addition, the already mentioned effect of a non-recurring tax payment to the tax authorities of €110.9 million and that related to expected performance of working capital in certain projects under way.

According to its nature, the total net financial debt is for the first time fully allocated to subsidiaries and in project debt, for an amount of €3,591.5 million at the end of the year. The parent company has achieved a positive cash position of €12.8 million.

Net Debt by Business Area (without recourse)



- 37.1% Environment
- 33.8% Water
- 20.9% Concessions
- 8.2% Cement

The net financial debt without recourse to the Group's parent company is structured as follows:

(i) The Water area totals €1,214.5 million, of which, in addition to the parent's company corporate bond financing, €192 million related to business in the Czech Republic and the remainder of several end-to-end water management concessions; (ii) the Cement area totals €293 million; (iii) the Environment area amounts to €1332.2 million of which €1,093.7 million are related to the issue of two bonds amounting to €600 million and €500 million, maturing in 2023 and 2026, respectively, issued by FCC Servicios Medio Ambiente Holding, S.A.U. This company is wholly owned by FCC, in line with the area's process of subsidiarisation and the transfer of debt to the cash generating units; in addition, €253.1 million relate to activity in the United Kingdom, €37.1 million to the area's activity in central Europe and the remainder to project financing for three waste treatment and recycling plants in Spain; (iv) €751.8 million associated with the transport concession area, most of which (€730.2 million) relates to the inclusion of the project debt of the Cedinsa concession group.

2.1.5.6. Other current and non-current financial liabilities

The heading of other current and non-current financial liabilities totals €727 million at the end of the year. The increase compared to the balance at December 2018 includes mainly the liability relating to the recognition on the assets side of the cost of operating leases amounting €420.6 million, in accordance with the entry into force of the new accounting regulations. It also includes other liabilities that are not financial liabilities, such as those associated with hedging derivatives, suppliers of fixed assets, guarantees and deposits received.

2.1.6. Cash Flow

(Millions of Euros)

	Dec. 19	Dec. 18	Chg. (%)
Gross Operating Profit (Ebitda)	**1,025.8**	**861.2**	**19.1%**
(Increase)/decrease in working capital	(183.3)	(316.8)	-42.1%
Corporate income tax (paid)/received	(173.0)	(111.9)	54.6%
Other operating cash flow	(39.0)	56.9	-168.5%
Operating cash flow	**630.5**	**489.4**	**28.8%**
Investment payments	(546.6)	(434.7)	25.7%
Divestment receipts	28.5	42.0	-32.1%
Other investing cash flows	158.9	8.0	N/A
Investing cash flow	**(359.2)**	**(384.7)**	**-6.6%**
Interest paid	(136.8)	(142.4)	-3.9%
(Payment)/receipt of financial liabilities	(97.4)	(851.2)	-88.6%
Other financing cash flow	(111.5)	912.5	-112.2%
Financing cash flow	**(345.7)**	**(81.1)**	**N/A**
Exchange differences, change in consolidation scope, etc.	26.8	4.3	N/A
Increase/(decrease) in cash and cash equivalents	**(47.7)**	**27.9**	**N/A**

2.1.6.1. Operating cash flow

The operating cash flow generated during the year amounted to €630.5 million, 28.8% more than in the previous year. This was due to the improved development of operating working capital, which reduced the application of funds down to €183.3 million in the period, 42.1% less than in the previous year, largely due to the slower rate of consumption of pre-payments on various contracts in advanced progress in the Construction area.

The heading Corporate income tax (paid)/received includes an outflow of €173 million, due partially to the payment of €92.1 million recorded to adjust the tax incentives applied by the Group in previous years, already commented on in the 1H2019 earnings report, compensated by close to €30 million the refund made by the tax authorities of outstanding fees for the most part of 2017, as well as a higher payment due to tax adjustments in various international companies.

Other operating cash flow includes an outflow of €39 million, mainly due to a greater provision application than in the previous year, especially in the Construction area.

2.1.6.2. Investing cash flow

The investing cash flow represents an outflow of €359.2 million, 6.6% less than that applied in the previous year. The payments for investments include various growth operations in the Water area, including most notably the acquisition of the SPIE group in France for €31.7 million and the investment in the Guaymas (Mexico) BOT for €16.9 million. In the Environment area, in Spain, €47 million invested in treatment plants, the main ones being those associated with the development of the CMR Loeches and the completion of the one in Guipúzcoa. In the international area, among the most significant investments are in the United Kingdom €43.1 million for the development of the Lostock plant, and €22.2 million for the commissioning of the Edinburgh plant. In the USA, €35.3 million for the Palm Beach contract in Florida and €7.3 million in the MRF plant in Houston. In the Transport Concession area, €58 million for the purchase of an additional 17% stake in the Cedinsa concession group.

In turn, proceeds from disposals fell to €28.5 million compared with €42 million the previous year, distributed between €8.2 million for Construction, €9.3 million for Environment and €11 million for Water.

The breakdown of net investments by business area, excluding other cash flows from investment activities, in terms of payments and receipts, is as follows:

(M€)

	Dec. 19	Dec. 18	Chg. (M€)
Environment	(301.2)	(246.5)	(54.7)
Water	(124.5)	23.4	(147.9)
Construction	30.5	(4.0)	34.5
Cement	(8.3)	(6.7)	(1.6)
Corporate serv., etc. & adjustments	(114.6)	(188.9)	74.3
Net investments *(Payments - Receipts)*	**(518.1)**	**(422.7)**	**(95.4)**

Other investment flows include an inflow of €158.9 million at year-end compared to €8 million at the end of the previous year. In this increase, €52.8 million are due to the entry into global consolidation of two water concession companies in Algeria and France and a further €59.5 million corresponding to the concession group Cedinsa, and for the same reason. Additionally, there are smaller amounts in loans to third parties and investee companies.

2.1.6.3. Financing cash flow

The consolidated financing cash flow at the end of the year amounted to an outflow of €345.7 million compared to €81.1 million in the previous year. Interest payment includes an outflow of €136.8 million, similar to last year, of which €18.8 million correspond to default interest on texes in connection with the tax assessment to recover State aid mentioned above.

The heading (Payment)/receipt of financial liabilities includes an application of €97.4 million in the year. The most significant item was the issue of two green bonds in the environmental area for €600 and €500 million, respectively, of which €1,020 million were used to repay the debt with its parent company FCC and the rest to repay in advance the entire debt of its parent company in the United Kingdom. FCC has earmarked the funds received for the early repayment of all its syndicated financing, which was signed in September 2018 and amounted to €1,200 million. There is also a commercial paper programme on the Irish Stock Exchange, with an outstanding balance at year-end of €300 million.

Other financing cash flows include most notably the payment of €55.6 million for the purchase of 49% of the minority shareholders in the water concession company Aquajerez, together with a further €44.1 million paid to the minority shareholders in the same area in the form of dividends. Another €9.6 million were paid to the FCC Group's parent company shareholders in connection with the distribution of a scrip dividend in the second quarter of the year.

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

This heading shows an increase of €22.5 million compared 2018, mainly due to the effect on cash flow of the changes in the euro exchange rate, concentrated mainly in the Construction area.

2.1.6.5. Variation in cash and cash equivalents

As a result of the performance of the different components of cash flow, the Group's cash position declined €47.7 million compared to the end of the previous year, down to €1,218.5 million at the end of the year.

2.1.7. Business Performance

2.1.7.1 Environment

The Environment area accounted for 48% of the Group's Ebitda in the year. A total of 80% of its activity involves the provision of waste collection, treatment and disposal services, as well as street cleaning. The remaining 20% corresponds to other types of urban environmental activities, such as garden upkeep or maintenance of sewage systems.

In Spain, urban waste management and street cleaning are the most important activities, while in the United Kingdom the focus is on urban waste treatment, recovery and disposal. In central Europe, mainly Austria and the Czech Republic, FCC is present throughout the waste management chain (collection, processing and disposal). FCC's activities in the USA include both the collection and end-to-emd management of urban waste.

2.1.7.1.1. Results

(M€)

	Dec. 19	Dec. 18	Chg. (%)
Revenues	2,915.2	2,822.4	3.3%
Waste collection and street cleaning	*1,379.7*	*1,316.5*	*4.8%*
Waste treatment	*960.1*	*930.4*	*3.2%*
Other services	*575.4*	*575.5*	*0.0%*
Ebitda	492.5	441.4	11.6%
Ebitda Margin	*16.9%*	*15.6%*	*1.3 p.p*
EBIT	258.5	225.1	14.8%
EBIT Margin	*8.9%*	*8.0%*	*0.9 p.p*

The revenues of the Environment area reached €2,915.2 million in the period, 3.3% more than the previous year, due to the positive performance of waste collection and treatment activities, mainly in Spain and Central Europe, due to the contribution of already existing contracts, new ones and those underway.

Revenue breakdown, by region *(M€)*

	Dec. 19	Dec. 18	Chg. (%)
Spain	1,701.7	1,609.1	5.8%
United Kingdom	682.0	718.1	-5.0%
Central Europe	466.9	441.7	5.7%
USA and others	64.6	53.5	20.8%
Total	**2,915.2**	**2,822.4**	**3.3%**

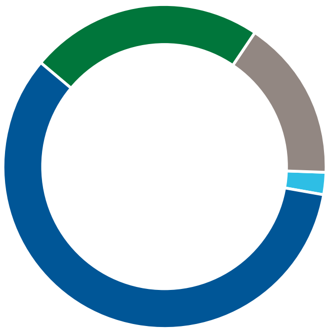
In Spain, revenues increased by 5.8% to €1,701.7 million, mainly due to the contribution of the performance of the new treatment plants at the CMR Loeches (Madrid) and the one in Guipúzcoa, together with the contribution of extensions and new services, such as the organic waste service in Madrid, Jerez de la Frontera and El Prat de Llobregat.

In the United Kingdom, revenue fell by 5% to €682 million due to a minor contribution from the construction phase of the recycling and waste-to-energy plant in Edinburgh, which is now operational, and the planned completion of a contract in the southern area.

In Central Europe, revenues grew by 5.7% to €466.9 million due to the higher volume of activity in Austria, Hungary and the recovery of business in Poland.

Finally, revenues in the US and other markets increased by 20.8%, mainly due to the commencement of new contracts in the country, such as those in Rowlett (Texas), Polk County (Florida), or the collection contract in Palm Beach (Florida), together with the entry into operation of the recycling plant in Houston. This offests the non-activity in Egypt, where the contract ended in 2018.

Revenue breakdown, by region



- 58.4% Spain
- 23.4% UK
- 16.0% Central Europe
- 2.2% USA and Others

Gross operating profit (Ebitda) increased by 11.6% to €492.5 million, due to the good performance of all activities and the positive development of some contracts, together with the reclassification of operating leases due to the change in accounting regulations. Operating margin rose to 16.9%.

Net operating profit (EBIT) increased by 14.8% over the previous year to €258.5 million, thanks to the evolution of different components mentioned in the Ebitda.

Backlog breakdown, by region *(M€)*

	Dec. 19	Dec. 18	Chg. (%)
Spain	5,354.5	5,606.5	-4.5%
International	5,011.7	4,197.6	19.4%
Total	**10,366.2**	**9,804.1**	**5.7%**

At the end of the year, the area's backlog increased by 5.7% compared to the end of 2018, reaching €10,366.2 million, due to new contracts in the international area, mainly in the USA, such as the urban waste collection contract in Omaha (Nebraska) and those in Palm Beach and Volusia (Florida), which offset the decline in Spain due to the continuing preference for extensions over renewals, all in a context of low tender volumes.

2.1.7.1.2. Financial Debt

(M€)

	Dec. 19	Dec. 18	Chg. (M€)
Net financial debt without recourse	1,332.2	361.8	970.4

Net financial debt, without recourse to the parent company, reached €1,332.2 million at the end of the financial year. The main balance corresponds to the issue of two (€600 and €500 million) green bonds by its new parent company in the fourth quarter of the year, following the process of segregation and financial ring-fence completed in the area in 2019; of the remaining balance, €253.1 million correspond to the activity in the United Kingdom, and €37.1 million to the activity in central Europe.

2.1.7.2. End-to-End Water Management

The Water area accounted for 27.5% of FCC Group Ebitda in the period. An 82.8% of its activity is focused on the public end-to-end concession management (capture, treatment and distribution); the remaining 17.2% corresponds to Technology and Networks, which is responsible for the design, engineering and equipment of water infrastructures, to a large extent related to the development of new concessions or ancillary works for operations.

In Spain the area serves more than 13 million inhabitants in more than 850 municipalities. In Central Europe it serves 1.3 million users, mainly in the Czech Republic, while in the rest of the continent it is present in Italy, Portugal and France, following the acquisition last June. In Latin America, the Middle East and Africa it is present through the design, equipment and operation of treatment plants. Overall, the area of Water provides supply and/or sanitation services to more than 23.6 million inhabitants.

2.1.7.2.1. Earnings

(M€)

	Dec. 19	Dec. 18	Chg. (%)
Revenues	1,186.9	1,115.2	6.4%
Concessions and services	*982.2*	*933.1*	*5.3%*
Technology and networks	*204.7*	*182.1*	*12.4%*
Ebitda	281.7	247.5	13.8%
Ebitda Margin	*23.7%*	*22.2%*	*1.5 p.p*
EBIT	180.2	157.1	14.7%
EBIT margin	*15.2%*	*14.1%*	*1.1 p.p*

The area's revenues increased by 6.4% year-on-year to €1,186.9 million. The Concessions and Services activity reaches €982.28, mainly explained by the increase in contribution of the activity in Algeria (Mostaganem treatment plant) and the contribution of the business in France after the acquisition of the company SPIE. Technology and Networks activity grew by 12.4% to €204.7 million, due to the good pace of project execution in Latin America.

Revenue breakdown, by region (M€)

	Dec. 19	Dec. 18	Chg. (%)
Spain	804.4	797.7	0.8%
Middle East, Africa and Others	113.3	106.4	6.5%
Central Europe	111.7	108.1	3.3%
Latin America	86.3	46.9	84.0%
Rest of Europe (France, Portugal and Italy)	71.2	56.1	26.9%
Total	**1,186.9**	**1,115.2**	**6.4%**

By region, revenues in Spain reached €804.4 million, due to an increase in the volumes invoiced in concessions, which offset less activity in Technology and Networks due to the investment plans related to concessions underway.

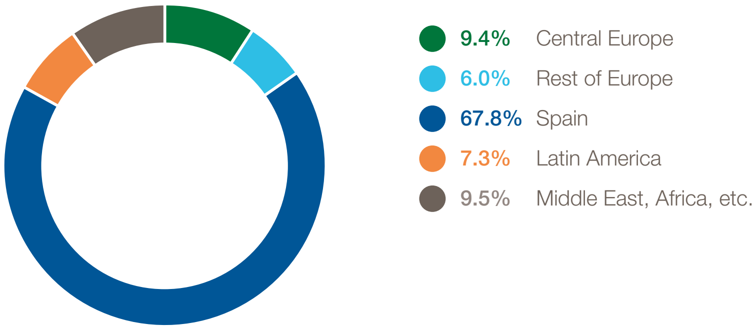
On the international front, in the Middle East, Africa and Others, revenues rose by 6.5% to €113.3 million, due to the, above mentioned, increase in contribution of Algeria, which offest the decrease in Technology and Networks activity, after the completion of the El-Alamein project, and which has not fully compensated the higher level of progress of the Abu Rawash wastewater treatment plant (both in Egypt).

Central Europe increased its revenues by 3.3% to €111.7 million, with a stable growth throughout the year focused on the concession activity in the Czech Republic, where the rise in rates compensated the decrease in the volume invoiced due to the drop in the volume of water invoiced. Technology and Networks activity has remained at similar levels of activity to those recorded in 2018.

In Latin America, turnover grew by 84% to €86.3 million, thanks to greater progress in the execution of projects such as Salitre (Colombia) and the BOT in Guaymas (Mexico).

In the Rest of Europe, revenues increased by 26.9% to €71.2 million. This is largely due to the integration in France of the Spie concession group, acquired last June.

Revenue breakdown, by region



The gross operating profit (Ebitda) increased by 13.8% over the previous year to €281.7 million. This increase is based both on the greater contribution of the concessions and services activity, in the different regions in which the area operates, and on the set of projects in Technology and Networks in the international area. Overall, the operating margin rose to 23.7%.

Backlog breakdown, by region

(M€)

	Dec. 19	Dec. 18	Chg. (%)
Spain	7,813.1	8,078.8	-3.3%
International	7,205.2	6,572.6	9.6%
Total	**15,018.3**	**14,651.4**	**2.5%**

The backlog increased by 2.5% at year-end to €15,018.3 million. The international area grew by 9.6%, supported by the impact of the acquisition of SPIE in France or the contracts for the operation and maintenance of the "East Area" and "Island Area" sanitation system in Abu Dhabi. This largely compensated for the decline in Spain, due, among other things, to the delay in awarding some contracts.

2.1.7.2.2. Net Debt

(M€)

	Dec. 19	Dec. 18	Chg. (M€)
Net financial debt without recourse	1,214.5	1,197.6	16.9

Net financial debt, which is entirely without recourse to the Group's parent company, amounted to €1,214.5 million at the end of the financial year, without major variations when compared to December of the previous year. Most of the balance of the debt corresponds to long-term bonds issued by the area's parent company, with a gross balance of €1,345.3 million.

2.1.7.3. Construction

The Construction area contributed 9.8% of the Group's Ebitda in the year. Its activity is focused on the design and construction of large civil, industrial and complex building works. The presence in public works such as railways, tunnels and bridges, account for the bulk of its activity.

(M€)

	Dec. 19	Dec. 18	Chg. (%)
Revenues	1,719.3	1,655.1	3.9%
Ebitda	100.2	65.0	54.1%
Ebitda Margin	*5.8%*	*3.9%*	*1.9 p.p*
EBIT	77.3	49.6	55.8%
EBIT margin	*4.5%*	*3.0%*	*1.5 p.p*

The area's revenues increased by 3.9% in the period to €1,719.3 million, mainly due to the contribution of both new and existing projects, centred in the domestic market, with more moderate growth in the international area.

Revenue breakdown, by region

(M€)

	Dec. 19	Dec. 18	Chg. (%)
Spain	665.3	609.2	9.2%
Middle East and Africa	401.5	444.3	-9.6%
Europe, USA, etc.	351.7	228.7	53.8%
Latin America	300.8	372.9	-19.3%
Total	**1,719.3**	**1,655.1**	**3.9%**

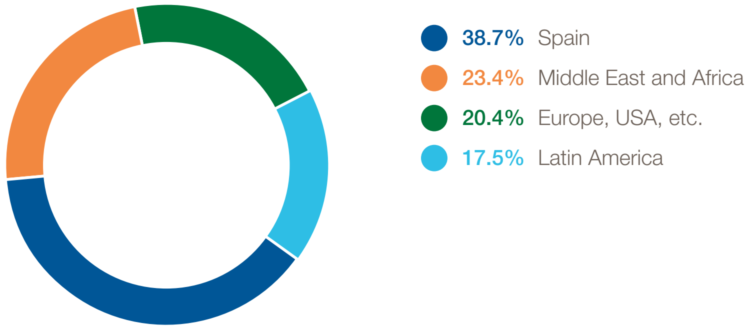
In Spain, revenues increased by 9.2% to €665.3 million, due to the contribution of new contracts such as the remodelling of the Real Madrid football stadium or the Loeches treatment complex, together with other minor civil works contracts.

In the Middle East and Africa, revenues decreased by 9.6%, where the positive contribution of the Riyadh metro installations contract could not offset other concluded ones such as the Doha metro contract.

In Europe, the United States and other markets, revenues increased by a remarkable 53.8% to €351.7 million, as a result of the good pace of execution of various railway lines in Romania, and the increased activity in projects initiated in EU countries such as the Haren complex in Belgium or the new educational facilities in Dublin, Ireland.

In Latin America, revenues fell 19.3% in the year to €300.8 million due to the completion of line 2 of the Panama metro, which has not yet been compensated for by other new early stage constructions.

Revenue breakdown, by region



The gross operating profit (Ebitda) increased by 54.1% compared the previous year, to €100.2 million, due to the improved evolution of projects in progress, mainly in the international area. Therefore, the margin increased by 1.9 p.p. in the period.

The net operating profit stands at €77.3 million, which represents a 55.8% increase over the previous year, reflecting the abovementioned evolution at the Ebitda level.

Backlog breakdown, by region

(M€)

	Dec. 19	Dec. 18	Chg. (%)
Spain	2,010.3	1,075.8	86.9%
International	3,612.9	3,440.6	5.0%
Total	**5,623.2**	**4,516.4**	**24.5%**

The area's backlog grew by 24.5% at the end of the year to €5,623.2 million. Spain experienced outstanding growth of 86.9% due to new contracts such as the remodelling of the Real Madrid football stadium or the construction of the Insular Ring in Tenerife. The international area grew more moderately to €3,612.9 million, where the contribution of the contract for the construction of a section of the A9 motorway in Holland was noteworthy.

Backlog breakdown, by business segment *(M€)*

	Dec. 19	Dec. 18	Chg. (%)
Civil engineering	3,991.6	3,218.0	24.0%
Building	1,251.6	888.6	40.9%
Industrial Projects	380.0	409.9	-7.3%
Total	**5,623.2**	**4,516.4**	**24.5%**

Civil engineering accounted for 71% of the total and is where the largest volume of contracts have been awarded during the year, mainly in the international area, with the A9 Netherlands motorway project mentioned previously.

2.1.7.4. Cement

The Cement area contributed 8.4% of the FCC Group's Ebitda this year. Its activity is carried out by the CPV Group, focused on the production of cement and derivatives, with 7 main factories in Spain and 1 in Tunisia, as well as a minority stake of 44.6% in Giant Cement, which operates another 2 factories on the east coast of the USA.

2.1.7.4.1. Results

(M€)

	Dec. 19	Dec. 18	Chg. (%)
Revenues	413.2	372.8	10.8%
Cement	374.5	341.3	9.7%
Other	38.7	31.5	22.8%
Ebitda	86.4	70.9	21.8%
Ebitda Margin	20.9%	19.0%	1.9 p.p
EBIT	(20.0)	36.7	-154.5%
EBIT margin	-4.8%	9.8%	-14.7 p.p

Revenues increased by 10.8% compared to the end of the previous year to €413.2 million, due both to the increase in volumes and prices in Spain and to the improvement in exports, also from Spain.

Desglose Ingresos por área geográfica *(M€)*

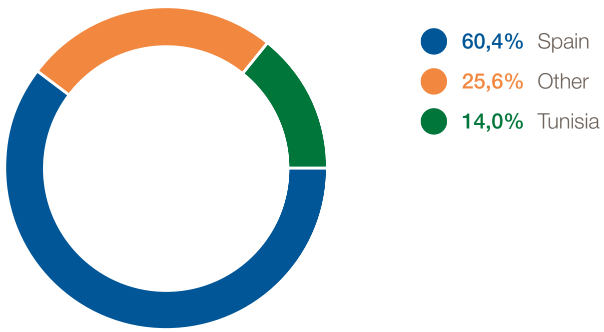
	Dec. 19	Dec. 18	Chg. (%)
Spain	249,4	224,9	10,9%
Tunisia	57,9	56,4	2,7%
Other (exports)	105,9	91,5	15,7%
Total	**413,2**	**372,8**	**10,8%**

Revenues in Spain grew by 10.9% to €249.4 million, thanks to the sustained increase in volumes and prices, supported by the increase in demand in the construction market.

Revenues in the local market in Tunisia grew by 2.7% to €57.9 million in the year, where the increase in prices offset the decrease in volumes together with the effect of the depreciation of the Tunisian Dinar of 5.3% in the year (revenues increased by 3.8% in local currency terms).

Furthermore, income from exports rose by 15.7%, due to an improvement in the shipments made from Spain, mainly to Europe (where those made to the United Kingdom and Denmark stand out) and to the USA, which offset the decrease in those made from Tunisia.

Revenue breakdown, by region



Gross operating profit increased by 21.8% to €86.4 million, explained by the improvement in activity already mentioned in Spain and the increase in prices in the Tunisian market. The sale of CO_2 rights amounts to €5.8 million compared to €9.4 million in the prior year. Excluding the impact of the sale of rights in both periods, Ebitda increased by 31.1%.

In the last quarter of the year there was an impairment of €70 million in the value of the goodwill of certain assets to accommodate the forecast of a more moderate growth in future construction demand. Therefore, the net operating profit (EBIT) had a negative result of €20 million for the year. Without this exceptional adjustment, EBIT would have grown by 36.2%, in line with the performance obtained through the gross operating profit.

2.1.7.4.2. Net Debt

(M€)

	Dec. 19	Dec. 18	Chg. (M€)
Net financial debt without recourse	293.0	337.9	(44.9)

2.2. Business development. Environment

The information relating to the FCC Group's environmental policy is set out in greater detail in note 28 to the consolidated financial statements and in section 6 of the Non-Financial Information Statement.

The FCC Group carries out its activities on the basis of business commitment and responsibility, compliance with applicable legal requirements, respect for the relationship with its stakeholders and its ambition to generate wealth and social well-being.

Aware of the importance to the FCC Group of preserving the environment and using available resources responsibly, and in line with its vocation to serve through activities with a clear environmental focus, the FCC Group promotes and enhances the following principles, on which its contribution to sustainable development is based, throughout the organisation:

- Continuous improvement: Promote environmental excellence by establishing objectives for the continuous improvement of performance, minimising the negative impacts of the FCC Group's processes, products and services, and enhancing the positive impacts.
- Monitoring and control: Establish environmental indicator management systems for the operational control of processes, which provide the necessary knowledge for the monitoring, evaluation, decision-making and communication of the FCC Group's environmental performance and compliance with the commitments undertaken.
- Climate change and pollution prevention: Lead the fight against climate change through the implementation of processes with lower greenhouse gas emissions, and by promoting energy efficiency and renewable energies. Preventing pollution and protecting the natural environment through the responsible management and consumption of natural resources and by minimising the impact of emissions, discharges and waste generated and managed by the FCC Group's activities.
- Observation of the environment and innovation: Identify the risks and opportunities of activities in the face of the changing landscape of the environment in order, among other things, to promote innovation and the application of new technologies, as well as the generation of synergies between the various activities of the FCC Group.
- Life cycle of products and services: Enhance environmental considerations in business planning, procurement of materials and equipment, and relations with suppliers and contractors.
- The necessary participation of all parties: Promote the knowledge and application of environmental principles among employees and other stakeholders. Share experience in the most excellent practices with the different agents in order to promote alternative solutions to those currently in place, which contribute to the achievement of a sustainable environment.

2.3. usiness development. Personnel/Staff

Here is the detail of the FCC Group's staff at year-end, by business area:

Areas	Spain	Abroad	Total	%s/Total	%Chg. 2018
Environment	32,691	7,316	40,007	69%	1.57%
Water Management	6,570	2,939	9,509	16%	16.85%
Construction	3,855	4,346	8,201	14%	-11.90%
Cement	806	277	1,083	2%	2.36%
Concessions	111	–	111	0%	N/A
Central Services and Others	332	71	403	1%	29.58%
TOTAL	**44,365**	**14,949**	**59,314**	**102%**	**1.91%**

3. Liquidity and capital resources

Liquidity

In order to optimise its financial position, the FCC Group maintains a proactive liquidity management policy with daily cash monitoring and forecasts.

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

In order to improve the Group's liquidity position, active collection management is carried out with clients to ensure that they meet their payment commitments.

To ensure liquidity and meet all payment commitments arising from the business, the Group has cash flows as shown in the balance sheet (see note 16 to the consolidated financial statements) and detailed financing (see note 19 to the consolidated financial statements).

Note 29 to the consolidated financial statements sets forth the policy implemented by the FCC Group to manage liquidity risk and the factors mitigating said risk.

Capital resources

The Group manages its capital to ensure that its member 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.

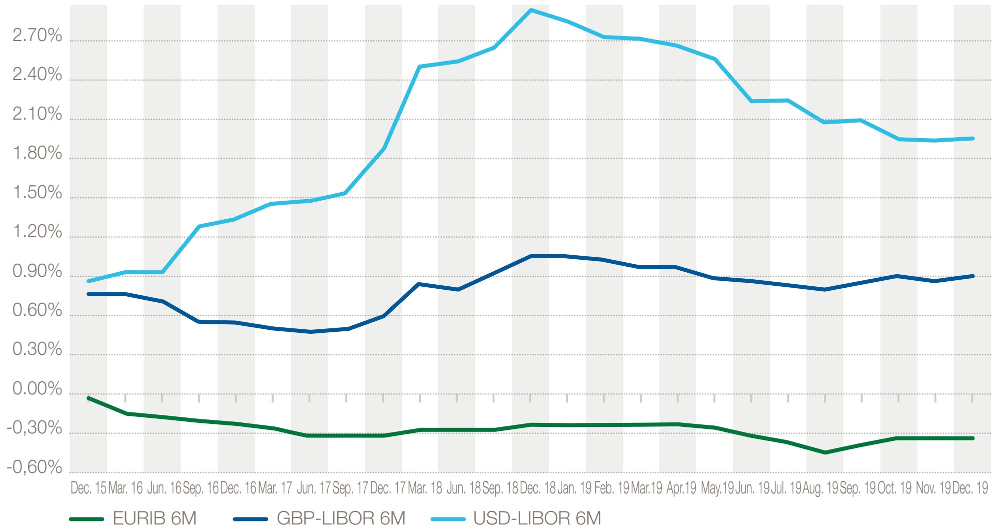
During 2019, FCC Servicios Medioambiente Holding, S.A.U. completed the issuance of two single bonds in the amount of 1,100 million euros, just as FCC Aqualia, S.A. did in 2017. The main use of these funds was the voluntary early repayment of all of FCC's syndicated financing, which was signed in September 2018 and amounted to 1,200 million euros.

Also, in November 2018 FCC, S.A. registered a promissory note programme amounting to 300 million euros, which was subsequently extended to 600 million euros in March 2019, and during 2019 new financing facilities were arranged in the form of credit facilities and bilateral loans (see Note 19 on non-current and current financial liabilities in the 2019 Report).

These operations have made it possible to complete the process of debt reduction and financial reorganisation initiated five years ago and to continue with the policy of diversifying financing sources; all this contributing to achieving a much more solid and efficient capital structure, with amounts, terms and financing costs suitable according to the nature of the different business areas.

In order to optimise the cost of capital resources, the FCC Group maintains an active policy of interest rate risk management, constantly monitoring the market and taking different positions depending mainly on the assets financed.

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



This section is discussed in greater detail in note 29 to the consolidated financial statements.

4. Major risks and uncertainties

4.1. Risk Management Policy and System

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 the business and to establish mechanisms integrated into the organisation's processes to manage the risks within the accepted levels, providing the Board of Directors and management of the FCC Group with reasonable assurance that the objectives will be met. Its scope of application covers all the Group companies, as well as the investees in which FCC has effective control and the companies acquired, from the date on which the acquisition becomes effective.

It also covers FCC Group employees belonging to consortiums, joint ventures and partly state-owned companies.

The risk management activity at FCC is governed, among other principles, by the integration of the risk-opportunity vision and the assignment of responsibilities, which, together with the separation of duties, enable continuous monitoring and control of risks, consolidating a suitable control environment.

The activities included in the FCC Group's Risk Management Model include the assessment of risks, including tax risks, in terms of impact and probability of occurrence, giving rise to Risk Maps, and subsequently the establishment of prevention and control activities to mitigate the effect of such risks. In addition, this Model includes the establishment of reporting flows and communication mechanisms at different levels, which allow both decision-making and its review and continuous improvement.

The system covers the risk scenarios considered, which have been classified into four groups: operational, compliance, strategic and financial.

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

4.2. Major risks and uncertainties

The FCC Group operates worldwide and in different sectors and, therefore, its activities are subject to a variety of socio-economic environments and regulatory frameworks, as well as to different risks inherent to its operations and risks arising from the complexity of the projects in which it participates, which could affect the achievement of its objectives.

Details of the main strategic, operational and compliance risks that could affect the Group's activities, as well as a description of the systems used to manage and monitor them, can be found in section E of the Annual Corporate Governance Report, as well as in section 3.3. of the Non-Financial Information Statement.

With regard to financial risks, which are considered to be the changes in the financial instruments arranged by the FCC Group due to political, market and other factors, and their repercussions on the financial statements, the risk management philosophy is consistent with the business strategy, seeking maximum efficiency and solvency at all times. To this end, strict financial risk control and management criteria have been established, 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 29 to the consolidated financial statements, in section E of the Annual Corporate Governance Report and in section 3.3. of the Non-Financial Information Statement.

In addition, the FCC Group is also subject to certain risks relating to environmental and social issues, the management of which is described in greater detail in sections 6 and 7 of the Non-Financial Information Statement.

5. Acquisition and disposal of own shares

At 31 December 2019, the FCC Group owned, directly and indirectly, a total of 1,250,837 shares of FCC S.A. (0.319% of the company's capital stock).

The transactions involving the acquisition and disposal of own shares during the year are detailed in note 17 to the consolidated financial statements.

6. Significant events occurring after the end of the year

There have been no significant events between the end of the year and the date of preparation of these financial statements.

7. Information on the foreseeable development of the entity

Set forth below are the prospects for the performance in 2020 of the FCC Group's main business areas.

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

In Spain, moderate growth in activity is expected through the award of new contracts and the entry into operation of disposal facilities that were under construction. In general and once the new local governments emerging from the municipal elections are settled, no major changes are expected in the domestic market conditions.

In Portugal, the business opportunities related to environmental liability decontamination activities are noteworthy.

In the UK by 2020 (as industrial production indicators have already anticipated by the end of 2019) some slowdown in economic activity is expected mainly due to the uncertainties arising from Brexit, so the Bank of England is already prepared to relax monetary policy if necessary. In the environmental area, there is a belief that the UK will not move away from the objectives of the EU's circular economy, so no sudden changes are expected. It is possible that the export of RDF (refuse derived fuels) to Europe will continue to decline, which would create opportunities for the Group due to its degree of diversification in the production chain.

Moderate organic growth is expected in Central Europe. Austria is a mature and fully developed market while the other two most important countries, the Czech Republic and Slovakia, must gradually transform their business model, reducing volumes in landfills and increasing treatment and recycling activities in order to adapt to European Union directives. In principle, this process is more medium-term but, given that the obtaining of permits and the final construction of treatment plants or incinerators is a long process, various projects that could be started in the short term have already begun to be analysed.

As far as the USA is concerned, it represents a market with high development potential for a company with the know-how, experience and use of the most advanced and efficient technologies in providing quality environmental services, as FCC has.

In the area of **End-to-End Water Management**, the expectations for 2020 are for an increase in sales and results, if we consider the new contracts already awarded, the maintenance of the high rates of renewal of contracts that Aqualia has historically recorded on expiry, and the expectations of maintaining water consumption after the recovery achieved in 2019 when compared to 2018.

In Spain, the expectation of maintaining similar renewal rates in concessions in 2020 as in 2019 is noteworthy, above 90%, although not many opportunities for new contracts are expected due to the sluggish market.

The Spanish state is paying a six-monthly fine to the EU of 15 million euros for insufficient water treatment in cities with more than 15,000 inhabitants, and an inspection process is underway in towns with more than 2,000 inhabitants, where non-fulfilment is 25% among the more than 2,000 existing municipalities. The new Government must find solutions to this deficit, via tariff systems through the creation of final, budgetary or concessionary fees. In some Autonomous Regions (Andalusia and Castilla la Mancha), BOT type concessional systems are being studied, but development is very slow.

In the international market the forecast is as follows:

- Within Europe:
  - In Portugal, a reactivation of the concession business is expected after the legislative elections held in 2019 and based on the high budget deficit of the Municipalities and the need for infrastructure investment. Similarly, operation and maintenance contracts are expected to be promoted by the public companies belonging to Aguas de Portugal. The competent authority will begin the search for solutions to the management of mud from the wastewater treatment plants in the country.
  - In France, new tenders are expected for the assignment of public services due to the termination of the contractual term for some of the existing contracts in the country. During this period the partial sale process for the fifth-largest French operator in population served will also be completed.
- In North Africa and the Middle East, seawater desalination and wastewater treatment activities continue to present business opportunities in countries where Aqualia already has implementation:
  - In Algeria, the engineering works for the new Mostaganem EDAM sea water abstraction plant continued without incident throughout the year and were completed by mid-December, a substantial improvement on the planned deadline. In January 2020, the complete installation will start up with the new collection facility. The plant will then increase its capacity and be less subject to the influence of sea conditions.

    With regard to the Mostaganem and Cap Djinet projects, in 2019 an agreement was reached for the reassignment of management and operational control functions with our partner for these projects, GS Inima, through which we were able to optimise the management and resources dedicated to supervising their progress and to distribute them more efficiently.

    Regarding the execution of the project for the Abu Rawash wastewater treatment plant, throughout the year progress in the work on the plant was good, with the completion of construction engineering and most of the civil engineering works for the project. In 2020, civil engineering works are expected to be completed and the electromechanical installations assembled.
  - In Saudi Arabia, the process of modernization and provision of the country's hydraulic infrastructures will continue, promoted by the Government in the Vision 2030 programme, by means of public-private collaboration. Progress has been made in the execution of diversion and adjustment works in the affected services on the Riyadh Metro, where Aqualia is continuing work on the diversion of services and provisional and definitive connections on Lines 5 and 6. These activities will continue in 2020.

With regard to new projects, in 2019 the company tendered on behalf of SWPC (Saudi Water Partnership Company) for three BOT projects for major desalination and wastewater treatment plants. These have been Yanbu 4 (desalination plant with a capacity of 450,000 m^3/d), Jubail 3A (desalination plant with a capacity of 600,000 m^3/d), and Taif (treatment plant with a capacity of 100,000). On the date of preparation of the report, we were waiting for the licensees to be announced. A bid on behalf of National Water Company for water management in the provinces of Medina and Tabuk with 3.6 Million inhabitants has also been prepared. This contract will be awarded in 2020.

– In Qatar, the Al Dhakhira wastewater treatment plant is expected to start operations by summer 2020, executed by Hyundai with a capacity of 55,000 m^3/d and which will be operated by Aqualia MACE once it enters into service.

- In the USA, during 2019 Aqualia has continued to strengthen its commercial analysis activity. Water scarcity, the obsolescence of the hydraulic infrastructures and the low penetration of private operators in the sector are the source of the main growth opportunities for the company in certain states.
- As for Latin America, the lack of water infrastructures and the search for efficiency in the existing ones are two factors that strengthen Aqualia's growth possibilities:

  – In Mexico, the experience gained in the Aqueduct II and Realito BOT (Build, Operate, Transfer) contracts is being used to propose similar projects, where more demanding technical and financial capabilities give Aqualia a benchmark position. As a result of this strategy, Aqualia was awarded the BOT contract for the Guaymas desalination plant, which is currently under construction.

  – In Colombia, construction of the El Salitre PTAR (Wastewater Treatment Plant) in Bogotá continues. The company pursues business opportunities for the management of end-to-end services in important municipalities in the country under municipal concession models after the award in December of the end-to-end management of the Municipality of Villa del Rosario for a period of 14 years. Opportunities are also being pursued for the design, construction and financing of hydraulic infrastructures for the purification of wastewater, as well as the search for new sources of drinking water supply in areas where this is required.

  – In Panama, work began on the Arraiján WWTP engineering, construction and 10 year operation project that will treat waters for 130,000 inhabitants. The company was also awarded an assistance and advisory contract for the operational and commercial management of the IDAAN (Institute of National Aqueducts and Sewers), a body that deals with the management of the country's water service. The contract was endorsed by the Comptroller General in last December.

  – In Peru, the preparation of the significant private initiatives declared in favour of Aqualia will continue (5 treatment plants and 1 desalination plant); and in the USA, there will be a presentation of the projects currently under study to their corresponding clients under the formula of "unsolicited proposals", for their evaluation and, if accepted, for subsequent execution.

In the **Construction** area, in the international market, FCC focuses on countries and markets with a stable presence and on the execution of projects with guaranteed financing.

The search for contracts in the domestic and international markets is one of the Group's objectives, although this is done through demanding risk management that must provide access to a selective backlog of projects that ensure the company's profitability and cash flow generation.

Taking into account the above, it is estimated that in 2020, the turnover obtained in Spain will remain similar to that obtained in 2019.

In the foreign market, it is estimated that turnover in 2020 will be similar to that obtained in 2019, with the development of large infrastructure works obtained between 2017 and 2019 and the contribution of markets in America (Central America, Chile, Peru, Colombia), the Middle East (Saudi Arabia) and Europe (the Netherlands, Ireland and Romania).

In the **Cement** area, in 2019 the Spanish economy continues to grow faster than the surrounding economies, but at an increasingly slower rate.

According to the Association of National Construction Companies (Seopan), in 2019 public tenders have grown by 16.7% (mobile data for November), building approvals increased in 2019 by over 30% and investment in public works by around 9%. These growths are transferred to the consumption of cement, which will increase by 5.9% over the previous year, equivalent to 14.2 million tons, according to December 2019 estimates of the sector's employers, Oficemen. According to this same source, the market growth in 2020 will be 2.6%. In 2019 the Cementos Portland Valderrivas Group's domestic sales exceeded 3 million tons and exports reached 1.5 million tons in the aggregate of cement and clinker.

In Tunisia, no growth in the domestic market is estimated for 2020.

In this context, the Cementos Portland Valderrivas Group will continue to develop its cost containment and investment optimisation policies and to adapt all its organisational structures to the reality of the various markets in which it operates, with the aim of improving the generation of resources.

8. R&D+I Activities

The FCC Group's R&D&I activities in 2019 have resulted in more than 40 projects.

These projects seek to respond to the challenges of each business area while maintaining overall coordination between the different business areas of the FCC Group.

The activities of the different Business Areas and the main projects developed throughout 2019 are detailed below.

Services

In the environmental services activity, we have continued with the development of projects initiated in previous years, such as:

- **ADVANCED GLOBAL ENVIRONMENTAL PROCESS AND AGENT MANAGEMENT SOLUTION.**
- **METHAMORPHOSIS.**
- **LIFE FILM.**
- **H2020 SCALABLE TECHNOLOGIES FOR BIO-URBAN WASTE RECOVERY (SCALIBUR).**

In addition, new ones have been launched during 2019, which are summarised below:

- **BICOMPARTMENTALISED AUXILIARY TROLLEY:** this is a new motorised street cleaning trolley with electric power, with two versions being built: One with a platform for transporting personnel and one without, both made of fibreglass-reinforced polyester resin.
- **INSECTUM:** it consists of the recovery of urban by-products and bio-waste by means of bio-conversion with insects, for the generation of innovative products in strategic sectors.
- **BICISENDAS:** the project strives for the integration of different technologies to create a modular and customised bike lane according to the needs of each city. Sustainable, self-sufficient in terms of energy, smart, decontaminating, integrated and safe.

Environmentally sustainable materials to develop new structural materials, from industrial waste and by-products are sought. Two alternatives for the removal of hydrocarbons will be developed (one based on microorganisms and the other based on elastomeric absorbent materials).

End-to-end water management

Innovation activity in Aqualia focuses on achieving the United Nations Sustainable Development Goals (SDGs), with regard to a water and sanitation service with sufficient and affordable quality (SDG 6), improving its energy balance (SDG 7) and reducing the carbon footprint (SDG 13) through sustainable production and consumption (SDG 12). The activity of the Department of Innovation and Technology (DIT) is in line with European policies for the transition to a circular economy with a zero carbon footprint, for which it seeks the development of new smart management tools and new proposals for sustainable services.

The projects highlights in 2019 are listed below:

- **LIFE MEMORY:** in a 50 m^3 industrial reactor in Alcazar de San Juan (Ciudad Real), the project demonstrated the technical and economic feasibility of an innovative Anaerobic Membrane Bioreactor (AnMBR), that enables the direct conversion of the organic matter contained in wastewater into biogas and the production of disinfected recycled water rich in nutrients. The elimination of conventional primary and secondary stages allows a reduction in energy consumption and CO_2 emissions by up to 80%, the required space by 25% and sludge production by around 50%. This technology has been implemented in other projects, such as the WWTP for a small population in Terassa, and the **METHAMORPHOSIS and RUN4LIFE** projects.

- **LIFE BIOSOL (BIOSOLAR WATER REUSE AND ENERGY RECOVERY):** the project led by the French SME Heliopur has demonstrated solar disinfection of reuse water combined with biological processes (algaculture). In addition to the first demonstration stage at the facilities of the CENTA Foundation (Seville), a larger scale facility has been built (3000 m^2 of cultivation) at the El Toyo treatment plant in Almería, where biomass recovery is also demonstrated.
- **H2020 INCOVER:** project led by the Aimen technology centre, with FCC Aqualia as the largest company in a consortium of 18 entities from seven different countries. The project seeks to evaluate the use of algae biomass in higher-value products such as bio-fertilisers and bio-plastics. The production of recycled water was also improved with several treatment options involving vegetable filters, solar disinfection and smart irrigation, implemented in the WWTP for Chiclana and Almería, also including biogas washing with algae for CO_2 adsorption.
- **ALL-GAS:** during the execution of the project, the world's first algae biofuel plant has been built and operated, with a capacity of up to 2,000 m^3/day of tertiary treatment of municipal effluent, on an area of two hectares (ha) of algaculture. In addition to recycled water, it produces biomethane to power up to 20 vehicles/ha with a positive energy balance. The biofuel powered three test vehicles that each travelled 70,000 km, with detailed regular analysis of wear and emissions. Together with other municipal service vehicles, a distance of 400,000 km was achieved without mechanical incidents, making this a sustainable option for manufacturing autochthonous methane with a neutral carbon footprint.
- **LIFE ANSWER:** this project, led by Mahou, installs microbial fuel cell technology (fluidised MFC - developed by FCC Aqualia together with the University of Alcalá de Henares in a previous project) in the consortium leader's brewery in Guadalajara. It has been shown that there have been energy savings in the process and in the recycling of residual aluminium from cans, by combining the process with a pre-treatment based on electrocoagulation. Recycling options with membranes were also implemented at the factory.
- **LIFE METHAMORPHOSIS:** project entrusted to a consortium of six entities (Área Metropolitana de Barcelona, FCC SA, Naturgy, Icaen and Seat) and led by FCC Aqualia, which is completing the construction of two demonstration plants, the first in the Besós Ecopark, managed by the FCC Group. This plant integrates three technologies recently developed by FCC Aqualia (AnMBR, ELAN and the washing of biogas), to convert leachates from urban waste into biomethane. In the second plant, Naturgy is working on the conversion of slurry into biofuel. In both cases, biomethane is tested for injection into the natural gas grid and for use in cars.
- **LIFE ICIRBUS (INNOVATIVE CIRCULAR BUSINESSES):** the project led by the Intromac technology centre, brings together eight companies to demonstrate the reuse of waste from wastewater treatment plants for building materials and the generation of biofertilisers at a plant managed by FCC Aqualia in the town of Lobón, in Extremadura.
- **H2020 MIDES:** through a new technology, the Microbial Desalination Cell (MDC), developed between FCC Aqualia and IMDEA Agua, the energy cost of desalination is reduced by ten times compared to traditional reverse osmosis. Waste organic matter from effluents is used to activate bacteria that transport salts through membranes without external energy input. 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 now up and running, and there is another planned implementation in the Canary Islands.
- **SABANA,** led by the University of Almería, has FCC Aqualia as a main industrial partner, along 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 optimises the production of new bio-fertilisers and bio-stimulants, and the selection of an Aqualia WWTP for the construction of a five-hectare bio-refinery that will enable alternative products to be obtained from microalgae, as an aquaculture model that is environmentally friendly and safer for the consumer.
- **H2020 RUN4LIFE:** led by FCC Aqualia, it emerges from a consortium with fourteen partners from seven different countries. The project implements in four locations (Sneek/Holland, Ghent/Belgium, Helsingborg/Sweden and Vigo/Spain), new concepts of nutrient recovery from the separation of grey and black waters. The Sneek and Vigo facilities are already in service, the first with new depopulation with minimal water consumption, and the second with an AnMBR to produce bioenergy and water for irrigation. The project has encouraged dialogue with the users of new services and by-products to optimise water and energy consumption through decentralised management of these systems and to assess the effect of new fertilisers.
- **RIS3 VALORASTUR:** this project is part of the RIS-3 programme of the Ministry 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 generating new resources.

- **ADVISOR:** project co-financed by the CDTI and supported by the municipality of Guijuelo City. It aims to co-digest the waste from the meat industry in the area at the WWTP facilities.
- **BBI DEEP PURPLE:** project led by Aqualia has 13 other partners in the consortium. The project aims to implement on an industrial scale a new biological platform integrating purple and phototrophic bacteria (PPB). In the execution of the project, organic matter from wastewater and municipal waste are used, bio-refinery works are being developed to produce biofuels and to recover cellulose and plastics as new raw materials in the chemical and cosmetic industry. Aqualia's first trials were carried out in Toledo, and a second phase is planned in the Czech Republic.
- **BBI B-FERST:** project in which Aqualia is participating with the aim of developing and evaluating new bio-fertilisers from urban waste and water treatment by-products. Sludge from the Jerez WWTP is expected to be used to supply a fertiliser factory in Huelva.
- **LIFE INTEXT:** the project evaluates and adapts low-cost purification technologies to minimise energy costs, carbon footprint and waste. The aim is to provide sustainable solutions for small populations from an ecological and economic point of view. The construction of a platform for the demonstration of these technologies is envisaged at the Talavera WWTP operated by Aqualia.
- **LIFE ULISES:** the project is developing options to transform a conventional WWTP into an "energy production factory", eliminating the carbon footprint. It is being implemented at the El Bobar WWTP in Almería, operated by Aqualia.

There are also two projects that do not involve pilot implementations and development of new processes, but are aimed at training personnel. The first one related to an industrial doctorate supported by the Generalitat de Catalunya, Virtual CSIC whose work has concluded in a doctoral thesis. And the second relating to the H2020 Marie Sklodowska Curie programme of doctorates in European networks, Rewatergy. Within the framework of this programme, two researchers were selected to carry out their doctoral studies at the Universities of Cambridge and Ulster, and then incorporate practical work into Aqualia during the second phase of the training.

In addition, in 2019, two new patents were granted. The first granted by the American patent office, concerning the Anaerobic Membrane Bioreactor. The second granted by the EPO, concerning the Bio-electrochemical Fluidised Bed.

Construction

FCC Construcción promotes an active policy of technological development, constantly bringing innovation to its projects, with a strong commitment to research and development, sustainability and contribution to the quality of life of society as competitive factors. This innovation policy is coordinated with all other business areas of the FCC Group.

The development and use of innovative technologies to carry out the works is an important contribution to added value and is a differentiating factor in today's highly competitive and internationalised market.

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

In addition, the presence of universities and technology centres is essential in almost all projects.

Some of the projects are carried out in consortium with Public Administrations, as is the case of the European Project **LIFE ZERO IMPACT,** *Development and demonstration of an anti-bird strike tubular screen for High Speed Rail lines*, in which the Administrator of Railway Infrastructures (Adif) participates.

The projects highlights in 2019 are listed below:

- **CALA:** challenges-Partnership project whose objective is to improve hydrological safety and increase the reservoir capacity of factory dams by implementing side discharge collection channels. Calculation code, experimental validation and construction process. In which FCC Construcción and MATINSA participate.
- **ROBIM:** project within the the CIEN programme whose objective is an autonomous robotics for the inspection and evaluation of existing buildings with BIM integration, with the development of an automated, active and multidisciplinary technology for the inspection, evaluation and diagnosis of the composition and state of conservation and energy efficiency of the enclosures of the building assets, which facilitates obtaining accurate and sufficiently detailed information on the construction systems and pathologies as well as an in-depth analysis of the building.

- **CYRENE:** project approved by CDTI (Centre for Industrial Technological Development) to MATINSA whose objective is the development of a new system for the integral management of road tunnels that contains the control of all the facilities and implements optimised strategies of global management.
- **PWDRON:** project financed by CDTI (Centre for the Development of Industrial Technology) whose objective is the development of a centralised system for the automated monitoring of the execution of infrastructures in linear civil engineering works, using 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.
- **REFORM2:** project presented with the help of the Catalan Waste Agency and whose objective is the recovery of by-product (of 0/6 porphyry, a by-product that originates from the generation of ballast and gravel) from quarry extraction through its incorporation into thermoset and thermoplastic matrices for different applications.
- **BIMCHECK:** innovation project approved by CDTI consisting of the implementation of a secure and automated technological management environment based on BIM and Blockchain for FCCCO's quality processes.
- **BICI SENDAS:** project within the CIEN programme whose objective is the development of a sustainable, energy self-sufficient, smart, decontaminating, integrated and safe bike lane.
- **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 comprehensive management of the hydraulic public domain at catchment basin level, with the aim of optimising the availability and quality of the resource guaranteeing the satisfaction of the demands.
- **PIELSEN:** belonging to the Challenges-Partnership programme, it seeks to create a homeostatic 3D wrap-around architecture to create intelligent adaptive sensitive skin in Building Facades.
- **SAFE:** project of the Challenges-Partnership programme, with the objective is the Development of an Autonomous System for the Anchoring Structures for Maritime Works. This smart system makes it possible to reduce dependence on human resources, minimise risk, maximise efficiency and increase the safety of field manoeuvres.
- **STARPORTS:** project of the INNTERCONECTA programme (Canary Islands) of CDTI, which will develop a Distributed Wireless System of monitoring, prevention and action for Coastal Management. It consists of the development of a smart platform capable of providing detailed information on the state of any maritime infrastructure in real time. It is also intended to develop advanced sensor networks that can be integrated within the same infrastructure and allow significant and reliable data on the state of the infrastructure to be obtained.
- **RESALTO:** project approved by CDTI with the aim of researching and developing sustainable road elements for speed reduction. Three main objectives are investigated: power generation, safety signalling and environmental connectivity.
- **SAFETY 4D:** project financed by CDTI with the goal of developing an advanced and high-performance process for prevention of risks at work in construction with the implementation of the BIM methodology.

FCC Construcción participates in many European and national R&D organisations that share the objective of coordinating the company's role as a driving force for research, development and technological innovation in the building area, in accordance with the proposals of the European Union's current H2020 programme.

Cementos Portland Valderrivas

At the Cementos Portland Valderrivas Group (GCPV), our commitment to society translates into innovation in products, processes and technologies inherent in the materials we 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.

In 2019 Cementos Portland Valderrivas continued its collaboration in the European R&D project in which it is participating as a leading partner, **BIORECO2VER.**

This project aims to obtain alternative processes for the production, on a commercial scale, of certain chemical products in a more sustainable way from the capture of industrial CO_2 emissions. The ultimate goal is to use this industrial CO_2 as a raw material and stop depending on fossil resources for the manufacture of these products.

During 2019, GCPV has carried out the classification of the emission gases, capturing them on site and sending them to project partners for their subsequent treatment within the framework of the project.

9. Other relevant information. share performance and other information

9.1. Share performance

Below is a table detailing the performance of FCC's shares during the business year compared to the previous year.

	Jan – Dec 2019	Jan – Dec 2018
Closing price (€)	10.92	11.30
Change in the period	*-3.36%*	*35.64%*
High (€)	12.80	13.00
Low (€)	10.36	8.22
Average daily trading (shares)	46,163	85,640
Average daily trading (M€)	0.5	0.9
Market capitalisation at end of period (M€)	4,284	4,432
No. of shares outstanding	392,264,826	378,825,506

9.2. Dividends

The company's Board of Directors resolved to execute the decision adopted by FCC's Shareholders' Meeting on 8 May 2019, under item five on the agenda, to distribute a flexible (scrip) dividend. The main details of this scrip dividend were as follows: the rights were traded on 14-28 May; the cash dividend of €0.40 gross per share was paid on 30 May to the shareholders who had requested it; the capital increase of 13,439,320 shares was registered with the Barcelona Mercantile Registry on 12 June, with the result that the company's capital stock was increased to 392,264,826 shares. More than 99% of the shareholders chose to receive new shares. This is the first time FCC Group is offering this kind of flexible dividend.

9.3. Own shares

At 31 December 2019, the FCC Group owned, directly and indirectly, a total of 1,250,837 shares of FCC S.A. (0.319% of the company's capital stock).

10. Definition of alternative performance measures according to ESMA regulations (2015/1415en)

EBITDA

We define Ebitda as earnings from continuing operations before tax, results of companies accounted for using the equity method, financial result, depreciation and amortisation charges, impairment, gains or losses on disposals of non-current assets, subsidies, net changes in provisions and other non-recurring revenues and expenses. The reconciliation of Ebitda to the income statement epigraphs is as follows:

	Dec 2019	Dec 2018
Operating profit/(loss)	**511.6**	**485.9**
Amortisation of fixed assets and allocation of subsidies for non-financial and other assets	449.1	376.4
Impairment of fixed and non-current assets and gains/(losses) on disposal of fixed and non-current assets	59.8	(9.8)
Other gains/(losses)	5.3	8.7
Ebitda	**1,025.8**	**861.2**

EBIT

This corresponds to the operating profit in the consolidated income statement presented in the accompanying consolidated financial statements.

Cartera

The FCC Group uses backlog as an extra accounting measure in certain areas of our businesses. We calculate the backlog for our Environment, Water and Construction business areas because these businesses are characterised by medium- and long-term contracts. Because of its typically short-term purchase cycle, we do not calculate backlog for our Cement business area.

As at any given date, the backlog reflects pending production, that is, amounts under contracts or client orders, net of taxes on production, minus any amounts under those contracts or orders that have already been recognised as revenue. We value pending production according to the expected number of units at current prices as at the date of calculation. We include in backlog only amounts to which clients are obligated by a signed contract or firm order.

In the Environment area, we recognise the backlog for our waste management contracts only when the relevant contract grants us exclusivity in the geographical area where the plant, landfill or other facility is located.

In our Water business area, we calculate initial backlog on the basis of the same long-term volume estimates that serve as the basis for our contracts with clients and for the tariffs set in those contracts.

In our Construction business area, we recognise the backlog only when we have a signed contract with, or a firm order from, the end client.

Once we have included a contract in our backlog, the value of pending production under that contract remains in backlog until fulfilled or cancelled. However, we do adjust the values of orders in the backlog as needed to reflect price and schedule changes that are agreed with clients. For example, after the date of calculation, a price may increase or decrease as a result of changes in contractual production due to additional works to be performed. Due to a number of possible factors, we could fail to realise as revenue part or all of our calculated backlog with regard to a given contract or order. Our backlog is subject to adjustments and project cancellations and is, therefore, an uncertain indicator of future earnings.

In the Real Estate area, the FCC Group calculates the backlog as the amount of the collection corresponding to the sales of homes pending completion at year-end.

Net financial debt

Net financial debt is defined as total gross financial debt (current and non-current) minus current financial assets, cash and other current financial assets. The calculation of net debt is provided in note 29 to the consolidated financial statements.

Voluntary turnover rate

Ratio of voluntary staff departures during the year. Both voluntary departures and leaves of absence are considered to be low.

Fomento de Construcciones y Contratas, S.A.

Financial Statements for the year ended 31 December 2019 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.

Deloitte.

Deloitte, S.L.

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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.

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

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

Report on the Financial Statements

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 2019, 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 2019, 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.

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.

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

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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
The Company has ownership interests in the share capital of Group companies and associates, most of which are not listed on regulated markets, the carrying amount of which at 31 December 2019 was EUR 2,775 million net of accumulated impairment losses. The changes in these investments in 2019 should be understood in the context of the corporate reorganisation carried out, by virtue of which, among other operations, the Company's environmental services line of business was spun off to an investee. The accounting impacts of these transactions on the Company's balance sheet and the statement of profit or loss are disclosed in Notes 1 and 10. The determination of the recoverable amount of the Company's ownership interests requires the use of significant judgements and estimates by management, with regard to both the method for determining the recoverable amount (equity adjusted by the unrealised gains existing at the date of measurement or, where appropriate, discounted cash flows), and the consideration of the key assumptions established for each method in question. The aforementioned matters, and the significance of the ownership interests held, led us to determine the situation described to be a key matter in our audit.	Our audit procedures included, among others, obtaining and analysing the recoverability tests conducted by Company management on the ownership interests, and verifying the clerical accuracy thereof and the appropriateness of the valuation method used in relation to the investment held. Also, we analysed the recovery assumptions used by management and the consistency thereof with the historical data on the investees. In addition, we reviewed the sensitivity analyses of the key assumptions identified. 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.

Recoverability of deferred tax assets

Description	Procedures applied in the audit
The Company's balance sheet as at 31 December 2019 includes deferred tax assets of EUR 101 million, which must be considered in the context of the tax group headed by the Company. At year-end, Company management prepares financial models to assess the recoverability of the deferred tax assets, taking into account the applicable regulatory framework and the most recent business plans approved for the various entities forming part of the consolidated tax group, in addition to the estimated reversal periods for the temporary differences recognised in the balance sheet. 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 tax assets recognised in the balance sheet.	Our audit procedures to address this matter included, among others, the performance of tests on the design and implementation of the relevant controls that mitigate the risks associated with the process of assessing the recoverability of the deferred tax assets recognised, as well as verification that the aforementioned controls operate effectively. In addition, we performed substantive tests based on the obtainment of 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, analysing, among other matters, the consistency of the pre-tax profits projected for the coming years with historical and actual 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 estimates affecting income tax for the current year. Notes 4.h and 18 to the accompanying financial statements contain the disclosures relating to the Company's deferred taxes.

Provisions and contingent liabilities relating to Alpine	
Description	**Procedures applied in the audit**
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 headed by the Company, some of which are for a significant amount. Company management has to 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 department and its external legal counsel, and are submitted to controls designed to ensure the consistency and reasonableness of the criteria applied.	Our audit procedures included, among others, the review of the evolution of each of the lawsuits affecting the Group as a result of the liquidation of the Alpine Group. To this end, we obtained confirmations from its internal and 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 evaluated whether the Company 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. Notes 4.j, 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.

Other Information: Directors' Report

The other information comprises only the directors' report for 2019, 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 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 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 observed that the information described in section a) above was provided in the directors' report and that the other information in the directors' report was consistent with that contained in the financial statements for 2019 and its content and presentation were in conformity with the applicable regulations.

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.

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 page 7, forms part of our auditor's report.

Report on Other Legal and Regulatory Requirements

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 27 February 2020.

Engagement Period

The Annual General Meeting held on 28 June 2018 appointed us as auditors for a period of one year from the year ended 31 December 2018.

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.

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Raquel Martínez Armendáriz
Registered in ROAC under no. 20.755

27 February 2020

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.

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.

A2

FCC Group Consolidated non-financial information status 2019

(Proposal to the Board of Directors for approval in session on February 27, 2020)

About this report

Regulatory framework: Law 11/2018 non-financial information and diversity

EU Directive 2014/95 of the European Parliament and Council of 22 October 2014, amending EU Directive 2013/34 regarding the disclosure of non-financial information and information on diversity by large companies and groups, aims to identify risks to improve sustainability and increase the confidence of investors, consumers and society in general.

The dissemination of non-financial information or that relating to corporate social responsibility contributes towards the measurement, monitoring and management of the performance of companies and their impact on society, and constitutes a common practice within the FCC Group.

This report includes all the material indicators for the FCC Group requested in Law 11/2018, 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. Where any indicator is not material for the Group, this will be expressly mentioned.

For the identification of material matters, FCC has updated its materiality study for 2019, described in section 1.3 of this report.

Following the practice of previous business years, and with the aim of fully adapting to the requirements of the Law, Global Reporting Initiative (GRI) standards have been complied with.

In application of Law 11/2018 of 28 December which modifies 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 20 July on Accounts Auditing, in matters of non-financial information and diversity, the FCC Group includes a Statement of Non-Financial Information (EINF) in its Consolidated Management Report, corresponding to the business year from 1 January to 31 December 2019.

An independent assurance report that includes the objectives and scope of the process, as well as the review procedures used and their conclusions, is attached as an annex to this report.

Scope of the report

The scope of the information provided in this report corresponds to the integration perimeter used for financial consolidation, taking into account the data for 100% of the subsidiaries over which management is controlled, regardless of the shareholding.

Below you will find details of the annotations to the scope of specific indicators. These may be due to the need to make estimates, as the necessary information was not available in February 2020 for closure; there are also exclusions to scope, for which the reasons are detailed:

Cementos Portland Valderrivas

Environmental indicators do not take into account the activity of aggregates, concrete and mortar. Cement activity accounts for 86% of turnover for the entire Cementos Portland Valderrivas Group and corresponds to virtually all of the Group's environmental impact.

FCC Construcción

Due to the unavailability of the 2019 environmental information for civil engineering work on the Riyadh metro and maintenance of the execution phase, the environmental data for the 2018 business year were taken into account. The environmental information for FCC Construcción includes FCC Industrial, Matinsa, Megaplas and Prefabricados Delta.

FCC Medio Ambiente

In FCC Environment UK, total water consumption was estimated due to a lack of monitoring of the consumption of water supplied by the municipality. Also, due to the unavailability of updated information for 2019, the 2018 data on the net emissions of Greenhouse Gases from landfills were incorporated.

Aqualia

The environmental information provided does not include any on those environmental issues that do not correspond to Aqualia's activity in the country. Nor is any information provided on the countries in which Aqualia is starting to operate but has not yet been incorporated into the reporting system. And the civil engineering work that represents approximately 15% of Aqualia's turnover is also not included. The data shown refer to the period between December 2018 and November 2019.

FCC Group materiality study

In 2019, the previous materiality study was updated, with the aim of identifying the most significant social, environmental and economic issues for the FCC Group and its stakeholders.

This review is the result of the study of each of the business lines: Aqualia, FCC Medio Ambiente, FCC Construcción and Cementos Portland Valderrivas, and it was undertaken in the following stages:

- **External assessment:** the external significance of environmental, social and governance issues was updated based on the results from the previous study. This assessment included an analysis for each of the business lines of information on competitors, the main industrial associations, the criteria evaluated in the Dow Jones Sustainability Index, press disputes, as well as material issues for the sector identified by SASB and GRI.
- **Internal assessment:** an assessment of the internal significance of each of the issues was undertaken by the main people responsible for each line of business.
- **Prioritisation and determination of material matters:** by adding the results for the previous stages, the material issues were established for each line of business, and the materiality matrices were designed, representing, on the ordinate axis, the importance given by the company's interest groups and, on the abscissa axis, the importance attributed by the representatives of each of the assessed business lines.

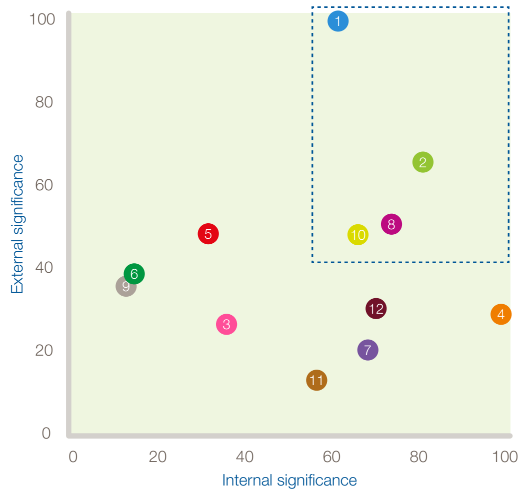
The materiality matrices for each of the FCC Group's business lines are represented below. Material issues, understood to be those that exceed the average score in both internal and external importance, are framed within the tables outlined for each matrix.

As can be seen, in all businesses the protection of scarce natural resources is one of the most significant issues both internally and externally. The well-being and professional development of the employee in all businesses is also especially important. Policies of an environmental nature to limit the effects of climate change and socially, and of a social nature concerning the occupational health of employees and contractors are two prominent issues both internally and externally for stakeholders.

Local development, client experience, promotion of respect for human rights and corruption prevention and mitigation systems are issues that are especially highlighted due to their importance internally.

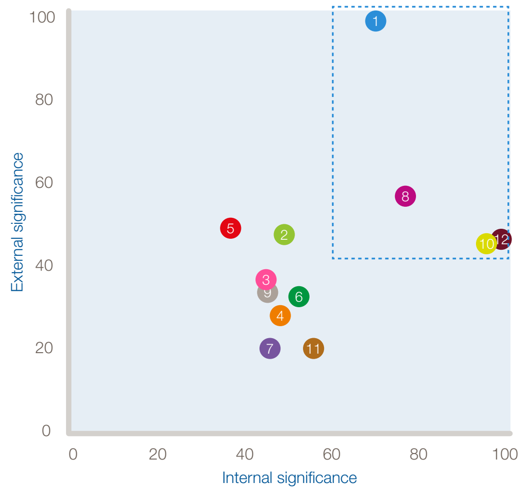
Aqualia

FCC Medio Ambiente



Cementos Portland Valderrivas

FCC Construcción



1 Protection of scarce natural resources
2 Protection of scarce natural resources
3 Client experience
4 Client experience
5 Local development
6 Responsibility for suppliers and contractors
7 Technological development and cyberattack prevention
8 Technological development and cyberattack prevention
9 Responsible criteria for contracting
10 Occupational health and safety of employees and contractors
11 Innovation and sustainability
12 Systems for prevention and mitigation of corruption

The FCC Group and its environment

The FCC Group in 2019

During the 2019 business year, the Group played a leading role in a number of social, environmental and good governance and ASG (Environmental, social and governance) projects that contributed to improving people's quality of life and, in turn, promoted economic and sustainable growth in cities. These milestones strengthened FCC's commitment to its stakeholders and positioned the organisation as a socially responsible entity. The following are a series of social, environmental and good governance milestones reached by the Group during the last business year.

In line with the commitments acquired by the FCC Group in terms of transparency and accountability, the direct economic value generated and distributed by the Group is shown below, in accordance with the international Global Reporting Initiative (GRI) standard.

The following table shows the Group's contribution to economic and social development, the result of the work and coordination of the different activities that it undertakes in the different countries in which it operates.

During the **2019**, the Group played a leading role in a number of **projects** that contributed to **improving people's quality of life** and promoted **economic and sustainable growth** in cities.

Economic value generated and distributed (thousands of euros)

Economic value generated	**6,541,625**
Turnover	6,276,231
Miscellaneous income	265,394
Economic value distributed	**5,859,471**
Operating costs	3,588,867
Employees	1,925,734
Capital providers	191,024
Taxes	149,066
Community	4,780
Economic value withheld	**682,154**

January

- Aqualia launches the 17th Edition of the Water Researchers Competition.
- Aqualia launches the 17th Edition of the Water Researchers Competition.

February

- FCC Group included in the FTSE4Good Index.
- Healthy Life, FCC's commitment to personal well-being.
- Launch of the ADVISOR Project, led by Aqualia, for the revaluation of animal by-products.
- FCC Construcción has been included in the Ministry for Ecological Transition register for carbon footprint, compensation and CO_2 absorption projects.

March

- The FCC Group observes International Women's Day.
- Partnership between Aqualia, the Real Madrid Foundation and the Municiaplity of Mazarrón to integrate children through sports.

April

- FCC renews its commitment to the Diversity Charter.

May

- FCC Medio Ambiente will develop an Energy plant using Waste in Drumgray (Scotland).
- FCC Medio Ambiente manages the services for seven of the ten cleanest cities in Spain.

June

- FCC Construcción, the first Spanish Company to obtain an AENOR ISO 44001 certificate for collaborative relationships.
- Strategic Alliance between UNHCR and Aqualia for water and sanitation.
- FCC Medio Ambiente plays a leading role in the first edition of the Smart HSE Linkup.

July

- FCC supports the Once Foundation and the European Commission for the integration of diversity.
- FCC launches a campaign to collect textbooks and school material in collaboration with the Melior Foundation.

August

- FCC supports the Once Foundation and the European Commission for the integration of diversity.
- FCC launches a campaign to collect textbooks and school material in collaboration with the Melior Foundation.

September

- FCC Medio Ambiente receives an award at the 2019 ONCE Aragón Solidarity Awards.
- FCC joins the X Popular Heart Race in Madrid Rio.
- FCC Construcción present at the 2019 United Nations Climate Action Summit.

October

- FCC holds an informative chat to coincide with International Breast Cancer Awareness Day.

November

- FCC Campus, FCC Group`s Corporate university, has been.
- FCC Medio Ambiente´s participation within the framework of COP25.
- FCC Construcción, the 1st construction Company in the world to join the United Nations Global Compact´s Sustainable Finance Group.
- FCC Industrial, the first construction Company to obtain a "Zero Waste" certificate.

December

- Blood Donation campaign at FCC.
- FCC Medio Ambiente issues a green bond for an amount of 1,100 million euros.
- FCC Medio Ambiente wins the World Smart City Awards in the "Innovative Idea" category.

The Group's business model: creation of sustainable cities

The FCC Group is an international benchmark group, a provider of services to citizens that, since its inception, and because of the nature of its activity, contributes to improving people's quality of life, promotes the well-being of communities and fosters socio-economic development. The company currently has an international presence in almost 40 countries.

The following are the FCC Group's main activities.

FCC Group's main activities

Environment

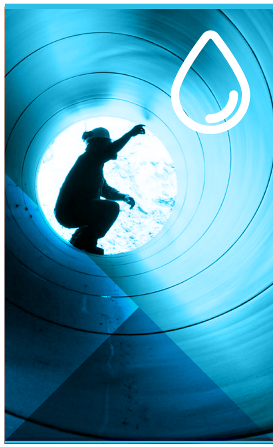
- Collection, treatment and recycling of municipal and industrial waste.
- Protection of green areas.
- Maintenance of sewage systems.
- Retrieval of polluting soils.
- Road cleaning.

Construction

- Civil Work.
- Building.
- Infrastructure maintenance.
- Industrial.
- Concessions.
- Prefabricated.

Cement

- Cement.
- Other businesses (Concrete, Aggregates, Mortar).



Water

- Design, construction and financing of hydraulic infrastructures.
- Operation, maintenance and technical assistance services.
- Comprehensive public service management.

The definition of FCC Group's vision enables us to establish a goal for future performance that defines its actions and gives the whole company a purpose. In this regard, all business lines share the same culture when undertaking their activities and, share a common project to contribute to the economic, social and environmental development of the communities in which they are present.

Thanks to its business strategy, the FCC Group is one of the main citizen services provider groups in the international arena. In accordance with its vision for the future, the FCC Group is working towards becoming an international benchmark for Citizen Services offering global, innovative solutions for the efficient management of resources and the improvement of infrastructures, contributing to improving the quality of life of citizens and the sustainable progress of society as a whole.

Creation of sustainable cities

In order to achieve its Vision, and with the aim of responding to social, environmental and economic challenges, the FCC Group puts the design and efficient and sustainable management of its main services, comprehensive management of the water cycle, the construction of large infrastructures and the provision of environmental services at the service of society to improve people's well-being, making their Mission as a Group a social reality that contributes to the creation of sustainable and resilient cities.

The FCC business model, its different companies and the communities in which it operates are facing the great challenges presented by population growth, climate change, scarcity of natural resources and increasing inequality. In this context, FCC Group's Mission responds to all these challenges and fosters the development of cities, detecting opportunities linked to its business model and transforming the competitive environment.

With the aim of identifying and facing up to risks, taking advantage of opportunities in matters of sustainability and in response to the expectations of the different stakeholders, the FCC Group is committed to a strategy of Corporate Social Responsibility. This will enable it to position itself at the forefront in social, economic and environmental issues and provide strategically sustainable solutions in the long term, through specific programmes within the framework of the CSR 2020 Master Plan and the follow-up and evaluation of its objectives.

To maintain a unified and sustainable business model, FCC understands that it essential to comply with the highest parameters of operational excellence with the application of its Code of Ethics and Conduct in all the countries in which it operates and in all the activities undertaken by the Group.

In order to achieve its Vision, and with the aim of responding challenges, the FCC Group puts the **design and efficient and sustainable management of its main services**, to improve people's well-being, making their Mission as a Group a social reality that contributes to the creation of **sustainable and resilient cities**.

Transversal model of value creation

With the aim of contributing to the creation of sustainable cities and being at the forefront in the transition towards a new economic paradigm, the FCC Group is developing its own transversal model of value creation. This is a differential aspect with regard to the competitive environment. This model is transversal to each of the companies that make up the Group and is characterised by four key features:

- Behaving like an operator with a hundred years' experience in this business, with differentiated technical specialisation, capable of leading large consortiums in complex projects.
- Having a highly specialised and committed team of people, whose priorities include the protection of safety and health.
- Having local roots in the places where it undertakes its operations. This makes it an essential part of the communities in which it operates, allowing the development of trusting relationships.
- Having a solid international position with broad development prospects in markets with great opportunities.

The ambition of the FCC Group to contribute to the creation of sustainable cities for the future is a challenge that requires the cooperation and coordination of all its companies in order to be able to respond, not only to the impacts associated with climate change but also to the main challenges relating to social, economic and good governance issues.

The transversal model of value creation enables this cohesion to be fostered and the FCC Group to be positioned as an entity with a business model at the cutting edge in the creation of the cities of the future.

For the FCC Group, cities are the centre of the challenges that arise in the field of sustainability, so they are configured as the places to develop innovative solutions with a significant and rapid impact. The company makes a contribution by providing citizen services that are high quality, innovative and with high environmental standards.

FCC

A business model at the forefront in creating the cities of the future

FCC Medio Ambiente

The Environmental Services area of the FCC Group has been providing municipal services and comprehensive waste management for over a hundred years and serves almost 60 million people in nearly 5,000 municipalities.

The company operates in a total of 12 countries providing a variety of services that reflect its extensive experience in the sector, including: collection, processing, recycling, energy recovery and disposal of municipal solid waste; cleaning of public roads; maintenance of sewage networks; maintenance and protection of green areas; processing and disposal of industrial waste; and recovery of contaminated land.

FCC Medio Ambiente is made up of 4 geographical divisions:

- Iberia: FCC Medio Ambiente Spain (including the industrial waste business) and FCC Environment Portugal
- United Kingdom: FCC Environment UK
- Central and Eastern Europe: FCC Environment CEE
- United States: FCC Environmental Services (USA)

In the 2019 business year, the area's turnover grew by 3.29%, reaching 2,915.2 million euros, and Profit Before Tax increased to 201.0 million euros, representing an increase of 22.47% over 2018, an increase in the percentage of turnover from 5.8% to 6.9%. The contracting increased by 40.6% over the previous year to 3,032.3 million euros, making a portfolio volume of 10,366.2 million euros.

FCC Medio Ambiente annually manages about 25 million tons of waste and produces about 3.5 million tons of secondary raw materials (MPS) and refuse-derived fuel (RDF). The company has over 700 waste management operations facilities, of which about 200 are environmental complexes dedicated to processing and recycling waste, including 11 waste energy recovery projects with a capacity of 3.2 million tons per year and 360 MW of non-fossil fuel electricity.

FCC Medio Ambiente winner of the World Smart City awards in the "Innovative Idea" category

In November 2019, in this strategic line of action and within the framework of the Smart City Expo World Congress in Barcelona, FCC Medio Ambiente presented the first industrial e-mobility platform for urban service vehicles.

The project, which focuses on the development of a 100% electric platform chassis, was developed by FCC Medio Ambiente and the Irizar Group, and was subsidised by European funds under the CDTI CIEN programme of the Ministry of Economy and Competitiveness.

The strategic objective of this platform is to allow for easy implementation of affordable mobility in urban services that will provide significant environmental benefits, such as the total reduction of pollutants and noise. The aim is to reach a fleet of 30,000 heavy diesel vehicles, which could mean an annual reduction of the carbon footprint of almost one million equivalent tons of CO_2, and more than 9,000 GWh of energy consumption savings in Spanish cities.

Aqualia

Aqualia is the FCC Group company responsible for the comprehensive management of water that, by providing technical solutions and services throughout the cycle, contributes to its objective of improving the well-being of people in each of the communities in which it operates and promotes the preservation of society's most essential resource: water. Aqualia also undertakes infrastructure activity that accounts for approximately 15% of the company's turnover.

Aqualia has a presence in 18 countries and it is one of the most internationally important operators providing services in different geographical areas. In Spain, the company operates in over 700 municipalities, and outside Spain, it operates in international markets, with projects in Europe, Latin America, the Middle East and North Africa.

Aqualia has a total of 8,825 employees and its activities are guided by a common objective: For the growth of the company to maintain the criteria of profitability and to integrate all the capabilities of the value chain into the water cycle, from the design of the installations to the management of investment projects in water systems.

This strategic model was strengthened in 2018 with the incorporation of IFM Global Infrastructure Fund into the shareholding of FCC Aqualia S.A., with a minority share of 49%.

In the 2019 business year, Aqualia had a turnover of €1,186.9 million, with an EBITDA of €281.7 million and a portfolio close to €15,018.3 million.

Corporate Social Responsibility is an essential part of Aqualia's business model and therefore of its daily operations, taking as a reference the United Nations Sustainable Development Goals. This approach by the company stems from its commitments in social and environmental issues and the aim is for these issues not to take second place when it comes to making business decisions.

Water treatment as a synonym for development and well-being in Colombia

The CEO - Managing Director of Aqualia, Félix Parra, spoke at the forum entitled "Water treatment and basic sanitation: a country's need", organised by the publishing group Semana in Bogotá (Colombia) where he stressed that "water really must be a state policy" During his speech, Félix Parra highlighted the importance of the Salitre WWTP (Waste Water Treatment Plant) project that Aqualia is completing in the Colombian capital for the decontamination of the Bogotá river, which will be an important step forward for the country regarding water quality and sanitation.

FCC Construcción

The FCC Group Construction business has more than 120 years experience and it has a presence in a total of 20 countries. It is in fact a benchmark in the management and execution of civil-engineering and building works (residential and non-residential) and its activities cover all areas of engineering and construction.

It is currently the fourth most important construction company in Spain and is one of the top 40 in the world. It has proven experience in undertaking projects under concession and it has a group of companies dedicated to the industrial sector and grouped under the FCC Industrial brand, as well as other activities relating to the construction sector (Matinsa, Megaplas and Delta Prefabricados).

During the 2019 business year, FCC Construcción recorded a total aggregate attributable portfolio of 5,623.2 million euros. Gross earnings (EBITDA) reached 100.2 million euros and turnover increased by 3.9% over the previous year and stands at 1,719.3 million euros. In 2019 the portfolio of international projects increased by 5% and the income from domestic activity increased by 9.2% compared to the previous year, standing at over 665 million euros.

FCC Construcción, pioneers in obtaining ISO 44001 certification from AENOR for collaborative relationships

FCC Construcción was a pioneer in obtaining AENOR certification for the collaborative work relations management system in accordance with the UNE-ISO 44001 Standard, that features the implementation of the Collaborative Labour Relations Management System (SGRTC in Spanish). This applies to high-impact strategic relationships in the organisation's performance with clients, suppliers, internal and external collaborators and partners, identified and managed as part of a collaborative relationships programme.

ISO 44001 certification verifies the implementation of an effective and smart management system for collaborative work relationships that involves benefits including the increase of business opportunities, control in the transfer of the parties' knowledge, the ability to consolidate relationships with suppliers, clients and partners based on a win-win philosophy, cost optimisation and value creation, as well as the ability to strengthen competitiveness in order to access international markets.

Cementos Portland Valderrivas

The cement activity of the FCC Group is undertaken by Cementos Portland Valderrivas, SA and subsidiaries, whose business line is mainly the manufacture of cement, which accounted for more than 91% of total revenues in 2019. The remaining percentage for this business model (9%) involved concrete, aggregates and mortar.

In the last business year, taking the geographical diversification of the company into account, more than 27% of revenues came from Tunisia and the United Kingdom. However, the Group's international presence is not limited to these countries because it also exports to West and North Africa, the US, Central America and several countries in Europe.

The company's operating structure is based on the cycle for the cement business. The consists of the extraction of raw materials (aggregates), the process for manufacturing clinker, cement, concrete, dry mortar and special products, and final distribution.

Cementos Portland Valderrivas is the largest cement group in Spain by productive capacity and directly or indirectly owns production centres in a number of regions in the country: Cantabria, Basque Country, Navarra, La Rioja, Castile-León, Madrid, Aragon, Andalusia and Catalonia. Its products are distributed in all 17 Autonomous Regions.

The FCC Group environment

Growth of the FCC environment

As a global operator of citizen services, the FCC Group needs to understand the environment in which it carries out its business, as well as the trends that affect the way in which the company relates to its different stakeholders. With this in mind, the company studies and assesses the challenges it faces as a group with the aim of giving an effective response and meeting the different demographic, economic, social and environmental challenges.

In this regard, population growth and the displacement of millions of people to the main urban centres is having an impact on the growth and urban development of cities. It is estimated that investment in infrastructure will exceed three billion dollars annually in the coming decades. In fact by 2050, 80% of the world's population will be concentrated in cities, highlighting the need to propose innovative solutions to the challenge posed for the sustainability and maintenance of cities. The construction of smart buildings, risk management in the face of climate change and urban accessibility, are also issues that are already being worked on and that are becoming increasingly important.

Furthermore, urban communities are today the main centres of energy consumption, since 67% of global demand comes from primary energy, which implies a fairly high cost for transition to a low carbon economy. In this context, the International Energy Agency estimates that to reduce and limit the emission of GHG into the atmosphere, investment in renewable energy and energy efficiency will need to be in billions for a long period of time.

Also, the provision of these high-quality citizen services will required efficient administration in resource management and greater public-private collaboration. Governments, companies and citizens must work together to face the current challenge presented by urban planning in a context of digitalisation and with an increase in the empowerment of citizens in decision-making.

Meanwhile, the current climate crisis and, consequently, the scarcity of natural resources, are transforming a productive system that now requires new, more efficient and resilient business models that guarantee the preservation of the environment and mitigate the environmental impact. In this regard, with respect to water use and waste, it is estimated that if by 2030 no progress has been made in terms of efficiency, to meet the requirements for water resources worldwide there will need to be an increase of 40% in current capacity for supply.

Waste management also poses a major problem for the sustainability of future cities, given the increase in urban development. To meet this challenge waste will need to be the main source of energy and efficiency in its disposal increased.

Within the framework of its 2020 CSR Master Plan, the FCC Group made an analysis of the socio-economic context in which it undertakes its activity, taking the main global challenges into account, including those that affect its main stakeholders and that unquestionably have an impact on the business model.

Along these lines, with the application of the action principles included in the Code of Ethics and Conduct and by meeting client expectations, the FCC Group is contributing to the creation of social value, to progress and to the creation of the sustainable cities of the future. In this way, the company is guaranteeing a relationship of transparency with its stakeholders and innovating in the provision of services, in accordance with developments in trends and the emerging needs of the communities.

Within this context, the Group analysed the following trends and responds to each of them from a business model point of view:

Citizen empowerment

Digitalisation involves the structural modification of the relationships that an individual establishes with the surrounding environment, from consumption habits to the way of doing business. This transformation contributes to the empowerment of citizens and their greater involvement in decision-making which indirectly affects development in the cities where they live.

Citizens, as consumers of products and services, are increasingly demanding and expect more information and higher quality, mainly as a result of interconnectivity with their environment and the easy access they have to smart devices. The company has set up a comprehensive multichannel service to respond to client needs, that establishes its own real-time information follow-up systems and even participates in round tables to detect its stakeholders' possible expectations.

Solutions to global warming

Private companies play an essential role in the transition to a low carbon economy by fulfilling their objectives in the fight against climate change. The UN Climate Summit, held in Madrid, highlighted the difficulty of Governments to reach a consensus on climate action, however, a call was made to all countries to address global warming with more ambitious efforts and plans. The FCC Group, in line with its commitment to help mitigate the effects of global warming, has taken a number of initiatives such as the implementation of the ISO 50001 Standard for energy efficiency, a commitment to clean energy, the reduction of GHG emissions and the implementation of its own corporate Climate Change strategy.

Water stress, water as a scarce resource

The water stress and the existing pressures on demand are posing a challenge in the comprehensive management of this resource and it requires further technological development to improve use efficiency. Within this context, the digital transformation of the sector has led to great progress in the control and monitoring of water, while changing the relationship that companies currently have with their consumers. In order to guarantee that all people have access to water and with the aim of reducing water stress, the FCC Group is committed to continuous investment in R&D&I that will enable the detection of opportunities and the implementation of more efficient processes. It also has specialists in the management of the comprehensive water cycle and it is committed to energy recovery from wastewater.

Urban metabolism and circular economy

One of the global priorities in the 2030 Agenda is based on the efficient and responsible management of solid and urban waste and the re-use of water, through the circular economy, an economically and environmentally sustainable solution. The application of this model will help to reduce the impact of GHG emissions and enable job creation.

Those sectors whose activity focuses on the final stage of the product life cycle are becoming more important and more responsible, since they are the ones that will have to comply with EC Directive 2008/98, on waste management. To do this, FCC has put business lines specialising in waste and water management at the service of citizens, undertaken R+D+i projects aimed at extending the life cycle of resources, supported public initiatives through public-private collaboration to accelerate transition to the new model and done its best to promote awareness in its collaborators on environmental matters.

Inequality and social exclusion

Inequality, poverty and social exclusion are some of the great socio-economic challenges facing our era, accentuated by the economic crisis suffered by many, including the most vulnerable groups. With regard to this, the private sector needs to promote initiatives that contribute to alleviating the difficulties faced by people with disabilities and/or at risk of social exclusion as far as this is possible. The FCC Group's commitment to reducing social inequality can clearly be seen in its involvement in more than 300 social projects to which it contributes each year, and in the solidarity initiatives in which the Group's employees take part. The company is also committed to education and training to contribute to community development and to renewing agreements annually with the main NGOs promoting the social inclusion of disadvantaged groups.

Good Governance in the FCC Group

Good Governance

The Spanish National Securities Market Commission (CNMV) includes in its "Code of Good Governance for listed companies (2015 version)", a series of recommendations that enable companies to act in accordance with the highest international standards of corporate governance. The FCC Group fully or partially complies with 84.5% of the rec ommendations. In this way, the Board of Directors of the FCC Group responds to the principles of representativeness in the structure and balance of its governance. Each year the Group prepares an "Annual Corporate Governance Report" and an "Annual Remuneration Report", following CNMV reporting guidelines.

Governance Structure

The General Meeting of Shareholders is the Company's overriding decision-making body in matters for which it is responsible and that are specified in the Regulations for the General Meeting of Shareholders.

FCC has a Board of Directors which has overriding powers to manage, direct, administer and represent the company and to fulfil its corporate purpose, focusing its activity primarily on supervising the ordinary management of the Company entrusted to executive directors and senior management, as well as on the consideration of all matters that are of particular significance to the Group. For greater efficiency and transparency in the performance of their functions, the Board of Directors has three committees: The Executive Committee, the Audit and Control Committee and the Appointments and Remuneration Committee. The latter is responsible for submitting proposals for the appointment and re-election of independent directors to the Board.

The FCC Group fully or partially **complies** with **84.5% of the recommendations** that the **CNMV** includes in its Code of Good Governance for listed companies.

Governing bodies and associated respons

General Shareholders Meeting

It is governed by the provisions of the Law, the Company's Bylaws, and the Regulations laid down by the General Meeting. There is a guarantee of equal treatment for all shareholders in terms of information, participation and the right to vote at the General Meeting.

Board of Directors

It is responsible for the management and representation of the FCC Group. It is the body responsible for the supervision and control of the company's management, entrusted to the Executive Directors and Senior Management.

Executive Committee

Permanently delegated body, designated by the Board of Directors, which in turn defines the responsibilities that are attributable to it, as well as the Directors who are members of it. It is responsible for taking decisions with regard to FCC Group Investments, access to credit, loans, guarantee, lines of collateral and other financial instruments.

Audit and Control Committee

It supports the Board by reviewing the preparation of economic-financial information, the internal control and independence of the external auditor. Its members need to have technical knowledge of the Group's activity sectors. Furthermore, at least one of the members must have suitable knowledge of accounting and/or auditing.

Appointments and Remuneration Committee

It is the body responsible for: information, advising and proposals regarding the appointment, re-election, ratification and dismissal of directors, remuneration of the directors and senior executives of the FCC Group, as well as the control of possible conflicts of interest and related operations, without prejudice to any other functions, whatever their nature, attributed by Law, the Company's Bylaws or the Regulations of the Board of Directors.

Members of the Board of Directors and its Committees[1]

Board of Directors	Executive Committee	Audit Committee	Appointments and Remuneration Committee
Esther Alcocer Koplowitz Chairperson (Proprietary)	○		○
Esther Koplowitz Romero de Juseu Vice President (Proprietary)			
Pablo Colio Abril Chief Executive Officer	○		
Alicia Alcocer Koplowitz Proprietary	○		
Carmen Alcocer Koplowitz Proprietary			
Gerardo Kuri Kaufmann Executive	○		
Álvaro Vázquez de Lapuerta Independent		○	P
Carlos Slim Helú Proprietary			
Alejandro Aboumrad González Proprietary	P		
Alfonso Salem Slim Proprietary			
Juan Rodríguez Torres Proprietary	○	○	○
Antonio Gómez García Proprietary			
Manuel Gil Madrigal Independent		P	○
Henri Proglio Independent		○	

P: Committee President

[1] Shows the members of the Board of Directors at the end of the business year. On 9 May 2019 Carlos M. Jarque Uribe resigned as a director for personal reasons.

Diversity in the Board of Directors

FCC guarantees equality for all its workers, from the workforce to the governing bodies.

The Board's Regulation establishes in art. 38.4.h, and in accordance with the duties of the Appointments and Remuneration Committee: "Assist the Board in its role of ensuring that the selection procedures of its members favour diversity of gender, experience and knowledge and do not suffer from implicit biases that may imply any discrimination and, in particular, that facilitate the selection of female Directors, so that the Company deliberately seeks and includes among the potential candidates, women who meet the intended professional profile, with the Board having to explain, where applicable, through the Annual Corporate Governance Report, the reason for the scant or non-existent number of female Directors and the initiatives taken to correct this situation".

The percentage of female directors on the FCC Board of Directors at 31 December 2019 was 28.57 percent.

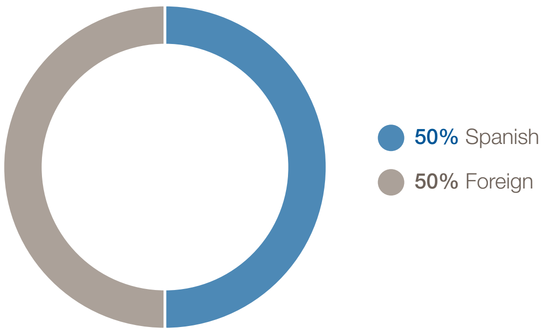
On the Board of Directors, 50% of the members are of Spanish nationality and the other 50% of other nationalities (Mexico and France). The following is a graphic representation of the composition of the Board.

How it works

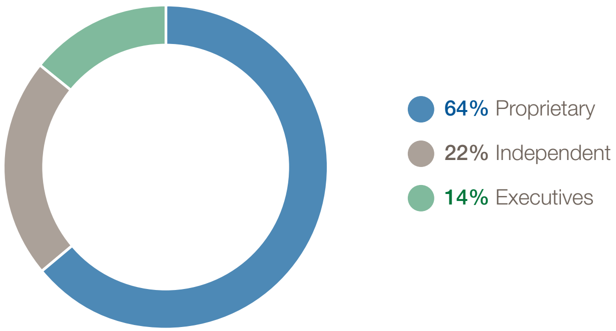
The Group's Board of Directors met a total of eight times in 2019, with an average attendance of 96.52%. This complies with the requirements of article 34.1 of the Regulations for the Board of Directors that stipulate that "The Board of Directors shall meet with the necessary frequency to effectively perform its duties, and in any case, at least once a quarter, and whenever the interest of FCC requires it, following the schedule of dates and issues established at the beginning of the business year".

Article 31.2 of the Bylaws further dictates that "The Board of Directors shall meet at least once a quarter, and whenever agreed by the President, or whoever is acting as such, or when requested by the Executive Committee or at least one third of the members of the Board."

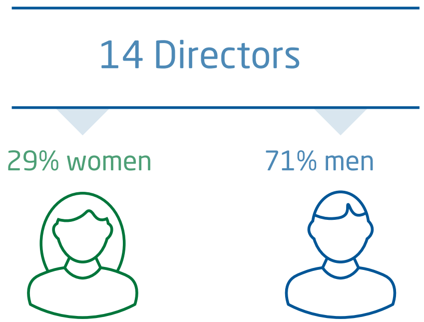
Nationalities of the FCC Board of Directors



FCC Board of Directors



Gender diversity on the Board of Directors



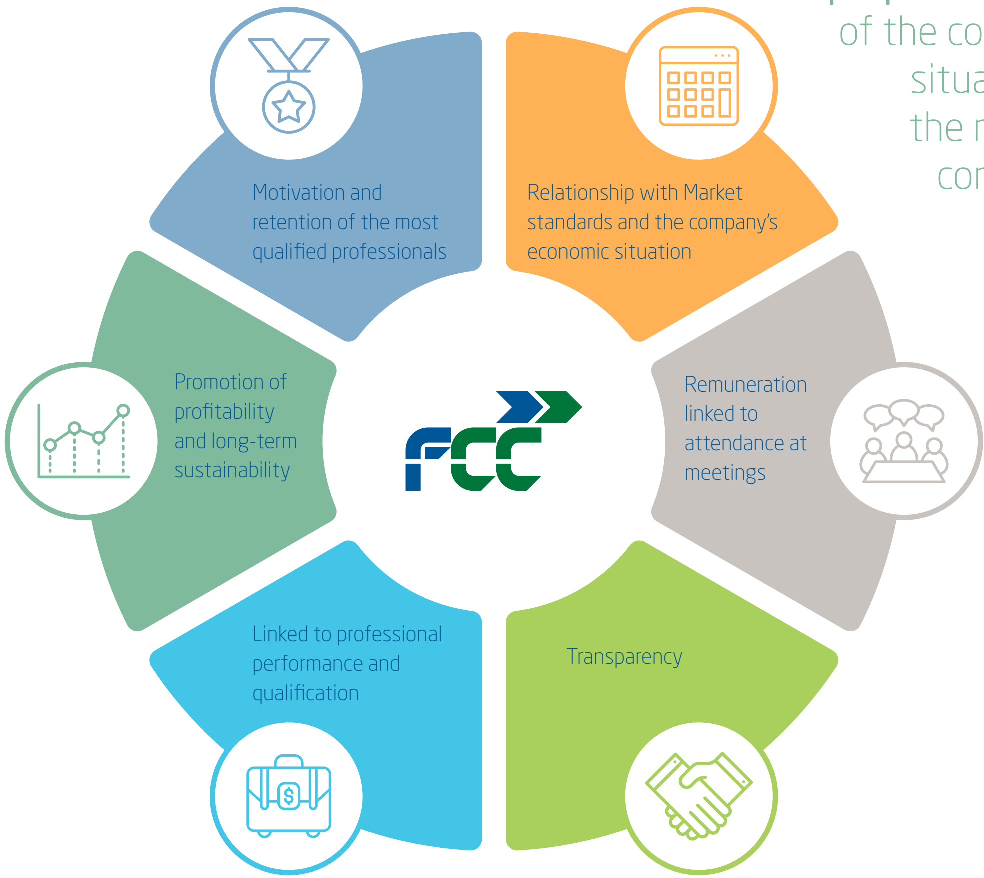
Remuneration of the Administrators

Article 28.2 of the Regulations of the Board of Directors stipulates that the remuneration of directors should be in reasonable proportion to the importance of the company, its economic situation at all times and the market standards for comparable companies. The aim of the established remuneration system is to promote the long-term profitability and sustainability of the company, and should include the necessary precautions to avoid excessive risk taking and reward for unfavourable results.

The General Meeting is responsible for agreeing the remuneration of the members of the Board based on their duties and responsibilities. There are also allowances for personal attendance at meetings of the Board and internal Committees that are convened during the year, as well as another variable amount for executive directors depending on compliance with social objectives.

The FCC Remuneration Policy, as well as the individualised remuneration accrued by directors during the 2019 business year are published in the Annual Remuneration Report, available on the FCC Group's corporate website.

Regulations of the Board of Directors stipulates that the remuneration of directors **should be in reasonable proportion** to the importance of the company, its economic situation at all times and the market standards for comparable companies.



Compliance and due diligence

The FCC Group has a Compliance system to ensure that all Group companies and employees are governed according to certain ethical principles, established in the Code of Ethics and Conduct with a view to strengthening internal control so as to avoid committing any criminal offence.

The following actions were taken in order to establish an ethical and compliance culture in the company and to guarantee due diligence.

The Group's Code of Ethics and Conduct, the central element of the FCC Compliance Model, was reformulated in 2018 and updated to include some slight changes in September 2019.

The Code of Ethics and Conduct is binding on all Group employees, in all geographical areas where FCC operates.

Actions to establish an ethical and compliance culture

1 An **organisational compliance structure** was designed, assigning responsibilities aimed at guaranteeing regulatory compliance within FCC.

2 A regulatory body consisting of **policies, manuals and procedures** was approved.

3 A **Compliance Committee was created and corporate and business *Compliance Officers*** were appointed to be responsible for overseeing the Compliance Model.

4 A **criminal risk analysis** was conducted, identifying any crimes that may be committed within the organisation in the undertaking of its business activity.

5 **Controls were identified to mitigate the risks** detected.

6 A system was created for **biannual self-assessment** of the **effectiveness** of the Model by means of a software tool.

7 A **review of the system in the annual work plan** for Internal Auditing was included.

8 An **ethical channel to report possible non-compliance** was created.

9 A series of **training and communication plans** were designed to raise awareness amongst FCC employees of the importance of regulatory compliance.

Principles for action

Honesty and Respect

We respect the law and ethical values.

Zero tolerance for bribery and corrupt practices.

We fight against money laundering and financing terrorist activities.

We protect free and fair competition and good business practices.

We behave ethically on the stock market.

We avoid any conflict of interest.

Rigour and Professionalism

Rigorous control, reliability and transparency.

We protect the Group's reputation and image.

We use the company's resources and assets efficiently and safely.

We protect the ownership and confidentiality of data and information.

Loyalty and Commitment

Our clients are in the core of our business.

Personal health and safety are paramount.

We promote diversity and fair treatment.

We are committed to our environment.

We have a transparent relationship with the community.

We extend our commitment to our business partners.

Regulatory body for the Compliance Model

- Code of Ethics and Conduct
- Criminal Offence Prevention Manual
- Compliance Committee Regulations
- Procedure for the Whistleblowing Channel
- Investigation and Response Procedure
- Anti-Corruption Policy
- Partner Relationship Policy
- Agent Policy
- Gift Policy
- Human Rights Policy
- Protocol for the Prevention and Eradication of Bullying

To ensure that the Compliance Model functions correctly, FCC established a Compliance Committee, the Group's Criminal Prevention body that enjoys autonomous powers of initiative and control, and which is composed of:

- The Corporate Compliance Officer (president)
- The Legal Advice Department General Manager (voting member)
- The Human Resources Director (voting member)

The General Manager of the Internal Audit Department participates as a voting member in cases where his/her participation is required. Likewise, the Compliance Officers for each of the businesses (Aqualia, FCC Construcción, FCC Medio Ambiente and Cementos Portland Valderrivas) may attend Compliance Committee meetings as guests. The Compliance Committee answers directly to the Audit and Control Committee of the FCC Board of Directors, reporting regularly.

The main responsibilities of the Compliance Committee are:

Main responsibilities of the Compliance Committee

Code of Ethics and Conduct

The Committee is the main guarantor of the dissemination, knowledge and compliance with the principles and values established in the FCC Code of Ethics and Conduct, adapting it at all times to any new regulatory requirements and identified risks. It also promotes the approval of specific rules and procedures.

Criminal Prevention Model

The Committee is the governing body for the FCC Criminal Prevention Model, responsible for evaluation and supervision, as well as promoting its culture and compliance through dissemination and training programmes.

The Model should be adapted to new regulations and to the update of the risks that affect it.

Behaviours and investigations

The Committee should designate the person responsible for leading the investigation of reports classified as high risk received via the Ethical Channel, coordinate the investigations, and suggest the final resolution or proposal for measures to the proper body.

Compliance Committee Meetings

To fulfil the tasks and responsibilities assigned to it in the Group's Compliance Model, the Compliance Committee held 12 ordinary monthly meetings in 2019.

Management of reports via the Ethical Channel

To ensure compliance with the Code of Ethics and Conduct and the rules arising from it, effective reporting mechanisms need to be established that enable workers and other related groups to present notifications when detecting potential breaches.

During the 2019 business year, a total of 83 notifications were received on the FCC Group's Ethical Channel, between the corporate intranet, e-mail and the P.O. Box, which were classified and managed in accordance with the approved Ethical Channel Procedure.

The number of notifications resolved as at 31 December 2019 was 71, representing 85.5% of the total notifications received.

Training and dissemination of the Compliance Model

The 2019 business year featured an outstanding effort in the dissemination and training chapter of the Compliance Model, both in Spain and internationally.

The communication plan was implemented by different means, on physical and electronic supports such as posters, brochures, the internal magazine, and communicated by e-mail and other media such as lifts, information stands, videos and tutorials, etc.

In addition to in-person training and workshops for certain levels of the organisational structure, and for those responsible for criminal prevention controls, in order to achieve a broader scope for training within the organisation and inclusion in the "Welcome pack", in 2019 the company developed an on-line course on the Code of Ethics and Conduct which they distributed throughout the whole organisation to those with access to the network in Spain, and certain international subsidiaries. 5,712 employees completed the course in Spain, which represents a success rate of 97%. At an international level, this training had already been given in Portugal, Qatar, Saudi Arabia, Great Britain, Colombia, Ecuador, Mexico, Panama and the Netherlands by the end of 2019.

Self-assessment and review of the Compliance Model

During the 2019 business year, two (six-monthly) certifications of the Compliance Model were completed, through the Group's Compliance Tool, as well as the review of the design of 100 criminal prevention controls selected in the corporation and businesses.

These assessments subsequently led to the review and better adaptation of the matrices for crimes, risks, approved controls and new regulatory developments.

During the 2019 business year, a total of **83 notifications** were **received on** the FCC Group's **Ethical Channel**. The number of notifications resolved as at 31 December 2019 was **71**, representing **85.5% of the total** notifications received.

Due diligence with Human Rights

FCC expresses total rejection of child labour, forced labour and work in painful, extreme, subhuman or degrading conditions, guaranteeing freedom of association and collective bargaining, as well as the rights of ethnic minorities and indigenous peoples wherever the Group operates.

No type of activity may be proposed unless there is absolute respect for all Human Rights. This is why FCC acts accordingly within its area of influence and the legal framework of each country. In fact and in accordance with its commitment to respect for Human Rights, FCC acts within all the main international frameworks in this area: principles of the United Nations Global Compact, Universal Declaration of Human Rights Framework, Declaration of Children's Rights, a number of ILO conventions and other agreements with the International Federation of Construction and Wood Workers (BWINT).

The Board of Directors is responsible for the approval of the Group's Human Rights Policy and for monitoring its compliance. It is also responsible for overseeing the company's Corporate Social Responsibility Policy through the Executive Committee.

The Group's CSR 2020 Plan includes the *XHumanRights* programme that seeks to make a diagnosis of the impact of FCC activities on Human Rights, with the participation of the Corporate Responsibility, Human Resources, Purchasing and Internal Audit directorates.

After this initial diagnosis, due diligence should be exercised for the prevention, detection and eradication of violations, contemplating a formal declaration in the field of human rights, establishing the responsibility for its management, implementing training and awareness on the matter, and establishing mechanisms to identify, prevent and mitigate any potential negative consequences.

The FCC Board of Directors approved the Group's Human Rights Policy

The FCC Group, through the Board of Directors, approved the Human Rights Policy in the 2019 business year.

Through this Policy, aligned with the Guiding Principles on Businesses and Human Rights, approved by the United Nations Human Rights Council (2011), and with the Global Compact to which FCC adhered in 2006, the Group declares its commitment to respect the human rights contained in the United Nations Universal Declaration of Human Rights, and those contained in the International Labour Organisation's (ILO) Declaration on Fundamental Principles and Rights at Work, as well as in the ILO's eight fundamental agreements. The FCC Group understands that human rights should be protected and guaranteed by all States, but feels that it is essential that the company itself, within its sphere of influence and in accordance with the legal framework for each country, should respect them and encourage compliance with them.

The FCC Group hereby expressly undertakes to comply with the following principles: on freedom of association and collective bargaining, decent and paid employment, forced labour and child labour, health and safety, data privacy and respect for communities.

Due diligence with bribery and corruption

The FCC Group is committed to running its business in accordance with the highest ethical principles. With this in mind, it approved and implemented a Compliance Model consisting of internal policies, procedures and controls that are regularly reviewed and updated.

This Model is designed to ensure compliance with laws and regulations where the Group operates, and to warrant the trust of its clients, shareholders, employees and business partners. The Model extends beyond legal obligations in a series of matters on which FCC has strong convictions. The Model enables the prevention and detection of non-compliance risks, with special emphasis on those linked to criminal offences, as well as a reduction of their possible impacts.

Anti-Corruption Policy principles

1. Compliance with legality and ethical values
2. Zero tolerance of bribery and corruption
3. Prevention of money laundering and transparent communication
4. Transparent relationship with the community
5. Conflicts of interest
6. Surveillance and data property and confidentiality
7. Rigorous control, reliability and transparency
8. Extension of commitment to business partners
9. Promotion of continuous training on ethics and compliance

The FCC Group has a Code of Ethics and Conduct that forms the basis of its Compliance Model, and includes the FCC Group's commitment to the above mentioned, although for compliance a number policies have been approved in this regard. This is the case of the **Anti-Corruption Policy,** which includes the following principles:

During the 2019 business year, FCC approved two new policies regarding the fight against bribery and corruption:

- **Agent Policy:** this established a series of general principles that should preside over the FCC Group's relationship with any agent or business developer, as well as the basic elements in the procedures for selecting, negotiating and controlling the activity of these operators, in order to guarantee their adherence to the FCC Group Code of Ethics and Conduct or the accreditation of a third-party compliance model in coordination with that of the FCC Group.
- **Gift Policy:** this establishes the principles relating to giving and receiving gifts and hospitality by the FCC Group, with the aim of guaranteeing that gifts are always received or given transparently and always avoiding any circumstance that could give rise to doubts about the impartiality, objectivity or legality of the behaviour of the FCC Group and its employees.

The FCC Group has approved and implemented a **Compliance Model** consisting of internal **policies, procedures and controls** that are regularly reviewed and updated.

FCC applies due control in matters of anti-corruption, with zero tolerance of any type of non-compliance in this regard. Due control is also includes all the essential tools for prevention, detection and response with regard to the risk of committing a criminal offence. Special mention should go to the identification and prioritisation of risk behaviours, including those relating to bribery, corruption, influence peddling, fraud and money laundering. The prevention and mitigation of these crimes is undertaken through specific controls and actions, this being a priority issue for the Group.

The possible crimes in this field that it is aimed to avoid with regard to the Group's activities include: bribes to public officials, bribes in the private sector, influence peddling and illegal financing of political parties. Each of these crimes has an associated risk that could materialise. The matrices of crimes, risks and controls contain the design of processes and controls for the observance of regulatory compliance.

The identified processes are as follows:

- Administrative Management of Labour Relations
- Business Development
- Governance
- Management of Purchasing
- Invoicing
- Training
- Travel and representation expenses
- Management of expenses relating to sponsorship and donations
- Tax management
- Treasury Management
- Operations
- Management of powers of attorney
- Occupational risk management
- Social Security Management
- Management of Payments
- Employee selection
- Administrative Management of Purchasing
- Environmental management
- Preparation of financial information
- Structural review

Regarding the **procedures related to the control of bribery and corruption**, the following deserve special mention:

- Control applied to sponsorships and donations, through a request to be reviewed and approved by the Corporate Communication Department.
- The employee selection procedure based on a skills system to ensure transparency and equality in all selection processes.
- The annual training plan in matters of criminal prevention and anti-corruption.
- The approval of travel and representation expenses.
- The Purchasing Manual and the procedure for the communication and approval of the purchase required.
- The reconciliation of bank statements for the detection of outstanding or unreasonable movements.
- The management of the legal representatives for each company.
- The Due Diligence required prior to contracting certain partners and agents.

When it comes to preparing the risk and control matrix, and in particular the anti-corruption matrix, an analysis was made of exposure to the risk of criminal offences in operations in countries where the Group operates. This anti-corruption matrix has been implemented in Spain and in most of the geographical areas in the international arena.

Measures to fight money laundering

For the purpose of avoiding money-laundering crimes and during a period of assessment prior to the preparation of crime, risk and control matrixes, different risk events for the Group's activity were identified for which a series of controls have been envisaged whose purpose is to ensure regulatory compliance.

The risk events detected were the following: non-compliance in the review of control and identification procedures for clients indicated in the Law on the Prevention of Money Laundering (LPBC in Spanish), non-compliance with obligations regarding information collected in the application of the LPBC and the non-application of the established internal control measures for those subject to the LPBC.

The following procedures were established for the control of these risk events:

- The identification of the parties concerned in a real estate asset, in order to assess the operation's risk.
- Training employees on Money Laundering.
- Including a Money Laundering Prevention clause in real estate promotion marketing contracts.
- The review of contracts for sale of goods, lease and lease with option to purchase.
- A Money Laundering Prevention Manual.
- Creation of a body for the supervision and monitoring of money laundering preventive measures.
- The review of legal representatives for the revocation of powers for those who have left the company.
- The establishment of an internal advisory and reporting line.

Accountability and transparency

As part of its commitment to accountability with stakeholders, FCC hereby presents the after-tax profits and tax on profits paid by country in 2019 in those countries in which FCC has a presence:

In 2019, the FCC Group received a total of 19,061 thousand euros in public subsidies:

Profits and taxes paid in 2019 (thousands of euros)

Group Countries	Pre-Tax Profit 2019	Tax paid 2019 on profit
Germany (*)	-1.237,30	
Saudi Arabia	24,917.03	6,956.15
Algeria	17,486.04	5,065.07
Argentina (*)	-0.87	
Austria	6,860.00	353.78
Belgium	1,038.54	0.44
Bosnia and Herzegovina	-0.15	0.00
Brazil	-409.87	14.01
Bulgaria	13,580.23	115.63
Canada	-839.09	0.00
Chile	-2,672.34	0.00
Colombia	8,936.73	2,398.68
Costa Rica	1,308.56	0.00
Croatia (*)	-115.05	
Ecuador	1,164.01	94.61
Egypt	4,215.57	255.09
El Salvador	287.48	9.61
United Arab Emirates	2,691.59	0.00
Slovakia	4,145.00	1,275.39
Spain	321,880.29	151,511.32
United States	-22,689.41	2,748.34
Finland	-223.00	0.00
France (*)	1,770.73	
Greece	0.28	0.00
Guatemala	8,242.99	12.77
Haiti	-861.16	0.00
Honduras	1.94	0.00
Hungary	2,868.00	63.50
Ireland	-4,504.76	0.00
Italy	3,694.22	1,569.04
Latvia	-27.06	0.05
Luxembourg (*)	8,952.67	
Morocco	198.30	0.28
Mexico	32,267.33	2,356.37
Montenegro (*)	-156.84	
Nicaragua	72.80	175.32
Oman (*)	258.54	
Netherlands (*)	-2,214.97	
Panama	-22,522.10	16,918.17
Peru	5,180.66	732.60
Poland	-5,514.15	15.10
Portugal	5,683.30	1,540.84
Qatar	2,184.49	616.17
United Kingdom	27,281.56	1,038.20
Czech Republic	24,706.53	4,870.53
Dominican Republic (*)	705.12	
Romania	2,509.36	969.92
Serbia	-557.43	5.21
Sweden (*)	-442.08	
Tunisia	19,005.15	4,152.01
Uruguay	-117.00	9.50
Total	**488,990.41**	**205,843.69**

Public grants received (thousands of euros)

Areas	Public grants received 2018	Public grants received 2019
Construction	-	
Environmental Services	3,137	3,726
Water	11,397	10,725
Cement	135	-
Concessions	4,772	4,610
Real Estate	-	-
Central Services	-	-
Total	**19,441**	**19,061**

(*) Countries that did not report any taxes. This was due to one or more of the following reasons: accumulated losses, negative results, negative tax bases from previous business years, profit was very small or Corporate Income Tax was not payable on profit in the country in question.

Risk management in the FCC Group

The FCC Group has a Risk Management Model that is designed to identify and assess the potential risks that could affect the Group's different units. Mechanisms have also been included in the organisation processes that enable risks to managed and kept within acceptable levels, providing the Board of Directors and Senior Management with reasonable security with regard to the achievement of the main objectives defined. The Model is applied to all FCC Group companies, as well as to those affiliates where FCC has effective control, promoting the development of work frameworks that enable suitable risk control and management in those companies where effective control is not available.

The Risk Management Model is based on the integration of a risk-opportunity vision and the assignment of responsibilities that, together with the segregation of duties, enable the follow-up and control of risks, consolidating a suitable control environment. To achieve this, a three-tier system of risk management and internal control was established, the first two located in the business units and the third in the corporate areas:

First level

Located in the business unit's operating lines, that act as risk generators and have the responsibility for managing, monitoring and suitably reporting the risk generated, including tax risk.

Second level

Also located in the business units, it consists of support, control and supervision teams, ensuring effective control and suitable risk management, including tax. Within this level, the management area of each business unit is responsible for the implementation of the Risk Management Model, including those risks related to financial information. The Business Compliance Officer assists the Corporate Compliance Officer in the dissemination of the Crime Prevention Model, in the identification of risks and in the definition and follow-up of controls.

Third level

Consisting of corporate duties that report to Senior Management and/or to the Audit and Control Committee.

The following are within this level:

- Tax Division: responsible for defining the tax policies, procedures and criteria applicable to the FCC Group
- Corporate Compliance Officer: duties include the implementation of the Criminal Prevention Model, the identification of risks in this area, and the definition and follow-up of the corresponding controls, as well as the management of the Whistleblowing Channel and proposals for action plans in cases of non-compliance or inefficiency in the operation of the controls.
- Risk Management Function: responsible for coordinating the Risk Management Model, defining a base methodology for identifying, assessing and reporting risks, providing support to those responsible for its implementation.
- Internal Audit Function: as the final control, it is responsible for assessing whether the policies, methods and procedures are suitable and for verifying their effective implementation.

The main risk scenarios can be grouped into four categories: operational, compliance, strategic and financial.

Operational Risks

Termination or unilateral modification of a contract, contractual issues and legal disputes

Clients may unilaterally modify or terminate certain contracts before their complete execution. The compensation that the FCC Group would receive in these cases may not be sufficient to cover the damages caused and, in addition, the FCC Group may need to resort to legal or arbitration procedures to collect it, thus increasing costs and delaying the actual receipt of the compensation. Furthermore, different interpretations of contractual and regulatory requirements may lead to discrepancies that could have an impact on the outcome of the projects.

Project reprogramming

A situation of political and/or financial economic instability in certain markets in which the FCC Group operates, together with other circumstances outside FCC's control, such as the lack of availability of land for infrastructure projects, or a delay in obtaining licences could lead to the reprogramming of projects underway with an impact on their results.

Risks arising from links with third parties

The FCC Group could undertake its business activities jointly with public or private entities through different forms of association. Adverse circumstances in the project, or in a partner's economic or reputational situation, could lead to a situation that could adversely affect the FCC Group.

Uncertainty and volatility of raw materials, energy and subcontracted services

In the course of its activities, the FCC Group consumes considerable volumes of raw materials and energy, as well as working with a great number of subcontractors and suppliers. Changing economic, environmental and regulatory conditions could result in price fluctuations that would affect FCC Group's results.

Labour conflict

Some of FCC Group's activities are labour intensive, with considerable geographical diversity (each with their respective labour laws), that for different reasons could lead to conflicts that will would the company's productive capacity and reputation.

Loss of human capital

The success of the FCC Group's business operations depends largely on key personnel with technical and managerial experience, so a substantial loss of such personnel could affect the completion and results of certain projects.

Climate Change

Circumstances associated with climate change could affect a number of the infrastructures that the Group builds and operates and/or normal water supply, with an impact on business undertaken by FCC relating to the comprehensive management of water, and could also lead to an increase in operating costs as a result of policies for ecological transition that could be implemented in the future.

Catastrophic events

The complexity of certain environments in which the FCC Group operates increases the risk of unexpected events that cause damage to people, property or the environment, including natural disasters and acts of a terrorist or criminal nature.

Cyber attacks

The existence of threats of a cybernetic nature could affect tangible and intangible assets and lead to prolonged interruption, uncontrolled access and information and data leaks.

Health and safety risks

One of the FCC Group's priority objectives is to perform its activities with a high level of health and safety for all personnel, and to comply strictly with legal regulations in the field. Even so, occasionally, the FCC Group could be affected by incidents or accidents in its civil engineering works or installations, or in the provision of services that could cause damage and interfere with operations.

Environmental damage

FCC's environmental commitment is mirrored in the Group's Environmental Policy approved by the Board of Directors, as well as in the maintenance of environmental management systems implemented in projects and contracts audited and certified in accordance with the UNE-EN-ISO 14001 Standard. However, due to the nature of the Group's activities, there may be circumstances under which damage may occur in the form of spills, emissions, etc., that have an impact on projects and contracts.

Strategic Risks

- Political and socioeconomic changes in countries and/or regions

Changes in political or socioeconomic circumstances in countries/regions where the FCC Group operates or could operate could lead to increased economic, political and social instability, generating a negative impact on the FCC Group. Greater economic intervention by national/regional governments, the primacy of political criteria over technical criteria, changes in public models for the development and management of environmental services, the comprehensive water cycle and infrastructure, as well as possible regulatory changes in labour, environmental or fiscal issues, etc., could lead

- Loss of market share

The FCC Group works in highly competitive markets. Possible difficulties in making competitive offers while maintaining profitability, as well as the incorporation of new competitors in mature markets, could lead to a loss of market share.

- Cut in investment and demand forecasts

Changes in investment forecasts, both from private and public clients, can have a negative impact on the FCC Group. Furthermore, the revenues the FCC Business Areas for Environment, Water, Concessions and Real Estate are, to some extent, dependent on the level of demand, which is subject to change as a result of market conditions beyond the control of the FCC Group.

- Damage to reputational image

The FCC Group may be involved in certain internal or external circumstances that could adversely affect its reputational image and consequently its business.

Compliance Riskss

- Regulatory or contractual non-compliance

The FCC Group's operations should respect all applicable regulations and these will vary from one jurisdiction to another and even from one municipality to another, as well as being subject to modifications. Under certain circumstances, there may be short-term non-compliance with regulations, especially in the phase of adaptation to new legislation that could be enacted. Also, in certain projects it may be difficult to comply with all contractual requirements.

- Non-Compliance with the Code of Ethics and Conduct

The FCC Group has a Code of Ethics and Conduct, a Manual for Criminal Prevention, and Anti-Corruption, Agent, Gifts, Human Rights and Partner Relationship Policies regarding compliance that have been approved by the Board of Directors, as well as a protocol for the prevention and eradication of bullying, all of which are binding on anyone linked to any company in the FCC Group. The high level body entrusted with promoting and supervising the Compliance Model is the Compliance Committee, chaired by the Corporate Compliance Officer. Nevertheless, in the course of operations and the management of relationships with clients, partners and suppliers, situations could arise that could lead to potential non-compliance with these regulations, resulting in legal, economic and reputational damages for the Group.

Financial Risks

- Liquidity risk

Liquidity risk is mainly attributed to accounts pending receipt of payment and so it is related to the Group's exposure to its clients' credit risk. The Group monitors the liquidity and financing lines for each of the companies to mitigate this risk.

- Restricted access to financial markets

In specific circumstances, there may be difficulty in obtaining or renewing financing for certain projects due to the requirements or guarantees requested by the financiers, or the viability of the economic models that justify the reimbursement of the funds. All this could affect normal business, or result in the loss of business opportunities.

- Impairment of the commercial fund

The FCC Group's commercial fund has a significant positive balance. FCC cannot guarantee that the Group will not incur losses/adjustments as a result of impairment of the commercial account or any other of the Group's material assets. If this should occur it could significantly affect the FCC Group's economic result.

- Recoverability of deferred tax assets

  At a consolidated level in the FCC Group there is a certain volume of deferred taxes, mostly corresponding to the Spanish tax group. Their recoverability could be affected by the cyclical nature of the Fiscal Group's profit, or by future changes in tax rates, especially corporate tax in Spain.

- Fluctuation of exchange rates

  The purpose of the Group's financial policy is to make sure that exposure of its debt is partially linked to variable interest rates. Any increase in interest rates could give rise to an increase in the FCC Groups's financial costs associated with borrowings at variable interest rates and could also increase the cost of refinancing the FCC Groups's borrowings and the issue of new debt.

- Fluctuation of interest rates

  The purpose of the Group's financial policy is to make sure that exposure of its debt is partially linked to variable interest rates. Any increase in interest rates could give rise to an increase in the FCC Groups's financial costs associated with borrowings at variable interest rates and could also increase the cost of refinancing the FCC Groups's borrowings and the issue of new debt.

Once the risks have been identified and prioritised, it is expected to establish control mechanisms through the Risk and Control Matrices that will include key controls aimed at preventing and/or mitigating the risks and the definition of persons in charge of these control activities. For those risks that exceed the accepted level of risk or when non-compliances or inefficiencies are detected in the operation of the controls, specific Action Plans will be established taking into account their operational viability, their possible effects, as well as the cost-profit ratio of implementation. The supervision of the Risk Management Model will be undertaken by the Business Directorates with the support of the Risk Management function, while supervision of the Compliance Model is the responsibility of the Corporate Compliance Officer with the support of the Compliance Officer for the business.

As for risks materialising in the operational area, these usually affect a limited number of projects. This category includes the following:

- Project reprogramming
- Labour conflict
- Contract and legal disputes

For more information, see the FCC Group Annual Corporate Governance Report for 2019.

FCC Group CSR and corporate culture strategy

The FCC Group's mission and vision

The FCC Group's mission as a supplier of Citizen Services is to efficiently and sustainably design, perform and manage environmental services, comprehensive water management and large infrastructure construction projects to improve the lives of citizens.

The FCC Group's vision for the future is to work towards becoming an international benchmark for Citizen Services offering global, innovative solutions for the efficient management of resources and the improvement of infrastructures, contributing to improving the quality of life of citizens and the sustainable progress of society as a whole.

The FCC Group's values, distinguishing feature

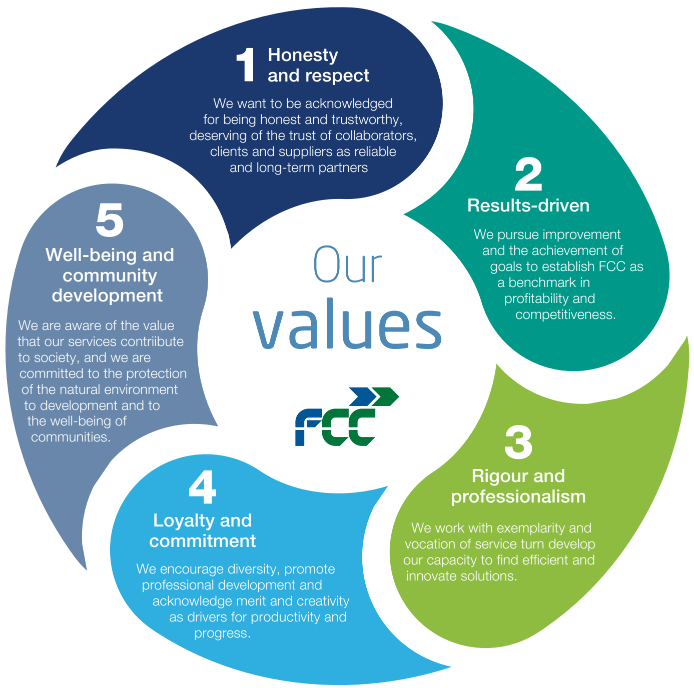
The FCC Group is a company that covers a wide range of citizen services with involvement in the environmental, infrastructure and integral water management sectors aimed at making a contribution to the well-being of people and the sustainable and responsible transformation of cities.

But the Group's involvement in the development of the communities could not materialise without honesty, continuous improvement, rigour, commitment to quality of life and respect for the environment, values that are undoubtedly a distinguishing feature of FCC. The values that define the company are a reflection of the Group's ethical principles.

All Group companies share the same philosophy and corporate culture as this is transferred from Senior Management to employees and is the pillar on which the company works for each of its stakeholders, always in compliance with the strictest parameters for operational excellence and ethical principles.

In this regard, the Group's ethical principles guide and direct decision-making in each of the business lines and are applied transversally to all scenarios, ensuring the long-term sustainability of FCC.

The aim of the company's Code of Ethics and Conduct is to guarantee the responsible management of FCC with its various stakeholders and to ensure compliance and ethical behaviour. Other control tools, initiatives, due diligence procedures and certain social policies that meet the Group's principles are also implemented, guaranteeing effective management. The internal body responsible for ensuring compliance with these policies is the Corporate Governance System.



Sustainability for the FCC Group

For the FCC Group, the progress of its own business is just as important as social and economic progress in the cities where it operates. This means that the success of the Group is only possible if the well-being of people, respect for human rights and the care and preservation of the environment in the communities involved are guaranteed.

That is why for over 100 years, the FCC Group has been committed to the development and transformation of the cities in which it has operated, launching projects and initiatives in the field of corporate social responsibility and making the sustainability of its business model tangible.

With this in mind, in 2005 the Group's Board of Directors decided to voluntarily publish the first CSR and sustainability report to make its involvement with the well-being of people and the environment in which they live visible to and understood by the stakeholders, bringing its socially responsible actions to light. This initiative was copied throughout the entire company, with each of the Group's businesses regularly publishing CSR reports.

The Group's CSR Policy

The commitment of the different companies within the Group regarding integrity and business ethics, respect for the environment and the contribution of value in the communities in which it operates, materialised on 28 July 2016, when the FCC Board of Directors approved the Corporate Social Responsibility Policy (hereinafter CSR Policy).

The FCC Group Executive Committee is responsible for supervising the company's CSR Policy that responds to recommendations 53 and 54 of the Spanish National Securities Market Commission (CNMV) Code of Good Governance and is the framework in which its main strategic lines for commitment to sustainable development are established.

The framework for action regarding this Policy covers all the markets in which FCC operates, as well as all the activities undertaken by each of its companies. In this regard, the CSR Policy is closely aligned with the Group's Code of Ethics and Conduct, approved in February 2012, as it responds to a set of rules and principles that should guide the behaviour of all those who are part of the company.

The aim of the entire FCC team's activity and good work is to position the company as a benchmark for the sustainable development of the cities in which it provides citizen services. After more than 100 years with an established corporate culture and strong values that represent the Group, the different companies have forged a relationship of mutual benefit and trust with their stakeholders, contributing to the development of lasting and transparent relationships.

The **FCC Group Executive Committee** is responsible for **supervising the company's CSR Policy** that responds to recommendations 53 and 54 **of the CNMV Code of Good Governance** and is the framework in which its main strategic lines for commitment to **sustainable development** are established.

So, the following are the **principles for action** that serve as a guideline for the behaviour of the FCC Group:

- Quality and innovation

In FCC all its collaborators strive to identify, satisfy and even anticipate the needs of their clients (internal and external).

We always try to find a way to improve and innovate and we are open to considering new ideas beyond what we know how to do comfortably. Furthermore, both the Group's actions and its decisions always take into account the consequences and implications for environment.

- Integrity in its actions

The whole FCC team undertakes its activities in accordance with the legislation in force in each scenario or country in which the company operates and always respects the Code of Ethics. The FCC Group loyally fulfils its commitments and respects the rights and dignity of people, with zero toleration for discrimination based on ethnicity, religion or gender.

In FCC, the professional and personal development of employees is promoted and unethical practices are not tolerated either for personal benefit or that of the company. This means that the company remains loyal when confronted by personal interests, it maintains an attitude of political neutrality in all its activities, respecting free competition and managing contractors and suppliers impartially and objectively. They are also committed to respecting the environment, acting under the principles of precaution and efficiency in the use of natural resources and to biodiversity. Furthermore, the company always remembers that it provides a service and so acts responsibly in those communities affected by its activities.

- Management efficiency

The company systematically seeks austerity and simplicity in everything it does, providing the services its clients really want and eliminating anything superfluous. The FCC Group tries to direct its work to facilitating the achievement of business and Group objectives while striving to obtain the best results with optimal use of resources and treasury.

The FCC Group also tries to protect and make better use of less measurable resources such as the FCC structure and management systems, knowledge and experience, the brand and the relationships that the company usually has with external interest groups (clients, suppliers, etc.).

- Proximity and commitment

The FCC Group understands its social responsibility as a way of managing the company it aims to become, not only to create value for the shareholder, but to work together with the communities in which it undertakes its activity to favour well-being and development.

The company believes that the value of people and the human relationships they generate are an intrinsic part of the services they provide and the goods they produce. The fact is that the FCC Group is committed to the priority objective of achieving the well-being and professional development of all the people working in the Group. Because the company understands that, to be a leader, it should provide solutions capable of transforming urban communities into smarter, more inclusive and cleaner environments.

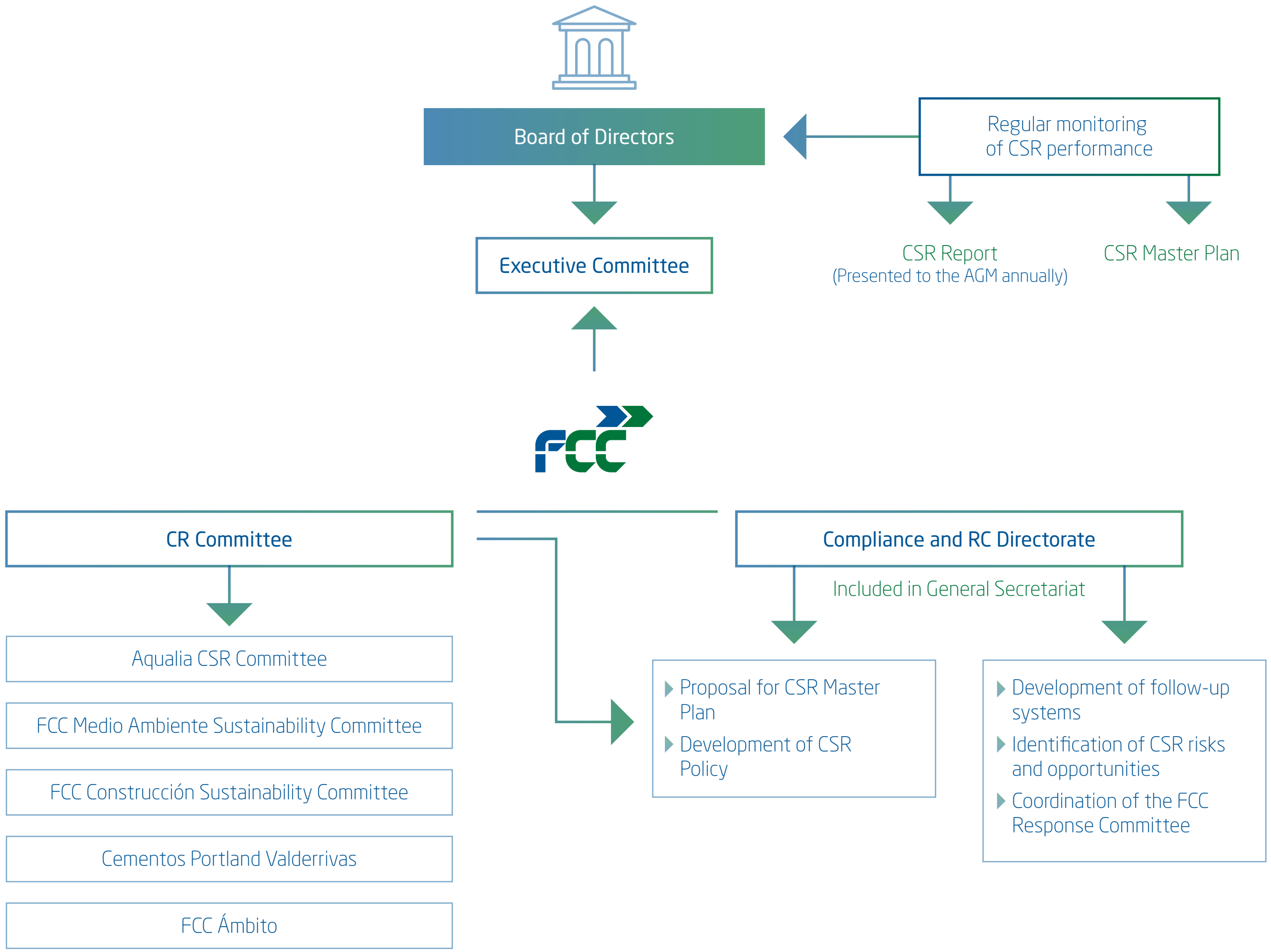
CSR Policy Governance

The FCC Board of Directors is the body responsible for supervising compliance with CSR Policy, through the Executive Committee. The axis of union between the different businesses and the corporation is the Corporate Social Responsibility Committee, which proposes initiatives and reports results to the Board.

The Corporate Responsibility committees for the different business divisions are responsible in each company for developing, implementing and supervising compliance with Group CSR Policy.

The Corporate Compliance and Responsibility Directorate, an integral part of the General Secretariat, develops the results monitoring systems relating to the Company's social responsibility practices, identifies and manages associated risks and coordinates the FCC Corporate Social Responsibility Committee.

The following graph represents the structure for responsibilities in matters of Corporate Social Responsibility, attributable to each of the bodies involved.



The CSR 2020 Master Plan: committed to sustainable development

With the aim of contributing to the challenge represented by the 2030 Agenda and in order to comply with the provisions of CSR Policy, in November 2017 the FCC Group Board of Directors approved the IV CSR Master Plan for 2018-2020. It includes a company commitment to being a part of the solution to social, economic and environmental challenges, with this commitment focusing on responsible management and following recommendations 53 and 54 of the CNMV Code of Good Governance.

The CSR Master Plan is the result of an in-depth analysis of the needs and trends in the medium and long term, detected by the Group regarding social and environmental issues. The challenges in matters of sustainable development, the demands of citizens and the FCC Group's willingness to contribute social value contributed to the definition of 15 action programmes based on three essential pillars:

SUSTAINABLE DEVELOPMENT GOALS

CSR 2020 MASTER PLAN

A **CSR Master Plan** aligned with the **2030 Agenda**

1 FCC Connected

FCC is a catalyst for citizens to play a leading role in a sustainable city.

2 Smart Services

FCC is a leader in designing the sustainable cities of the future.

3 FCC Ethics

FCC is an example of authenticity in its commitment.

Axis I: FCC Connected. Connection with citizens

In its commitment to maximise the positive impact of its activity in the cities, the FCC Group tries to understand and analyse the real expectations and needs of all its stakeholders, since from within the company it is understood that the different business lines should promote cleaner, smarter and more inclusive development, towards the construction of more sustainable cities. In this regard, FCC is implementing actions that will improve the development of cities and promote dialogue with administrations in urban centres, to provide a response that is as successful as possible both today and in the long term.

FCC Group initiatives in this regard are as follows:

- **FCC + Action:** each business area focuses on undertaking social action projects in those places where the company has detected a social need that has not yet been met, through collaboration with non-profit organisations and solidarity action.
- **FCC Educates:** a homogeneous project that tries to take advantage of the technical knowledge and different capacities of the professionals in the FCC Group to promote awareness and training programmes.
- **City 2025:** collaboration with the Municipalities in the definition of a Vision for sustainable cities by organising round tables in which the issues addressed include waste management, the need for infrastructure and water management services.
- **Measurement of socioeconomic impact:** an internal method enabling measurement of the social, economic and environmental impact of the different FCC Group projects on the environment.

FCC workers donate books to the MELIOR Foundation

FCC + Action

The collection, scheduled from 29 August and completed on Tuesday, 10 September managed to collect a total of 22 full boxes with over 500 books.

The Melior Foundation responded to the solidarity of the employees in the Tablas and Federico Salmón buildings with a letter of thanks addressed to the entire company.

In this letter, Marina Pérez Martínez, director of content and projects for the foundation, thanked the staff for their help in financing the "Not without my textbooks" solidarity campaign, which helped students of families with limited financial resources and avoided school dropout. This is how the FCC Group and the Melior Foundation collaborated in contributing to the achievement of Sustainable Development Goal 4: High-quality education through social projects to promote inclusive, equitable and high-quality education as a tool for social change.

Aqualia, involved in World Sanitation Day

FCC Educates

For World Sanitation Day, Aqualia, together with more than one hundred entities in the sector, joined the "Do not feed the sewer monster" campaign launched by the Spanish Association for Water Supply and Sanitation (AEAS) on occasion of World Sanitation Day, established by the United Nations to call attention to the priority of sanitation for global development.

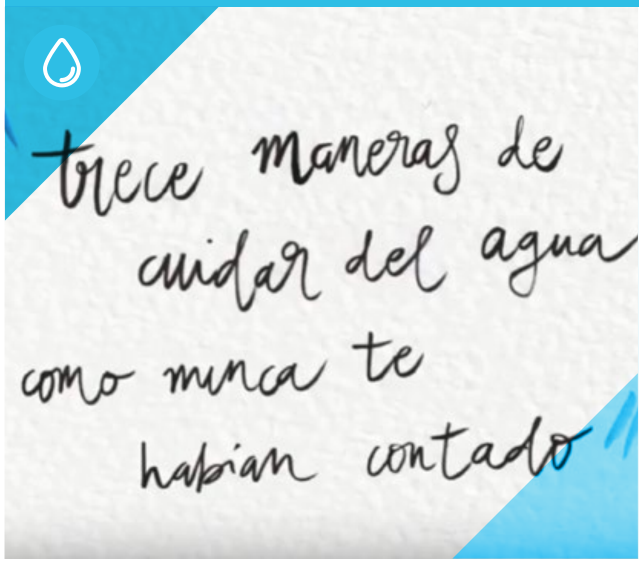
For a number of years now, in collaboration with a number of municipalities for which it provides services, Aqualia has also been promoting awareness campaigns warning of the damage caused by dumping certain products and waste into the WC.

To coincide with World Sanitation Day, a series of activities were organised in Granadilla to give visibility to the risk this issue entails in the management of the comprehensive water cycle. Together with the Municipality of this town in Tenerife, Aqualia organised a sewer cover painting contest and installed a photocall of die-cut faces for the students of an educational centre to take pictures pretending to be Aqualia plumbers. They were also able to see everything up close, find out how it all works and even get on a company sewer vehicle.

Axis II: Smart Services

To contribute to local development, the company is working on the incorporation and development of innovative initiatives that will enable the design, execution and maintenance of sustainable solutions, broadening the positive social impact and mitigating the effects of global warming.

- **FCC plan for a circular economy:** an initiative through which the FCC Group is contributing to the transition of the circular productive model through two of its main activities: comprehensive water cycle management and waste treatment. The company intends to become a benchmark in this area by applying suitable innovation.
- **Climate change and eco-efficiency:** in response to its commitment to mitigating and adapting its services and their impact on climate change, the FCC Group has developed its own 2050 Climate Change Strategy where climate objectives and different measurement indicators are defined for each line of business.
- **Response to water stress:** aware of the scarcity of water and its impact on sustainable development, the FCC Group intends to position itself as an agent that contributes to the reduction of water stress by effectively providing a comprehensive water management service and taking internal measures.
- **Protecting biodiversity:** to mitigate the impact of its activity on the natural environment and promote its protection, the FCC Group maintains a public commitment based on specific research actions, alliances, ecosystem protection projects, etc.
- **FCC Innova[RSC]:** the FCC Group has detected that, despite the different innovation projects led by each business line, there are no synergies within the company that enable us to share knowledge and efforts in the Group's R&D. This has led to an initiative that contemplates the sharing of sustainable innovation developed by FCC.



Aqualia encourages responsible consumption in the face of water shortages

Response to water stress

Under the #contralaescasezhídrica tag, Aqualia organised an awareness and sensitivity campaign, to highlight the need to promote the rational and sustainable use of water. La Guardia (Jaén), Ibiza and Formentera (Balearic Islands), Ávila, Candeleda (Ávila), Lleida, Tordera (Barcelona) and La Bisbal del Penedès (Tarragona) are some of the municipalities that since the very beginning of the campaign have been involved in this initiative to promote responsible water consumption among citizens in their different communities.

CEAAN Coto de la Isleta Chameleon Programme

Protección de la biodiversidad

This project is part of the FCC Group Corporate Social Responsibility Policy (RSC) 2020 and managed through a contract with the Coto de la Isleta de El Puerto de Santa María Centre for Environmental Education and Nature Activities (CEAAN).

The common chameleon is listed in Spain as an endangered species and it is mainly threatened by: habitat destruction, capture, ill-treatment and predation by pets. The main tools for their conservation consist of scientific studies and environmental education.

The main objective of this project is to restore the common chameleon population (Chamaeleo chamaeleon) in the Coto de la Isleta pine forest, analysing the distribution of the species and applying scientific methodology to obtain updated and useful information. This information will be used for the proper management and protection of coastal ecosystems like El Coto de la Isleta pine forest, for upcoming scientific studies and works, and especially to involve residents in the territory through environmental education and dissemination initiatives.

Due to the marked educational nature of the Coto de la Isleta CEAAN, a public centre run by the Municipality of Puerto de Santa María and managed by FCC Medio Ambiente since 2013, it is intended for this to become a benchmark centre for the study of the common chameleon and its protection through citizen awareness. Active partnerships and collaboration with a number of entities are also being sought in order to enrich the project.

Axis III: FCC Ethics - Exemplary performance

The FCC Group complies with the strictest standards of ethical behaviour, establishing its own principles that are more demanding than those of the jurisdictions in which each business operates. This framework is regularly strengthened by means of a control system and is also required in the value chain.

- **FCC Culture:** within the framework of the Group's commitment to the well-being of its employees, this involves promoting a corporate culture that contributes to strengthening affection among workers and increasing the pride of belonging.
- **Responsible procurement:** the FCC Group is firmly committed with regard to responsible procurement relating to the contracting of goods and services.
- **XHumanRights:** to strengthen respect for Human Rights in all the Group's companies, a high-quality work environment is fostered that promotes training and awareness.
- **Talent2: skills and leadership:** FCC is committed to investment in the professional development of its employees because it is aware that this will lead to an increase in productivity.
- **Equality and diversity:** these are key factors for attracting and retaining talent and they are also attractive for clients and other stakeholders. For this reason the company contributes and promotes equality and diversity through specific action plans.
- **Health and Safety comes first:** the FCC Group focuses its efforts on promoting preventive culture for occupational hazards and the health and safety of its workers, to position itself as a leading company in this area.

Forum for Diversity in Madrid organised by Aqualia

Equality and diversity

With the aim of raising awareness and involving all employees to help improve the lives of people with disabilities, Aqualia organised a Forum for Diversity at its corporate offices in Las Tablas (Madrid) on International Day of Persons with Disabilities. The paralympic athlete Desirée Vila opened the forum with a talk entitled "The only incurable thing is the desire to live", in which she explained how she overcame the accident that changed her life when she was just 16 years old. Everyone then took part in a biscuit-decorating workshop with disabled people aimed at fostering basic abilities and skills for the purpose of improving their independence and autonomy. This activity enabled another "reality" to be brought closer to Aqualia employees.

Family members and employees of FCC participated in the 3rd Child Road Safety Education Workshop in Alcobendas (Madrid)

Health and Safety comes first

In collaboration with the Municipality of Madrid, FCC organised the 3rd Children's Road Safety Workshop. This family activity, which took place on Saturday, 1 June in the Alcobendas Road Safety Education Park, was designed for children between 7 and 12 years old and focused on education in safe travel behaviour.

The workshop included recreational and training activities on road safety. The programme was in two parts, with a theoretical module aimed at raising awareness on suitable behaviour by pedestrians, travellers and cyclists, and a practical module that took place on the park circuit, with walking, cycling and go-kart tours arranged by the park to develop these activities. Both activities were directed by the Alcobendas Local Police.

This experience fell within the framework of the "Health and Safety Comes First" programme in the FCC Group Corporate Responsibility Master Plan and aimed to raise awareness of the importance of the values we transmit daily with our attitude and actions at the wheel, while sharing a relaxed and entertaining time with colleagues from Group companies and their families.

FCC contribution to the 2030 Agenda

The Group's CSR programmes and the CSR 2020 Master Plan are aligned with the 17 Sustainable Development Goals (SDGs) approved by the UN in 2015. Thanks to the development and implementation of its CSR Policy, the company has internalised and included these commitments in its business model and actively participates in its contribution in line with the 2030 Agenda.

The common framework that the UN makes available to governments, civil society and the private sector consists of 169 specific goals so that each organisation has effective guidelines for reducing problems relating to poverty, inequality, economic growth and respect for the environment.

The Group's CSR Policy determines the company's contribution with regard to achieving the SDG goals and distinguishes between the direct and indirect impact of its activities.

The activities undertaken by the FCC Group taking into account each of its different business lines, contribute mainly to the following SDGs:

Contribution to the FCC Group`s Sustainable Development Goals

	1 No poverty	2 Zero hunger	3 Good health and well-being	4 Quality education	5 Gender equality	6 Clean water and sanitation	7 Affordable and clean energy	8 Decent work and economic growth	9 Industry, innovation and infrastructure	10 Reduced inequalities	11 Sustainable cities and communities	12 Responsible consumption and production	13 Climate action	14 Life below water	15 Life on land	16 Peace, justice and strong institutions	17 Partnerships for the goals
FCC Medio Ambiente			▲		▲			▲	▲	▲		▲					
Aqualia						▲						▲					▲
FCC Construcción			▲					▲				▲			▲	▲	▲
Cementos Portland Valderrivas Group									▲		▲	▲	▲				

In addition to priority SDGs by business, the following details the direct and indirect contribution of the FCC Group to these objectives:

Indirect contribution of the FCC Group in the achievement of the SDGs

6 Clean water and sanitation — The FCC Group contributes to access to water, offering comprehensive water management services, especially in those areas that suffer from water stress.

7 Affordable and clean energy — The company concentrates its efforts on the search for alternative and non-polluting energy solutions, with the aim of obtaining biofuels that do not harm the natural environment.

9 Industry, innovation and infrastructure — The FCC Group guarantees the sustainable development of societies through innovative processes and technologies that allow the construction of infrastructure to provide cities with greater resilience.

11 Sustainable cities and communities — FCC invests in innovation processes applied to its different business lines so that, through the management of its activities, it is contributing to the creation of the cities of the future.

12 Responsible consumption and production — With the aim of advancing in transition towards a more feasible and sustainable economic model, the FCC Group favours the efficient use of resources and provides services to eliminate and reduce waste disposal, by reusing and revaluing them.

13 Climate action — FCC assesses and monitors its carbon footprint and with the aim of reducing it, the services provided are redesigned to mitigate the effects of global warming.

Indirect contribution of the FCC Group in the achievement of the SDGs

3 Good health and well-being — The company is committed to health, through the implementation of internal policies to ensure the well-being and safety of all its employees.

5 Gender equality — The company is committed to health, through the implementation of internal policies to ensure the well-being and safety of all its employees.

8 Decent work and economic growth — FCC contributes to the economic development of the communities in which it operates by providing high-quality employment through each of its business lines and respecting human rights.

10 Reduced inequalities — In line with its commitment to ethics and integrity, the FCC Group fosters equal opportunities and develops inclusive programmes to reduce inequality amongst the most vulnerable groups.

15 Life on land — With the implementation of improvements in the eco-efficient management of its processes, the FCC Group prevents environmental degradation, reduces the loss of biodiversity and reduces its environmental impact.

16 Peace, justice and strong institutions — By promoting equal opportunities, implementing inclusive programmes and creating local employment, the FCC Group's businesses contribute to the reduction of inequality in local communities.

17 Partnerships for the goals — All FCC Group companies respect the principles of the Code of Ethics and Conduct and extend compliance to the entire supply chain.

#conexionesaqualia

Aqualia in line with the 2030 Agenda

One of the most important initiatives developed in the last year in the field of Sustainable Development Goals was the annual Corporate Campaign called #conexionesaqualia, which was created with the intention of highlighting the importance of Aqualia's commitment to the 2030 Agenda and the United Nations Sustainable Development Goals (SDGs), and of its connection with how it relates to its interest groups.

In this regard, since 2019 Aqualia has been promoting connections with the people involved in the management of the comprehensive water cycle: Its clients, its suppliers, the planet, the sector, the scientific world and children.

In this case, children and young people are a very significant group for Aqualia, because the sustainability of the resource involves transmitting responsible habits with respect to water to new generations, both with regard to consumption and a return to the natural environment.

For this they have the pioneering aqualiaeduca.com website, a useful educational tool for schools, teachers, and above all, for children and young people. Every year there is an average of 150 Open House Days and school visits in different facilities for children to learn about the value of the work it takes to be able to turn the tap on at home.

Committed to the FCC Group human team

The people in the centre

People are a priority for FCC. The Group and its human capital share a common culture based on the values of respect, honesty, transparency, diversity and meritocracy. It also promotes health, safety and well-being in its workforce and collaborators.

Human capital profile

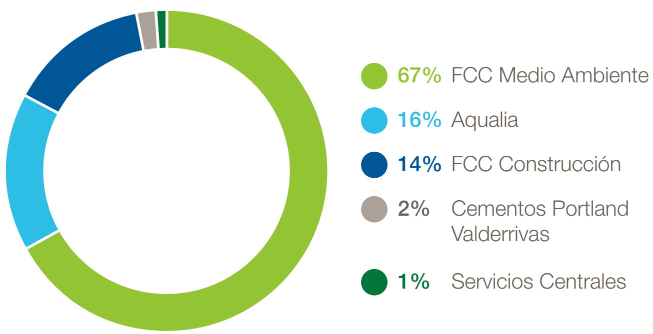
Diversity in the workforce

A total of 59,314 people work in the FCC Group. They are distributed as follows by gender and business area:

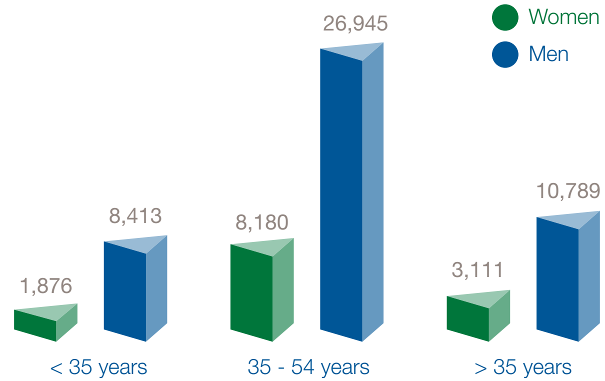
22.2% women   77.8% men

59,314 personas

Workforce by business area

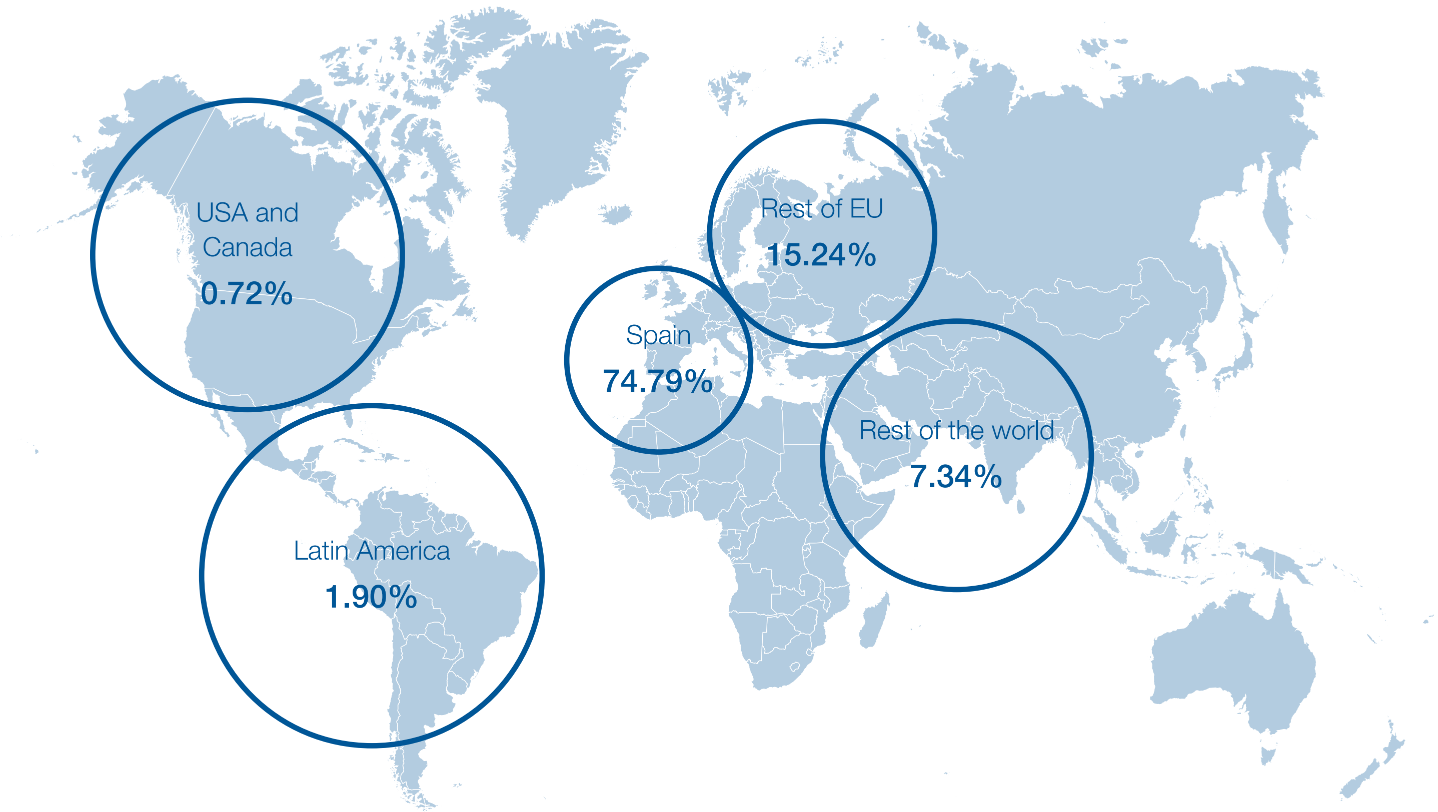


Distribution by age range



The FCC Group provides services for people of **more than 108 nationalities and of all generations**, thus developing an enriching work environment that enables business challenges to be addressed from very different perspectives.

FCC also operates in more than 30 countries. The distribution of the workforce by geographical area can be seen in Annex I, as follows:



Organisational structure

It is interesting to point out that in 2018, FCC began the process of reviewing its organisational structure to adapt it to the current context. This involved an analysis of the organisational level, the family, mission and duties of each job position within the organisation.

This process was completed in Spain in 2019. In 2020 it was planned to continue with the review of the organisational structure in the Cement Area and in the rest of the countries in which the FCC Group provides services (which is why data on remuneration and the wage gap are not included in the report).

The above-mentioned review gave the following result for distribution by gender and functional level at the close of 2019:

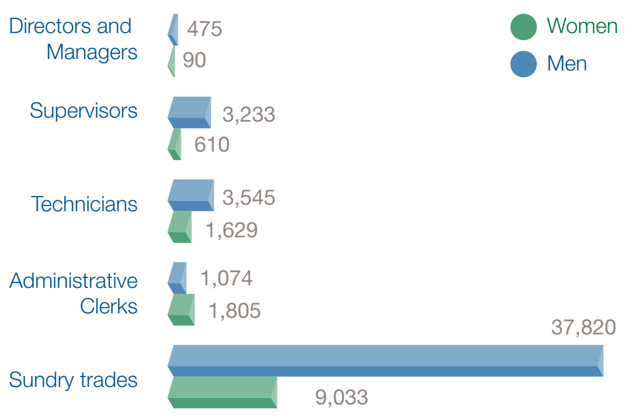
Recruitment and dismissals

The corresponding employment contracts were formalised in accordance with the most suitable modality. This depended on the specific needs for each of the activities undertaken in the different business areas.

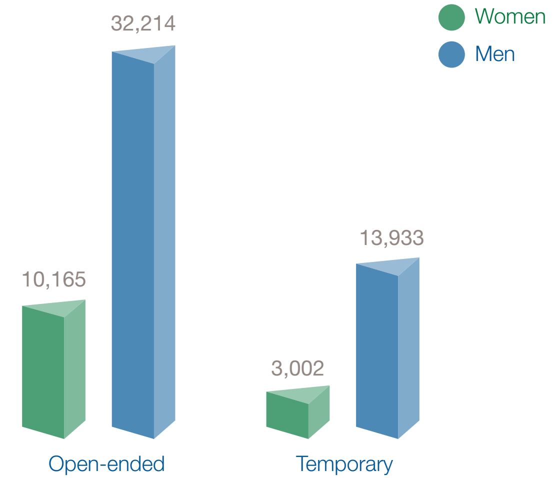
Of the total workforce, 42,379 people have an indefinite contract and 16,935 a temporary contract. It should be pointed out that a large number of the above-mentioned temporary contracts enjoy very stable employment, if we take into account that many contracts are assigned in sectors in which there is an obligation for contractual subrogation. Also, 7,986 people have a part-time contract and 51,328 have a full-time contract.

The data by gender are as follows:

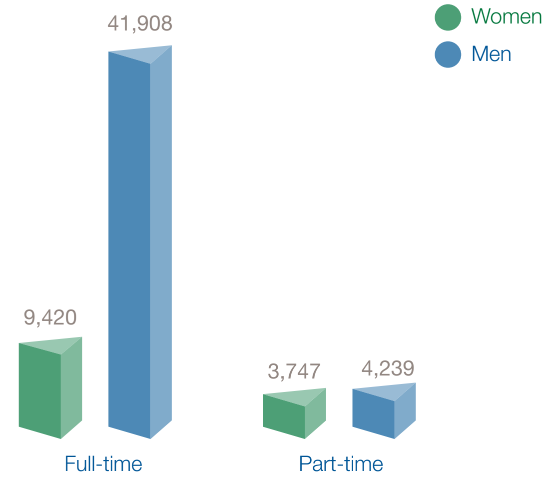
Distribution by gender and functional level



Workforce by gender and type of contract



Workforce by gender and type of working day



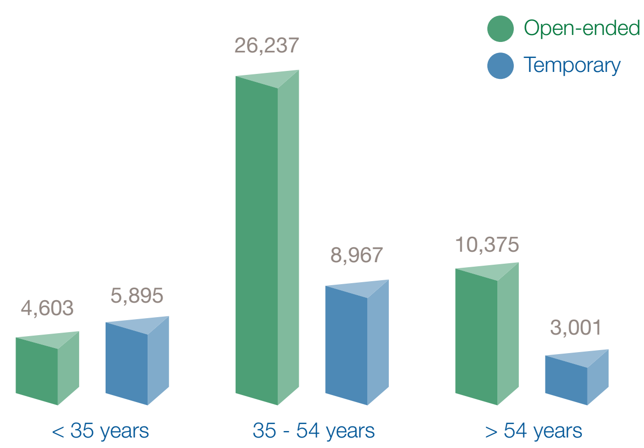
The annual average amounts to 59,078 contracts of which 41,215 correspond to indefinite contracts (9,615 women and 31,600 men), while 17,863 contracts are temporary contracts (3,144 women and 14,719 men).

Of this annual average, 7,835 contracts are part-time (of which 3,463 correspond to women and 4,372 to men), while 51,243 are full-time (9,296 women and 41,947 men).

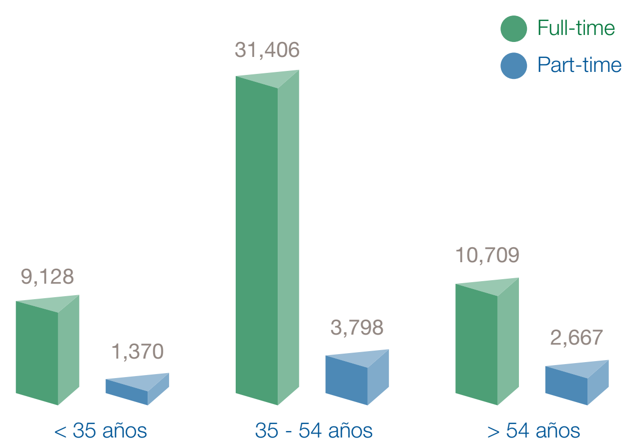
The following table is a breakdown of the annual average by type of contract, type of working day and age range.

With regard to the calculation of the average by type of contract, type of working day, age range and functional level, active employees in the month were counted, taking as reference the twelve months corresponding to the 2019 business year.

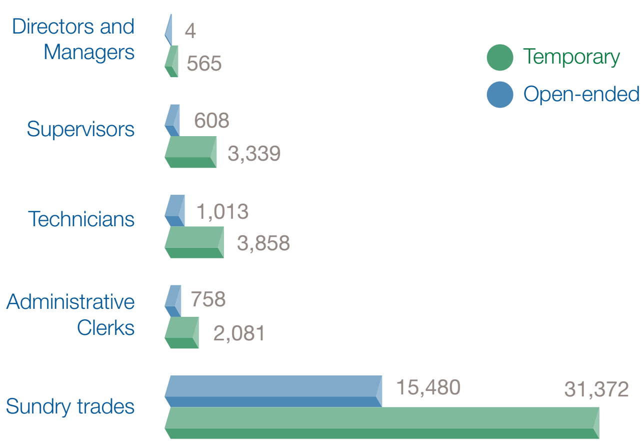
Average by type of contract and age range



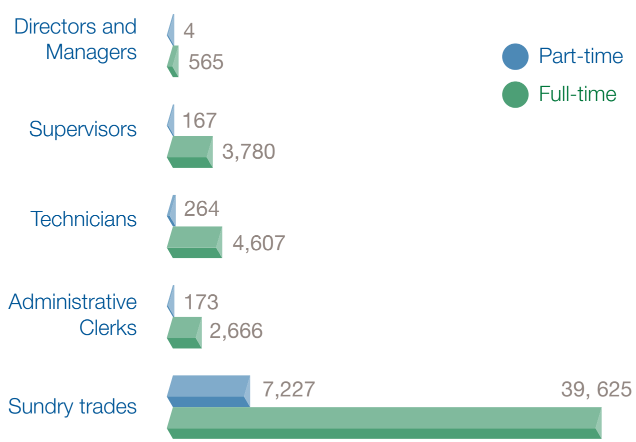
Average by type of working day and age range



Average by type of contract and functional level



Average by type of working day and functional level



In 2019 dismissals for the entire FCC Group, classified by gender, age and functional level, were as follows:

Dismissals by gender

women	men
153	662

Dismissals by age range

< 35 years	35-54 years	128 > 54 years
260	427	128

Dismissals by functional level

Directors and Managers	Supervisors	Technicians	Administrative clerks	Administrative clerks
13	37	107	46	612

Commitment to talent

The success of FCC depends on the talent of its workforce. This is why FCC fosters a suitable work environment with the aim of attracting, motivating, developing and retaining the best professionals.

Managing by skills

As an essential pillar of its Human Resources policy, FCC implemented a new skills management model in 2019, as a commitment to talent and the ongoing development of its professional staff. The following are the Group's corporate skills:

The blueprint for management by skills facilitates the homogeneous application of human resources policies both in selection, in salary and in training and development. A skills management model allows also helps us understand the skills required (job and personal profiles) to meet the objectives and strategies of each business area.

Corporate skills

- Focus on results
- Client-oriented
- Flexibility
- Teamwork
- Communication
- Alignment

Selecting the best professionals

In 2019, the selection process methodology was improved to include a due diligence process for the candidate (suitability of the profile, assessment of behaviour and skills, absence of conflict of interest, etc.). This methodology will provide a broad and precise vision of a person's degree of adjustment to a job, their growth potential and their ability to adapt to change.

The usual source for selection in FCC is internal mobility. The fact is that in 2019, 1,004 positions were published via the Intranet, with the aim of increasing this number.

In this regard, one of the main challenges facing FCC for 2020 is to analyse the current situation and define new action guidelines to promote a culture of internal mobility and use it as a lever for professional growth.

Meanwhile, training programmes for new talent developed by the company's different business lines are of special interest:

- The II International Programme for Young Talent in the Construction area with training aimed at fostering the development of recent graduates to allow for easy coverage of positions in the company's international projects saw the participation of nine young talents in 2019.
- Collaboration agreement with the EOI (School of Industrial Organisation) signed by Aqualia in 2016. In 2019 the company incorporated five people as interns in the Engineering and Water Master course.

Training

FCC has a Global Mission to guarantee the training and development of its workforce worldwide, in line with the needs of each business.

The data regarding hours of training in Spain by functional level and business area are as follows:

Hours of training in Spain

	Directors and Managers	Supervisors	Technicians	Administrative Clerks	Sundry trades	Totals
FCC Medio Ambiente	9,010	11,612	91,768	484	85,861	**198,735**
Aqualia	2,930	20,914	17,179	5,762	30,014	**76,799**
FCC Construcción	1,513	10,340	36,167	4,005	28,350	**80,375**
Cementos Portland Valderrivas	2,454	4,192	5,300	2,284	5,487	**19,717**
Central Services	1,969	889	4,957	1,270	22	**9,107**
Totals	**17,876**	**47,947**	**155,371**	**13,805**	**149,734**	**384,733**

The definition and design of the training provided in the FCC Group stems from the detection of needs in order to cover job and skills requirements in the workforce.

Campus FCC

A company commitment with the promotion of people.

In 2019, the FCC Corporate University was founded, a commitment to talent in the current environment of increasing globalisation, new technologies and new ways of working.

The aims of the project include standardising and consolidating the FCC Group's transversal training practices, improving the effectiveness and efficiency of the different programmes, promoting the implementation of new learning technologies, preparing teams to work in a diverse and global environment and generating pride in belonging to FCC.

This virtual platform can be accessed from any device and it is made up of three schools of knowledge: Values, Digital and Compliance. It also contains a training space for each business area with a catalogue of courses that are organised by subject, including languages, skills, office automation, health, safety and well-being.

A project with a long vision term, stable, durable and responsible for the best possible work environment.

In 2019, training on the FCC Group's Code of Ethics and Conduct (School of Values) and on the Connect 365 platform (Digital School) was launched, and in 2020 training is envisaged in the field of data protection, bidding policy and relationships with public officials (Compliance School). A skills training programme is also being developed, aimed at fostering and developing the necessary skills associated with each person's role in the Group.

Corporated Schools

Values | Digital | Compliance

Salary policy

FCC works in a wide variety of productive sectors (construction, water, cement, concessions, services, real estate) in more than 30 countries and in general, the remuneration of its workers is subject to the applicable collective agreements (in the case of Spain there were 800 agreements of different scope in 2019).

FCC **remunerates its employees** according to criteria of sector and geographic competitiveness, internal equity and the level of responsibility. With this in mind, in 2019 a **process of review and assessment of jobs began**, taking the following five factors into account: Impact, communication, innovation, knowledge and risk.

Position assessment

Impact | Communication | Innovaction | Knowledge | Risk

Average remuneration in Spain disaggregated by functional level, gender and age range are as follows:

Total Average Remuneration (€)

	Under 35 years old	From 35 to 54	Over 54
Men			
Directors and Managers	60,375.36	107,200.54	147,318.51
Supervisors	29,251.61	45,086.22	50,693.67
Technicians	28,498.51	43,127.14	51,944.87
Administrative Clerks	23,867.52	30,319.11	36,504.92
Sundry Trades	23,989.51	26,342.57	27,694.37
Women			
Supervisors	53,855.97	87,100.64	83,920.64
Technicians	26,886.49	36,604.46	39,305.68
Administrative Clerks	24,391.86	35,679.30	42,562.62
Sundry Trades	20,873.69	25,063.85	27,821.19
Oficios Varios	19,211.29	19,991.23	19,138.44

Average remuneration for the management team stands at **117,610 euros**, broken down by gender as follows:

- Average remuneration for **women: 86,053 euros.**
- Average remuneration for **men: 123,024 euros.**

The management team includes both senior management (reporting directly to the CEO) and those whose jobs involve management and responsibility within the FCC Group in Spain.

Information regarding the average remuneration for directors is included in the Annual Remuneration Report.

Diversity and equality

In 2019, the FCC Group approved a Human Rights Policy, in line with the UN Guiding Principles for Business and Human Rights and with the Global Compact which FCC adheres to. This Policy, in coordination with the Code of Ethics and Conduct, advocates respect for diversity and inclusion, rejecting discrimination for any reason.

FCC also renewed its commitment to the Diversity Charter in Spain for 2019-2021, in recognition of its equality policies, its commitment to social inclusion and its commitment to becoming an increasingly diverse and socially responsible company.

The application of these values is ensured by ongoing dialogue with social partners. This dialogue translates into reaching important milestones in the field of diversity and equality, such as the development of female employment in sectors with poor representation, specific training for women to occupy leadership positions, the integration of people with disabilities, and recruitment of those from marginal groups and/or at risk of social exclusion.

Equality between men and women

For FCC the principle of equal opportunities is a commitment to action that cannot be waived, as contained in the Code of Ethics and Conduct, which reflects FCC's responsibility in this field.

Commitment to Equality

In Spain, FCC has nine Equality Plans drawn up and implemented together with the main union organisations. These Equality Plans are applicable to the entire workforce in Spain since their scope extends to companies with less than 250 workers. Four Group companies also have the *Company Equality Badge*, a mark of excellence granted by the Ministry with the Equality portfolio.

As a complement to the reports channel included in the Code of Ethics and Conduct, the Group has a *Protocol for the Prevention and Eradication of Bullying* that aims to prevent, resolve and penalise any cases of workplace and gender bullying that may occur. The protocol is binding and includes the principles of the FCC Group's commitment in this field, aimed at guaranteeing the dignity, integrity and equal treatment of everyone. FCC has provided an e-mail address and a confidential online report form.

As for the rest of the countries with a presence of the FCC Group, **the Code of Ethics and Conduct is applied**, as well as the regulations in force in each jurisdiction. In this sense, the Equality Plan in force in the United Kingdom should be highlighted.

Promotion of women to management positions

As a result of the FCC Group's firm commitment to the promotion of women, in Spain, at the end of 2019 the percentage of women occupying management positions reached 13.92% of the total for this type of position, showing an increase of more than two percentage points (11.68%) compared to 2018.

With this in mind, the FCC Group is developing and participating in training programmes aimed at creating a work environment that is rewarding, free of discrimination and in favour of diversity. From the actions undertaken, special mention should go to three initiatives for the training and development of women for management positions.

Proyecto Promociona, specialises in preparing women to access senior management positions and boards of directors (CEOE-ESADE).

Three women participated in 2019

I edition of the Training Programme for Women in STEM disciplines "Now you" for the Sepl Foundation.

In 2019 **one woman** participated

Development programme designed for women with high potential at the **"Escuela de Organización Industrial"** (EDI).

In 2019, **ten women** participated

Wage gap

FCC's remuneration management is based on the criteria of objectivity, external competitiveness and internal equity. FCC does not differentiate by gender, so remuneration is equitably based on the level of contribution to the business (functional level) and responsibility and value in each job.

In Spain, FCC has developed a salary analysis methodology based on best practices that enables us to make a granular identification of any possible cases of remuneration inequality between women and men.

Two types of wage gap are taken into account in Spain for calculation, adjusted and gross.

Adjusted Salary Gap **6.59%**

The adjusted wage gap is calculated taking into account all those aspects that compare men and women in a similar situation. Apart from the gender of the employees, this comparison takes into account some of the key factors relating to remuneration for the position (functional level, seniority, applicable collective agreement).

In this regard, it has been observed that minor seniority ranks (less than 5 years) are those that show a lower Adjusted Salary Gap, the result of good practices in equality that the FCC Group has been applying and that are faithfully reflected in the Equality Plans, all aimed at reaching salary equity between women and men.

In any case, it should be pointed out that the percentage difference does not imply the existence of gender-based remuneration discrimination, since factors that fall outside the Company's scope of action and that contribute significantly to increasing gender-based remuneration inequality may be involved, such as the masculinisation of the majority of the sectors in which the Group's activity is undertaken, working conditions arising from cases of subrogation, individual performance, economic crises, the political situation, socio-cultural reasons, academic training, experience in the position held, etc.

Gross Salary Gap **17.42%**

Gross wage gap is calculated by obtaining the percentage difference between average total salary for men and women. This data omits key factors when making the comparison, such as functional level, seniority and the applicable collective agreement.

Inclusion and non-discrimination

The Code of Ethics and Conduct includes as an essential principle the Group's commitment in favour of a more rewarding work environment, free from discrimination of any kind and specifically promoting diversity.

In 2019, FCC Construcción presented a "do not normalise it and say NO" campaign, aligned with the company's values for equality, non-discrimination, diversity and social-labour action.

Commitment against gender violence

FCC maintains a constant and public commitment against gender violence that is based on two essential principles, zero tolerance and support for the social and professional integration of victims. The company collaborates with the "Companies for a Gender Violence Free Society" network in tasks of dissemination and awareness, as well as supporting job insertion for women suffering from its after-effects.

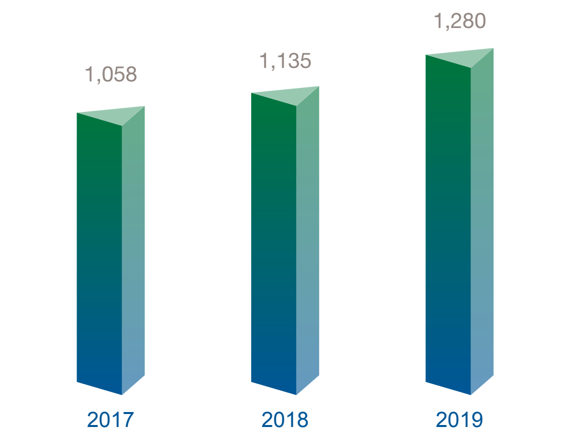
To maintain this commitment, the company has the support of specialised entities such as the Incorpora Foundation (La Caixa), the Integra Foundation and the Red Cross, both for dissemination and awareness, as well as for work insertion for women who have been victims of gender violence.

Every 25 November the FCC Group makes an appeal within the company and launches information and awareness actions in the workplace to remind people of its principles and inform them about its commitment and vision: zero tolerance for gender violence and promotion of the social and professional integration of women who are victims of violence.

Disability

FCC maintains a strong commitment to disabled persons and is becoming a more and more diverse and socially responsible company, promoting actions and projects to foster inclusion, accessibility and equal opportunities through employment. Proof of this is the high number of workers with disabilities recognised in the FCC Group, amounting to 1,280 in Spain[(2)], 145 more than in 2018. There has been continuous growth in the last 3 years as can be seen below:

Employees with disabilities



[(2)] In 2019, the data is included for employees with disabilities in the JVs in which we participate. If this data had not been taken into account, the increase in 2019 would be 98 people.

As for the rest of the countries, as a result of the concept of disability not being homogeneous and in accordance with the legal restrictions in force in some countries that prohibit employers from accessing such information, no data can be extrapolated.

The Group actively collaborates with specialist organisations that assess the management of recruitment and labour support for people with disabilities. The main organisations with which there is collaboration in Spain are the following:

The main organisations with which there is collaboration in Spain

INSERTA PROGRAMME	INCORPORA FOUNDATION	FAMILY PLAN	DOWN SYNDROME	RECYCLE LIVES
ONCE FOUNDATION	LA CAIXA	ADECCO	FOUNDATION	ECOEMBES
FCC supports a number of projects and promotes social and labour inclusion through workshops, training courses and other actions such as awareness campaigns.	**Environmental Services** maintain a collaboration agreement with Incorpora for the insertion of those groups with the greatest difficulties in labour insertion.	An action programme with a presence in **Construcción, CPV and Aqualia**, focused on increasing the autonomy, integration and subsequent insertion in the labour market of disabled family members.	It has an **Agreement** with the Foundation for the incorporation of workers with intellectual disabilities into its workforce.	**Environmental Services** have been collaborating with the insertion programme for people disconnected from the world of work (social sustainibility).

Accessibility

The inclusion of people with disabilities is not possible if accessible and barrier-free environments are not guaranteed for everyone in the Group.

In the 2019 business year, FCC participated in the II Diagnostic on accessibility organised by the Regional Institute of Health and Safety of the Autonomous Community of Madrid at the corporate headquarters in Madrid (Las Tablas) and improvements were made in terms of accessibility from its participation in the previous edition.

The measures implemented include the installation of magnetic loops in training and meeting rooms, as well as the provision of portable equipment to facilitate hearing in the rooms inside the building and the signposting of steps, stairs, ramps, and reserved places. The company has also launched an internal control and follow-up procedure to record all improvement actions undertaken and to conduct regular maintenance checks.

Work organisation

The organisation of working time in the different companies in the FCC Group responds to the productive requirements for each activity, in accordance with the standards and regulations applicable in each sector and location.

To guarantee the well-being of its employees, the FCC Group considers that the proper management of work organisation is essential and there have been a number of initiatives to achieve this aim.

Of the different actions taken, the Group makes special mention of work-life balance, flexibility, co-responsibility and disconnection, all adapted to the different organisational and productive realities and requirements for each centre, function and activity. Here are some of them:

In the Water business area, the certification endorsed by AENOR for a Family Responsible Company was awarded for promoting measures with the aim of achieving balance between the personal and professional life of its employees.

aqualia

Family-Friendly Company

Digital disconnection

In 2019, FCC approved the Policy on the Use of Technological Media applicable throughout the Group.

Digital disconnection

The FCC Group is committed to personal well-being and recognises the **right to digital disconnection** as a vital element to achieve a better organisation of working time with regard to respect for personal and family life.

In 2020, online training on a healthy lifestyle is envisaged. The objective is to train and raise awareness regarding the reasonable use of technological tools.

Work-life balance

- Continuous working day in summer periods and on Fridays
- Flexibility in taking holidays
- Flexibility in daily work schedule
- Improved birth, sickness and death leave
- Job reserve extension (leave of absence)
- Complement to paternity/ maternity leave
- Baby nursing leave, reduction of working hours and leave of absence

Social relationships

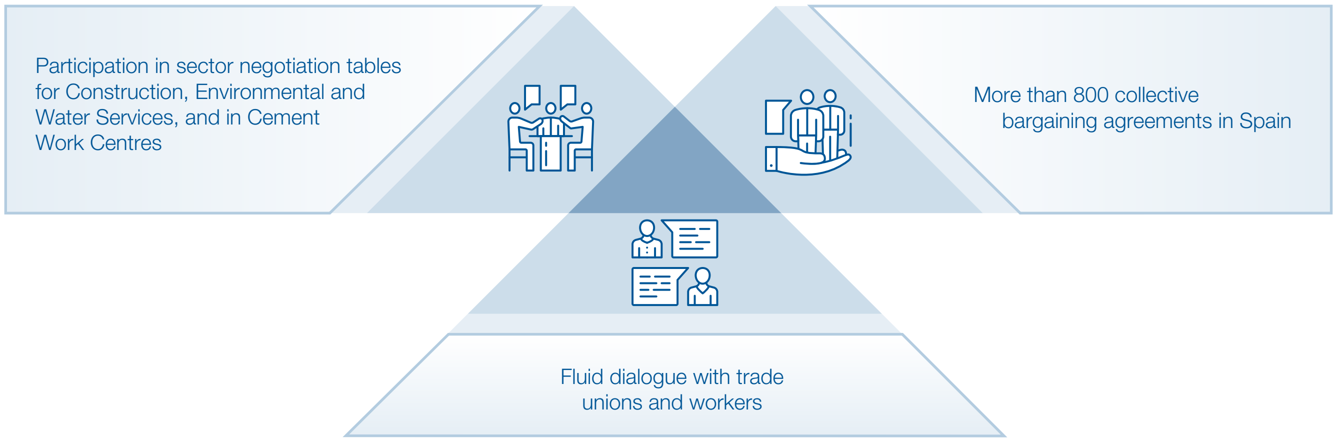
FCC understands that social dialogue and direct communication with its workers, their legal representatives, unions and other social agents are required to create a bond with its employees, for the purpose of encouraging new agreements to be signed as a result of collective bargaining, and that different processes of a collective nature need to be established with transparency, with the creation of follow-up committees and providing employees and employee representatives with all the necessary information.

In 2019, the areas had a presence at a large number of bargaining tables for collective and work centre agreements. They actively participated in collective bargaining for the sector (both at state and provincial levels).

The company is also a member of the international Construction and Wood Workers (BWI) collective that covers all civil-engineering works in the sectors in which it works.

As for the rest of the countries, the percentage of workers covered by collective agreements varies depending on applicable legislation, the existence of collective agreements and even worker representation. In any case a commitment has been made to comply with all applicable legislation and/or collective regulations.

In the most representative countries for the different business areas, the percentage of employees covered by a Collective Agreement is included in **Annex I**.



Special mention for occupational health and safety in collective agreements

In a great number of collective agreements that are applicable in Spain, there is special mention for occupational health and safety in its broadest sense.

The following are the clauses most frequently included in collective agreements signed with regard to occupational health and safety:

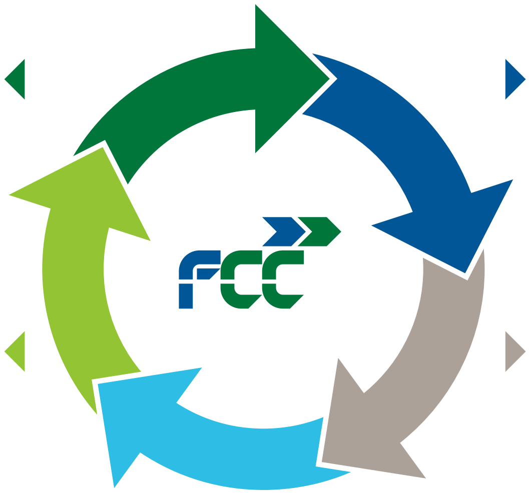
- Existence of prevention plans: risk assessment and technical preventive action.
- Mention of continuous improvement in the general conditions for work centres.
- Specific preventive measures such as personal protective equipment for use in emergency situations and work with special risks.
- Communication and dialogue with prevention services.
- Health surveillance features: regular medical check-ups.
- Regulations regarding workers rights: participation, training and information.

Health, safety and well-being

Culture

FCC is working to consolidate a culture aimed at creating and maintaining a risk-free environment for the benefit of people's health. Health, safety and well-being constitute an unquestionable value and commitment for the organisation, which is why it is constantly being improved and developed, adapting to the most demanding standards and the development of the business models themselves.

In 2019 within the framework of the Code of Ethics and Conduct, FCC renewed and approved its health, safety and well-being policy as part of its business strategy and responsibility as a social agent. It has the following axes:



Developments in the main indexes

The following details developments in the main accident and absenteeism rates:

Accident Rate Indexes

Index	2017	2018	2019
Frequency	26.15	24.08	23.98
Severity	0.91	0.82	0.91

Accident Rate Indexes by geographical area

Scope	Acc. Freq.	Acc. Freq.
Spain	32.06	1.27
Global	23.98	0.91

Accident Rate Indexes by gender in Spain

Gender	Acc. Freq.	Severity	Incidence
Women	25.58	0.74	3.5
Men	33.52	0.9	4.94

Indexes for absenteeism occupational accidents and common illness

Type	2017	2018	2019
Work Accident	0.73	0.54	0.71
Comm. illness	7.24	7	5.63

Fatal occupational accidents

Type	2017	2018	2019
FCC	4	4	0
Subcontractor	2	4	2

Health and Safety Management System

In 2019, the Construction, Environment and Cement business areas renewed the external certification of their management systems, with regard to the recent ISO 45001:2018 Standard, whilst Aqualia renewed the certification with regard to the OHSAS 18001:2007 Standard. This means full adaptation of the systems to the most updated and recognised standards for occupational health and safety management at international level.

Special mention should go to the fact that in 2019 FCC Construcción was also one of the first companies in Spain to obtain ISO 45001 Certification. Health and Safety Management Systems in 6 countries: Spain, Portugal, Panama, Costa Rica, Romania and Peru.

In 2019 and with a view towards upcoming bids, FCC Medio Ambiente was working on the adaptation of two prototypes for electric of road cleaning carts, one of which has a platform on which a worker can travel and the other without a platform. This will mean an improvement in time in the time taken to provide the service, together with ergonomic improvements for the operating staff, leading to a substantial improvement in working conditions in terms of health and well-being.

In another area, FCC Construcción is leading a R&D&i project entitled “Safety4D”, on the incorporation of BIM into the field of health and safety. The determination of BIM methodology in the industry will change the way in which safety is applied, effectively integrating it into the construction processes, automatically detecting and enabling a reduction of hazards even before work starts.

January 2019 saw the launch in Aqualia of a new health and safety balanced scorecard (11 activity and effort indicators) and both the frequency of the report and the follow-up activities were enhanced leading to subsequent completion of a monthly report to the Directorate and to the Board. The Zone and Local Office reports are six-monthly and quarterly, but the follow-ups were established as monthly, including an additional step in reporting and follow-up activities, to enable the participation of Heads of Production.

The Cement area collaborated with the CEMA Foundation (Cement and Environment Labour Foundation) in the preparation of technical material on musculoskeletal disorders and for the ergonomic verification and selection of hand tools in the cement industry, with funding from the State Foundation for the Prevention of Risks at Work.

Healthy Life constitutes our brand, our motto and our commitment to personal, collective and individual well-being.

Healthy Life Projecte

This is being developed by means of an ongoing cycle of initiatives and actions, and the implementation of both global and local resources that in 2019 consisted of:

- Training, information and awareness by means of workshops on healthy eating habits, promotion of physical activity, mindfulness, restful sleep, giving up smoking, etc.
- FCC Healthy Life Portal: platform for healthy challenges, information on health advice, preventive management, current affairs, health, safety and well-being.
- Agreements to offer external benefits to employees regarding the promotion of health and physical activity (Gympass).
- FCC Medical Service: support and promotion for the implementation of a management system adapted to the requirements of a healthy company, including health surveillance and the design of actions aimed at improving collective health indicators.

- In **FCC Medio Ambiente**, as a result of the implementation of a certified healthy and safe business model in all local offices, numerous programmes have been implemented to promote physical exercise, healthy nutrition, restorative rest, health care and support for giving up smoking and other harmful habits.

- Within the framework of the Be Aqualia project, **Aqualia** has launched an initiative linked to psychosocial risk with the provision of an emotional health self-assessment programme and free psychosocial assistance.
- In 2019 in the **Cement area** health promotion actions focused specifically on organising campaigns to prevent skin cancer, "Put solar risk in the shade", and seasonally for influenza vaccination.

Participation and recognition

FCC's different business areas FCC have participatory bodies that comply with legal requirements at local level, such as the Health and Safety Committees whose function is to channel consultations and the collaboration of workers in this field. The work centres also receive visits to encourage their involvement, and regular internal audits are conducted to ensure the proper implementation of health and safety management systems.

IV Edición Premios
Seguridad y Salud 2018
Grupo FCC

It should be pointed out that every two years the FCC Group holds a Health and Safety Awards event, in recognition of the exceptional work done those who are involved and contribute significantly in improving the lives of those working in FCC and in the communities where it participates, through health, safety and well-being in the work environment.

Prizes **Health ang Safety** FCC Group

There are three categories of Health and Safety Awards

1	2	3
Prize for Prevention of Risks at Work	Prize for Health Promotion	Prize for Personal Career Achievement

Mitigating the environmental impact

Care and protection of the environment

Since its foundation, the FCC Group has fostered the resilience of cities, contributing through its different business lines to improving the quality of life and to promoting the sustainable development of society, providing solutions that will help us improve adaptation to the impacts.

FCC takes care to protect the environment, constantly working to reduce the current and foreseeable effects of its activity on the environment. To identify and manage its impact on the communities, the FCC Group monitors its processes in detail and evaluates and manages the impact associated with each Group's business line. This practice includes an exhaustive analysis of each of its lines of activity with the aim of studying the different environmental risks that the company faces.

In this regard, each business line undertakes the following activities:

FCC Medio Ambiente:

- Contributes to the protection and improvement of society, from natural to urban environments.
- Provides treatment, collection and recycling services.
- Eliminates municipal solid waste and cleans public roads.
- Maintains and preserves green areas.
- Recycles, assesses, treats and disposes of industrial waste.
- Decontaminates soil and groundwater.
- Maintain sewer networks in an optimal state.

Aqualia:

- Takes care and meets the needs of their clients, contributing to their well-being.
- Preserves the value of water resources and biodiversity.

Infraestructure
(FCC Construcción and Cementos Portland Valderrivas):

- Promotes the sustainable and inclusive growth of cities.
- Optimises the use of resources.
- Reduces emissions.

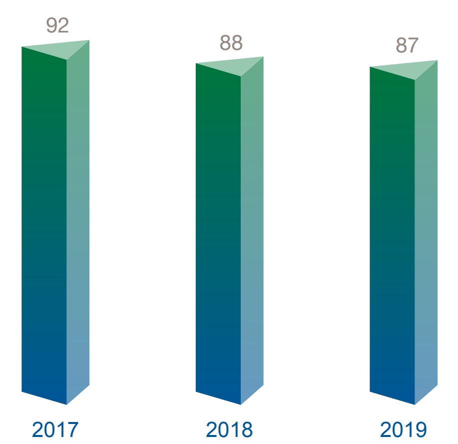
The FCC Group Environmental Management System

As well as continuous improvement, one of the company's ambitions in the field of environmental protection and preservation is to ensure that all its activities are environmentally certified.

Environmental certification is an especially important issue for the FCC Group, as it aims to reflect its commitment to the environment by implementing different environmental management systems in accordance with each of the Group's business lines.

This commitment can be seen in the following table that shows the Group's certified activity in recent years. In 2019 the percentage of environmentally certified activity was very similar to previous years:

FCC activity with environmental certification (%)



By business, in FCC Construcción there are currently 24 countries certified based on the ISO 14001:2015 Standard, within the current Environmental Management System. The Greenhouse Gas Emissions Report was also verified, based on the ISO 14064-1 Standard.

And in 2019, there was also verification of 2018 emissions for those centres located in Spain, Panama, Portugal and Peru.

The Cementos Portland Valderrivas Group in Spain has a certified Environmental Management System that has an environmental policy whose principles include promoting sustainability, reducing environmental impact and identifying associated risks. The company complies with the strictest certification standards via the ISO 14001:2015 Standard, through which 6 of its 8 cement factories have been certified and registered in EMAS (The European Eco-Management and Audit Scheme). This is 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 evaluate, manage and improve their environmental impacts, thus ensuring excellent behaviour in this regard.

FCC Medio Ambiente also has certification for the ISO 14001:2015 Standard as well as for ISO 50001 on Energy Management Systems. Under the Community Regulations both companies are registered with EMAS.

In FCC Environment CEE, Slovakia, Hungary, and Czech Republic, they have ISO-14001:2015 certification. Since 2019, Austria has had a Waste Management System certified according to the same standard and Romania also has this certification for all its activities at the headquarters in Arad.

Aqualia has a Management System certified in ISO 14001:2015 and ISO 50001 as well as ISO 14064-1 certification for GHG. In 2019, ISO 14001:2015 certification was extended in Caltaqua (Italy) for the sewage treatment plants in Cammarella and Serradifalco; and in Oman Sustainable Water Services, S.A.O.C. (Oman).

FCC Group environmental policy

With the aim of promoting the sustainable development of society and as a result of the Group's commitment to environmental protection, in 2009 the FCC Environmental Policy was approved by the Board of Directors. This policy encompasses all the companies and addresses the obligations of each one in matters of preservation of the environment and the use of resources, taking the following into consideration:

- Continuous improvement in all its activities
- Control and follow-up
- Climate change and pollution prevention
- Observation of the environment and innovation
- The life cycle of its products and services

Alongside the Group's Environmental Policy, each of the FCC business lines has its own Environmental Policy, focusing on the scope of its commitment in each of the countries in which it operates and in each of the activities it undertakes.

In this context, Cementos Portland Valderrivas develops its strategy in line with the principles that govern its Environmental Policy, which was approved by the Directorate for Operations in Spain and for Business in the United Kingdom in November 2017. This policy is embodied in specific action plans, aimed at minimising the environmental impact derived from its business model: the production of cement.

Meanwhile, FCC Construcción has an integrated policy that includes Management's intentions and guidelines for the implementation of strategies, that has become a benchmark for setting objectives. These policies include the Environmental Policy that works towards regulatory compliance, continuous improvement, minimisation of environmental incidents, the involvement of stakeholders and the establishment of planning to reduce the associated impacts.

In FCC Medio Ambiente, there is a common Environmental Policy that was integrated in 2019. FCC Medio Ambiente's willingness to continuously improve its activities obliges the company to guarantee an efficient provision of the services it offers. This commitment is the basis for the development of an Integrated Management System.

The management of environmental aspects and impacts within the Group

There are a number of different environmental impacts in the FCC Group given the nature of its operations and the activities undertaken by each of its companies. Taking these impacts into account, the FCC Group is committed to a circular economy and offers a new alternative that is responsible and respectful of the natural and urban environment, thus seeking new opportunities and ways of doing business. Another of the pillars that commit the Group in this regard is the improved efficiency of its processes, especially those relating to the re-use of wastewater and waste.

With this in mind, FCC Medio Ambiente has adopted a procedure for the identification and assessment of those environmental aspects derived from its activities, products and services that have a direct or indirect impact on the environment. The main environmental aspects identified relate to the consumption of fuel, water, chemical products, raw materials and electrical energy. Also significant is the waste generated by the maintenance of vehicles and equipment, and that generated in waste treatment and possible leachates, discharges of process waters, washing of machinery and rainwater. The noise generated by vehicles and greenhouse gas emissions and other atmospheric emissions are also significant. The above-mentioned activities also have an impact on the health and safety of FCC Group workers, due to different risk factors such as falls, possible electrical contacts, exposure to harmful substances, being run over, etc.

In Aqualia, the environmental impact of its activity is related mainly to the consumption of reagents, the generation of hazardous and non-hazardous waste and energy consumption. Aqualia is committed to investing in the design and development of innovative solutions with the aim of supplying water to those areas with limited resource availability. In accordance with its commitment to a circular economy, Aqualia also contributes to the re-use of water to maximise and make profitable its use in distribution, supply and consumption processes, thus avoiding the waste of one of the most valuable resources in the natural environment. The company also makes Energy reviews in accordance with ISO 50001 and RD 56/2016, improved measurement, calculation of pump energy efficiency, optimisation and improvement of processes, installations and production equipment, optimisation of energy purchase, etc.

In FCC Construcción, prevention begins with the identification of any environmental and social issues that may have an impact on the project, as well as defining the risk of occurrence. In this way, criteria are established for directing prevention efforts towards issues where the intensity of the impact is, or could possibly be, greater.

The most significant environmental aspects consist mainly of impacts on the land, mainly due to moving about inside and outside the work locations themselves or dropping granular material during transport. Another significant environmental aspect is the emission of dust particles into the atmosphere. Other significant environmental issues are related to waste generation, the consumption of resources, the generation of noise and vibrations and potential environmental accidents that may occur on site.

FCC Construcción's response in order to reduce or mitigate its environmental impact is based on identifying, evaluating and managing the structural risks associated with buildings and infrastructure, once again with a commitment to innovation. Following the standards for quality and professionalism that characterise the group, FCC Construcción focuses its efforts on strengthening infrastructure and materials with the aim of mitigating the risks described above.

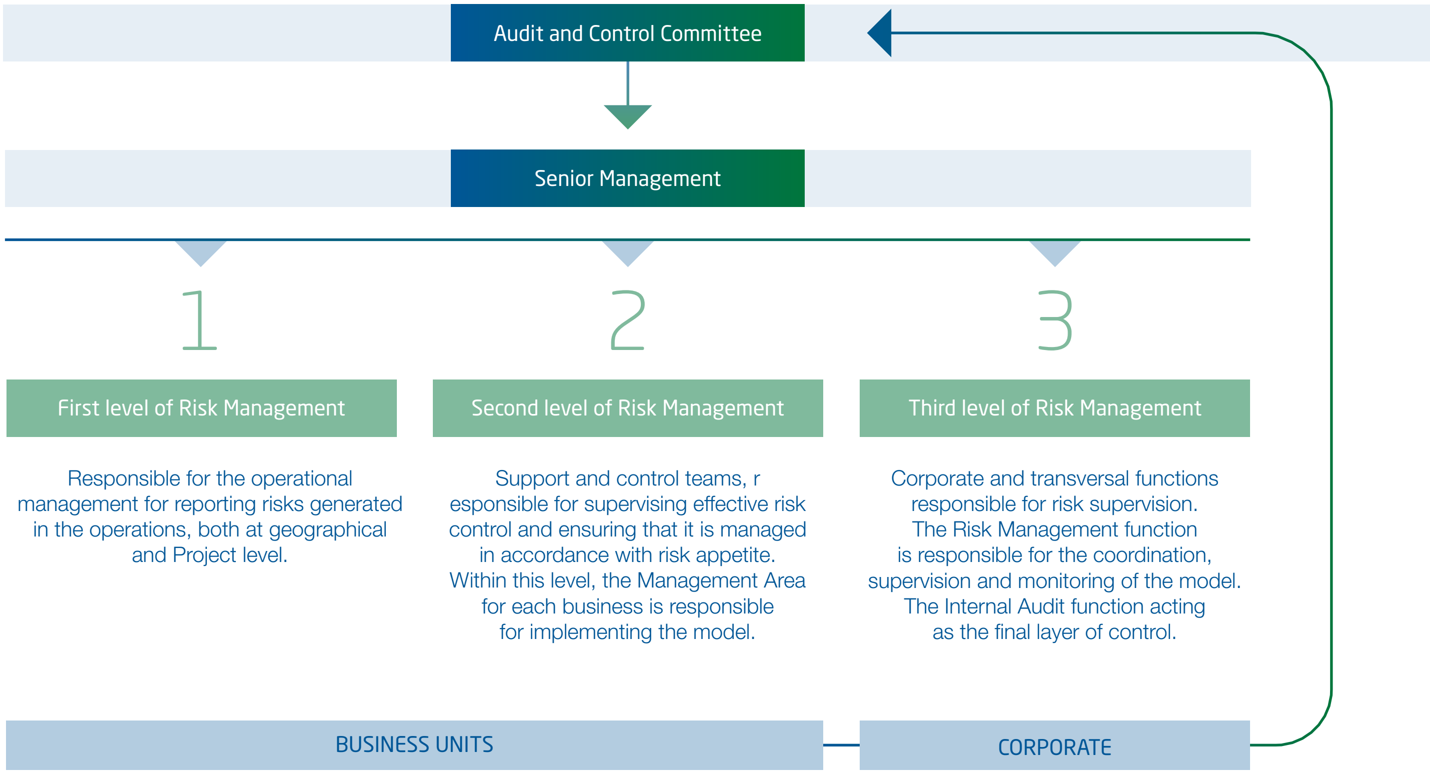
In Cementos Portland Valderrivas, the identification of environmental issues is based on an analysis of processes, installations and products from a life-cycle point of view. This objective and quantitative identification takes into account possible interactions with the environment - soil, water, atmosphere, natural environment, socioeconomic environment, population, etc. - as well as normal and abnormal operating and working conditions, potential accident or emergency situations, indirectly generated issues and those that may arise from previous activities, always aware of the importance of taking preventive measures from the moment the actions begin.

The most significant environmental issues arising from the operations of Cementos Portland Valderrivas are related to the extraction of natural resources from quarries to obtain raw materials, the emission of greenhouse gases (CO_2), particles and polluting gases NOx and SO_2 and the consumption of fossil fuels and electrical energy. Other significant issues that involve the company are the generation of noise and hazardous and non-hazardous waste and the consumption of water.

The response by Cementos Portland Valderrivas focuses on the mitigation of GHG emissions through the use of decarbonised materials to preserve natural raw materials, the use of biomass fuels, replacing fossil fuels, and taking energy recovery action.

Application of the precautionary principle

The design and execution of the FCC Group's environmental risk management model, as well as its daily activity in the field of risk prevention, is proof of the application of the precautionary principle within the Group. The model has different independent management levels that work in a coordinated manner to achieve greater efficiency in the Group's risk management.



FCC Construcción has a **Good Environmental Practices® System**, its own pioneering model in the sector to define more demanding environmental objectives than those established in the applicable environmental legislation.

It should be highlighted that FCC Construcción has a Good Environmental Practices® System, its own pioneering model in the sector to define more demanding environmental objectives than those established in the applicable environmental legislation, client and third-party requirements, with the objective of minimising the projects' environmental impacts. By systematising the application of these actions on all FCC Construcción's sites, they become an essential part of a comprehensive planning process, that includes the preliminary identification of impacts and the quantification of the environmental footprint for its activities. With the unification of measurement criteria, this process facilitates the interpretation and understanding of Good Practices, and this in turn helps us to learn from what we do wrong and what we do right and to identify opportunities for improvement.

FCC Medio Ambiente, meanwhile, has implemented and certified environmental management systems based on international standards. The norms under which they are protected were designed as an instrument for the prevention of environmental damage in itself and are of a preventive nature that materialises with risk management. The aim of this risk management is to achieve product and service conformity, so the implementation of these management systems, as is the case with FCC, applies the precautionary principle from the very start of its implementation. Risks are identified in the phases prior to the implementation of the management system, they are taken into account and managed each change the system undergoes a change. Good risk management involves preventing them from appearing, while also assessing the possibility of them occurring and their consequences. This is how serious or irreversible damages to the environment are avoided, by imposing preventive measures for those events where there is no certainty regarding the effect that an activity may have on natural resources.

Cementos Portland Valderrivas applies the precautionary principle for the management of environmental risks, establishing a series of preventive measures in its installations in order to minimise the risks of environmental damage. The main measures taken include the installation of particle filters in furnaces and mills, water purification systems, suitable waste storage and techniques to reduce GHG.

Resources dedicated to the prevention of environmental risks in the FCC Group

To guarantee risk prevention within the Group, the annual budget of all its companies allocates an item to identify, establish and develop new measures that enable possible environmental risks to be anticipated and at the same time reduce possible associated damages.

In this regard, the FCC Group allocated 30.6 million euros to the prevention of environmental risks in 2019.

FCC Construcción allocated 22.4 million euros to the prevention of environmental risks in 2019. Of this investment, 21 million euros were for the renewal of the fleet of vehicles and machinery, 1.2 million euros for R&D projects related to environmental improvement, 17.5 thousand euros to environmental certifications and 10 thousand euros to training.

Cementos Portland Valderrivas allocated 3.7 million euros to environmental the prevention in 2019. This amount included 1.5 million euros for environmental investments and 2.2 million euros for expenses corresponding to land restoration, waste management, analytics, measurements, sampling, environmental impact studies, certification and training.

FCC Medio Ambiente in Spain allocated a total of 4.6 million euros for environmental risk prevention. Special mention should go to the 2.8 million euros for the renovation or acquisition of more efficient vehicles and the more than 1.3 million euros for environmental improvement in industrial waste treatment plants. FCC Environment CEE allocated 398 thousand euros mainly to environmental monitoring, assessments and certifications.

Number of FCC Group provisions and guarantees for environmental risks

The FCC Group and, therefore, its different companies, hold a general third-party liability policy that feel is necessary to cover any accident, damage or risk relating to accidental pollution. The Group also holds an environmental third-party liability policy that ensures coverage for to 60 million euros in case of accident and accidental contamination. Both policies are of global application and their scope of action will depend on the boundaries established with locally contracted policies.

Cementos Portland Valderrivas has also taken out a policy that covers up to 15 million euros for accidents and 30 million euros per year for accidental contamination.

With respect to FCC Medio Ambiente, in accordance with Law 26/2007, of 23 October on Environmental Liability, an analysis of specific environmental risks was made for treatment plants and landfills, in which only one of the 33 facilities analysed had to set up a financial guarantee. Gamasur, responsible for FCC Medio Ambiente's industrial waste management business, also has an environmental guarantee that covers 480,000 euros per accident per year. And in the United States, a pollution policy was taken out for a maximum of one million dollars.

With regard to environmental provisions, the Group has a provision of 239 million euros in the FCC Medio Ambiente division and 12.5 million euros in the Cementos Portland Valderrivas division. FCC Construcción and Aqualia do not have specific provisions to meet environmental contingencies, as the existence of significant contingencies in this fields not contemplated. There are provisions for risks and expenses of a general nature.

The **FCC Group** and, therefore, its different companies, hold a **general third-party liability policy** that feel is necessary to cover any accident, damage or risk relating to accidental pollution.

Reduction of pollutant emissions

With the aim of strengthening its commitment to the communities in which it operates, the FCC Group is committed to reducing the pollutant emissions associated with its different lines of business.

In the cement activity, all centres have established limits to atmospheric emissions and all of them are subject to Integral Environmental Authorisation (in accordance with IPPC Law 16/2002). Also, to control pollutant emissions, the installations themselves are fitted with gas purification and filtering systems that enable them to adapt to the characteristics of the pollutant generating process.

In Cementos Portland Valderrivas, cement manufacturing produces significant emissions into the atmosphere from Clinker furnaces. These include: Particles, nitrous/nitric oxide (NOx), sulphur dioxide (SO_2), and carbon dioxide (CO_2). To ensure strict compliance with the emission limits established in the Integrated Environmental Authorisations, sleeve and electrostatic filters are installed to reduce concentrations in channelled sources. Other measures include the installation of filters in the transport and transfer of powder materials, the use of closed storage, windproofing screens, the irrigation of tracks and the use of sweepers and vacuum vehicles to avoid general emissions.

Cementos Portland Valderrivas is aware of the sustainability requirements that society demands from companies. So to reduce gas emissions, the implementation of selective non-catalytic reduction techniques was undertaken using injection of ammonia water to reduce the emission of NOx, as well as the installation of low emission NOx burners and the control of fuel dosage.

Regarding the contamination of the soil and the water environment, the cement division undertakes suitable waste storage in roofed facilities, on concrete surfaces, with retention bunds. It also complies with regulatory inspections of tanks for fuel and other dangerous substances and has installed water purification systems in quarries and factories to guarantee the quality of the discharge into the environment.

To prevent noise pollution, Cementos Portland Valderrivas has fitted silencers and acoustic screens and replaced obsolete equipment. To comply with established requirements and to avoid or mitigate light pollution in its operations, the company is gradually replacing older outdoor light fittings in its factories with others that are more efficient (LED and sodium vapour), taking into account the orientation and location of the lamps to mitigate light pollution.

In FCC Construcción, the measures implemented to prevent the emission of NOx, SO_2 and particles take into account a number of factors, from the cover for lorries transporting dusty materials to the use of pipes for channelling rubble from a height. Other measures include: Watering tracks and stockpiles of materials, the location of machinery and particle emitting activities to cause the lowest possible impact and the use of machinery with a humidifier system to reduce drilling emissions. To avoid emissions of combustion gases resulting from the use of machinery and transport, actions taken include restricting the speed of construction vehicles and preventive maintenance on the machinery used.

Measures taken to mitigate noise pollution in FCC Construcción include: Placing anti-sonic screens, prior completion of parts of the civil-engineering work that can function as such, the use of more silent and modern machinery and working at times that do not affect the communities in the area.

To minimise the impact of light pollution, FCC Construcción uses more environmentally friendly nocturnal lighting devices that are chosen in accordance with the needs for each project and more importantly, the surrounding features. The measures taken include the installation of timers and presence detectors to switch on lights for specific time, and directional lighting that only illuminates the required area without impacting the environment.

FCC Construcción applies Good Practices to prevent soil from being contaminated by accidental spillage or overflow, as well as to minimise land occupation and the subsequent impact on its natural dynamics. Some of these measures involve the restoration and conditioning of land affected by civil-engineering work so as to recover its morphology, the restriction of accessible and occupied areas and the proper planning of access roads. Properly conditioned bunds are also available for hazardous wastes and substances.

The main measures taken by FCC Construcción to properly manage spillage in its centres and minimise potential contamination of water and soil, include: washing of concrete mixer gutters in an area that is waterproofed and prepared for this purpose, the installation of slag ponds, the placement of elements for containment such as straw or geotextile barriers near bodies of water, the neutralisation of effluents with basic pH and the use of portable sewage treatment plants and pits.

FCC Medio Ambiente, in its commitment to reduce NOx, SO_2 and particle emissions associated with torches, engines and boilers in its installations, increases the use of vehicles propelled by alternative energies and encourages active gas purging in the landfills it manages.

Noise pollution attributable to the activities of FCC Medio Ambiente is mainly due to the motorisation of service equipment. Other sources of noise are pumps, the water pipe network, presses, lifts, mechanical equipment, etc. Being aware of the associated negative effects, the company is launching technological innovation in the field of acoustic insulation for machinery and is promoting environmental awareness through the training of service personnel. Regarding light pollution, FCC Medio Ambiente is taking measures involving the sectioning of external lighting and the installation of motion sensors for switching on outdoor lighting.

FCC Environment UK monitors atmospheric emissions, discharges and possible spillage and the results are reported to the Environmental Agency on a monthly basis. With regard to soil contamination, it is controlled in landfills by the extraction and treatment of leachate. The facilities have control and treatment systems for the continuous monitoring of atmospheric emissions. Numerous measures are also taken to reduce particle and noise emissions resulting from the company's activities.

Aqualia takes preventive measures to respond to the main polluting effects resulting from its activities. Regarding noise pollution, the company complies with local bye-laws governing noise matters and avoids any direct impact on local communities. Light pollution is not considered a significant issue taking the nature of Aqualia's business into account, namely: comprehensive water management. However, the company does take some preventive measures to avoid impact on the natural environment and these are: The covered storage of identified chemicals and hazardous waste, with bunds and absorbents to collect spillage, chlorine gas escape detection systems, etc.

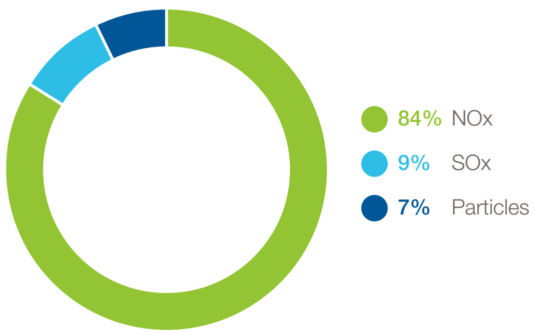
The following is a breakdown of NOx, SO_2 and particle emissions in tons for the FCC Group, during the last business year:

Emissions not contributing to climate change

(tons)

Business line	NOx	SOx	Particles
Aqualia	76.28	0.03	–
Cementos Portland Valderrivas	8,745.35	663.00	189.17
FCC Construcción	77.18	6.11	741.66
FCC Medio Ambiente	2,267.84	524.79	41.34
TOTAL	**11,166.65**	**1,193.93**	**972.17**

Emissions of NOx, SOx and Particles (T)



FCC's contribution to the circular economy

The circular economy for the FCC Group

FCC Group's social, economic and environmental commitment to the communities in which it operates is reflected in the company's own Vision: to be an international Citizen Services Group that provides innovative solutions contributing to the sustainable progress of society.

As the FCC Group is aware of the prevailing need for adaptation and resilience that is required of companies in matters of mitigation and adaptation to climate change, it has designed a road map aligned with the opportunities presented by the implementation of a circular economy in its business strategy.

So much so that circularity in the FCC Group is included in two of its business lines, FCC Medio Ambiente and Aqualia, specialising in waste and water management respectively, enabling the group to contribute to the sustainable development of the cities and communities in which operates. In this regard, the circular economy represents an opportunity for the Group, since it enables the broadening of its contribution horizon by directing its strategy and operations towards a more sustainable economic model, especially in the areas of FCC Construcción and Cementos Portland Valderrivas.

So with the aim of meeting its commitment to sustainable development and to mitigating as far as possible the effects associated with climate change, in 2017 FCC signed the Pact for a circular economy, promoted by the Spanish Government's Ministry of Agriculture and Fisheries, Food and Environment together with the Ministry of Economy Industry and Competitiveness. This initiative aims to involve all signatories in the transition to a new economic model that is more sustainable and environmentally friendly.

The involvement of the FCC Group with compliance with ethical and socially responsible standards has led to the Group going one step further and this led, in November of the same year, to the preparation of a programme called FCC Plan for a Circular Economy as a key pillar of its CSR 2020 Master Plan.

This plan reflects the Group's commitment to and involvement with the sustainable development of society while acting as a roadmap for the company to face the challenges associated with climate change and for which three action guidelines have been established:

1. Assessment of gaps in current activities compared to the package of measures proposed by the European Union.
2. The preparation of an official statement regarding FCC's position on the global circular economy model.
3. Establishment of work lines and the formalisation of the objectives for reduction, re-use and revaluation.

With the aim of reducing its environmental impact and contributing to a more sustainable economic model, the FCC Group has taken a number of measures and initiatives with regard to the prevention, recycling and re-use of resources and/or waste.

For example, given the scarcity of water resources, Aqualia's role is essential for the use and sustainable management of water.

Aqualia is playing a leading role in the European Deep Purple circular economy project to generate bioproducts using water from water treatment plants

Aqualia is once again playing a leading role in the new Deep Purple innovation project that aims to develop a low-cost water treatment system based on purple bacteria. This procedure enables the revaluation of wastewater and the generation of five new bioproducts with commercial application in the cosmetics, construction, plastics and fertiliser sectors. The project is being promoted by a consortium of 14 entities from 6 different countries and lies within the circular economy line of work which is a key challenge for the long-term sustainability of the European global economy.

FCC Medio Ambiente and FCC Aqualia. Biomethane: a by-product for the circular economy

METHAmorphosis 2015-2020 is an example of the exploitation of synergies in the FCC Group, between FCC Medio Ambiente and FCC Aqualia. The aim is to develop an innovative process for the treatment of effluents and to obtain biomethane from municipal waste and agro-industrial waste. Biomethane is a 100% renewable gas that, like natural gas, can be used as a biofuel for vehicles that have gas engines, increasingly on the market due to their low emissions.

The comprehensive management of this resource is materialised through its business model with the provision of an abstraction, treatment, storage, distribution, sanitation and purification service for re-use and return to nature. In this way, the water used for undertaking its activity is purified to eliminate waste, guaranteeing the best conditions of the resource once it has been returned to the environment from which it was obtained, thus avoiding any negative impact on the environment.

FCC Medio Ambiente undertakes the detailed treatment of municipal and industrial waste, promoting circularity from collection and recycling to revaluation. Special mention should be made of the commitment and efforts in the field of the circular economy to foster research with the aim of promoting and improving the use we make of waste. The company is committed to converting "waste treatment centres" into "biomethane fuel producers" for supply to all types of vehicles. To this end, FCC Medio Ambiente opened a line of research through the development of projects funded under the EU LIFE programme.

The aim of the FCC Medio Ambiente industrial waste management business is to favour the revaluation of the waste flow by maximising the reintroduction of waste as by-products or energy in production cycles, to promote the circular economy model.

In FCC Construcción, the contribution to the circular economy has materialised in the continuous re-use of materials.

FCC Construcción also promotes digitalisation as a key factor in its strategy to reduce the consumption of resources via research into *Building Information Modelling* (BIM), that it has been undertaking for several years now and is one of the most important contributions that the company has made in the field of digitalisation.

"BICISENDAS", a new CIEN project led by FCC Construcción with the participation of FCC Medio Ambiente's industrial waste management business

The project aims to integrate different technologies to create a modular and customised bike lane in accordance with the needs of each city. To do this they need to find and use environmentally sustainable materials to develop new structural materials from industrial waste and by-products. During the process, two alternatives for the removal of hydrocarbons will be developed (one based on microorganisms and the other based on elastomeric absorbent materials).

As a complement to *FCC's plan for a circular economy*, the company is committed to promoting and fostering knowledge of the concept and scope of the circular economy amongst its employees. This environmental awareness project is intended to lead to an internal training plan that will enable the company to promote the cultural transformation of the company and align the employees' corporate values with a business model based on circular economy principles. With this in mind training and qualification sessions will be held.

In 2019 FCC Industrial, as part of FCC Construcción, became the first construction company to obtain a certificate for its "Zero Waste" management traceability system, awarded by AENOR for the "Campus de Torija" project in Guadalajara (Spain).

Cementos Portland Valderrivas is applying basic circular economy principles by implementing energy recovery and waste material strategies whose purpose is to improve production and sustainability the conditions in its processes. With this in mind and to avoid the extraction of mineral resources, Cementos Portland Valderrivas uses secondary raw materials during different phases of the production process, encouraging the re-use of resources from other industries such as ashes, slag, construction and demolition waste, sludge from papermaking processes, etc. Cementos Portland Valderrivas also replaces fossil fuels with alternative fuels such as unused tyres, meat meal, sludge, vegetable oil extract and other plant biomass materials, etc.

Reduction of waste generated

Due to the nature of the company and the different activities undertaken in its business lines, responsible waste management is a particularly significant issue for the Group. This is why action plans are designed, developed and executed for the purpose of guaranteeing the efficient and sustainable management of waste in each of the FCC Group's lines of activity.

The integration of the circular economy enables the FCC Group to develop its activity while at the same time promoting social, economic and environmental sustainability by encouraging the reduction of its own waste.

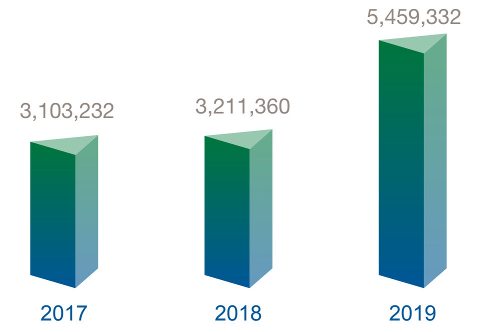
The fact is that, taking comprehensive water and waste management as an example, the company's activities are inspired by circular economy principles since its maxim is to "close the life cycle" of resources guaranteeing their subsequent incorporation into the productive process.

Because of the type of activities undertaken by the FCC Group, food waste is not considered to be a relevant issue. Nevertheless, in those Group centres that have a dining room for employees, the external company providing the service takes measures to optimise estimates for requirement and reduce food waste.

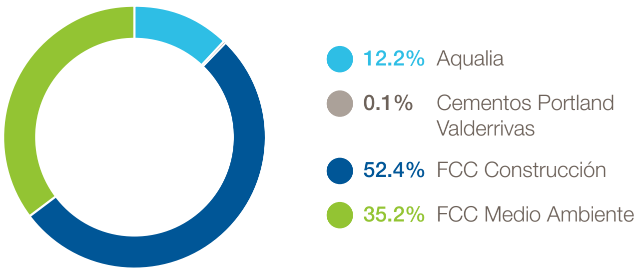
The following table shows the growth of total waste generated, as well as a breakdown by business line. The increase in waste generated in 2019 was mainly due to increased activity in FCC Medio Ambiente and to the execution phases of certain FCC Construcción civil-engineering works.

Regarding the distribution of waste by type, most of the waste generated in all business lines was non-hazardous, as can be seen in the following graph.

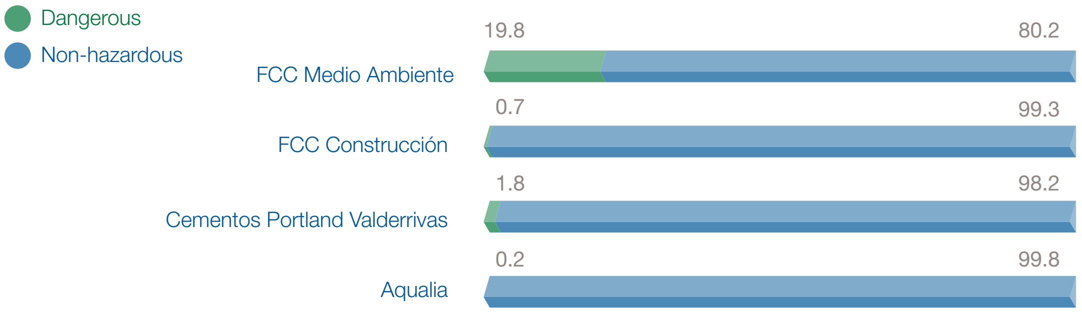
Growth of total waste generated (T)



Distribution of total waste generated (%)



Breakdown of hazardous and non-hazardous waste generated (%)



Responsible management of resources

Growing demand for natural resources makes their efficient management one of the pillars on which FCC Group strategy should be based. With regard to this, each of the Group's business lines has implemented a series of measures that help to minimise the impact of the activities undertaken.

The different FCC business lines have established special protocols for the protection of the resources with which they interact while undertaking their activities.

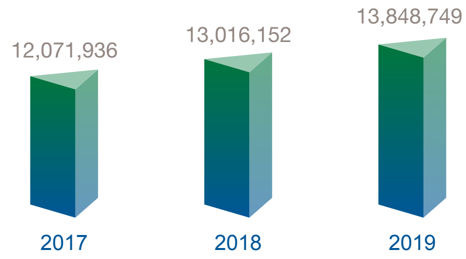
Damage to the environment, together with a future scenario involving the depletion of resources, has propelled the Group to implement more efficient management models that are compatible with sustainable development and are also the result of the company's solid commitment to the environment and to the circular economy.

Water consumption and management within the Group

Water is one of the scarcest of what are considered to be vitally important resources. The FCC Group guarantees efficient water management in each of its activities, taking into account the infrastructure and availability in the area.

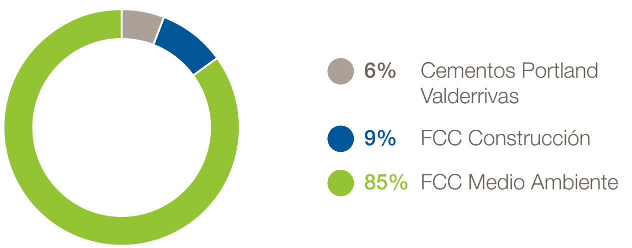
The FCC Group has established and made available all the mechanisms required to manage this scarce resource as efficiently as possible. As a result of this, all businesses comply with local restrictions. The following table shows the growth of water consumption over the last three business years in the FCC Group:

Water consumption (m³)



As far as distribution by business is concerned, the following table shows that, 87% of water consumption[(3)] corresponds to FCC Medio Ambiente. This is a result of the very nature of its activity.

Distribution of water consumption (%)



(3) This is not considered to be consumption by Aqualia because the water monitored by the company is the water managed in its installations.

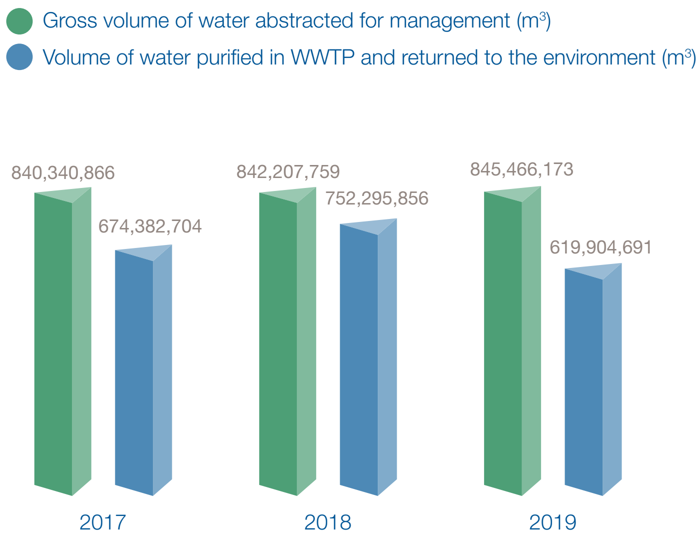
The measures taken to improve water use efficiency vary according to each of the Group's business lines.

Within the framework of the Sustainable Development Goals (SDG) and given that water is a key factor for undertaking our activity, one of the goals prioritised by FCC Medio Ambiente is SDG 12 "Responsible Production and Consumption" and this includes "Water". FCC Medio Ambiente does its best to optimise the use of water in parks and gardens by using alternative sources, conducting probes in large parks for the abstraction of groundwater, promoting automatic irrigation, implementing remote irrigation management systems, installing drainage paving around cork oak trees to improve the use of irrigation water and selecting drought-resistant plant species. It also tries to reduce water consumption in municipal cleaning by taking specific actions such as including high-pressure and low-flow pumping systems in flushing tanks, installing programmable flushers and reducing water consumption by machinery. FCC Medio Ambiente promotes saving water among technical staff by increasing employee awareness through initiatives such as "Ecological Office" and a "Comprehensive Sustainability Training Plan".

In Cementos Portland Valderrivas, water is mainly used for equipment cooling processes, conditioning pre-filtration gases to reduce diffused emissions in the quarry area and in the restoration areas. During the 2019 business year, Cementos Portland Valderrivas worked on the optimisation of water consumption by making improvements to the water networks in the installations to reduce losses caused by breakages in old or damaged pipes.

We should also highlight Aqualia's importance with regard to the management of the urban water cycle. Aqualia favours an environment that establishes clear basic principles that enable the measurement and guarantee of the social, environmental and financial sustainability of the comprehensive water cycle, and this involves the public and private sectors to overcome the challenges posed. Aqualia has taken numerous actions with the aim of improving the protection of the resource. These include the use of recycled water for ecosystem retrieval and the transformation of effluents into water suitable for irrigation.

The following graph details the volume of raw water collected by Aqualia for management, as well as the volume of water purified in Wastewater Treatment Plants (WWTP) that is returned to the environment.



Consumption of raw materials

FCC's activities make raw material management an issue that should be given special priority. Taking into account that the consumption of raw materials is inherent to the business, FCC encourages optimisation to make sure they are used responsibly.

Because of the very nature of its activity, Cementos Portland Valderrivas is a large consumer of natural raw materials. This is why it has an Environmental Policy to promote the sustainability of natural resources by introducing the circular economy principle that promotes the use of alternative raw materials and fuels.

Its activity also enables a high percentage of waste recycling from other industries, thus promoting responsible consumption of natural resources through the recovery of materials obtained from waste and by-products that then replace natural raw materials in order to save non-renewable natural resources and avoid the impact that their use has on the natural environment.

The main alternative raw materials consumed by Cementos Portland Valderrivas include the following: Fly ash, blast furnace slag, foundry sands, paper carbonates, chippings, industrial sludge, left-over concrete and iron husks.

Aqualia mainly consumes reagents used in water management during the purification process.

FCC Medio Ambiente's industrial waste management business uses recycled materials wherever possible to replace raw materials, as well as using one kind of waste to treat another kind of waste as in the Tedes and Aldeanueva installations. In the Ecoactiva hazardous waste landfill, recycled glass is used as covering material.

In other facilities, such as ECODEAL, water consumption is reduced by using ashes to replace reagents and rainwater as process water.

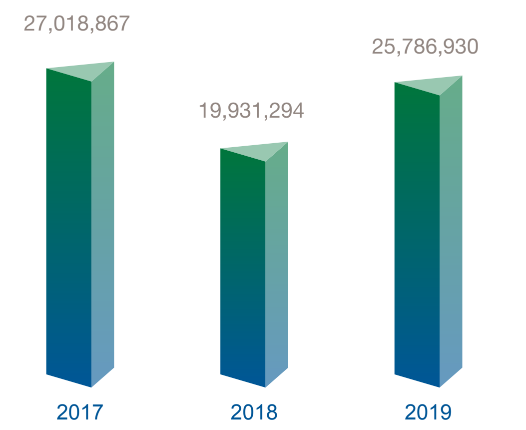
FCC Environment UK is not a significant consumer of raw materials. The extraction of clay in landfills could be mentioned. Due to the geographical location of these landfills, most clay extraction occurs in the place where it will be used, wherever this is possible.

The building work undertaken by FCC Construcción requires not only the occupation of the land, but also ground movement for the work to take place. One way to reduce land consumption is to compensate for clearing and embankments within the same project by using the materials extracted as landfill for the building work itself. In this way, it is possible to reduce the volume of materials required compared with the volume initially planned in the project.

Further Good Practices generally implemented in the projects undertaken by FCC Construcción include the re-use of topsoil previously removed when clearing the land, the use of inert material from other works, choosing recycled aggregates instead of newly quarried material and the recycling of construction and demolition waste for use as gravel.

The following table shows growth in the consumption of raw materials in the FCC Group in the last three business years.

Growth of consumption of raw materials (T)

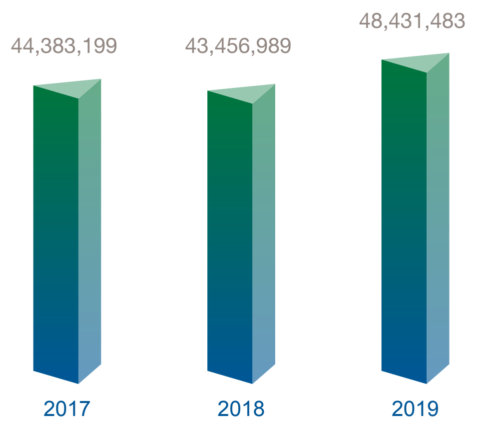


Energy consumption

Turning FCC into a more sustainable business involves reducing energy consumption through greater efficiency, as well as replacing fossil fuels with renewables. Being aware of this importance, the Group made its strategy the implementation these measures as part of its business model.

The following is a breakdown of the Group's energy consumption in the last three business years:

Direct and indirect energy consumption (GJ)



With regard to measures for reducing energy consumption, special mention should go to one of FCC Medio Ambiente's strategic R+D+i lines that focuses on the development of more efficient machinery. A prominent feature is the VEMTESU project that maximises efficiency in energy use: The first vehicle developed using this platform consumes 50% less energy than a conventional vehicle with the same performance.

With the aim of improving energy efficiency, since 2011 FCC Medio Ambiente has also had an Energy Management System certified in accordance with the ISO 50001 Standard, that involves the establishment of energy efficiency objectives and measures in all the organisation's contracts. By way of an example, in the case of the energy management contract for street lighting in l'Ametlla de Mar, software was installed that allows energy consumption to be monitored for each switchboard or group of switchboards. This tool allows for easy analysis (cost-profit assessment) of the cost and return on investment for the different efficiency measures that are being implemented over the course of the contract, using reports with the savings obtained. It also includes the following modules: Cartography, Inventory, Maintenance, Remote Management and Electricity.

For the project involving a "Recovery tower for the treatment of the CSP fraction in a glass recycling plant", included in FCC Medio Ambiente's industrial waste management business, a new tower-shaped line (or waterfall) was developed, allowing the material to be transported from one device to another by gravity, with the consequent energy savings. Action plans are also available in its installations to improve energy efficiency, such as the adjustment or optimisation of the power contracted for the electricity contract, the replacement of current technology with its equivalent in LED and courses on efficient driving. FCC Environment UK applies policies to reduce energy consumption involving the installation of LEDs throughout the business, the purchase of more efficient machinery, the installation of renewable energy generators and employee training and awareness in these issues.

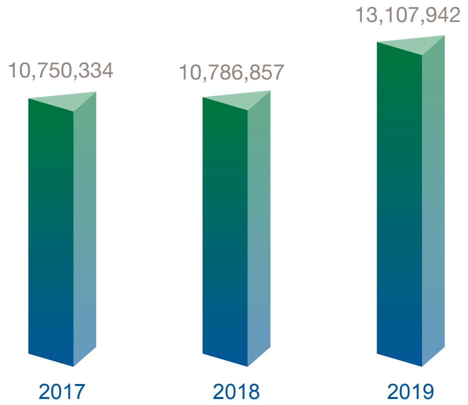
Cement manufacturing in Cementos Portland Valderrivas requires processes that involve very high energy consumption. This energy currently comes mainly from petroleum-derived fuels. Aware of the need to change these practices, most of the cement factories in Spain undertake continuous monitoring with the aim of improving practices, not only in matters involving a reduction in the use of these fuels, but also to improve competitiveness.

For the purpose of achieving greater efficiency in the use of energy, FCC Construcción also prioritises, whenever possible, the use of renewable energy and tries to improve the performance of conventional systems or use more efficient alternative systems. Good Practices applied in this area aim to reduce energy consumption and reduce greenhouse gas emissions. Some examples are the installation of presence detectors, the replacement of halogens and fluorescents with LED lighting, the shutdown of equipment that is not being used and the maximum use of natural lighting.

Aqualia applies a number of measures to the water management process with the aim of reducing energy consumption, as well as using renewable sources whenever possible. The reuse of biogas produced in wastewater management processes to produce heat or energy deserves special mention.

The following details the consumption of renewable energy in the last three years, where it can be observed that as a result of the Group's commitment, it has increase by 22% compared to 2018:

Renewable energy consumption



FCC and climate change

The involvement of companies, administrations, social organisations as well as all citizens in general, is a key factor in the fight against climate change. The activities undertaken in each of FCC's business lines means that it plays an especially significant role in this regard. That is why the FCC Group has develops policies, both at a corporate level and in each of the business lines, to mitigate its effect and to adapt to the consequences arising from climate change.

Strategy for adapting the FCC Group to climate change

Because of its commitment to the environment and based on a SWOT analysis prepared by the Group, the FCC Group has created its own climate change adaptation strategy in the 2050 horizon and that includes all of its business lines. The aim of the initiative is to minimise the Group's impact on the environment, improve the quality and efficiency of its operations, manage its resources ethically and responsibly, and take care of, respect and protect biodiversity.

The following is the SWOT analysis made by the Group:

Weaknesses

- Greater understanding on the part of managers about the problem of climate change and the implications for the Group.
- Little synergy between teams and business climate change strategies.
- Some competing companies are more advanced in the implementation of their climate change strategies.
- Lost ground in the face of global trends in climate change.

Strengths

- Great progress in the mitigation of environmental impacts (calculation of the carbon footprint and design of measures for its reduction).
- Possibility of becoming a strategic ally for clients, in terms of solutions to climate change.
- Ability to adapt to new conditions.

Threats

- New regulations related to climate change.
- Changing economic situation.
- Climate threats on the operation of some of the businesses, availability of raw materials, routes affected, etc.
- Ground lost in the face of competitiveness and market demand.
- Possible increase in business operational costs.

Opportunities

- Possibility of domestic, international, public and private to innovate with regard to climate change.
- Opening new markets, attracting and retaining clients.
- To achieve greater efficiency in businesses operations (for example, energy, water, etc.).
- Positive impact on reputation.

This analysis led to the establishment of five strategic pillars applicable to each of the Group's business lines:

1. Monitoring (carbon footprint calculation) the aim is to identify and quantify the Group's GHG emissions.
2. Reduction: once the information has been monitored, the action guidelines are drawn up, together with more specific and ambitious goals in the field of GHG reduction, which are regularly examined.
3. Adaptation: the FCC Group is aware of the prevailing need for adaptation to climate change that is required of the entire business environment and, therefore, of its clients. In this context, the challenge is not only operational and financial, but it also involves expansion to new markets and access to new clients in order to provide comprehensive services that facilitate adaptation to the climate crisis.
4. Innovation: for the FCC Group, adaptation involves being able to respond in an innovative way to the great challenges in matters of sustainability. Innovation that enables the company to play a leading role in the design of sustainable cities and to be a strategic ally for its clients.
5. Communication: the design and execution of a climate change adaptation strategy would not make sense if communication were not a strategic axis for the company. So with the aim of guaranteeing transparency, rigour and professionalism - values that define the group - with all its stakeholders, the intention is to communicate not only the achievements and actions taken, but also the difficulties and challenges that drive and motivate the FCC Group to be the best provider of comprehensive solutions in matters of adaptation to climate change.

The differences between the different business lines that make up FCC, from their activities to the sources of emission, imply a need to work together to achieve the quantitative objectives established at group level.

However, these differences have also led FCC to set two different goals: one for the cement sector and one for the rest of the businesses. The reason for this differentiation is that, in order to reduce emissions, Cementos Portland Valderrivas needs to reduce production and this will lead to a loss of competitiveness that would affect business.

With this in mind, the group's GHG emission reduction objectives are as follows:

Group Objective (without cement): vs 2017	
2030	-10.00%
2040	-15.00%
2050	-20.00%

Cement targets. kg CO_2/t Clinker	
2030	768.00
2040	754.00
2050	740.00

As far as indicators are concerned, FCC has developed a series of meters that will allow annual control to be maintained for each business line of compliance with the goals established in the above tables:

Indicator	Unit	Objective 2020	Objective 2030	Objective 2040	Objective 2050
Aqualia					
Reduction of energy consumption	kWh/m^3	-2.50%	-10%	-20%	-30%
Cement					
Fossil fuel replacement	%	15.50%	20%	25%	30%
Medio Ambiente Spain					
Emissions from energy consumption in mobile sources	tCO_2e	177,248	196,213	200,611	186,586
Emissions from energy consumption in mobile sources)[4]	tCO_2e	268,339	182,822	138,895	137,365
Emissions due to waste treatment (scope 1 and 3)	tCO_2e	2,774,357	1,926,386	1,451,361	1,339,949
Environment UK					
Emissions from energy consumption in mobile sources	tCO_2e	37,260	37,232	37,204	37,175
Emissions due to waste treatment (scope 1)	tCO_2e	2,153,961	1,961,168	1,768,375	1,575,582
Environment other countries					
Emissions from energy consumption in mobile sources	tCO_2e	40,044	39,852	39,660	39,468
Emissions due to waste treatment (scope 1)	tCO_2e	70,753	64,421	58.088	51,755

[4] Estimated data taking into account the weights of both scopes in 2018 for each type of treatment, because the business study to establish the objective does not differentiate between scopes.

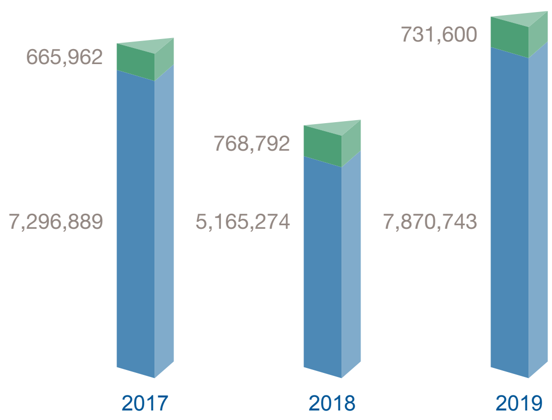
Las emisiones de Gases de Efecto Invernadero del Grupo FCC

In line with its commitment to the fight against climate change, the FCC Group measures the impact of its activities through the annual calculation of its carbon footprint. Each business line has developed its own methodology taking the specific nature of each activity into account.

The following graph shows developments in Greenhouse Gas emissions in the FCC Group in the last three business years:

FCC Group direct and indirect GHC emissions

(tCO_2e)



Indirect (scope 2) GHG emissions t eq CO_2

Direct (scope 2) GHG emissions t eq CO_2

In FCC Medio Ambiente, most of the GHG emissions generated are due to energy consumption by the fleet of vehicles (46%). 40% of emissions correspond to those associated with landfill deposits and 14% to emissions associated with biological waste treatment (composting and biomethanisation).

Cementos Portland Valderrivas places special emphasis on the control and mitigation of the greenhouse gases it produces, since the limestone decarbonisation process and the use of fossil fuels in furnaces emit a large amount of these gases. The strategy adopted for the reduction of CO_2 emissions by Cementos Portland Valderrivas is based on two fundamental actions; to take advantage of refuse-derived fuel for Clinker furnaces, using energy that would be sent to a landfill and to replace natural materials as far as possible with raw materials that have already undergone the decarbonisation process.

In FCC Construcción the main sources of GHG emissions are related to indirect emissions, such as those related to the production and transport of materials consumed or to ground movement and the resulting transport of this and the remaining clean rubble.

In the case of Aqualia, the highest percentage of emissions are for Scope 2. This is because most of these come from the electricity consumption required for water purification managed by the company.

FCC Medio Ambiente contributes with 18% of the emissions associated with the national waste sector. In 2019 FCC Medio Ambiente registered its GHG Emissions Report in the Carbon Footprint, Compensation and CO_2 Absorption Projects Registry of the Spanish Office for Climate Change (OECC) depending on the Ministry for Ecological Transition (MITECO). FCC Medio Ambiente has a carbon footprint calculation procedure for organisation through its own tool, the VISION Platform, that enables the identification of emissions by contract, type of activity, installation and process used. Verification is outsourced to an external entity that takes the ISO 14064-3:2006 international standard into account.

FCC Medio Ambiente's KET4F Gas Project for the industrial waste management business is being developed along a strategic R+D+i line. The aim of this project, which will last for three years, is to research alternatives that will contribute to the reduction of greenhouse gas emissions, through the development and improvement of technologies for the retrieval and replacement of fluorinated gases.

The FCC Group and its role in the fight against climate change

FCC participated in the Climate Infrastructure Technical Forum for "Continuous Permeable Paving"

FCC Construcción participated in the Climate Infrastructure Forum, the most important international infrastructure sustainability event of the year. The company was represented by the director of Quality and CSR, Antonio Burgueño who participated in a session entitled Metrics for Sustainable Infrastructure: Defining the Boundaries, Unlocking Institutional Investment.

Present at the Climate Change Conference in San Sebastián

FCC Medio Ambiente was present at the International Conference on Climate Change, "Change the Change", held from 6 to 8 March 2019 in San Sebastián, whose objective was to mobilise citizens towards personal commitment to Climate Change. The conference was part of the UN Momentum for Change initiative and organised by the Basque Department of the Environment in collaboration with the Government of Spain, the Provincial Deputation of Guipúzcoa and the Municipality of San Sebastián, and it took place within the framework of "Climate Change Week".

Pablo Colio, CEO of the FCC Group, takes part in the 2019 United Nations Climate Action Summit

Pablo Colio, CEO of the FCC Group, took part in the 2019 United Nations Climate Action Summit, held in New York from 23 to 26 September.

The summit meeting brought together political and business leaders from all over the world, a total of 66 countries pledged to achieve zero carbon emissions by 2050. These 66 countries were joined by another 10 regions, 102 cities, 93 companies and 12 investors seeking to achieve zero greenhouse gas emissions by 2050, a goal laid down by scientists to restrict global warming to +1.5ºC compared to the 19th century. The collective goal is to reduce greenhouse gas emissions by at least 45% by 2030 and this way prepare the world to achieve a zero carbon footprint by mid-century.

FCC participated in a "High-level CEO Roundtable on Corporate SDG Finance and Investment", that brought together the most important global business leaders, who assessed the progress made by their companies with regard to the Sustainable Development Goals. Debate centred on the role of the private sector in the integration of sustainable investments; the role of governments in providing corporations and investors with strategic plans for development models in emerging markets, and the role of CFOs and the financial community.

Pablo Colio presented the different initiatives that the FCC Group is developing in the field of sustainable finance. Along these lines, he presented the projects that the company is developing internationally and stated: "We firmly believe that our company is a responsible and committed company, and strongly positioned as a key agent for defining solutions to address climate change". He also said that "In 2010, FCC Construcción implemented a protocol for the quantification of greenhouse gas emissions in the construction sector. Since then, the company has been preparing and reviewing its Greenhouse Gas Emissions report on a yearly basis, being the first Spanish construction company to review it and also the first construction company to register its verified carbon footprint".

Care and protection of ecosystems and biodiversity

The use of natural resources in FCC's activities may affect the changes in ecosystems, and as a result biodiversity, in those areas where the company operates. That is why it is necessary for each of the business lines to be responsible for protecting, preserving and repairing the effects they have on nature, as far as this is possible.

The following table shows the surface area in hectares of vulnerable protected areas together with the affected surface areas restored by the Group in the last three years.

Measures taken to preserve or restore biodiversity

	2017	2018	2019
Protection of vulnerable areas (ha)	544	534	1.127
Restored affected areas (ha)	552	544	604

As can be seen, the increase in vulnerable areas protected in 2019 was very significant compared to previous years.

By business, the main effect on the landscape caused by Cementos Portland Valderrivas activity was the use of natural resources involving the supply of raw materials in quarries. Assessment of the effect on the landscape involves observing the exploited surface compared to the restored surface. Restoration consists of filling the gaps left by exploitation, adding and spreading topsoil and then planting herbaceous vegetation. Finally, the entire surface is planted with species suitable for the soil and land type. In 2019, restoration work in the quarries as a whole consisted of morphological repair and planting on the exploited surface area. This was done by applying suitable sowing and planting techniques, and using native species that are adapted to the specific soil conditions and climate in the area, such as holm oaks, pine, common broom and others.

Given that the impact on the territories is one of its most significant features, FCC Construcción places special emphasis on the protection of biodiversity and the restoration of natural spaces. When construction projects are in progress and then finalised, a number of measures are taken to protect the environment and restore ecosystems that have been affected by the company's activities, for which specific biodiversity plans are drawn up.

The company also takes other actions to protect the biodiversity of ecosystems. These include the physical protection of specimens, transplanting, transferring nests and animal species, creating wildlife refuges or simply planning the work in accordance with the life cycles of the species affected.

The following table details the number of construction jobs and the area affected for those that are located in areas with some type of official biodiversity protection status.

	Number of projects	Surface Area (km^2)
Location in natural protected areas or with a high biodiversity value	20	7
Location where the landscape is catalogued as important	10	14
Impact on natural watercourses in a protected area	3	0
Impact on natural watercourses in areas with high biodiversity value	6	9
Impact on watercourses of high or significant value for local or indigenous communities	9	9
Impact on catalogued or protected flora	11	14
Impact on catalogued or protected fauna	14	15

FCC Medio Ambiente is highly involved in the protection of biodiversity in an urban context with maintenance and preservation activities in parks and gardens as well as more specific initiatives undertaken at its industrial installations for the treatment and disposal of municipal solid waste. Beach cleaning services also contribute to the improvement of the Spanish coastline.

It is also worth mentioning the training provided by FCC Medio Ambiente in collaboration with Seo Bird Life, which aims to include biodiversity in the management of Public Parks and Gardens in the city of Oviedo as part of a biodiversity action plan. It includes training of key agents, the implementation and follow-up of Good Practices and initiatives to raise awareness that promote sensitivity and civic action.

The actions and initiatives developed by FCC Medio Ambiente for the protection of natural capital, include the integrated management of parks and gardens, the management of biodiversity in landfills, the protection of the Spanish coastline, scientific collaboration associated with the fight against invasive species and other training and awareness actions.

FCC Medio Ambiente communicates its actions in matters of the protection of natural assets in a number of publications like the triennial publication of the Spanish Enterprise and Biodiversity Initiative (IEEB), the participation of its collaborators in congresses, forums and conferences (PARJAP and Ecoplayas, for example), the publication of articles in specialist journals and organising different awareness initiatives for schoolchildren, students on specific courses in environmental techniques, technical personnel and professionals in the sector.

FCC Environment UK conducts surveys that help in the planning of its activities relating to the care of protected species. With the information obtained it creates policies, both for current and future actions, which enables them to act in accordance with the legislative framework in each of the territories. Special mention should go to monitoring and management activities for species and habitats in compliance with the European Union's list of protected species.

Aqualia is undertaking a number of ecosystem recovery projects as a result of the company's environmental policy and in accordance with its commitment to reaching environmental objectives.

Recovery of the Lagunas de Medina del Campo, through a sustainable project in the purification and re-use of water.

The start of operations at the Wastewater Treatment Plant in Medina del Campo in the summer of 2004 made the old lagoon system obsolete. It was composed of three anaerobic lagoons, two facultative and a third for ageing.

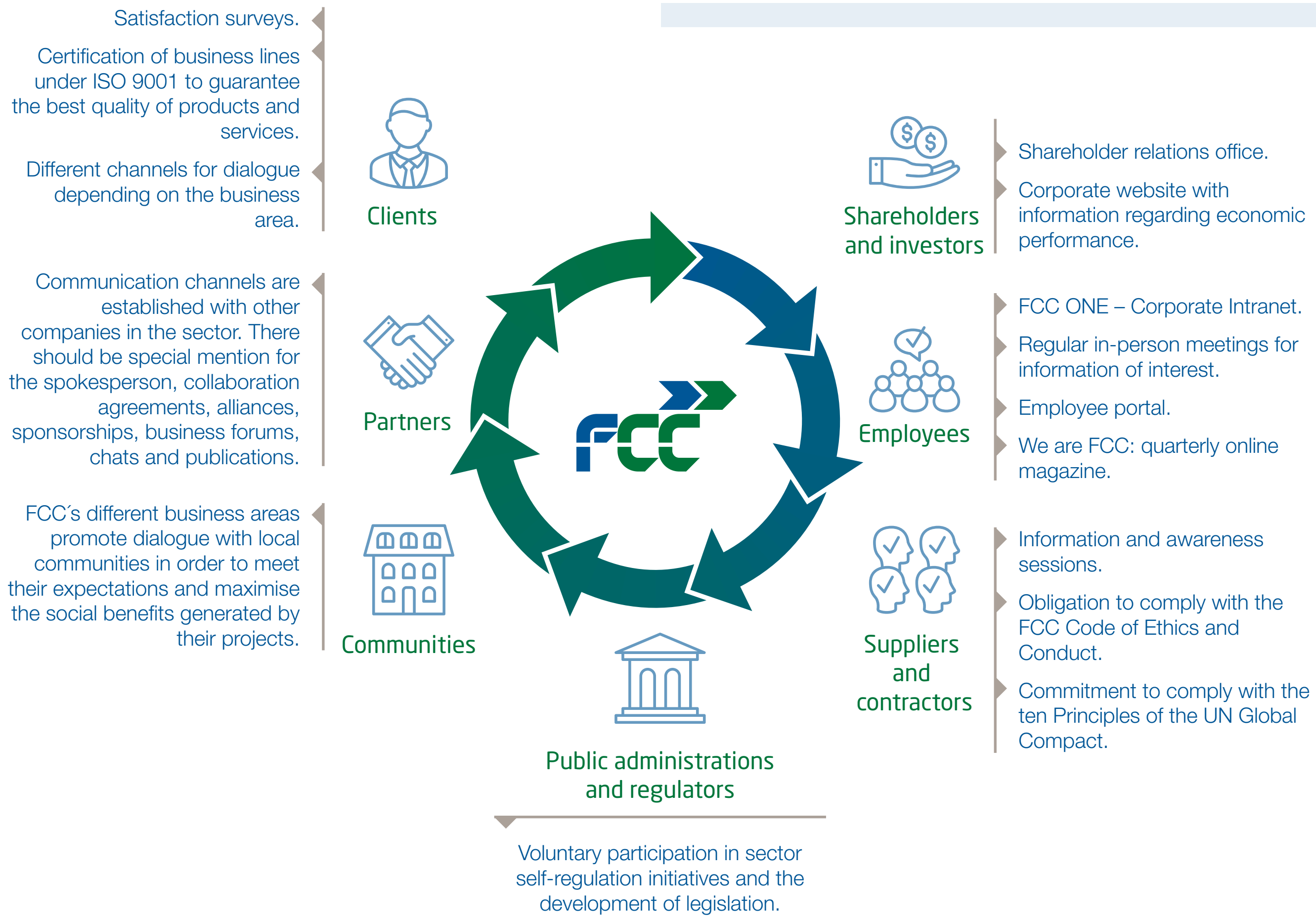
Since the beginning of 2008, the idea has been to recover the lagoon ecosystem, using the means already created and at that time deteriorated as was the case with the three old lagoons, to which they were going to introduce water suitable for life as is the case with effluent from the WWTP outlet. Water that is of higher quality than the one that used to circulate the lagoons and that will make aquatic life possible. They are located in a privileged area for the passage of migrating birds, and are continuously fed by the waters from the Wastewater Treatment Plant of Medina del Campo that ensures a continuous water level throughout the year. The project is based on the creation of different habitats in each lagoon, taking the depth of water and the vegetation into account, and gradually achieving greater naturalisation of an anthropic and deteriorated ecosystem, with the aim of achieving greater species diversity.

Aqualia has initiated contacts with a group from the University of Valladolid (UVA), to develop an application that will enable users to learn about each species in detail and get a close look thanks to a three-dimensional recreation, to familiarise citizens with the importance of this reserve.

Creating value in the company

The sustainable growth and development of both society and the communities in which FCC operates is focussed on social action programmes and the materialisation of a commitment to clients and suppliers. The Group's Code of Conduct includes the principle of "Wellbeing and Community Development" that drives its employees to understanding the needs and expectations of the citizens for whom the company provides its services with a view to acting accordingly.

To reach its objectives, the company needs to establish communication channels with its stakeholders, ensuring transparency and compliance.



FCC's commitment to its **clients**

FCC's Code of Ethics and Conduct was updated in September 2019 and in item 11 it includes *the Group's commitment to its clients*, making this the focal point of its activity. This commitment hinges on the establishment of lasting relationships, based on mutual trust, honesty, professional responsibility and adding value.

With regard to the health and safety of clients and consumers in the business, Cementos Portland Valderrivas guarantees compliance with all legal requirements that apply to its products (cement, mortar, concrete, aggregates), including those governing health and safety Safety data sheets for the products marketed are also available to clients. All packaged products are labelled according to European regulations (CLP). Also, all cements marketed are registered with the National Institute of Toxicology and Forensic Sciences where end-consumers can be treated in case of a health emergency.

With respect to claims and complaints received, during the year Cementos Portland Valderrivas received a total of 52 claims and complaints, of which 100% were resolved throughout the business year. The company has a procedure to manage technical inquiries and client claims and complaints.

All the companies that are part of FCC Construcción guarantee the health and safety of their consumers, complying with the legal requirements applicable to construction works, services and products, these include requirements involving health and safety.

To respond to these needs and to streamline communication, FCC Construcción has a client interlocutor in charge of dealing with suggestions, processing the information received, managing collaboration and notifying actions to be taken or taken as a result of suggestions received.

The company also makes "final surveys of the works" that give clients the chance to rate the service by assessing different aspects of it. FCC Construcción also has a management system in place for handling claims and complaints, information requests and satisfaction gauges that enable the company to make follow-ups and develop improvement plans.

The majority of the clients surveyed declare that they are very satisfied with the performance of FCC Construcción both at Corporate level and at FCC Industrial level. In 2019, all clients rated performance as good or very good.

Regarding claims and complaints received, in 2019 FCC Construcción received a total of 141 claims and complaints of which more than 85% were resolved during the year.

Aqualia, meanwhile, seeks to achieve excellence in customer service by developing services tailored to the needs of its users. The health and safety of clients is guaranteed as a result of a thorough quality control system for the treated water. In 2019, Aqualia continued to progress in strategic orientation towards the end-user, paying particular attention to the quality of the channels in place for interacting with users.

The commitment hinges on the establishment of lasting **relationships**, based on mutual trust, honesty, professional responsibility and adding value.

Aqualia's customer-service channels include:

- Customer service by telephone. In 2019 the Customer Service Centre received 804,519 calls.
- Virtual office, aqualiacontact. In 2019, 120,787 interactions were managed, including 33.02% for the modification of data, 24.32% for electronic invoicing and 22.17% for payment via bank card.
- Application for mobile devices. In 2019 a total of 31,151 interactions were managed via the APP made available to our clients, with 24.91% involving the modification of data and 59.96% payment via bank card.
- Twitter @aqualiacontact. Messages sent by users are handled and managed through the @aqualiacontact account. SMS messages are also managed for the notification of invoices with incidents and warnings regarding network breakdowns.

In 2019, **107,129 surveys** were conducted on clients using **aqualiacontact** of which **82,774** rated the service as **excellent.**

The efficiency of all client relationship channels gave us a very low claims and complaints rate of 0.30% to December 2019, with an average time for response to claims and complaints of less than 12 days.

In 2019, 107,129 surveys were conducted on clients using aqualiacontact (Customer Service Centre), of which 82,774 rated the service as excellent; 14,430 as very good, and 6,385 as good, reaching a positive satisfaction index of 96.70%.

With regard to claims and complaints received, during the year Aqualia received a total of 10,109 claims and complaints from clients, mainly related to the water supply service.

FCC Medio Ambiente Spain has a procedure within its Integrated Management System that establishes the methodology to be followed for the management of claims and complaints.

In this way, once a claim has been received, either in writing or transmitted verbally, it should always be properly managed. To this end, the immediate superior is informed who determines whether or not it is appropriate. In either case, the claim should be registered and processed using the VISION computer programme.

All claims, whether applicable or not, will receive a written reply for the purpose of explaining the action taken or the reasons that justify the treatment given to the claimant.

In year 2019, FCC Medio Ambiente Spain received 1,602 claims of which 1,489 were resolved and 113 closed.

Within FCC Medio Ambiente, the industrial waste management business conducts a client satisfaction study by sending a “Satisfaction Questionnaire” to clients. In 2019, satisfaction surveys were sent to 790 clients. Of the total number of surveys sent, a reply was received from 283, so the overall response rate for the centres included in the analysis was 36%. Average global assessment at group level was 8.6, slightly higher than the previous year. It should be pointed out that in those centres where clients were asked whether they would work with them again, the answer was 100% yes.

In FCC Environment CEE, regular consumer surveys are conducted to measure the degree of satisfaction and to guarantee the best possible service. For this purpose, each of the countries has developed and applies guidelines for complaints that define individual responsibilities, the surveillance system, the methodology for evidence, the evaluation of the complaints and how they are processed. The service and control is undertaken by the Customer Service Department. Clients are able to contact the customer service department by phone or via the company’s website. With respect to claims and complaints in FCC Environment CEE, a total of 8,926 were received throughout the business year, with different degrees of resolution depending on the country.

FCC Environment UK has a “Customer Service Policy” that commits it to resolving as quickly and fully as possible, any kind of problem that may arise with any of its clients, they are always expected to provide the best possible service. In 2019, a total of 8,032 inquiries were received from clients, of which only 12 were directly submitted to the Customer Service Manager. FCC Environmental Services (USA) did not receive any claims or complaints from clients during the business year.

FCC's commitment to its **suppliers**

FCC Group's supplies need to follow binding criteria with regard to sustainability. With this in mind, FCC is working on the application of ethical, social and environmental criteria in the purchasing and service processes it provides, with the aim of guaranteeing the highest degree of sustainability.

The company's Purchase Manual is based on three key principles: transparency, competitiveness and objectivity. To achieve this, we seek to establish balanced collaboration frameworks in our commercial relationships with suppliers, contractors, partners and collaborators that maximise profit for both parties.

Currently, this Purchase Manual is being reviewed within the framework of the CSR 2020 Master Plan. To do this, an analysis is being made of the map for environmental, social and governance risks for suppliers and contractors, taking the following into account:

- Identification of potential risks regarding sustainability.
- Inclusion of sustainability criteria in the definition of a critical supplier.
- Strengthening of the monitoring and control system for those suppliers presenting the highest risk.

Likewise, the FCC Code of Ethics and Conduct includes the basic principles that all partners, collaborators and suppliers should respect:

- Verification of ethical conduct in business relationships and rejection of corruption, bribery and fraud.
- Protection of the essential human and labour rights recognised internationally in the Universal Declaration of Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work, as well as the Agreements signed by this organisation.
- Verification of a high level of commitment to compliance with occupational health and safety standards, guaranteeing a safe and healthy work environment.
- Respect for the environment in all activities, not only in terms of compliance with legislation, but also when undertaking activities in order to minimise negative environmental impact and establish sustainable environmental management.

In 2019 the ethical clauses of the General Conditions for Contracting that suppliers have to accept were reformulated, including references that the supplier declares to fully understand the content and scope of the new FCC Group Anti-Corruption Policy. This new clause was approved in 2019 by the Compliance Committee.

> The company's **Purchase Manual** is based on three key principles: transparency, competitiveness and objectivity.

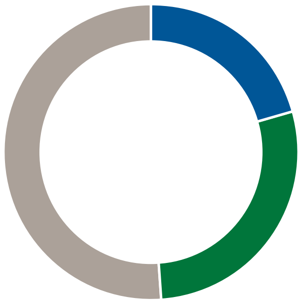
The FCC Group does not currently have a procedure for the official approval and supervision of suppliers. However, a standardisation process for the registration and official approval procedure is being developed, with the advice of an independent consultant. This will indicate the requirements that suppliers must meet to work with any of the Group's companies. This future procedure will establish initial levels of risk for suppliers and this will define the controls to which they will have to be submitted.

In this regard, work is being completed on due diligence processes, taking into account ethical aspects and the professional and economic suitability of those with whom business relationships will be established with a view to complying with the above principles.

Committed to **social development**

The corporate culture that has accompanied the FCC Group during its more than 100 years has been the guiding light for the company's behaviour with its stakeholders and defined its commitment and relationship with the companies.

The FCC Group's contribution in 2019



- **991,292** Donations to non-profit organisations and foundations
- **1,352,782** Sponsorships
- **2,435,910** Contributions to associations

The FCC Group, as a citizen services provider, includes the principle of "well-being and development of communities" in its Code of Ethics and Conduct. This serves as a lever for employees to try to understand and meet the needs and expectations of citizens for whom these services are provided. This connection with communities allows the organisation to position itself as a leading player in the sustainable transformation of the cities of the present and the future.

Along the same lines, the FCC Group associates its own business strategy with social action, contributing to job creation, social and economic progress in the different communities in which it operates and encouraging the participation of its employees in volunteering actions. to contribute social value and build trust.

However, the company's responsibility for the development of the communities goes further because, by contributing to non-profit organisations, the FCC Group has assigned a total amount of 4.8 million euros in the last business year to donations to non-profit organisations, foundations and associations. The following is a breakdown of the contributions made.

With regard to its commitment to be a part of the 2030 Agenda solution, these contributions enable the Group to actively contribute to the achievement of the SDGs relating to economic progress, the reduction of inequalities and the formation of communities.

Social initiatives with employees in the FCC Group

The ultimate aim of the collection of initiatives in the field of social action developed by the company is to improve the quality of life of the beneficiaries by addressing two scopes of action, both inside and outside the organisation.

In the case of the first, the internal actions undertaken within the company have a direct positive social impact on employees leading to improved relationships and increased pride of belonging. In the case of the second, community actions enable the assessment of their activity's social and environmental impact, allowing for easy access to basic services and promoting education, all of which has a positive impact on development and well-being within the community.

Internal actions are directed towards the Group's own employees and reflect FCC's commitment to its human capital via the social and labour integration of vulnerable groups, support for family members of employees and respect for the environment through environmental awareness programmes.

Integration actions for disadvantaged groups and support for family members of employees

In 2008, the FCC Group undertook to promote the social and labour integration of people with disabilities via a collaboration agreement with the Adecco Foundation. Today as a result of this, FCC employee family members with disabilities have access to training and career guidance, as well as employment programmes and itineraries for their future incorporation into the world of work.

The actions for integrating groups at risk of social exclusion undertaken by the FCC Group are mainly based on the development of social skills and attitudes to facilitate labour integration and on the organisation of leisure activities that contribute to cognitive, physical and emotional development.

For the first time, in 2009 the ONCE Foundation (Spanish Association for the Blind) and the FCC Group signed an "Insert Agreement" to cover new jobs within the company. Years later, in 2017, the entity expressed its commitment to the continued availability of Insert Employment. That is why the agreement was renewed that same year, which meant 425 additional contracts since the beginning of this collaboration.

With the aim of maintaining its firm commitment to diversity, the FCC Group continues to promote the employment of young people with disabilities (under 30), collaborating with the Never Give Up Plan. This initiative, promoted by the ONCE Foundation and its labour inclusion entity, includes a collection of guidance and training measures to help young people with disabilities find work.

Environmental awareness of employees

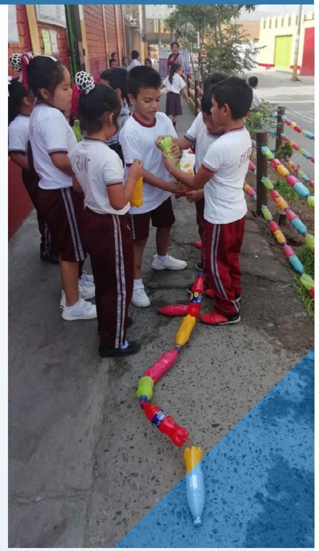
The FCC Group not only works to mitigate the impact associated with its activities, but it is also aware of the significance of environmental education and the commitment of its staff in the sustainability of the planet It aims to raise awareness and foster the commitment of its collaborators with the environmental, social and sustainable development of cities.

The environmental education plays an essential role in the involvement and awareness of the FCC team so that, through training and awareness actions, they become ambassadors of Good Practices, benchmarks for citizens and promoters of sustainable development.

The FCC Group works to **mitigate the impact** associated with its activities and also in the **sustainability of the plantet** aimed to raise awareness and foster the commitment of its collaborators with the envionmental, social and sustainable development of cities.

One of the actions undertaken by the company in this area was the FCC internal bulletin, an internal communication channel, in which projects of an environmental nature promoted by the company are assessed and which enables the dissemination of Good Practices to each line of business to promote transversal implementation.

The FCC Group, in line with its commitment to social responsibility, developed a programme called the FCC plan for a circular economy, within the framework of the 2020 Sustainability Master Plan. This incorporates a line of education and awareness aimed at employees in the field of circular economy. The implementation of this initiative has led to acceleration in the transition to a new economic and productive model and to the cultural transformation of FCC in the fight against climate change, with increasing importance for the response to water stress and protection of biodiversity.



Environmental awareness of a number of stakeholders in the construction works for the Lima metro

FCC Construcción's activity is clearly related to society, so one of the organisation's priorities is active listening and the integration of the needs of its stakeholders. But environmental awareness and training by the company is also essential to internally and externally communicate the effort required for environmental management to be undertaken at the most demanding and excellent level. Specifically, in the construction of Line 2 of the Lima metro, the continuous improvement of environmental performance was promoted via the following interactions with the stakeholders in the process:

- Workers and personnel with access to the construction site were provided with colour-coded cards, to facilitate the identification and correct segregation of waste in real-time;
- With a view to strengthening relations with local communities, an event was held in favour of the Environment with the Santa Clara school;
- Prizes were awarded to the best subcontractors who demonstrated their commitment to the environmental management of the project.

Cementos Portland Valderrivas organised an encounter with nature for employees of the company in Laguna el Porcal (Madrid)

Nearly 40 families of employees of the Cementos Portland Valderrivas Group had the opportunity to verify at first hand the scenic and natural wealth of El Porcal, a unique enclave, restored in its day by the company in collaboration with the Naumanni Naturist Association. Today it is one of the best wetlands for water birds in the Southeast Regional Park. During the outing, guided by Naumanni technicians, the families enjoyed different activities such as watching, ringing and releasing birds (storks and owls) and, to finish the day they enjoyed a simple snack.

Solidarity in FCC

In line with its commitment to social responsibility, the FCC Group, together with its collaborators, promotes progress in society and encourages awareness regarding the most disadvantaged groups.

With this in mind, during the last business year, FCC employees participated in a number of solidarity actions, thus contributing to the construction of a corporate citizenship culture within the Group and supporting FCC's Mission to create social value and contribute to the well-being of people. The participation of the FCC team in these projects promotes their pride of belonging and enables them to strengthen their social relationships and increase their personal well-being by devoting part of their time and resources to social causes.

"Donate kilos of generosity"

In line with its commitment to social responsibility, the FCC Group launched a solidarity Christmas campaign last December under the slogan "Give kilos of generosity" to collect essential products (non-perishable) and Christmas sweets, in favour of the Pan y Peces Foundation.

The company provided the food collection points to the Pan y Peces Foundation so that its workers could contribute their "kilo of generosity" to the most disadvantaged groups in society. This enabled the campaign to collect more than 400 kilos of products of different types: Perfumery and chemist's shop products like bath gel, shampoo, cologne, bars of soap, toothpaste, and food products like Italian pasta, nougat, marzipan and traditional Spanish shortbread cookies.

The initiative made it possible to reach more than 50 disadvantaged families, giving each a shopping trolley of basic necessities. Each was designed to cater for the basic needs of the households, depending on the number of family members, their ages and their health condition. The FCC Group's commitment to the "Give away kilos of generosity" campaign enabled awareness to be raised among its collaborators in matters of social action and help to be given to society's most vulnerable groups.

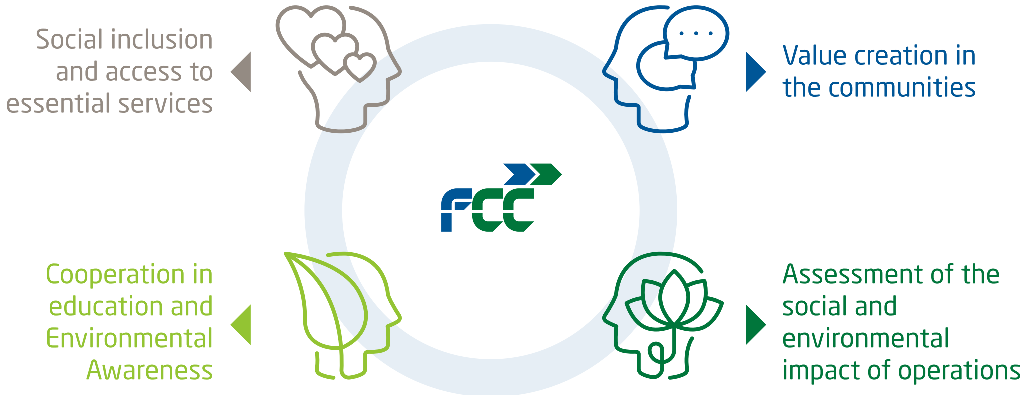
New Blood Donation campaign at FCC

During the 2019 business year the FCC Group and the Red Cross launched a new voluntary blood donation campaign. Under the Red Cross motto of "Wake up the donor inside you", FCC employees were given the opportunity to donate blood without leaving the workplace.

This initiative for collaboration with the Red Cross has taken place constantly for several years now, depending on the demand for blood in hospitals. Within the context of maintaining blood reserves, the involvement and solidarity of the entire FCC team is essential, because with such a simple gesture, many more lives can be saved every day.

FCC Group social initiatives within the community

The four main principles on which the FCC Group bases its projects in the community are the following:



Employee awareness of UNHCR

On the occasion of World Refugee Day, UNHCR information tables were installed at Aqualia's headquarters in Madrid, Seville and Barcelona with the aim of raising awareness among employees of the solidarity initiatives promoted by the association and the numerous ways in which it is possible to collaborate in the eradication of this severe humanitarian problem.

The company also organised an awareness chat at its headquarters in Madrid that told of the experiences of the head of Strategic Alliances in UNHCR. About a hundred employees attended the event to learn about a global problem affecting 70 million people including internally displaced persons, asylum seekers and refugees. Meanwhile, Aqualia also launched an awareness and information campaign that involved the company's employees, as well as citizens and institutional clients. By including messages in the invoices, the company invited clients to send an SMS to support refugees having access to clean drinking water.

Social inclusion and access to services

The FCC Group's business model, and therefore the organisation of the different activities derived from its business lines, enables the company to provide easy access to basic services such as electricity, drinking water and sanitation, thus fostering economic development and improving municipal services in the communities in which it operates.

At the same time, the organisation undertakes to actively participate in solidarity actions, especially relating to sanitation, improved health and access to resources and services in the most vulnerable and needy places in which FCC operates.

Value creation in the communities

The FCC Group contributes to the creation of value through the services and infrastructures it provides, as these have a positive impact on socio-economic development, generating jobs, growth and prosperity in its environment, taking into account the processes for contracting local suppliers and subcontractors that are applicable within the community.

Assessment of the social and environmental impact of operations

In the Group's 2020 Master Plan, one of the priorities of the FCC Connected axis was to create a methodology for assessing the social and environmental impact of operations.

In this regard, in FCC Construcción's Technical Services General Deputy Management and Studies and Contracting Deputy Management a metric was defined to assess the social and environmental sustainability of the projects at the bidding stage and which is being applied to the new bids being presented.

Specifically, the metric evaluates whether the project to be tendered involves the relocation of people or communities, whether it negatively affects any unique heritage assets, whether there has been an environmental impact study or some formula for forecasting and mitigating impact, whether the work involves an increase in access to basic services (water, communications, electricity, etc.) for the population, whether citizen participation was included at any time during the process or whether the project had a specific, notorious social response.

The classification of the project, defining whether it involves high, average or minimum environmental and social risk, enables early identification of significant requirements when bidding, evaluating and auditing the project.

CSR Project: "Peru with water"

It should be mentioned that in 2019 the definition, coordination and implementation of a CSR project began in Peru in collaboration with World Vision International, a benchmark NGO with a presence in and knowledge of the country. Entitled "Peru with Water", the aim is to contribute to the improvement of the quality of life for the inhabitants of 12 community centres in the district of Andahuaylillas, province of Quispicanchi, Department of Cusco, by providing access to high-quality water and sanitation services on two levels. Firstly, at the engineering level, with the refurbishment, operation and maintenance of the water system infrastructure, that will enable the communities to have suitable access to drinking water. Secondly, at the educational level, the project will focus on social involvement in communications and education on hygiene and sanitation, and in the management of water services via the development of local capacity.

Cooperation in education and environmental awareness

In line with the social responsibility assumed by the FCC Group in matters of education and awareness, FCC is working together with different educational institutions, especially in the field of cooperation, to promote environmental protection and thus contribute to the social, cultural and sustainable development of cities.

The initiatives taken in this area by the Group's Water and Environmental Services businesses, whose activity is closely linked to citizens as a result of the provision of comprehensive water management and waste management services, are especially important due to their volume and impact.

In this regard, it is worth highlighting the education that Aqualia provides for sustainable water consumption, together with the collaboration of a number of municipalities, by means of educational talks with children on the comprehensive water cycle, from how this resource reaches their homes, to how it is returned to the natural environment after use, including visits to wastewater treatment plants, and remarking on the consequences of the misuse of the sewage system.

FCC Medio Ambiente is intensifying the organisation of citizenship awareness forums and the promotion of public-private partnerships for the promotion of environmental education such as collaboration with Seo Bird Life, the Biodiversity Foundation and with a number of universities.

175 students from eight schools in Teruel and Zaragoza visit the Albarracín water treatment plant

In March 2019, Aqualia, the company that manages the Wastewater Treatment Plant (WWTP) in Albarracín, received a visit by 175 students from eight secondary schools in the provinces of Teruel and Zaragoza to learn about the installations and operation of the municipal purification system.

These students were part of the CRIET, the Teruel Educational Innovation Centre, an institution belonging to the Department of Education, Culture and Sports of the Regional Government of Aragon that was created to compensate for possible inequalities amongst students from incomplete or unitary schools belonging to Aragonese rural school units.

They were divided into groups and Aqualia technicians explained the Comprehensive Water Cycle, the process that this resource follows from when it evaporates, from rivers and lakes, until it is returned clean to its natural environment after use. The young students also learned how the plant works and about the phases of the comprehensive water cycle. There were also explanations on the consequences of throwing single-use wipes, drugs, sanitary towels, etc. into the toilet, as they cause blockages and breakdowns in the pipes.

The aim of these school trips is to teach children about the luxury of enjoying something as precious as water and the work involved in delivering it to all homes and returning it to the environment in optimal conditions after use.

The WREN Foundation In the United Kingdom

The WREN Foundation is a non-profit organisation that was founded in 1997 with the aim of allocating funds to social impact projects in the community, relating to both biodiversity and the protection of heritage as a result of the contributions made by FCC Environment.

The organisation donated more than 6.5 million pounds for over 120 projects in the United Kingdom during the last business year. WREN is currently contributing and channels funds through two programmes, the FCC Community Action Fund, aimed at financing projects in England and Wales; and the FCC Scottish Action Plan, open to applicants in Scotland.

The programmes through which the Foundation channels these funds are:

- FCC Community Action Fund: for financing projects in England and Wales.
- FCC Scottish Action Plan: for applicants in Scotland.

The projects launched thanks to the contributions and donations of FCC Environmental UK cover a wide range of issues, from initiatives relating to health and biodiversity protection to knowledge dissemination projects and actions for the restoration and refurbishment of heritage and public spaces. For more information go to the WREN Foundation website: www.wren.uk.com

Annexes

Annex I: summary table for social and personnel affairs

Percentage of employees covered by collective agreement by country

FCC Group country network	Men	Women	Total
Spain	33,584	10,781	44,365
Czech Republic	2,161	655	2,816
United Kingdom	2,045	348	2,393
Romania	556	144	700
Austria	530	162	692
Bulgaria	316	179	495
Poland	382	94	476
Portugal	373	88	461
Slovakia	361	93	454
Italy	207	37	244
Hungary	127	52	179
Serbia	100	34	134
USA	372	50	422
Panama	484	88	572
Colombia	240	51	291
Egypt	1,025	3	1,028
Tunisia	239	19	258
Saudi Arabia	2,294	195	2,489
United Arab Emirates	326	6	332
Rest of World[5]	425	88	513

Country[6]	% Total trabajadores cubiertos
Spain	100%
France	100%
Italy	100%
Portugal	48.26%
Slovakia	36.83%
Czech Republic	36.58%
Poland	25%
Romania	22.85%
Serbia	10.56%
Austria	6%
United Kingdom	7.13%
Hungary	0%
Bulgaria	0%
USA	0%
Panama	30.45%
Mexico	0%
Chile	0%
Colombia	0%
Tunisia	100%
Saudi Arabia	0%
United Arab Emirates	0%
Oman	0%

[5] Rest of the world includes countries with a workforce of less than 100 people.

[6] Countries have been selected based on representativeness in the FCC Group's different business areas (number of employees, activity, etc.).

Annex II: summary table for environmental issues

Environmental indicator

	2017	2018	2019
Activities with environmental certification (%)	92	88	87
NOx emissions (t)	10,351	9,074	11,167
SOx emissions (t)	782	910	1,194
Total particle emissions (t)	1,002	1,481	972
Waste generated (t)	3,103,232	3,211,360	5,459,332
Hazardous waste (t)	127,313	159,776	112,215
Non-hazardous waste (t)	3,362,178	3,051,584	5,347,118
Water consumption (m^3)	12,071,936	13,016,152	13,848,749
Direct energy consumption (GJ)	38,109,622	37,206,538	42,142,050
Indirect energy consumption (GJ)	6,273,576	6,250,451	6,289,434
Total energy consumption (GJ)	44,383,199	43,456,989	48,431,483
Use of renewable energies (GJ)	10,750,334	10,786,857	13,107,942
Consumption of raw materials (t)	27,018,867	19,931,294	25,786,930
Direct GHG emissions (tCO_2e)	7,296,889	5,165,274	7,870,743
Indirect GHG emissions (tCO_2e)	665,962	768,792	731,600

Annex III: table of indicators Law 11/2018-GRI linking

Law 11/18 Requirement	Law 11/18 Requirement	Page number
GENERAL INFORMATION		
Business model		
Brief description of the group business model (including business environment, organisation and structure).	102-1 Name of the organisation. 102-2 Activities, brands, products and services. 102-5 Ownership and legal status. 102-7 Size of the organisation. 102-18 Governance structure. 102-22 Members of the senior governing body and its committees. 102-23 President of the senior governing body. 102-45 Entities included in consolidated financial statements.	453-458; 461-463
Geographical presence.	102-3 Location of headquarters. 102-4 Location of operations. 102-6 Markets served.	453-458; 489; 539
Organisation's objectives and strategies.	102-26 Role of senior governing body in setting objectives, values and strategy	476-487
Main factors and trends that may affect future growth and development.	102-15 Key impacts, risks and opportunities.	459-460
Company policies		
A description of the policies applied by the group regarding these issues [environmental and social issues, respect for human rights and the fight against corruption and bribery, those relating to personnel, including measures adopted, where applicable, to promote the principle of equal treatment and opportunities for women and men, non-discrimination and the inclusion of persons with disabilities and universal accessibility].	103-2 The management approach and what it consists of.	461-538

Law 11/18 Requirement	Law 11/18 Requirement	Page number
Risk management		
The main risks relating to these issues [environmental and social issues, respect for human rights and the fight against corruption and bribery, those relating to personnel, including measures adopted, where applicable, to promote the principle of equal treatment and opportunities for women and men, non-discrimination and the inclusion of persons with disabilities and universal accessibility].	102-15 Main impacts, risks and opportunities. 102-29 Identification and management of economic, environmental and social impacts. 102-30 Effectiveness of risk management processes. 102-31 Appraisal of economic, environmental and social issues.	472-475
Others		
Mention in the report of the national, European and international reporting framework used for the selection of key indicators for the non-financial results included in each of the sections.	102-54 Declaration of having made the report in accordance with GRI Standards.	447-450
1. ENVIRONMENTAL ISSUES		
Detailed general information		
On current and foreseeable effects of the company's activities on the environment and, where applicable, health and safety.	103: Management Approach.	506-508
On environmental assessment and certification procedures	103: Management Approach.	505-506
On resources dedicated to the prevention of environmental risks.	103: Management Approach.	509
On the application of the precautionary principle.	102-11 Precautionary principle or approach.	508-509
On the amount of provisions and guarantees for environmental risks.	307-1 Noncompliance with environmental laws and regulations.	510
Pollution		
Measures to prevent, reduce or repair carbon emissions that seriously affect the environment (also includes noise and light pollution).	305-6 Emissions of substances that deplete the ozone layer (ODS). 305-7 Nitrogen oxides (NOX), sulphur oxides (SOX) and other significant air emissions. 306-1 Water discharge in accordance with quality and destination.	511-512
Circular economy, waste prevention and management		
Measures for prevention, recycling, re-use, other forms of retrieval and disposal of waste.	301-2 Recycled inputs. 306-2 Waste by type and disposal method.	513-516
Actions to combat food waste.	103: Management Approach	515-516

Law 11/18 Requirement	Law 11/18 Requirement		Page number
Sustainable use of resources			
Water consumption and water supply in accordance with local limitations.	303-1 303-2	Water extraction by source. Water sources significantly affected by water extraction.	516-517
Raw material consumption and measures taken to improve the efficiency of its use.	301-1	Materials used by weight or volume.	518-519
Direct and indirect energy consumption.	302-1	Energy consumption within the organisation.	519-520
Measures taken to improve energy efficiency.	302-4 302-5	Reduction of energy consumption. Reduction of energy requirements for products and services.	519-520
Use of renewable energy.	302-1	Energy consumption within the organisation.	519-520
Climate change			
Important elements of greenhouse gas emissions generated as a result of the company's activities, including the use of the goods and services it produces.	305-1 305-2	Direct GHG emissions (scope 1). Indirect GHG emissions when generating energy (scope 2).	522-523
Measures taken to adapt to the consequences of climate change.	201-2	Financial implications and other risks and opportunities due to climate change.	520-522
Reduction goals established voluntarily in the medium and long term to reduce greenhouse gas emissions and the measures adopted for this purpose.	305-5	Reduction of GHG emissions.	522-523
Protecting biodiversity			
Measures taken to preserve or restore biodiversity.	103:	Management Approach.	529-527
Impacts caused by activities or operations in protected areas.	304-1: 304-2: 304-3:	Operational centres owned, leased, managed, in or adjacent to, protected areas and areas of high biodiversity value outside protected areas. Significant impacts of activities, products and services on biodiversity. Habitats protected or restored.	526-527

Law 11/18 Requirement	Law 11/18 Requirement		Page number
2. SOCIAL AND PERSONNEL AFFAIRS			
Employment			
Total number and distribution of employees by gender, age, country and professional classification.	102-8 405-1	Information on employees and other workers. Diversity in governing bodies and employees.	488-491
Total number and distribution of employment contract modalities.			
Annual average for indefinite, temporary and part-time contracts by gender, age and professional classification.			
Number of dismissals by gender, age and professional classification.	401-1	Employee recruitment and staff turnover.	492-493
Average remuneration and developments disaggregated by gender, age and professional classification or equal value.	102-35 102-36 103:	Remuneration policies. Processes to determine remuneration. Management Approach.	495
Salary gap, remuneration for the same job or the average within the company.	405-2	Ratio for basic salary and remuneration for women vs men.	497
Average remuneration for directors and managers, including variable income, allowances, compensation, contributions to long-term savings systems and any other income broken down by gender.	102-38	Ratio of total annual salary.	464
Implementation of work disconnection policies.	103:	Management Approach.	500
Employees with disabilities.	405-1	Diversity in governing bodies and employees.	498-499
Work organisation			
Organisation of working time.	103:	Management Approach.	500
Hours lost through absenteeism.	403-2	Types of injury and accident frequency rate, occupational illness, days lost, absenteeism and number of fatalities relating to accidents at work or occupational illness.	502
Measures aimed at facilitating work-life balance and encouraging the co-responsibility of both parents.	401-3	Parental leave.	500
Health and safety			
Occupational health and safety conditions.	403-1	Workers representation in formal joint management–worker health and safety committees.	502-504

Law 11/18 Requirement	Law 11/18 Requirement		Page number
Work-related accidents, particularly their frequency and severity by gender.	403-2	Types of injury and accident frequency rate, occupational illness, days lost, absenteeism and number of fatalities relating to accidents at work or occupational illness.	502
Occupational illness by gender.	403-2	Types of injury and accident frequency rate, occupational illness, days lost, absenteeism and number of fatalities relating to accidents at work or occupational illness.	502
Social relationships			
Organisation of social dialogue, including procedures for informing and consulting personnel and negotiating with them.	402-1 403-1	Minimum notice given for operational changes. Workers representation on formal worker-company health and safety committees.	50
Percentage of employees covered by collective agreement by country.	102-41	Collective bargaining agreements.	501; 539
Balance of collective agreements, particularly in the field of health and safety at work.	403-4	Health and safety issues covered in formal agreements with trade unions.	501
Training			
Policies implemented in the field of training.	404-2	Programmes for upgrading employee aptitudes and transition aid programmes.	492-494
Total number of hours of training by professional category.	404-1	Average hours of training per year per employee.	493
Accessibility			
Universal accessibility for people with disabilities.	405-1	Diversity in governing bodies and employees.	498-499
Equality			
Measures taken to promote equal treatment and opportunities for women and men.	103: 405-1	Management Approach. Diversity in governing bodies and employees.	463; 495-499
Equality plans (Chapter III of Organic Law 3/2007 of 22 March for the effective equality of women and men), measures adopted to promote employment, protocols against gender bullying and prejudice; integration and universal accessibility for people with disabilities.	102-16 102-17	Values, principles, standards and norms of conduct. Advisory mechanisms and ethical concerns.	495-499
Policy against all types of discrimination and, where applicable, for diversity management.	102-13	Membership of associations.	495-499

Law 11/18 Requirement	Law 11/18 Requirement	Page number
3. INFORMATION ON RESPECT FOR HUMAN RIGHTS		
Application of due diligence procedures in human rights matters.	102-16 Values, principles, standards and norms of conduct. 102-17 Advisory mechanisms and ethical concerns. 412-2 Training of employees in human rights policies and procedures.	465-468
Prevention of risks of violation of human rights and, where applicable, measures to mitigate, manage and repair possible abuses committed.	412-1 Operations subject to human rights reviews or impact assessment.	460-468
Cases reported involving violation of human rights.	102-17 Advisory mechanisms and ethical concerns. 406-1 Cases of discrimination and corrective actions taken. 419-1 Failure to comply with laws and regulations in social and economic fields.	465-468
Promotion of and compliance with the provisions of the essential ILO agreements relating to respect for freedom of association and the right to collective bargaining.		465-472
Elimination of discrimination in employment and occupation.		
Elimination of forced or compulsory labour.		
Effective abolition of child labour.		
4. INFORMATION CONCERNING THE FIGHT AGAINST BRIBERY AND CORRUPTION		
Measures taken to prevent bribery and corruption.	102-16 V alues, principles, standards and norms of conduct. 102-17 Advisory mechanisms and ethical concerns. 205-1 Operations assessed for corruption-related risks. 205-2 Communication and training on anti-corruption policies and procedures. 205-3 Cases of corruption confirmed and measures taken.	469-470
Measures to fight money laundering.	102-16 Valores, principios, Estándares y normas de conducta. 102-17 Mecanismos de asesoramiento y preocupaciones éticas.	470
Contributions to foundations and non-profit organisations.	102-13 Afiliación a asociaciones.	532

Law 11/18 Requirement	Law 11/18 Requirement		Page number
5. INFORMATION ABOUT THE COMPANY			
The company's commitments to sustainable development			
Impact of the company's activity on employment and local development.	413-1 413-2	Operations with local community participation, impact assessments and development programmes. Operations with significant real or potential negative impacts on local communities.	532-538
Impact of the company's activity on local populations and on the territory.	203-1 413-1 413-2	Investment in infrastructure and supported services. Operations with local community participation, impact assessments and development programmes. Operations with significant real or potential negative impacts on local communities.	532-538
Relationships maintained with those playing a role in local communities and how dialogue is established with them.	102-43 413-1	Approach to stakeholder participation. Operations with local community participation, impact assessments and development programmes.	532-538
Partnership and sponsorship actions.	102-12	External initiatives.	531
Subcontracting and suppliers			
Inclusion in procurement policy of social, gender equality and environmental issues.	308-1 414-1	New suppliers that were screened and selected following environmental criteria. New suppliers that were screened and selected following social criteria.	531
In relationships with suppliers and subcontractors, taking into account their social and environmental responsibility.	308-1 414-1	New suppliers that were screened and selected following environmental criteria. New suppliers that were screened and selected following social criteria.	531
Supervisory systems, audits and their results.	103:	Management Approach.	99
Consumers			
Measures for the health and safety of consumers.	416-1	Assessment of the health and safety impacts of product and service categories.	529-530

Law 11/18 Requirement	Law 11/18 Requirement		Page number
Claim systems.	103:	Management Approach.	529-530
Complaints received and their resolution.	103:	Management Approach.	529-530
Tax information			
Profits obtained country by country.	201-1	Direct economic value generated and distributed.	451
Corporate income tax paid on profit.	201-1	Direct economic value generated and distributed.	451; 471
Public grants received.	201-4	Government financial assistance received.	471

AENOR

Non-Financial Information Verification Statement

AENOR verification statement for

FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A.

concerning the consolidated statement of non-financial information FCC GROUP CONSOLIDATED NON-FINANCIAL INFORMATION STATUS 2019

according to law 11/2018

for the period ending on December 31, 2019

In Madrid April 16 2020

Rafael García Meiro
Chief Executive Officer

1994/0241/VNOF-2020

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FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A. (hereinafter the organization) with registered office at: Calle Balmes, 36 08007 Barcelona and on its behalf, Javier LOPEZ-GALIACHO PERONA, in charge of Chief Compliance Officer and Head of Corporate Responsibility of the FCC Group, has commissioned AENOR to carry out a verification under a limited level of assurance of its Non-Financial Information Statement (hereinafter EINF) in accordance with Law 11/2018 amending the Commercial Code, the revised text of the Law on Corporations approved by Royal Legislative Decree 1/2010 of 2 July and Law 22/2015 of 20 July on the Auditing of Accounts, with regard to non-financial information and diversity (hereinafter Law 11/2018).

As a result of the verification carried out, AENOR issues this Statement, of which the verified EINF forms part. The Declaration is only valid for the purpose entrusted and reflects only the situation at the time it is issued.

The purpose of the verification is to provide the interested parties with a professional and independent opinion about the information and data contained in the organization's EINF, prepared in accordance with Law 11/2018.

Responsibility of the organization. The organization was responsible for reporting its non-financial information status in accordance with Law 11/2018. The formulation and approval of the EINF, as well as its content, is the responsibility of its Governing Body. This responsibility also includes designing, implementing and maintaining such internal control as is deemed necessary to ensure that the EINF is free from material misstatement due to fraud or error, as well as the management systems from which the information required for the preparation of the EINF is obtained. The organisation, in accordance with the commitment formally undertaken, has informed AENOR that no events have occurred, from the date of the close of the financial year reported in the non-financial report until the date of verification, that might require corrections to be made to the report.

Verification program in accordance with ISO/IEC 17029:2019 AENOR, in accordance with the aforementioned Act, has carried out this verification as an independent provider of verification services. The verification has been developed under the principles of "evidence-based approach, fair presentation, impartiality, technical competence, confidentiality, and accountability" required by the international standard ISO/IEC 17029:2019 "Conformity assessment - General principles and requirements for validation and verification bodies".

Likewise, in the verification program, AENOR has considered the international requirements of accreditation, verification or certification corresponding to the information matters contemplated in the Law:

- European Regulation EMAS (Environmental Verification)

1994/0241/VNOF-2020

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AENOR

- SA 8000 (international labour principles and rights in accordance with the ILO (International Labour Organization), the Universal Declaration of Human Rights and the Convention on the Rights of the Child. SAAS Procedure 200)
- Environmental Management System (ISO 14001).
- Social Responsibility Management System, IQNet SR 10 and SA8000 schemes
- Quality Management System (ISO 9001).
- Energy Management System (ISO 50001).
- Occupational Health and Safety Management System (ISO 45001).

Additionally, the criteria and information that have been taken into account as a reference to carry out the Verification Program have been:

1) Law 11/2018 of 28 December, which amends the Commercial Code, the revised text of the Companies Act approved by Royal Legislative Decree 1/2010 of 2 July, and Law 22/2015 of 20 July on the Auditing of Accounts, with regard to non-financial information and diversity.

2) Directive 2014/95/EU of the European Parliament and Council of 22 October 2014 amending Directive 2013/34/EU as regards the disclosure of non-financial information and diversity reporting by certain large companies and certain groups.

3) Communication of the European Commission 2017/C 215/01, Guidelines on non-financial reporting (methodology for non-financial reporting)

4) the international standard ISO/IEC 17029.2019 Conformity assessment - General principles and requirements for validation and verification bodies

5) The criteria established by the global sustainability reporting initiative in the GRI standards where the organisation has opted for this recognised international framework for disclosure of information relating to its corporate social responsibility performance

AENOR expressly disclaims any liability for decisions, investment or otherwise, based on this Declaration.

During the verification process carried out, under a limited level of assurance, AENOR conducted interviews with the personnel in charge of compiling and preparing the Report and reviewed evidence relating to:

AENOR

- Activities, products and services provided by the organization.
- Consistency and traceability of the information provided, including the process followed to collect it, sampling information about the reported.
- Completion and content of the statement of non-financial information in order to ensure the completeness, accuracy and veracity of its content.
- Letter of statements from the Administrative Body.

The conclusions are therefore based on the results of this sample process, and do not absolve the Organization of its responsibility for compliance with applicable legislation.

The personnel involved in the verification process, the review of findings and the decision to issue this Statement have the knowledge, skills, experience, training, supporting infrastructure and capacity to effectively carry out these activities.

CONCLUSION

Based on the foregoing, in our opinion, there is no evidence to suggest that the statement of non-financial information included in the FCC GROUP CONSOLIDATED NON-FINANCIAL INFORMATION STATUS 2019 and for the year ended December 31, 2019, does not provide accurate information on the performance of FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A. and subsidiaries, in terms of social responsibility under Law 11/2018. Specifically, with regard 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.

A3 Annual Corporate Governance Report

Year-end date: 2019
C.I.F. A-28037224

Name:
Fomento de Construcciones y Contratas, S.A.

Registered office:
C/ Balmes, 36. 08007 Barcelona

A. Ownership structure

A.1 Fill in the following table about the Company's capital stock:

Date of most recent change	Capital stock (€)	Number of shares	Número de derechos de voto
18-06-2019	392,264,826	392,264,826	392,264,826

Remarks

Indicate whether there are different share classes with different associated rights:

Yes ☐ No ☒

Class	Number of shares	Face value per share	Number of voting rights per share	Rights and obligations conferred
–	–	–	–	–

Remarks

A.2 List the direct and indirect holders of significant shares as at the reporting date, excluding directors:

Name or corporate name of the shareholder	% voting rights attributed to the shares		% derechos de voto a través de instrumentos financieros		Total % of voting rights
	Direct	Indirect	Direct	Indirect	
GATES III, WILLIAM H.	–	5.736		–	5.736
INVERSORA CARSO S.A. DE C.V.	9.767	71.326	–	–	81.093
NUEVA SAMEDE 2016, S.L.U.	4.534	–	–	–	4.534
ESTHER KOPLOWITZ ROMERO DE JUSEU	0.033	19.983	–	–	20.016

Remarks

List of indirect holdings:

Name or corporate name of the indirect shareholder	Name or corporate name of the direct shareholder	% voting rights attributed to the shares	% voting rights through financial instruments	Total % of voting rights
GATES III, WILLIAM H.	CASCADE INVESTMENT, LLC.	3.986	–	3.986
GATES III, WILLIAM H.	BILL & MELINDA GATES FUNDATION TRUST	1.750	–	1.750
INVERSORA CARSO, S.A. DE C.V.	CONTROL EMPRESARIAL DE CAPITALES, S.A. DE C.V.	51.360	–	51.360
ESTHER KOPLOWITZ ROMERO DE JUSEU	NUEVA SAMEDE 2016, S.L.U.	4.534	–	4.534
ESTHER KOPLOWITZ ROMERO DE JUSEU	DOMINUM DIRECCIÓN Y GESTIÓN, S.A.	15.434	–	15.434
ESTHER KOPLOWITZ ROMERO DE JUSEU	EJECUCIÓN Y ORGANIZACIÓN DE RECURSOS, S.L.	0.013	–	0.013
ESTHER KOPLOWITZ ROMERO DE JUSEU	DOMINUM DESGA, S.A.	0.002	–	0.002

Remarks
Concerning the position of INVERSORA CARSO, S.A. DE C.V.: Regarding the shareholdings through intermediaries (i) 17,785,609 shares in Fomento de Construcciones y Contratas S.A. ("FCC") owned by Nuevas Samede 2016 S.L.U. representing 4.534% of the capital stock of FCC and (ii) the 60,542,615 shares in FCC owned by Dominum Directorate and Management S.A.U., representing 15.434% of the capital stock of FCC; the foregoing is declared for the sole purposes of Article 24.2.B of Royal Decree 1362/2007. In spite of this, Inversora Carso does not hold any right to vote on this 19.968%. Therefore, Inversora Carso owns directly and indirectly, through Control Empresarial de Capitales S.A. de C.V., only 61.125% of the voting rights of FCC.
Concerning the position of ESTHER KOPLOWITZ ROMERO DE JUSEU: Esther Koplowitz Romero de Juseu directly controls 0.033% of FCC and 19.983% indirectly through Samede Inversiones 2010, S.L.U., Nueva Samede 2016, S.L.U., Dominum Direccion y Gestión, S.A., Dominum Desga, S.A. and Ejecución y Organización de Recursos, S.L.

Indicate the most significant changes in the shareholding structure during the year:

Most significant changes

A.3 Fill in the following tables on the members of the Company's Board of Directors, who have voting rights through their shares in the Company:

Name or corporate name of the director	% voting rights attributed to the shares		% voting rights through financial instruments		Total % of voting rights	% voting rights that can be transferred through financial instruments	
	Direct	Indirect	Direct	Indirect		Direct	Indirect
Aboumrad González, Alejandro	0.008	–	–	–	0.008	–	–
Colio Abril, Pablo	0.007	–	–	–	0.007	–	–
Dominum Desga, S.A.	0.002	–	–	–	0.002	–	–
Dominum Dirección y Gestión, S.A.	15.434	–	–	–	15.434	–	–
EAC Inversiones Corporativas, S.L.	0.000	–	–	–	0.000	–	–
Gil Madrigal, Manuel	–	0.007	–	–	0.007	–	–
Inmobiliaria AEG, S.A. de C.V.	0.000	–	–	–	0.000	–	–
Kuri Kaufman, Gerardo	0.005	–	–	–	0.005	–	–
Proglio, Henri	0.001	–	–	–	0.001	–	–
Rodríguez Torres, Juan	0.073	–	–	–	0.073	–	–
Samede Inversiones 2010, S.L.U.	0.000	15.449	–	–	15.449	–	–
Vázquez Lapuerta, Álvaro	0.001	–	–	–	0.001	–	–
Gómez García, Antonio	0.005	–	–	–	0.005	–	–

Total % of voting rights held by the Board of Directors	15.558

Remarks

List of indirect holdings:

Name or corporate name of the director	Name or corporate name of the direct shareholder	% voting rights attributed to the shares	% voting rights through financial instruments	Total % of voting rights	% voting rights that can be transferred through financial instruments
Gil Madrigal, Manuel	Tasmania Inmuebles, S.L.	0.007	–	0.007	–
Samede Inversiones 2010, S.L.U.	Dominum Dirección y Gestión, S.A.	15.434	–	15.434	–
	Ejecución y Organización de Recursos, S.L.	0.013	–	0.013	–
	Dominum Desga, S.A.	0.002	–	0.002	–

Remarks

A.4 Indicate, as applicable, the family, commercial, contractual or corporate relations between the holders of significant shares, insofar as that they are known by the company, unless they are immaterial or are part of ordinary commercial traffic, with the exception of those reported in section A.6:

Related name or company name	Type of relationship	Brief description
–	–	–

A.5 Indicate, as the case may be, the commercial, contractual or corporate relations between the holders of significant shares, and the company and/or its group, unless they are immaterial or are part of ordinary commercial traffic:

Related name or company name	Type of relationship	Brief description
–	–	–

A.6 Describe the relationships, unless they are immaterial to the two parties, between significant shareholders or parties represented on the Board and directors, or their representatives, in the case of corporate directors.

Explain, as applicable, how significant shareholders are represented. Specifically, indicate the directors appointed on behalf of significant shareholders whose appointment was promoted by significant shareholders, or who were linked to significant shareholders and/or entities in their group, specifying the nature of these relationships. In particular, include the existence, identity and position of Board members, or representatives of directors, of the listed company, who are, in turn, members of the governing body, or their representatives, in companies that hold significant holdings in the listed company or in entities of the group of these significant shareholders.

Name or company name of the director or representative	Name or corporate name of the related significant shareholder	Corporate name of the company of the significant shareholder group	Relationship description/ position
Alejandro Aboumrad González	Inversora Carso, S.A. de C.V.	Varias sociedades subsidiarias del accionista	Administrator
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
Gerardo Kuri	Inversora Carso, S.A. de C.V.	Several subsidiaries of the shareholder	Administrator
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.	Several subsidiaries of the shareholder	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
Inmobiliaria AEG, S.A. de CV	Inversora Carso, S.A. de C.V.	–	–

Name or company name of the director or representative	Name or corporate name of the related significant shareholder	Corporate name of the company of the significant shareholder group	Relationship description/ position
Samede Inversiones 2010, S.L.,	Nueva Samede 2016, S.L.U.	–	–
EAC Inversiones Corporativas, S.L.	Nueva Samede 2016, S.L.U.	–	–
Dominum Dirección y Gestión, S.A.	Nueva Samede 2016, S.L.U.	–	–
Dominum Desga, S.A.	Nueva Samede 2016, S.L.U.	–	–

Remarks
–

A.7 Indicate whether the Company has been informed of shareholders' agreements that affect it as established in Articles 530 and 531 of the Spanish Corporate Enterprises Act. If applicable, briefly describe them and list the shareholders affected by the agreement:

Yes ☒ No ☐

Participants of the shareholders' agreement	% of capital stock affected	Brief description of the agreement	End date of the agreement, if applicable
ESTHER KOPLOWITZ ROMERO DE JUSEU and CONTROL EMPRESARIAL DE CAPITALES, S.A. DE C.V.	50.16	Relevant fact of 27/1/2014 (see note)	Open-ended
CONTROL EMPRESARIAL DE CAPITALES, S.A. DE C.V., NUEVA SAMEDE 2016, S.L.U., INVERSORA CARSO S.A. DE C.V. and ESTHER KOPLOWITZ ROMERO DE JUSEU	72.36	Relevant fact of 05/02/2016 (see note)	Open-ended

Remarks
Relevant Fact of 27/11/2014: FCC's controlling shareholder reported that negotiations with Control Empresarial de Capitales S.A. de C.V., a company owned by Inmobiliaria Carso S.A. de C.V., which in turn is controlled by the Slim family, have been successfully completed. Relevant Fact of 05/02/2016: For the purposes of continuing with the recapitalisation process of Fomento de Construcciones y Contratas, S.A. ("FCC" or the "Company") through a new capital increase of €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 Direccion y Gestión, S.A. ("Dominum") and Nueva Samede 2016, S.L.U. ("Nueva Samede")) have entered into a non-extinguishing modifying novation contract with Inversora Carso S.A. de C.V. ("I. Carso") and its subsidiary Control Empresarial de Capitales, S.A. de C.V. ("CEC") of the Investment Agreement signed on 27 November 2014 (the "Novation of the Investment Agreement"). The Investment Agreement was included in the relevant fact published on 27 November 2014 and subsequently deposited in the Companies Register of Barcelona. The main aspects of the Novation of the Investment Agreement are to establish the terms and conditions for: (a) the incorporation of Nueva Samede into the Novation as a future shareholder of FCC following the New Capital Increase, (b) the continuation of the FCC recapitalisation process through the New Capital Increase regulating the subscription commitment of both I. Carso as Nueva Samede and (c) the modification of certain provisions regarding Corporate Governance, the share transfer system as well as the removal of the provision regarding the maximum participation of the parties in the Company's capital shares.

Indicate whether the Company is aware of the existence of coordinated actions between its shareholders. If applicable, describe them briefly:

Yes ☐ No ☒

Participants of coordinated action	% of capital stock affected	Brief description of the coordinated action	End date of the coordinated action, if applicable
–	–	–	–

Remarks

If there has been any change or termination of these agreements or coordinated actions during the year, expressly indicate:

A.8 Indicate whether there is any natural or legal person who exercises or may exercise control over the Company pursuant to Article 5 of the Securities Market Law. If applicable, identify this person:

Yes ☒ No ☐

Name or corporate name
INVERSORA CARSO, S.A. DE C.V.

Remarks

A.9 Fill in the following tables about the company's treasury shares:

At year-end:

Number of direct shares	Number of indirect shares (*)	Total % of capital stock
1,250,837	–	0.319

Remarks

(*) Through:

Name or company name of the direct holder of the shareholding	Number of direct shares
–	–
Total:	

Remarks

Explain any significant changes during the year:

Explain the significant changes

A.10 Describe the conditions and term of the current mandate of the Shareholders' Meeting to the Board of Directors to issue, repurchase or transfer own shares.

Ordinary General Meeting Resolution of 28 June 2018 (item seven on the agenda):

Fomento de Construcciones y Contratas, S.A. was authorised, as were the Group companies meeting any of the circumstances set out under Article 42.1 of the Code of Commerce, to proceed with the derivative acquisition of own shares, through purchase and sale transactions swaps or any others allowed by law, at the price resulting from their stock market price on the day of acquisition, falling between the maximum and minimum values listed below:

The maximum value shall be calculated by increasing the maximum price for the three months prior to the moment at which the acquisition takes place by 20 percent.

The minimum value shall be calculated by deducting 20 percent from the minimum price for the three months prior to the moment at which the acquisition takes place.

In light of this authorisation, the Board, the Executive Committee and the Chief Executive Officer may, interchangeably, acquire their own shares, under the terms provided for in Article 146 of the Spanish Corporate Enterprises Act.

The Board of Directors, the Executive Committee and the Chief Executive Officer may also, interchangeably, allocate all or part of their own shares acquired as part of the execution of remuneration schemes that seek or involve the delivery of shares or option rights over shares, pursuant to the provisions of Article 146.1 of the Spanish Corporate Enterprises Act.

This authorisation is granted for the maximum period legally permitted, pursuant to the limit of the capital stock applicable according to the regulations in force at the time of acquisition.

The acquisition of shares, which shall be fully paid up, must allow FCC Group companies, who, as applicable, have acquired them, to set aside provisions for the restricted reserve set out in Article 148.c) of the Spanish Corporate Enterprises Act.

This authorisation voids the authorisation approved by the Board on 23 May 2013.

A.11 Estimated floating capital.

	%
Estimated floating capital	12.728

Remarks

A.12 Indicate whether there are any restrictions (statutory, legislative or of any kind) on the transferability of securities and/or any restrictions on the right to vote.

Specifically state whether there are any type of restrictions that may make it difficult to assume control of the Company through the acquisition of its shares on the market, as well as those prior authorisation or communication systems that, concerning the acquisition or transfer of the Company's financial instruments, are applicable on account of sector regulations.

Yes ☐ No ☒

Description of the restrictions

A.13 Indicate whether the General Meeting has agreed to adopt neutralisation measures against a takeover bid under the provisions of Law 6/2007.

Yes ☐ No ☒

If applicable, explain the approved measures and the terms in which the restrictions will be deemed ineffective:

Explain the measures approved and the terms under which ineffectiveness will occur

A.14 Indicate whether the company has issued securities that are not traded on a regulated market in the European Union.

Yes ☒ No ☐

If applicable, indicate the different classes of shares and, for each class of shares, the corresponding rights and obligations.

Indicate the different classes of shares
–

Note:

On 27 November 2019, it was reported as a relevant fact that FCC Servicios Medio Ambiente Holding, S.A.U., a company fully owned by FCC, approved the issuance of two simple bond (the "Bonds") as part of an agreement taken by the Board of Directors on 13 November 2019. The Company successfully completed the pricing of the two Bond issues, amounting to €600 million paying annual interest of 0.815% and maturing in 2023; and the amount of €500 million, paying annual interest of 1.661% and maturing in 2026, respectively.

On 16 November 2018, FCC reported the registration of a Euro-Commercial Paper Program (ECP) for a maximum amount of €300 million with the following characteristics as relevant fact number 271621:

1. Issuer: Fomento de Construcciones y Contratas, S.A.
2. Maximum value of the program: €300 million.
3. Stock Market: Main Securities Market of the Irish Stock Exchange (Euronext Dublin).
4. Program Dealers: Bankia, S.A. and Banco Sabadell, S.A.

On 1 June 2017, it was reported as relevant fact and as a continuation to relevant facts Nos. 249540 and 252375, the pricing of two single bond issues by FCC Aqualia, S.A. (subsidiary of Fomento de Construcciones y Contratas, S.A.), for the sum of €700,000,000 paying annual interest of 1.413% and maturing in 2022 and for the sum of €650,000,000, paying annual interest of 2.629% and maturing in 2027, respectively. Both issues were secured against specific assets of the FCC Aqualia Group. Upon approval and registration of the corresponding prospectus, the Bonds were accepted to trading on the unregulated market (Global Exchange Market) of the Irish Stock Exchange.

B. General shareholders' meeting

B.1 Indicate and, where appropriate, describe, whether there are differences with the system of minimum quorums provided for in the Spanish Corporate Enterprises Act (LSC) with respect to the quorum of the General Meeting of Shareholders.

Yes ☒ No ☐

	% quorum other than the figure established in Art. 193 Spanish Corporate Enterprises Act for general situations	% quorum other than the figure established in Art. 194 Spanish Corporate Enterprises Act for the special cases set out in Art. 194 of the Spanish Corporate Enterprises Act
Quorum required at 1st call	50.00%	50.00%
Quorum required at 2nd call	45.00%	45.00%

Description of the differences
Consolidated Text of the Corporate Bylaws Approved at the Ordinary General Meeting on 28 June 2016 and registered with the Companies Register of Barcelona on 21 October 2016
Art. 17.- Constitution of the Meeting
1. The Ordinary or Extraordinary General Meeting of Shareholders shall be validly constituted, at the first call, when the shareholders present or represented account for at least fifty percent (50%) of the subscribed capital with the right to vote; and at the second call, the constitution of the Meeting shall be valid when the shareholders present or represented account for at least forty-five percent (45%) of the subscribed capital with the right to vote. The foregoing shall not apply to cases in which, pursuant to items on Agenda, it is not legally possible to require a percentage of capital greater than the figure established by the applicable regulations for the valid constitution of the General Meeting of Shareholders.
2. Furthermore, the percentages mentioned above shall also apply for the Ordinary and Extraordinary General Meeting of Shareholders to validly approve bond issues that, pursuant to the regulations in force at any time, the General Meeting is responsible for, any increase or reduction in capital, the transformation, merger or division of the Company, the global assignment of assets and liabilities, the suppression or limitation of the first right of refusal on new shares, the transfer of the Company's registered address abroad and, in general, any amendment to the Bylaws.
If, to validly adopt an agreement with respect to any, or several, items on the agenda of the General Meeting of Shareholders, pursuant to the applicable legal or statutory regulations, a certain percentage of the capital stock must be in attendance and this percentage is not reached, or the consent of the specific shareholders affected is required and they are not present or represented, the General Meeting of Shareholders shall be limited to discussing and deciding on items on the agenda that do not require the attendance of this percentage of the capital stock or the aforementioned shareholders.

B.2 Indicate and, where appropriate, describe whether there are differences with the system provided for in the Spanish Corporate Enterprises Act (LSC) for the adoption of corporate resolutions:

Yes ☒ No ☐

Describe the differences from the system provided for in the LSC.

	Super majority other than the figure established in Article 201.2 LSC for the hypotheses provided for in 194.1 LSC	Other cases of super majority
% established by the entity for the adoption of resolutions	50.01%	0.00%

Describe the differences
Consolidated Text of the Corporate Bylaws Approved at the Ordinary General Meeting on 28 June 2016 and registered with the Companies Register of Barcelona on 21 October 2016
Art. 26.- Deliberations. Adoption of resolutions. Proceedings
3 […] In particular, the issuance of shares or bonds or securities convertible into shares with the exclusion of the first right of refusal in favour of the shareholders of the Company shall be approved when more than fifty percent (50%) of the subscribed share capital present or represented with voting rights vote in favour.

Note:
50.01% is calculated against the subscribed share capital with voting rights.

B.3 Indicate the rules applicable to the modification of the Company's Bylaws. In particular, indicate the majorities required to modify the Bylaws, as well as, where applicable, the rules in place to protect the rights of shareholders in the modification of the Bylaws.

As adopted at the Ordinary General Meeting of Shareholders of 28 June 2016, following the amendments to the Company's Bylaws, Article 26.3 establishes the following:

"Resolutions shall be adopted by a simple majority of the votes of shareholders present or represented at the meeting, on the understanding that a resolution is adopted when it obtains more votes in favour than votes against from the capital present or represented, except in the cases in which the Law or these Bylaws require a qualified majority.

In particular, the issuance of shares or bonds or securities convertible into shares with the exclusion of the first right of refusal in favour of the shareholders of the Company shall be approved when more than fifty percent (50%) of the subscribed share capital present or represented with voting rights vote in favour".

Therefore, the Company's internal rules do not contain any provisions relating to the modification of the Bylaws, other than those provided for by Law.

B.4 Indicate the attendance details at the general meetings held in the year to which this report refers and those in the preceding years:

	Attendance details				
			% remote voting		
Date of the general meeting	% attendance in person	% by proxy	Electronic voting	Other	Total
8-05-2019	20.082%	70.735%	0.004%	0.005%	90.827%
Of which, Floating capital:	0.115%	9.223%	0.004%	0.005%	9.347%
28-06-2018	20.119%	69.418%	0.001%	0.003%	89.541%
Of which, Floating capital:	0.062%	8.307%	0.001%	0.003%	8.373%
28/06/2017	20.261%	68.631%	0.004%	0.030%	88.92%
Of which, Floating capital:	0.238%	7.520%	0.004%	0.030%	7.792%

Remarks
–

B.5 Indicate whether there have been any items on the agenda at general meetings held during the year that, for any reason, have not been approved by shareholders.

Yes ☐ No ☒

Items on the agenda that have not been approved	% vote against (*)

(*) If the non-approval of the item can be traced to a cause other than a vote against, an explanation shall be provided in the text section and in the "% vote against" column, "N/A" shall be inserted.

B.6 Indicate whether there are any statutory restrictions that establish a minimum number of shares necessary to attend the General Shareholders' Meeting, or to vote remotely:

Yes ☐ No ☒

Number of shares required to attend the General Shareholders' Meeting	
Number of shares required to vote remotely	

Remarks

B.7 Indicate whether it has been established that certain resolutions, other than those established by law, involving an acquisition, disposal, contribution of essential assets to another company or other similar corporate transactions, must be submitted for approval by the General Shareholders' Meeting.

Yes ☒ No ☐

Explanation of the resolutions that must be submitted to the General Shareholders' Meeting, other than those established by Law
The resolutions not established by Law and that, according to the Bylaws approved at the Ordinary General Shareholders' Meeting on 28 June 2016, must be taken by the General Shareholders' Meeting are: Article 14 of the Bylaws, paragraphs e), f), l) and o): "e) The issuance or creation of new classes or series of shares." "f) The issuance of bonds and other securities that, pursuant to the applicable regulations at any time, are the responsibility of the General Shareholders' Meeting and the delegation to the Board of Directors of the power to issue them." "l) Transactions whose effect is equivalent to the winding up of the Company." "o) The authorisation to acquire own shares within the legal limits."

B.8 Indicate the address and manner of accessing the company's website for information on Corporate Governance and other information on general shareholders' meetings that must be made available to shareholders on the Company's website.

The FCC website **(www.fcc.es)** has a section dedicated to Corporate Governance, accessible from the home page, through the "Shareholders and investors" and "Responsibility and Sustainability" sections. This website contains information regarding the Company's regulations on Corporate Governance, governing bodies, annual Corporate Governance and remuneration reports, shareholders' meetings, shareholder agreements, and Ethics and Integrity. Furthermore, using these tabs, under the heading "General Shareholders' Meeting", shareholders can access information on electronic voting and the electronic forum of shareholders, pursuant to the provisions of Article 539.2 of the consolidated text of the Spanish Corporate Enterprises Act.

The website is just two clicks from the home page. Its contents are structured and hierarchised, under quick access headings and all its pages can be printed out.

The pages of this website have been developed pursuant to Level AA of UNE Standard 139803:2012, which, in turn, is based on the W3C 2.0 Web Content Accessibility Guidelines.

All Priority 1 and Priority 2 requirements have been checked by expert accessibility analysts using manual accessibility analyses, complemented by different semi-automatic tools, user agents and technical aids.

C. Structure of the company's administration

C.1 Board of Directors

C.1.1 Maximum and minimum number of directors provided for the Bylaws and the number defined by the General Shareholders' Meeting:

Maximum number of directors	15
Minimum number of directors	15
Number of directors defined by the Shareholders' Meeting	15

Remarks

C.1.2 Fill in the following table with Board members:

Name or corporate name of the director	Representative	Director category	Position on the Board	First appointment date	Last appointment date	Election procedure	Date of birth
Dominum Desga, S.A.	Esther Alcocer Koplowitz	Proprietary	Chairwoman	27-09-2000	28-06-2016	General Shareholders' Meeting Resolution	10/11/1970
Samede Inversiones 2010, S.L.U.	Esther Koplowitz Romero de Juseu	Proprietary	Deputy Chairwoman	13-04-2015	08-05-2019	General Shareholders' Meeting Resolution	10/08/1950
Pablo Colio Abril		Executive	Chief Executive Officer	12-09-2017	28-06-2018	General Shareholders' Meeting Resolution	8/06/1968
Alejandro Aboumrad González		Proprietary	Director	13-01-2015	08-05-2019	General Shareholders' Meeting Resolution	26/02/1980
Dominum Dirección y Gestión, S.A.	Carmen Alcocer Koplowitz	Proprietary	Director	26-10-2004	08-05-2019	General Shareholders' Meeting Resolution	01/01/1974
EAC inversiones corporativas	Alicia Alcocer Koplowitz	Proprietary	Director	30-03-1999	28-06-2017	General Shareholders' Meeting Resolution	10/10/1971
Manuel Gil Madrigal		Independent	Director	27-02-2015	08-05-2019	General Shareholders' Meeting Resolution	1/05/1960
Antonio Gómez García		Proprietary	Director	29-06-2016	29-06-2016	General Shareholders' Meeting Resolution	21/02/1961
Inmobiliaria AEG, S.A. de CV	Carlos Slim Helú	Proprietary	Director	13-01-2015	08-05-2019	General Shareholders' Meeting Resolution	28/01/1940
Gerardo Kuri Kaufmann		Executive	Director	13-01-2015	08-05-2019	General Shareholders' Meeting Resolution	17/12/1983
Henri Proglio		Independent	Director	27-02-2015	08-05-2019	General Shareholders' Meeting Resolution	29/06/1949
Juan Rodríguez Torres		Proprietary	Director	7-10-2015	28-06-2016	General Shareholders' Meeting Resolution	5/08/1939
Alfonso Salem Slim		Proprietary	Director	29-06-2016	29-06-2016	General Shareholders' Meeting Resolution	3/11/1961
Álvaro Vázquez de Lapuerta		Independent	Director	27-02-2015	08-05-2019	General Shareholders' Meeting Resolution	30/04/1957

Total number of directors	14

Indicate any departures, either by resignation, dismissal, or for any other cause, that have occurred on the Board of Directors during the reporting period:

Name or corporate name of the director	Category of the director at the time of departure	Date of most recent appointment	Departure date	Special commissions of which he/ she was a member	Indicate whether the departure occurred before the end of the term
Carlos M. Jarque Uribe	Proprietary	29-06-2016	09-05-2019	No	Yes

Causes of departure and other remarks
Personal reasons.

C.1.3 Fill in the following tables on the Board members and their different categories:

EXECUTIVE DIRECTORS

Name or corporate name of the director	Position in the company's organisational chart	Profile
Pablo Colio Abril	Chief Executive Officer of FCC, Chairman of FCC Construcción, Chairman of FCC Medio Ambiente and Deputy Chairman of FCC Servicios Medioambientales Holding, S.A.	Architect, graduating from the Higher Technical School of Madrid. He has spent most of his professional career at FCC, a company to which he has dedicated more than 24 years. Within the Group, he has been responsible for the international expansion of the Industrial area. Positions he has previously held include Managing Director of FCC Construcción and Managing Director of FCC Industrial. He is the CEO of the FCC Group and a member of its Executive Committee, functions that are compatible with those of the Chairman of FCC Construcción, Chairman of FCC Medio Ambiente and Deputy Chairman of FCC Servicios Medioambiental Holding, S.A. He is also a director of the Mexican firm Carso Infraestructuras y Construcción (CICSA).
Gerardo Kuri Kaufmann	Chief Executive Officer of Cementos Portland Valderrivas	Industrial Engineer graduate from the University of Anáhuac (Mexico). From 2008 to 2010, he served as purchasing director at Carso Infraestructuras y Construcción, S.A.B. de C.V. From the incorporation of Inmuebles Carso, S.A.B de C.V., he has been in charge of its General Management. He is a member of the board of directors of Minera Frisco SAB. de C.V., Elementia, S.A., Philip Morris México, S.A. de C.V. and Inmuebles Carso, S.A.B de C.V. He is the CEO of Cementos Portland Valderrivas, S.A. and Realia Business, S.A.

Total number of executive directors	2
% of the total Board	14.29

Remarks

EXTERNAL PROPRIETARY DIRECTORS

Name or corporate name of the director	Name or corporate name of the significant shareholder that he/she represents or that has proposed his/her appointment	Profile
Dominum Desga, S.A. (Represented by Esther Alcocer Koplowitz)	Dominum Dirección y Gestión, S.A.	Degree in Law, she has completed the Senior Business Management Program (PADE) at the IESE in Madrid. Since January 2013, she has served as Chairwoman of the FCC Group, a member of its Executive Committee and the Appointments and Remuneration Committee. She is also a director at Cementos Portland Valderrivas, on behalf of EAC Medio Ambiente, S.L., Realia, on behalf of EAC Inversiones Corporativos, S.L., and Caixa-Bank-Banca Privada. The representatives of Dominum Desga, S.A., Samede Inversiones 2010, S.L.U., Dominum Direction and Management, S.A. and EAC Inversiones Corporativas, S.L. maintain a parent-subsidiary relationship. (See Section A.6 of this Report for a description of the relationships between the director and the significant shareholders).
Samede Inversiones 2010, S.L.U (Represented by Esther Koplowitz Romero de Juseu)	Dominum Dirección y Gestión, S.A.	Shareholder in FCC, S.A. through Dominum Dirección y Gestión, S.A. she is a member of the Board of Directors of FCC, S.A., and the company's Deputy Chairwoman. She is also a director at FCC Environment. She holds a degree in Philosophy and Arts from the University of Madrid; she has developed her business experience in the international field as a Director of Veolia and Vivendi. She is founder and chairwoman of the Esther Koplowitz Foundation. Among other acknowledgements, she has been awarded: the Grand Cross of Civil Merit, the Gold Medal of the Region of Madrid, the Gold Medal and the title of Academic of Honour of the Royal Academy of History, the distinction of Honorary Citizen by the Valencia City Council, the City of Barcelona Coat of Arms, the Business Leader of the Year award, granted by the Spanish Chamber of Commerce in the USA, the Blanquerna Prize of the Generalitat of Catalonia, Madrid Grand Cross of Healthcare, the Gold and Diamond Insignia of the Police Orphans Foundation, Légion d'Honneur of the French Republic and The Grand Cross of the Civil Order of Environmental Merit, awarded by the Spanish Council of Ministers. The representatives of Dominum Desga, S.A., Samede Inversiones 2010, S.L.U., Dominum Direction and Management, S.A. and EAC Inversiones Corporativas, S.L. maintain a parent-subsidiary relationship. (See Section A.6 of this Report for a description of the relationships between the director and the significant shareholders).

Name or corporate name of the director	Name or corporate name of the significant shareholder that he/she represents or that has proposed his/her appointment	Profile
Alejandro Aboumrad González	Control Empresarial de Capitales, S.A. de C.V.	Industrial Engineer graduate from the University of Anáhuac (Mexico). He has worked in subsidiaries and companies related to Grupo Carso during the last 14 years, of which five years he worked at Grupo Financiero Inbursa in the area of Project Evaluation and Risk Assessment. 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 at Cementos Portland Valderrivas, S.A. on behalf of Inmobiliaria AEG, S.A. de C.V., and director and Chairman of the Board of Directors of FCC Aqualia and Chairman of FCC Servicios Medioambiental Holding, S.A. (See Section A.6 of this Report for a description of the relationships between the director and the significant shareholders).
Dominum Dirección y Gestión, S.A. (Represented by Carmen Alcocer Koplowitz)	Dominum Dirección y Gestión, S.A.	Graduate in Law from the Francisco de Vitoria University of Madrid. She is a director at FCC, S.A. She is a director at B-1998, S.L. and sits on the Board of Directors of Cementos Portland Valderrivas, S.A., on behalf of Meliloto, S.L. She is a board member of the Esther Koplowitz Foundation. The representatives of Dominum Desga, S.A., Samede Inversiones 2010, S.L.U., Dominum Direction and Management, S.A. and EAC Inversiones Corporativas, S.L. maintain a parent-subsidiary relationship. (See Section A.6 of this Report for a description of the relationships between the director and the significant shareholders).

Name or corporate name of the director	Name or corporate name of the significant shareholder that he/she represents or that has proposed his/her appointment	Profile
EAC Inversiones Corporativas, S.L. (Represented by Alicia Alcocer Koplowitz)	Dominum Dirección y Gestión, S.A.	A Law graduate, she started her professional career at Banco Zaragozano, where she worked for four years in the Finance Department, at the bank's treasury desk and served as a director. She is a director at FCC and a member of its Executive Committee. In turn, she is chairwoman of Cementos Portland Valderrivas, S.A. and a member of its Executive Committee and its Appointments and Remuneration Committee. She is a member of the Innovation Committee, under the Secretary of State for Science, Technology, and Innovation. She is also a member of the Board of the Esther Koplowitz Foundation and the Valderrivas Foundation. The representatives of Dominum Desga, S.A., Samede Inversiones 2010, S.L.U., Dominum Direction and Management, S.A. and EAC Inversiones Corporativas, S.L. maintain a parent-subsidiary relationship. (See Section A.6 of this Report for a description of the relationships between the director and the significant shareholders).
Antonio Gómez García	Control Empresarial de Capitales, S.A. de C.V.	He is a graduate in Industrial Engineering from the Universidad Iberoamericana. He has held the position of Managing Director of Grupo Porcelanite, S.A. de C.V., US Commercial Corp., S.A.B de C.V., and he currently performs the role of Managing Director at Carso Infraestructura y Construcción, S.A. de C.V., Managing Director of Grupo Condumex, S.A. de C.V., and Managing Director of Grupo Carso, S.A.B. de C.V. (See Section A.6 of this Report for a description of the relationships between the director and the significant shareholders).

Name or corporate name of the director	Name or corporate name of the significant shareholder that he/she represents or that has proposed his/her appointment	Profile
Inmobiliaria AEG, S.A. de CV (Represented by Carlos Slim Helú)	Control Empresarial de Capitales, S.A. de C.V.	Civil Engineer from the National Autonomous University of Mexico (UNAM). Founder of Grupo Carso, S.A.B. de C.V., América Móvil, Grupo Financiero Inbursa, and Inversora bursátil. He is the owner of Teléfonos de México (Telmex). He has been Deputy Chairman of the Mexican Stock Exchange and Chairman of the Mexican Association of Brokerage Houses. He was the first Chairman of the Latin American Committee of the New York Stock Exchange Board of Directors. He is currently Chairman of the Board of Directors of Carso Infraestructuras y Construcción (CICSA), Minera Frisco and Chairman of Fundación Carlos Slim de la Educación, A.C. and Fundación Telmex, A.C. Additionally, he is a member of the Board of Directors of Inmuebles Carso, Ideal and Trustee of the Banking Foundation 'La Caixa'. (See Section A.6 of this Report for a description of the relationships between the director and the significant shareholders).
Juan Rodríguez Torres	Control Empresarial de Capitales, S.A. de C.V.	Civil Engineer from the Autonomous University of Mexico. He has a full Master's degree in Operational Planning and Research from UNAM. He has also completed administration studies at IPADE and obtained a diploma in prestressed concrete in Paris. He founded the Mexican Business Generation Association. He has been Production Manager and Controller of Preesforzados Mexicanos, S.A. de ICA, and Managing Director of Domit Group in the footwear sector. 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. on behalf of Inmuebles Inseo, S.A. de C.V. He is a non-executive chairman of Realia. (See Section A.6 of this Report for a description of the relationships between the director and the significant shareholders).
Alfonso Salem Slim	Control Empresarial de Capitales, S.A. de C.V.	He graduated in Civil Engineering from University of Anahuac in the class of 80-84. Throughout his professional career, Salem Slim has performed the role of assistant director of Expansion at Sanborns Hermanos; director of Shopping Centres at Grupo CARSO; director of Real-Estate at INBURSA; Managing Director of Hoteles Calinda, Managing Director of Grupo PC Constructores; Managing Director of IDEAL, and he is currently Deputy Chairman of the Board of Directors of IDEAL and Chairman of the Board of Directors and Managing Director of Inmuebles CARSO. He is also a member of the Board of Directors of Grupo CARSO; IDEAL; CICSA; Carso Real Estate; SEARS; Gigante Grupo Inmobiliario; ELEMENTIA and Gas Natural Fenosa. (See Section A.6 of this Report for a description of the relationships between the director and the significant shareholders).

Total number of proprietary directors	9
% of the total Board	64.29

Remarks

INDEPENDENT EXTERNAL DIRECTORS

Name or corporate name of the director	Profile
Manuel Gil Madrigal	He holds a degree in Law and Business Sciences (E-3) by ICADE and is a founding partner of the company Tasmania Gestión. In 2000 he was also founder of the financial company N+1 and has been a board member of Ezentis, Funespaña, General de Alquiler de Maquinaria (GAM) and Campofrío, among other companies. During his career he has also been director of Capital Markets for AB Asesores Bursátiles, partner of Morgan Stanley and auditor of Arthur Andersen.
Henri Proglio	A graduate of the Higher School of Business Administration (HEC) in Paris, he is the Chairman of Thales. He is currently a director of Natixis Banque and of Dassault Aviation. He has also served as Chairman of the energy giant Électricité de France (2009-2014) and Veolia Environnement (2003-2009), as well as a board member of FCC, Lagardère Group and Vinci, among other companies.
Álvaro Vázquez de Lapuerta	He holds a degree in Law and Business Studies (E-3) by ICADE and is currently a partner of the firms Akiba Partners and Meridia Capital Partners. He was Managing Director for Spain and Portugal at Dresdner Kleinwort, and CEO and head of Investor Relations at securities firm BBVA Bolsa. Previously he held various positions at JP Morgan in Mexico, New York, London and Madrid.

Total number of independent directors	3
% total of the Board	21.43

Remarks

Indicate whether any director qualified as independent receives any amounts or benefits for any concept other than director remuneration from the company or its group, or maintains or has maintained, during the last tax year, a business relationship with the company or with any company in its group, either in its own name or as a significant shareholder, director or senior manager of an entity with which he/she maintains or has maintained this relationship.

None

As applicable, a reasoned statement by the Board shall be included providing the reasons why it believes that this director can perform his/her duties as an independent director.

Name or corporate name of the director	Description of the relationship	Reasoned statement

OTHER EXTERNAL DIRECTORS

The other external directors shall be identified and the reasons they cannot be considered proprietary or independent and their relationships, whether with the Company, its directors, or its shareholders, shall be detailed:

Name or corporate name of the director	Reasons	Company, executive or shareholder with whom he/she maintains a relationship	Profile

Total number of other external directors	
% total of the Board	

Remarks

Indicate the changes to the category of each director that, as appropriate, have occurred during the period:

Name or corporate name of the director	Change date	Previous category	Current category
–	–	–	–

Remarks

C.1.4 Fill in the following table with information regarding the number of female directors at the end of the past 4 years, as well as the category of these female directors:

	Number of female directors				% of the total number of directors for each category			
	Business year t	Business year t-1	Business year t-2	Business year t-3	Business year t	Business year t-1	Business year t-2	Business year t-3
Executive	0	0	0	0	0	0	0	0
Proprietary	4	4	4	4	44.44	40	40	44.44
Independent	0	0	0	0	0	0	0	0
Other External	0	0	0	0	0	0	0	0
Total:	4	4	4	4	28.57	26.66	26.66	26.66

Remarks
–

C.1.5 Indicate whether the company has diversity policies in place in relation to the company's Board of Directors in terms of issues including age, gender, disability, or professional training and experience. SMEs, pursuant to the definition contained in the Account Audit Law, shall report, as a minimum, the policy established in relation to gender diversity.

Yes ☒ No ☐ Partial policies ☐

If so, describe these diversity policies, their objectives, the measures and the way in which they were applied and their results during the business year. The specific measures adopted by the Board of Directors and the Appointments and Remuneration Committee to achieve a balanced and diverse presence of directors shall also be indicated.

In case the company has no diversity policy in place, explain the reasons for this.

Description of the policies, objectives, measures and manner in which they have been applied, as well as the results obtained
Article 38.4.h of the Rules of the Board establishes, in accordance with the duties of the Appointments and Remuneration Committee, the following: "Assist the Board in its role of ensuring that the selection procedures of its members favour diversity of gender, experience and knowledge and do not suffer from implicit biases that may imply any discrimination and, in particular, that facilitate the selection of female Directors, so that the Company deliberately seeks and includes among the potential candidates, women who meet the intended professional profile, with the Board having to explain, where applicable, through the Annual Corporate Governance Report, the reason for the scant or non-existent number of female Directors and the initiatives taken to correct this situation. For the purposes of the foregoing, it must establish a representation objective for the less represented gender in the Board of Directors and prepare guidelines on how to achieve this objective". In 2019, and until 2021, FCC has renewed its commitment to the Diversity Charter, a voluntary code for the promotion of the core Equality principles. The initiative, promoted by the Directorate of Justice at the European Commission as part of the development of its anti-discrimination policies, contemplates the implementation of inclusion policies and non-discrimination programmes at signatory companies.

C.1.6 Explain the measures that, where appropriate, the Appointments Committee may have agreed to ensure the selection procedures do not suffer from implicit biases that prevent the selection of female directors, and to ensure the company deliberately seeks and includes among the potential candidates, women who meet the professional profile sought and make it possible to achieve a balanced presence of women and men:

Explanation of the measures
Article 38.4.h of the Rules of the Board establishes, in accordance with the duties of the Appointments and Remuneration Committee, the following: “Assist the Board in its role of ensuring that the selection procedures of its members favour diversity of gender, experience and knowledge and do not suffer from implicit biases that may imply any discrimination and, in particular, that facilitate the selection of female Directors, so that the Company deliberately seeks and includes among the potential candidates, women who meet the intended professional profile, with the Board having to explain, where applicable, through the Annual Corporate Governance Report, the reason for the scant or non-existent number of female Directors and the initiatives taken to correct this situation. For the purposes of the foregoing, it must establish a representation objective for the less represented gender in the Board of Directors and prepare guidelines on how to achieve this objective”. The Appointments and Remuneration Committee has not established, to date, specific additional measures to those contained in Article 38.4.h of the Rules of the Board, nor objectives other than those pertaining to the current situation. The percentage of female directors on the Board of Directors is 28.57 percent.

When, despite the measures adopted, as applicable, the number of female directors is low or zero, explain the reasons that justify this:

Explanation of the reasons
–

C.1.7 Explain the conclusions of the Appointments Committee on the verification of compliance with the director selection policy. And in particular, on how this policy promotes the objective that in 2020, female directors will account for at least 30% of the total members of the Board of Directors.

At the General Shareholders’ Meeting of 28 June 2016, four new directors were appointed at the proposal of the controlling shareholder, Inversora Carso, in use of the powers granted in the shareholder agreement of 25 February 2016. The mandates of two other directors were also renewed at the aforementioned meeting.

On 12 September 2017, the Board of Directors appointed Pablo Colio Abril as CEO by co-option. Subsequently, on 28 June 2018, the General Shareholders’ Meeting agreed to appoint Pablo Colio Abril, a member of the Board of Directors, as an 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.

To this end, the Appointments and Remuneration Committee has not established, to date, objectives other than those pertaining to the current situation or additional measures to those contained in Article 38.4.h of the Rules of the Board.

As at 31 December 2019, the representation of female directors on the Board of Directors of FCC, came to 28.57 percent, with Esther Alcocer Koplowitz serving as its non-executive Chairwoman.

C.1.8 Explain, where appropriate, the reasons that proprietary directors have been appointed at the request of shareholders whose shareholding is less than 3% of capital stock:

Name or corporate name of the shareholder	Justification
–	–

Indicate whether formal requests for presence on the Board from shareholders whose shareholding is equal to or greater than that of others, at whose request proprietary directors have been appointed, have not been met. If applicable, explain the reasons that they have not been addressed:

Yes ☐ No ☒

Name or corporate name of the shareholder	Explanation

C.1.9 Indicate, whether any powers have been delegated by the Board of Directors to directors or Board Committees and what these entail:

Name or company name of the director or committee	Brief description
Pablo Colio Abril	All except those that are non-delegable

C.1.10 Identify, as the case may be, the members of the Board that assume the positions of administrators, representatives of administrators or directors at other companies that are part of the listed Company's group:

Name or corporate name of the director	Corporate name of the Group company	Position	Entrusted with executive functions?
EAC, Inversiones Corporativas, S.L.	Cementos Portland Valderrivas	Chairmanship	No
Inmobiliaria AEG, S.A. de C.V.	Cementos Portland Valderrivas	Director	No
Gerardo Kuri Kaufmann	Cementos Portland Valderrivas	Chief Executive Officer	Yes
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 Inmobiliaria AEG, S.A.	No
	FCC Aqualia, S.A.	Director and Chairman of the Board of Directors	No
Antonio Gómez García	FCC Américas	Alternate director	No
Pablo Colio Abril	FCC Medio Ambiente, S.A.	Chairman	Yes
	FCC Aqualia, S.A.	Director	No
	FCC Construcción, S.A.	Chairman	Yes
	FCC Environment (UK) limited	Administrator	Yes
	FCC Medio Ambiente Reino Unido, S.L.U	Deputy Chairman	Yes
	FCC Servicios Medio Ambiente Holding, S.A.U	Deputy Chairman	Yes
	Fomento de Construcciones y Contratas, S.A	Chief Executive Officer	Yes

Remarks

C.1.11 If applicable, list the directors or representatives of corporate directors of your Company, who are members of the Board of Directors or representatives of corporate directors of other companies listed on official securities markets other than your Group, of which the Company has been informed:

Name or corporate name of the director	Corporate name of the listed company	Position
EAC Inversiones Corporativas, S.L. (represented by Esther Alcocer Koplowitz)	Realia Business	Director
Gerardo Kuri Kaufmann	Realia Business	Chief Executive Officer
Manuel Gil Madrigal	Barón de Ley, S.A.	External director-other
Juan Rodríguez Torres	Realia Business	Non-executive chairman

Remarks

C.1.12 Indicate and, if applicable, explain whether the Company has established rules on the maximum number of Boards of Directors on which its directors may sit, identifying, where appropriate, where this provision is regulated:

Yes ☐ No ☒

Explanation of the rules and identification of the document where this is regulated

C.1.13 Indicate the amounts of the following concepts relating to the global remuneration of the Board of Directors:

Remuneration accrued during the business year in favour of the Board of Directors (thousands of euros)	1,833
Amount of rights accrued by current directors for pension benefits (thousands of euros)	0
Amount of rights accrued by former directors for pension benefits (thousands of euros)	3,100

Remarks
–

C.1.14 Identify members of Senior Management who are not executive directors, and indicate the total remuneration accrued in their favour during the business year:

Name or corporate name	Position(s)
Marcos Bada Gutiérrez	Managing Director of Internal Audit
Felipe B. García Pérez	General secretary
Miguel Ángel Martínez Parra	Managing Director of Administration and Finance
Félix Parra Mediavilla	Managing Director of Aqualia

Total Senior Management remuneration (thousands of euros)	1,819.13

Remarks

C.1.15 Indicate whether there has been any change in the Rules of the Board during the business year:

Yes ☐	No ☒

Description of the changes

C.1.16 Indicate the procedures for the selection, appointment, re-election and removal of directors. List the competent bodies, the procedures to be followed and the criteria to be used in each of the procedures:

The General Shareholders' Meeting is responsible for the appointment and removal of directors. Directors may be re-elected indefinitely, one or more times, for maximum periods of four years (Article 30.3 of the Bylaws).

Pursuant to Article 29.4 of the Bylaws, in its proposals for the appointment, re-election, ratification or removal of directors submitted to the General Shareholders' Meeting and in the appointment decisions adopted by the Board in the use of its legally attributed powers of co-option, the Board of Directors shall follow the criteria and guidelines established in this regard in the Rules of the Board of Directors.

Chapter IV of the Rules of the Board on the "Appointment and Removal of Directors" regulate these cases:

Article 16. Appointment, ratification or re-election of directors. 1. Proposals for the appointment or re-election of directors submitted by the Board of Directors for consideration by the General Shareholders' Meeting and the appointment decisions adopted by the Board in the use of its legally attributed powers of co-option, shall fall on persons of recognised prestige, solvency, technical competence and experience, and shall be approved by the Board at the proposal of the Appointments and Remuneration Committee, in the case of independent directors, and after a report from the Appointments and Remuneration Committee, in the case of other directors. 2. All proposals shall be accompanied by a justifying report from the Board assessing the competence, experience and merits of the proposed candidate, which shall be attached to the minutes of the General Shareholders' Meeting or the Board meeting. 3. If a legal person is appointed as a Director, it shall be required to appoint one natural person to permanently exercise the corresponding duties, who shall be subject to the requirements of prestige, solvency, technical competence and experience and the system of prohibitions and incompatibilities indicated in these Rules and the duties of the Director established in these Rules shall be enforceable in a personal capacity. Corporate directors cannot revoke the appointment of a representative until they designate a replacement. Likewise, the proposed representation by a natural person shall be subject to a report by the Appointments and Remuneration Committee. 4. From the moment at which the announcement of the General Shareholders' Meeting is published, the Board of Directors shall publish, on its website, the following information on the persons proposed for the appointment or ratification as Directors and, where appropriate, on the natural person representing the corporate director: (i) their professional and biographical profile; (ii) other Boards of Directors on which they sit, whether they are listed companies or not; (iii) indication of the category of director to which they belong as appropriate, indicating, in the case of proprietary directors, the shareholder promoting their appointment, re-election or ratification or with whom they have ties; (iv) date of their initial appointment as a director at the Company, as well as subsequent appointments; (v) shares in the Company and derivative financial instruments whose underlying objects are shares in the Company, held by the director who is being ratified or re-elected or the candidate nominated to occupy the position for the first time. This information shall be kept up to date; and (vi) the reports and proposals from the competent bodies in each case. 5. The secretary of the Board of Directors shall provide each new director with a copy of the Bylaws, of these Rules, of the FCC Group's Code of Ethics, of the Internal Code of Conduct for the Stock Market, the latest individual and consolidated annual accounts and management reports, approved by the General Shareholders' Meeting, the corresponding audit reports and the latest financial and economic information submitted to the markets. They shall also be provided with the identification of the current account auditors and their representatives. 6. Each director shall sign a document confirming receipt of this documentation, that they are aware of its contents and that they faithfully fulfil their duties as a director. 7. The Company shall establish orientation programmes that provide new directors with fast and sufficient knowledge of the Company and its Group as well as the Corporate Governance rules, in addition to imparting knowledge refresher courses when the circumstances so require.

Article 17. Duration of the position

1. Directors shall serve in their post during the term established in the Bylaws. 2. Directors appointed by co-option shall hold their position until the date on which the first General Shareholders' Meeting is held. Furthermore, if the vacancy arises once the General Shareholders' Meeting has been called and before it is held, the Board of Directors may appoint a director until the next General Shareholders' Meeting is held. 3. A director whose mandate is coming to an end or who, for any other reason, ceases to hold office, may not provide services at a competitor of FCC for a period of two (2) years. 4. The Board of Directors, if deemed appropriate, may dispense with this obligation or shorten its duration.

Article 18. Re-election of directors

In addition to satisfying the established requirements in terms of appointments established in Article 16 above, prior to any re-election of directors that is submitted to the General Shareholders' Meeting, the Appointments and Remuneration Committee must issue a report in which the quality of work and dedication to the position of the proposed directors during the previous term.

Article 19. Departure of directors

1. Directors shall step down from their posts when the period for which they were appointed comes to an end or when the General Shareholders' Meeting decides so in the use of its legally and statutorily conferred powers. 2. Directors shall make their position available to the Board of Directors and formalise, if the Board deems appropriate, their resignation in the following cases: a) When they step down from their positions, posts 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 were appointed transfers their entire shareholding in FCC or reduces their shareholding to a level that requires the reduction of the number of proprietary directors. c) When they are affected by any of the cases of incompatibility or prohibition provided by Law. d) When approved by at least two thirds (2/3) of the members of the Board: - if, having infringed their obligations as directors, they are seriously reprimanded by the Board, at the proposal or subject to a report by the Appointments and Remuneration Committee, or - when their permanence on the Board may place the credit and reputation of the Company at risk. In this regard, the directors must inform the Board of criminal cases in which they are named as defendants and the subsequent legal proceedings. In any case, if any Director is prosecuted or tried for any of the corporate crimes established in Article 213 of the Spanish Corporate Enterprises Act, the Board shall examine the case as soon as possible and, based on the specific circumstances, decide whether the director should submit his resignation or not, providing a reasoned account of this in the Annual Corporate Governance Report. 3. In the event that a natural person representing a corporate director is affected by any of the cases provided for in the previous section, this person shall be disqualified from exercising this representation. 4. The Board of Directors may not propose the removal of any independent director before the end of the statutory period for which they were appointed, unless there is just cause, identified by the Board following in a report from the Appointments and Remuneration Committee. In particular, it shall be understood that there is just cause when the Director had breached the duties inherent to their position or incurred in any of the circumstances described in Article 6.2.a) of these Regulations, which prevent their appointment as an independent director. The removal of independent directors may also be proposed as a result of takeovers, mergers or similar corporate transactions that involve a change in the capital structure of the Company, when these changes in the structure of the Board are attributable to the proportionality of the number of proprietary directors and independent directors in relation to the capital represented by the proprietary directors and the remainder of the capital stock. 5. When either by resignation or for any other reason, a director steps down from his/her post before the end of the corresponding term, an explanation shall be provided in writing sent to all the members of the Board, notwithstanding his/her resignation being communicated as a relevant fact and the reason for the resignation being reported in the Annual Corporate Governance Report. In particular, if the resignation of the Director is due to the fact that the Board has taken significant or repeated decisions, concerning which the director has made serious reservations and as a consequence of which, he/she decides to resign, in the letter of resignation addressed to other members, this circumstance shall be expressly stated.

C.1.17 *Explain the extent to which the annual assessment of the Board has resulted in significant changes to your internal organisation and the procedures applicable to your activities:*

Description modifications
In 2019, no shortcomings have been detected that make an action plan necessary.

Describe the assessment process and the areas assessed by the Board of Directors assisted, where appropriate, by an external consultant, regarding the functioning and composition of the Board and its committees and any other area or aspect that has been subject to assessment.

The Board of Directors of Fomento de Construcciones y Contratas, S.A. (hereinafter, the Company) issued a report assessing the quality and efficiency of its functioning, and the functioning of its Committees, during 2019, with a view to complying with the duties imposed by Article 34.9 of the Rules of the Board of Directors, through which recommendation 36 of the Code of Good Governance for Listed Companies published by the CNMV on 18 February 2015, Article 529 nonies of the Spanish Corporate Enterprises Act and the instructions of Technical Guide 3/2017 of the CNMV published in June 2017 was introduced.

The report was examined and approved by the Company's Board of Directors, which in accordance with the aforementioned Article 34.9 of the Rules of the Board is the body responsible for assessing the quality and efficiency of its own functioning, at its meeting on 21 January 2020. In preparing the report, all the members of the Board of Directors were involved and actively participated, taking into consideration the comments, assessments, opinions and suggestions expressed as part of this process by all of them.

For the 2019 financial report, the self-assessment process was performed assessing the different aspects that affect the functioning, efficiency and quality of the actions taken and decisions made by the Board of Directors, as well as the contribution of its members to the exercise of the duties and achievement of the aims assigned to the Board.

Furthermore, the respect and compliance by the Board of Directors and its members for the statutory precepts, the Rules of the Board of Directors and, in general, the rules of Good Governance of Listed Companies have been taken into account.

C.1.18 Breakdown, for business years in which the assessment has been aided by an external consultant, of the business relationships that the consultant or any company in its Group maintains with the Company or any company in its Group.

The information and advice of the internal services of the Company has been provided, without such advice being received from external consultants.

C.1.19 Indicate the cases in which directors are required to resign.

Consolidated text of the Rules of the Board of Directors following the modifications of 28 July 2016 and registered in the Companies Register on 21 October 2016).

Article 19. Departure of directors

1. Directors shall step down from their posts when the period for which they were appointed comes to an end or when the General Shareholders' Meeting decides so in the use of its legally and statutorily conferred powers.
2. Directors shall make their position available to the Board of Directors and formalise, if the Board deems appropriate, their resignation in the following cases:
   a) When they step down from their positions, posts 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 were appointed transfers their entire shareholding in FCC or reduces their shareholding to a level that requires the reduction of the number of proprietary directors.
   c) When they are affected by any of the cases of incompatibility or prohibition provided by Law.
   d) When approved by at least two thirds (2/3) of the members of the Board: - if, having infringed their obligations as directors, they are seriously reprimanded by the Board, at the proposal or subject to a report by the Appointments and Remuneration Committee, or - when their permanence on the Board may place the credit and reputation of the Company at risk. In this regard, the directors must inform the Board of criminal cases in which they are named as defendants and the subsequent legal proceedings. In any case, if any director is prosecuted or tried for any of the corporate crimes established in Article 213 of the Spanish Corporate Enterprises Act, the Board shall examine the case as soon as possible and, based on the specific circumstances, decide whether the director should submit his resignation or not, providing a reasoned account of this in the Annual Corporate Governance Report.
3. In the event that a natural person representing a corporate director is affected by any of the cases provided for in the previous section, this person shall be disqualified from exercising this representation.
4. The Board of Directors may not propose the removal of any independent director before the end of the statutory period for which they were appointed, unless there is just cause, identified by the Board following in a report from the Appointments and Remuneration Committee. In particular, it shall be understood that there is just cause when the director had breached the duties inherent to their position or incurred in any of the circumstances described in Article 6.2.a) of these Regulations, which prevent their appointment as an independent director. The removal of independent directors may also be proposed as a result of takeovers, mergers or similar corporate transactions that involve a change in the capital structure of the Company, when these changes in the structure of the Board are attributable to the proportionality of the number of proprietary directors and independent directors in relation to the capital represented by the proprietary directors and the remainder of the capital stock.
5. When either by resignation or for any other reason, a director steps down from his/her post before the end of the corresponding term, an explanation shall be provided in writing sent to all the members of the Board, notwithstanding his/her resignation being communicated as a relevant fact and the reason for the resignation being reported in the Annual Corporate Governance Report. In particular, if the resignation of the Director is due to the fact that the Board has taken significant or repeated decisions, concerning which the Director has made serious reservations and as a consequence of which, he/she decides to resign, in the letter of resignation addressed to other members, this circumstance shall be expressly stated.

C.1.20 Are super majorities, other than those provided for by law, required for any type of decision?

Yes ☐ No ☒

If applicable, describe the differences.

Description of the differences
–

C.1.21 Explain whether there are specific requirements, other than those applicable to all directors, to be appointed as Chairman of the Board of Directors.

Yes ☐ No ☒

Description of the requirements

C.1.22 Indicate whether the bylaws or the rules of the board establish a limit on the age of directors:

Yes ☐ No ☒

	Age limit
Chairman	
Chief Executive Officer	
Director	

Remarks

C.1.23 Indicate if the Bylaws or rules of the Board establish a limit on mandates or other more stringent requirements in addition to those legally provided for independent directors, with the exception of those established in the regulations:

Yes ☐ No ☒

Additional requirements and/or maximum number of mandates.	

C.1.24 Indicate whether the Bylaws or rules of the Board of Directors establish specific rules for the delegation of the votes of directors to other directors, the applicable procedure and, in particular, the maximum number of delegations that may be made to the same director, as well as if any limits have been established on the categories to which it is possible to delegate, beyond the limits imposed by the legislation. As applicable, describe these rules briefly.

There are no formal procedures for the delegation of votes on the Board of Directors

C.1.25 Indicate the number of meetings held by the Board of Directors during the year. Furthermore, indicate, where appropriate, the times that the Board has met without the presence of the Chairman. In this calculation, proxies granted with specific instructions shall be considered as attendance.

Number of Board meetings	8
Number of Board meetings without the Chairman's attendance	0

Remarks

Indicate the number of meetings held by the coordinating director with other directors, without the attendance or representation of any executive director:

Number of meetings	–

Remarks

Indicate the number of meetings held by the different Board Committees during the year:

Number of executive committee meetings	7
Number of audit committee meetings	9
Number of appointments and remuneration committee meetings	6
Number of ______ committee meetings	–

Remarks

C.1.26 *Indicate the number of meetings held by the Board of Directors during the year and the attendance details of its members:*

Number of meetings at which at least 80% of directors were in attendance	8
% of face-to-face attendance divided by total votes during the year	96.52%
Number of meetings with the face-to-face attendance, or proxies made with specific instructions, of all directors	5
% of votes cast with face-to-face attendance and proxies made with specific instructions, divided by total votes during the year	96.52%

Remarks
In terms of the number of meetings held, only face-to-face attendance has been taken into account, since no proxies were made with specific instructions.

C.1.27 *Indicate whether the individual and consolidated annual accounts submitted to the Board for preparation have been certified previously:*

Yes ☒ No ☐

Identify, where appropriate, the person(s) who has/have certified the company's individual and consolidated annual accounts for their preparation by the Board:

Name	Position
Pablo Colio Abril	Chief Executive Officer
Miguel Martínez Parra	Managing Director of Administration and Finance
Juan José Drago Masiá	Managing Director of Administration

Remarks

C.1.28 *Explain, if any, the mechanisms established by the Board of Directors to prevent the individual and consolidated accounts it prepares from being presented at the General Shareholders' Meeting with reservations in the audit report.*

The duties of the Audit and Control Committee include, but are not limited to, reviewing the preparation of the financial and economic information that FCC Group publishes periodically. This duty acquires special relevance in the case of annual information, in such a way that, prior to the preparation of the annual accounts by the Board of Directors, the Audit and Control Committee examines these accounts extensively and requests the external auditor's participation on the Committee to present the conclusions of its review work.

Thus, once prepared by the Board, the external auditor's report will not contain any reservations.

C.1.29 Does the secretary of the Board have director status?

Yes ☐	No ☒

If the secretary does not have director status, fill in the following table:

Name or corporate name of the secretary	Representative
Francisco Vicent Chuliá	–

Remarks

C.1.30 Indicate the specific mechanisms established by the Company to preserve the independence of the external auditors, as well as, if applicable, the mechanisms to preserve the independence of financial analysts, investment banks and rating agencies, including how they have implemented the legal provisions in practice.

To this end, Article 37. 5 of the Rules of the Board states that “The primary duty of the Audit and Control Committee shall be to support the Board of Directors in its oversight tasks, by periodically reviewing, among others, the process of preparing financial and economic information., its internal controls and the independence of the external auditor. In particular, by way of example, and without prejudice to other tasks entrusted to it by the Board of Directors, the Audit and Control Committee shall be responsible for:

a) Informing the General Shareholders’ Meeting about the issues raised in relation to the matters within its remit and, in particular, the outcome of the audit, explaining how it has contributed to the integrity of the financial information and the role that the Committee has played in that process.

b) Serve as a channel of communication between the Board of Directors and the Company’s external auditor, assessing the results of each audit. The external auditor shall also: (i) submit proposals for the selection, appointment, re-election and replacement of the account auditor to the Board of Directors, assuming responsibility for the selection process, pursuant to the provisions of EU regulations, as well as the conditions under which they were contracted; (ii) regularly gather information from the external auditor on the audit plan and the results of its performance, in addition to maintaining its independence in the performance of its duties and verifying that Senior Management takes its recommendations into account; (iii) discuss the significant weaknesses of the internal control system detected in the development of the audit with the Company’s external auditor, without compromising its independence. To this end, and where appropriate, the Audit and Control Committee may submit recommendations or proposals to the Board of Directors and the corresponding monitoring period. (iv) establish the appropriate relationships with the External Auditor to receive information on issues that may pose a threat to their independence, for consideration by the Committee, and any other relating to the process of performing Accounts Audits and, where appropriate, the authorisation of services other than those prohibited, under the terms provided for in the regulations governing Account Auditing activities on the system of independence, as well as any other communications provided for in the Account Auditing legislation and in the audit regulations; (v) ensure the independence of the external auditor, establishing, in particular, appropriate measures: 1) so that the contracting of advisory and consulting services with the auditor or companies in its Group does not pose a risk to its independence, to which end the Committee shall request and receive from the auditor each year a declaration of its independence in relation to the Company or entities linked to it directly or indirectly, as well as the detailed, individual information of any type of additional services provided and the corresponding fees received from these entities by the external auditor or by the persons or entities linked to it, pursuant to the provisions of the regulatory regulations on Account Auditing activities, and 2) so that the Company can communicate the change in auditor as a relevant fact to the CNMV and accompany this communication with a statement on any possible disagreements with the outgoing auditor and, as applicable, their nature, and in case of the resignation of the external auditor, examine the underlying circumstances; and (vi) encourage the Company’s auditor to assume responsibility for audits of other Group companies.

c) Each year, prior to the issuance of the account auditing report, issue a report that expresses an opinion on whether the independence of the auditors or audit firms has been compromised. This report shall contain, in any case, a reasoned assessment on the provision of each and every one of the additional services referred to in section b)v)1) above, taken individually and as a whole, other than the legal audit and in relation to the system of independence or the regulations governing the account auditing activities.

d) The supervision of the Company’s Internal Audit services that ensure the proper functioning of the information and internal control systems, with the person responsible for the Internal Audit function being required to present his/her annual work plan to the Committee and directly inform this body of any incidents that occur in the performance of his/her duties and submit a report on his/her activities at the end of each year.

e) 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 it identifies, as a minimum: (i) the different types of risks faced by the Company, including financial or economic risks, contingent liabilities and other off-balance sheet risks; (ii) the determination of the level of risk that the Company considers acceptable; (iii) the measures planned to mitigate the impact of the risks identified, should they materialise; and (iv) the information and internal control systems that will be used to control and manage the aforementioned risks, including contingent liabilities or off-balance sheet risks, and submit this to the Board for approval.

f) Supervise the process of preparing and presenting individual and consolidated annual accounts and management reports, and the periodic financial information that is disclosed to the markets, and submit recommendations or proposals to the Board of Directors with a view to safeguarding their integrity; ensuring compliance with the legal requirements and the correct application of generally accepted accounting principles, informing the Board of Directors, before the adoption by the latter of the following resolutions: (i) financial information that, given its status as a listed company, the Company is required to publish periodically, ensuring that the interim accounts are prepared using the same accounting criteria as annual accounts and, to that end, consider the suitability of a limited review of the Company's external auditor; and (ii) the creation or acquisition of interests in special purpose entities or those registered in countries or territories that are considered tax havens, as well as any other transactions or operations of a similar nature that, given their complexity, could undermine the transparency of the FCC Group.

g) In relation to information and internal control systems: (i) supervise the preparation process and the integrity of the Company's financial information and, where appropriate, the Group's financial information, ensuring compliance with regulatory requirements, the adequate definition of the consolidation perimeter and the correct application of accounting criteria; (ii) periodically supervise the internal control and risk management systems, including tax risks, ensuring that the main risks are properly identified, managed and disclosed; (iii) ensure the independence and effectiveness of the Internal Audit function, proposing the selection, appointment, re-election and removal of the head of the Internal Audit service, as well as the budget of this service, receiving periodic information about its activities and verifying that Senior Management takes into account the conclusions and recommendations in its reports; periodically receive information from the Response Committee and the Management Control and Risk Management Division, respectively, on the performance of their activities and the operation of internal controls; and (v) ensure that internal codes of conduct and corporate governance rules comply with regulatory requirements and are appropriate for the Company, in addition to reviewing compliance, by people affected by these codes and rules of governance, of their obligations to inform the Company.

h) Issue the reports and proposals requested by the Board of Directors or by the Chairman of the Board of Directors and those deemed appropriate in the proper performance of their duties and, in particular, (i) issue a report on the proposed modification of this Regulation, pursuant to the provisions of Article 4.3; (ii) make decisions in relation to the requests for information that directors, pursuant to the provisions of Article 26.3 of these Rules, submit before this Committee; and (iii) request, where appropriate, the inclusion of items on the agenda of Board meetings under the conditions and deadlines provided for in Article 34.3 of these Rules".

C.1.31 Indicate whether during the business year, the Company has changed its external auditor. If applicable, identify the incoming and outgoing auditor:

Yes ☐ No ☒

Outgoing auditor	Incoming auditor

Remarks

If there have been disagreements with the outgoing auditor, explain the nature of these:

Yes ☐ No ☒

Explanation of disagreements

C.1.32 Indicate whether the audit firm performs other work for the Company and/or its Group other than those inherent to audits and, in that case, state the fees received for this work and the percentage they represent of the fees billed to the Company and/or its Group:

Yes ☐ No ☒

	Company	Group companies	Total
Value of work other than audits (thousands of euros)	–	–	–
Value of work other than audits/ Value of audit works (in %)	–	–	–

Remarks

C.1.33 Indicate whether the audit report of the previous year's annual accounts includes reservations or qualifications. As applicable, indicate the reasons given to shareholders at the General Shareholders' Meeting by the Chairman of the Audit Committee to explain the content and scope of these reservations or qualifications.

Yes ☐ No ☒

Explanation of the reasons

C.1.34 Indicate the number of years that the current audit firm has been continuously auditing the Company's individual and/or consolidated annual accounts. Furthermore, indicate the percentage that the number of years audited by the current audit firm accounts for in terms of the total number of years in which the annual accounts have been audited:

	Individual	Consolidated
Number of uninterrupted years	18	18

	Individual	Consolidated
Number of exercises audited by the current audit firm/ Number of years that the Company or its Group have been audited (in %)	60.00%	60.00%

Remarks
The Company and the FCC Group has been audited by Deloitte, S.L. since 2002. Previously, starting in 1990, the Company and the Group was audited by Arthur Andersen, a firm that disappeared worldwide in 2002, becoming part of Deloitte.

C.1.35 Indicate and, as applicable, describe if there is a procedure for directors to receive the necessary information to prepare meetings with administrative bodies with sufficient time:

Yes ☒ No ☐

Describe the procedure
Rules of the Board of Directors. Article 26. Information and inspection powers.
"1. In the performance of their duties, every director has the duty to demand and the right to obtain from the Company, the adequate and necessary information that will allow them to fulfil their obligations concerning all aspects of FCC and its subsidiaries and investees, whether national or foreign. To this end, they may examine the documentation deemed necessary, make contact with those responsible for the affected departments and visit the corresponding facilities. 2. To refrain from disturbing the ordinary management of the FCC Group, the exercise of the powers of information shall be channelled through the Chairman, who shall respond to the director's requests, directly providing the information or offering the details of the corresponding contacts at the corresponding organisational level. 3. If the request for information is denied, delayed or incorrectly responded to, the requesting director may repeat their request before the Audit and Control Committee, and, once the Chairman and the requesting director have provided their reasons, this Committee shall decide how to proceed for the purposes mentioned above. 4. The requested information may only be denied when, in the opinion of the Chairman and the Audit and Control Committee, it is unnecessary or harmful to the Company's corporate interests. This refusal shall not apply when the request has been supported by the absolute majority of the Board members".

C.1.36 Indicate and, where appropriate, describe, whether the Company has established rules that require directors to report and, where appropriate, resign in cases that may be damaging to the credit and reputation of the Company:

Yes ☒ No ☐

Explain the rules

Rules of the Board of Directors. Article 25. Information duties of Directors.

Directors shall inform the FCC Appointments and Remuneration Committee, through the Corporate Responsibility Department or any other that may replace it, of the following points: d) Legal, administrative or other claims that, given their importance, could seriously affect the reputation of FCC. e) In general, any circumstance or situation that may be relevant to their performance as an FCC Director.

Article 19. Departure of the Director.

1. Directors shall step down from their posts when the period for which they were appointed comes to an end or when the General Shareholders' Meeting decides so in the use of its legally and statutorily conferred powers.
2. Directors shall make their position available to the Board of Directors and formalise, if the Board deems appropriate, their resignation in the following cases: a) When they step down from their positions, posts 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 were appointed transfers their entire shareholding in FCC or 18 reduces their shareholding to a level that requires the reduction of the number of proprietary directors. c) When they are affected by any of the cases of incompatibility or prohibition provided by Law. d) When approved by at least two thirds (2/3) of the members of the Board: - if, having infringed their obligations as directors, they are seriously reprimanded by the Board, at the proposal or subject to a report by the Appointments and Remuneration Committee, or - when their permanence on the Board may place the credit and reputation of the Company at risk. In this regard, the directors must inform the Board of criminal cases in which they are named as defendants and the subsequent legal proceedings. In any case, if any Director is prosecuted or tried for any of the corporate crimes established in Article 213 of the Spanish Corporate Enterprises Act, the Board shall examine the case as soon as possible and, based on the specific circumstances, decide whether the director should submit his resignation or not, providing a reasoned account of this in the Annual Corporate Governance Report.
3. In the event that a natural person representing a corporate director is affected by any of the cases provided for in the previous section, this person shall be disqualified from exercising this representation.

Explain the rules
4. The Board of Directors may not propose the removal of any independent director before the end of the statutory period for which they were appointed, unless there is just cause, identified by the Board following in a report from the Appointments and Remuneration Committee. In particular, it shall be understood that there is just cause when the director had breached the duties inherent to their position or incurred in any of the circumstances described in Article 6.2.a) of these Regulations, which prevent their appointment as an independent director. The removal of independent directors may also be proposed as a result of takeovers, mergers or similar corporate transactions that involve a change in the capital structure of the Company, when these changes in the structure of the Board are attributable to the proportionality of the number of proprietary directors and independent directors in relation to the capital represented by the proprietary directors and the remainder of the capital stock. 5. When either by resignation or for any other reason, a director steps down from his/her post before the end of the corresponding term, an explanation shall be provided in writing sent to all the members of the Board, notwithstanding his/her resignation being communicated as a relevant fact and the reason for the resignation being reported in the Annual Corporate Governance Report. In particular, if the resignation of the director is due to the fact that the Board has taken significant or repeated decisions, concerning which the director has made serious reservations and as a consequence of which, he/she decides to resign, in the letter of resignation addressed to other members, this circumstance shall be expressly stated".

C.1.37 *Indicate whether any member of the Board of Directors has informed the Company that he/she has been prosecuted or tried for any of the crimes indicated in Article 213 of the Spanish Corporate Enterprises Act:*

Yes ☐ No ☒

Director's name	Criminal case	Remarks

Indicate whether the Board of Directors has analysed the case. If the answer is "yes", explain, in a reasoned manner, the decision taken on whether or not the director should continue in his/her position or, if applicable, explain the actions of the Board of Directors to the date of this report or that it plans on carrying out.

Yes ☐ No ☐

Decision taken/action performed	Reasoned explanation

C.1.38 *Detail the significant agreements that the Company has entered into and that come into force, are modified or terminated in the event that control of the Company is handed over following a takeover, and their effects.*

On 5 February 2016, Nueva Samede 2016, S.L.U. ("Nueva Samede") and I. Carso entered into a 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 ("Purchase Option"), by virtue of which Nueva Samede irrevocably granted I. Carso an 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 relation to the foregoing, as at 22 July 2016, I. Carso exercised the Purchase Option held over all the Shares Affected and effective 14 June 2016. However, the formal arrangement of the exercise of the Purchase Option was subject to the condition precedent which, cumulatively, results in the following: (i) the authorization by the National Securities Market Commission of the Bid submitted by CEC, approved on 29 June 2016, and (ii) the presence on the FCC Board of Directors of a majority of directors appointed at the request of I. Carso and/or CEC or any company associated with I. Carso (the, "Condition Precedent"), which was fulfilled following the appointments of Miguel Martínez Parra, Alfonso Salem Slim, Antonio Gómez García, and Carlos Manuel Jarque Uribe on 28 June 2016. As at 22 July 2016, pursuant to the provisions of Article 36.2 of Royal Decree 1066/2007, of 27 July, the National Securities Market Commission communicated, through a relevant fact, that the takeover proposed by Control Empresarial de Capitales, S.A. de C.V. involving 100% of the capital stock of Fomento de Construcciones y Contratas, S.A., had been accepted for 97,211,135 shares representing 48.30% of the shares included in the bid and 25.66% of the capital stock of Fomento de Construcciones y Contratas, S.A.

C.1.39 Identify individually, when referring to directors, and on an aggregate basis for other cases and indicate, in detail, the agreements between the Company and its administrative and management positions or employees concerning compensation, guarantee or shield clauses, when they resign or are dismissed improperly or if the contractual relationship comes to an end as a result of a takeover bid or other transactions.

Number of beneficiaries	2

Type of beneficiary	Description of the agreement
Chief Executive Officer	And if the contractual relationship is terminated at the will of the CEO for any of the following causes: – Substantial changes in working conditions that are notoriously detrimental to his professional training, that are detrimental to his dignity, or that are decided with serious transgression of good faith, by the Company. – Failure to pay for three consecutive months or six alternate months, or continued delay in the payment of the remuneration agreed under the contract. – Succession of a company or significant change in ownership of the same, which has the effect of a renewal of its governing bodies or the content of its main activity, provided that the termination occurs within three months of the occurrence of such changes. – Any other serious breach of the contractual obligations by the Company, with the exception of force majeure budgets, in which the payment of compensation shall not be applicable. As in the case of free and unilateral termination from the Company, he will have the right to receive compensation resulting from the sum of the following two items: a) The amount resulting from the termination of the employment relationship that the CEO previously held with FCC Construcción or with any other company of the FCC Group using 12 September 2017 as the calculation date (and in accordance with the applicable regulations on that date). The amount resulting from multiplying 7 days wages by the number of years that have elapsed from 12 September 2017 until the contract expires.
General secretary	Concerning the general secretary, an executive director up until 13 January 2015, the Company, having received authorisation from the Executive Committee, took out and paid up the insurance premium to cover the payment of contingencies relating to death, permanent incapacity for work, retirement pensions and benefits or other concepts to be paid, in addition to others, to certain executive directors and executives. Specifically, the contingencies giving rise to compensation are those involving the termination of the employment relationship for any of the following reasons: a) Unilateral decision of the Company. b) Winding up or disappearance of the Parent Company for any reason, including a merger or spin-off. c) Death or permanent disability. d) Other causes of physical disability or legal incapacitation. e) Substantial modification of professional conditions. f) Resignation, having reached the age of 60, at the request of the executive and with the agreement of the Company. g) Resignation, having reached the age of 65, by unilateral decision of the executive. As at 31 December 2019, the Secretary General is entitled to a net amount equivalent to 3.5 times his annual gross remuneration.

Indicate whether, beyond the assumptions provided for in the regulations, these contracts must be communicated and/or approved by the corresponding bodies of Company or its Group. If so, specify the procedures, expected cases and the nature of the bodies responsible for their approval or communication:

	Board of Directors	General Shareholders' Meeting
Body authorising the clauses	X	

	Yes	NO
Is the General Shareholders' Meeting aware of the clauses?	X	

Remarks

C.2 Board Committees

C.2.1 Provide details of all the Board Committees, their members and the proportion of executive, proprietary, independent and other external directors who serve on them:

EXECUTIVE COMMITTEE

Name	Position	Category
Alejandro Aboumrad González	Chairman	External proprietary director
Dominum Desga, S.A. (represented by Esther Alcocer Koplowitz)	Voting member	External proprietary director
EAC Inversiones Corporativas, S.L. (represented by Alicia Alcocer Koplowitz)	Voting member	External proprietary director
Gerardo Kuri Kaufmann	Voting member	Executive director
Juan Rodríguez Torres	Voting member	External proprietary director
Pablo Colio Abril	Voting member	Executive director

% of executive directors	33.33
% of proprietary directors	66.67
% of independent directors	0
% of other external directors	0

Remarks

Explain the functions delegated or attributed to this Committee other than those already described in section C.1.10, and describe the procedures and rules for its organisation and functioning. For each of these functions, indicate its most important actions during the year and how it have exercised each of the functions attributed in practice, whether by law, in the Bylaws or in other corporate agreements.

Rules of the Board of Directors.

Article 36. The Executive Committee.

1. The Board may permanently delegate all its powers to the Executive Committee, with the exception of those whose competence is reserved by Law, the Bylaws or these Rules. In particular, the Executive Committee shall be responsible, unless otherwise provided for in the delegation of powers granted by the Board, to rule on matters of investments, divestments, credits, loans, guarantees or deposits or any other financial facility, when the unit amount of which does not exceed the figure established in Article 7.2.o). Furthermore, the Executive Committee may exercise, for reasons of urgency, the powers attributed to the Board of Directors, in accordance with Article 8 of these Rules. 2. The Board of Directors, pursuant to a report issued by the Appointments and Remuneration Committee, shall appoint the directors to serve on the Executive Committee, ensuring that the shareholding structure in the different director categories is similar to that of the Board itself. Its Secretary shall be the Secretary to the Board of Directors.

3. The Executive Committee shall consist of a minimum of four (4) and a maximum of ten (10) members. 4. The members of the Executive Committee shall step down from their posts when they step down in their capacity as Director or when the Board so agrees. Vacancies that occur shall be filled as soon as possible by the Board of Directors. 5. The Chairman of the Executive Committee shall be appointed from among its members by the Committee itself. In the absence or if it is impossible for the Chairman of the Executive Committee to attend a meeting, or if this position has been vacated, the corresponding functions shall be exercised by the member elected to this post by the majority of those in attendance at the meeting. 6. The Executive Committee shall hold ordinary meetings each month in which the Board of Directors is not due to hold a meeting, excluding the month of August, and may meet on an extraordinary basis whenever required on account of the company's corporate interests. 7. The Executive Committee shall be called to meet by its Chairman, at his/her own initiative or at the request of at least two (2) of its members, by letter, telegram, email or fax, addressed to each of the Committee's members at least forty-eight (48) hours in advance of the date of the meeting; however, it may be called 24 (twenty-four) hours in advance of the date and time of the meeting on urgent grounds, in which case, the agenda of the meeting shall be limited to the urgent items on which grounds it was called. Along with the announcement of each meeting, the corresponding documentation will be sent to the members of the Executive Committee so that they can form an opinion and cast their vote. 8. In the absence or if it is impossible for the Chairman of the Executive Committee to attend a meeting, or if this position has been vacated, the meeting may be called by the member of the Committee who has served in his/her position the longest and, in the event of a tie, the oldest in age. For legal persons, the age of the natural person repre-

senting the company shall be taken into account for this purpose. 9. Meetings shall be held at the registered office or at any place designated by the Chairman as indicated in the announcement. 10. The Executive Committee shall be validly constituted when at least a majority of its members are in attendance, counting those present and those represented. Those absence may be represented by another member of the Executive Committee. In any case, non-executive Directors may only be represented by another non-executive Director. 11. Deliberations shall be guided by the Chairman, who shall hand the floor over to attendees who ask to speak. 12. Resolutions shall be adopted by an absolute majority of the Committee's members. In case of a tie, the matter shall be submitted to the Board of Directors, to which end the members of the Executive Committee shall ask for it to meet pursuant to the provisions of Article 34 of these Rules, unless it was already due to meet in the following thirty (30) calendar days, in which case the Committee will ask the Chairman of the Board to include the items resulting in a tie on the agenda of the meeting. 13. The Executive Committee, through its Chairman, shall inform the Board of the matters discussed and the resolutions adopted by the Committee, sending a copy of the meeting minutes to all directors.

At a meeting held on 21 January 2020, a report was issued on the functioning of the Committee and the performance of its duties in 2019, concluding that the Executive Committee responsibly assumes and performs the duties and powers delegated to it by the Board of Directors, diligently and effectively handling the Company's affairs that require constant attention and monitoring.

Regarding the most important actions carried out by the aforementioned Committee, worth note is that the Committee has met seven times over the course of 2019, and with the appropriate frequency to perform its duties.

During these meetings, a total of 27 resolutions have been adopted, ranging from authorisations for the constitution of new companies, for the dissolution and winding up of others, authorisations for the sale of certain companies, and the acquisition of others, for capital increases, capital reductions, increases in the shareholding in companies, to exercise purchase options and to bid for municipal services, among other.

Furthermore, during this period, the executive member of the Executive Committee, Alejandro Aboumrad González, was reappointed Chairman of the Executive Committee.

AUDIT AND CONTROL COMMITTEE

Name	Position	Category
Manuel Gil Madrigal	Chairman	Independent director
Juan Rodríguez Torres	Voting member	External proprietary director
Henri Proglio	Voting member	Independent director
Álvaro Vázquez de Lapuerta	Voting member	Independent director

% of proprietary directors	25
% of independent directors	75
% of other external directors	

Remarks

Explain the duties, including, where appropriate, those in addition to those defined by law, which are attributed to this Committee, and describe the procedures and rules for its organisation and functioning. For each of these functions, indicate its most important actions during the year and how it have exercised each of the functions attributed in practice, whether by law, in the Bylaws or in other corporate agreements.

Rules of the Board of Directors

Article 37. Audit and Control Committee

1. The Board of Directors at FCC shall establish a permanent Audit and Control Committee, without executive functions and with powers of information, advice and proposal within its scope of action, consisting of a minimum of three (3) and a maximum of six (6) directors who shall be appointed by the Board of Directors taking into account their knowledge and experience in accounting, auditing or risk management matters. All its members shall be non-executive directors and a majority shall be independent, with the Committee itself choosing its Chairman, and optionally a Deputy Chairman, from among the independent directors sitting on the Committee. The mandate of the members of the Committee shall not exceed their mandate as directors, without prejudice to them being re-elected indefinitely, insofar as they remain directors. Notwithstanding the foregoing, the term of office of the Chairman and Deputy Chairman, as the case may be, may not exceed four (4) years or their terms as members of the Committee, and may be re-elected after at least one year has elapsed since the end of their term.

2. At least one of the independent members of the Audit and Control Committee shall be appointed taking into account their knowledge and experience in accounting, auditing or both. As a whole, the members of the Committee shall have relevant technical knowledge in relation to the activity sector of the Company.

3. The Audit and Control Committee shall regulate its own functioning in accordance with the Bylaws and these Regulations. Voting members who have held the position of Chairman may not return to that position until at least one year has elapsed since the end of their term. The Audit and Control Committee shall appoint a secretary, and as applicable a deputy secretary, who shall not be a member of the Committee, who shall assist the Chairman and ensure the proper functioning of the Committee, taking care to accurately reflect the progress of meetings the nature of deliberations and the resolutions adopted in the minutes. From each meeting, the secretary or whoever exercises their duties shall prepare the minutes, which shall be signed by the members of the Committee who have attended the meeting.

4. The Audit and Control Committee shall be validly constituted when the majority of its members are in attendance, whether in person or represented, adopting its resolutions by an absolute majority of its members present or represented; in case of a tie, the Chairman shall cast the deciding vote.

5. The primary function of the Audit and Control Committee shall be to support the Board of Directors in its oversight tasks, by periodically reviewing, among others, the process of preparing financial and economic information, its internal controls and the independence of the external auditor In particular, by way of example, and without prejudice to other tasks entrusted to it by the Board of Directors, the Audit and Control Committee shall be responsible for:

   a) Inform the General Shareholders' Meeting about the issues raised in relation to the matters within its remit and, in particular, the outcome of the audit, explaining how it has contributed to the integrity of the financial information and the role that the Committee has played in that process.

   b) Serve as a channel of communication between the Board of Directors and the Company's external auditor, assessing the results of each audit. The external auditor shall also: (i) submit proposals for the selection, appointment, re-election and replacement of the account auditor to the Board of Directors, assuming responsibility for the selection process, pursuant to the provisions of EU regulations, as well as the conditions under which they were contracted; (ii) regularly gather information from the external auditor on the audit plan and the results of its performance, in addition to maintaining its independence in the performance of its duties and verifying that Senior Management takes its recommendations into account; (iii) discuss the significant weaknesses of the internal control system detected in the development of the audit with the Company's external auditor, without compromising its independence. To this end, and where appropriate, the Audit and Control Committee may submit recommendations or proposals to the Board of Directors and the corresponding monitoring period. (iv) establish the appropriate relationships with the external auditor to receive information on issues that may pose a threat to their independence, for consideration by the Committee, and any other relating to the process of performing accounts audits and, where appropriate, the authorisation of services other than those prohibited, under the terms provided for in the regulations governing account auditing activities on the system of independence, as well as any other communications provided for in the account auditing legislation and in the audit regulations; (v) ensure the independence of the external auditor, establishing, in particular, appropriate measures: 1) so that the contracting of advisory and consulting services with the auditor or companies in its Group does not pose a risk to its independence, to which end the Committee shall request and receive from the auditor each year a declaration of its independence in relation to the Company or entities linked to it directly or indirectly, as well as the detailed, individual information of any type of additional services provided and the corresponding fees received from these entities by the external auditor or by the persons or entities linked to it, pursuant to the provisions of the regulatory regulations on account auditing activities, and 2) so that the Company can communicate the change in auditor as a relevant fact to the CNMV and accompany this communication with a statement on any possible disagreements with the outgoing auditor and, as applicable, their nature, and in case of the resignation of the external auditor, examine the underlying circumstances; and (vi) encourage the Company's auditor to assume responsibility for audits of other Group companies. c) Each year, prior to the issuance of the account auditing report, issue a report that expresses an opinion on whether the independence of the auditors or audit firms has been compromised. This report shall contain, in any case, a reasoned assessment on the provision of each and every one of the additional services referred to in section b)v)1) above, taken individually and as a whole, other than the legal audit and in relation to the system of independence or the regulations governing the account auditing activities. d) The supervision of the Company's Internal Audit services that ensure the proper functioning of the information and internal control systems, with the person responsible for the Internal Audit function being required to present his/her annual work plan to the Committee and directly inform this body of any incidents that occur in the performance of his/her duties and submit a report on his/her activities at the end of each year. e) 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 it identifies, as a minimum: (i) the different types of risks faced by the Company, including financial or economic risks, contingent liabilities and other off-balance sheet risks; (ii) the determination of the level of risk that the Company considers acceptable; (iii) the measures planned to mitigate the impact of the risks identified, should they materialise; and (iv) the information and internal control systems that will be used to control and manage the aforementioned risks, including contingent liabilities or off-balance sheet risks, and submit this to the Board for approval. f) Supervise the process of preparing and presenting individual and consolidated annual accounts and management reports, and the periodic financial information that is disclosed to the markets, and submit recommendations or proposals to the Board of Directors with a view to safeguarding their integrity; ensuring compliance with the legal requirements and the correct application of generally accepted accounting principles, informing the Board of Directors, before the adoption by the latter of the following resolutions: (i) financial information that, given its status as a listed company, the Company is required to publish periodically, ensuring that the interim accounts are prepared using the same accounting criteria as annual accounts and, to that end, consider the suitability of a limited review of the Company's external auditor; and (ii) the creation or acquisition of interests in special purpose entities or those registered in countries or territories that are considered tax havens, as well as any other transactions or operations of a similar nature that, given their complexity, could undermine the transparency of the FCC Group. g) In relation to information and internal control systems: (i) supervise the preparation process and the integrity of the Company's financial information and, where appropriate, the Group's financial information, ensuring compliance with regulatory requirements, the adequate definition of the consolidation perimeter and the correct application of accounting criteria; (ii) periodically supervise the internal control and risk management systems, including tax risks, ensuring that the main risks are properly identified, managed and disclosed; (iii) ensure the independence and effectiveness of the Internal Audit function, proposing the selection, appointment, re-election and removal of the head of the Internal Audit service, as well as the budget of this service, receiving periodic information about its activities and verifying that Senior Management takes into account the conclusions and recommendations in its reports; periodically receive information from the Response Committee and the Management Control and Risk Management Division, respectively, on the performance of their activities and the operation of internal controls; and (v) ensure that internal codes of conduct and corporate governance rules comply with regulatory requirements and are appropriate for the Company, in addition to reviewing compliance, by people affected by these codes and rules of governance, of their obligations to inform the Company. h) Issue the reports and proposals requested by the Board of Directors or by the Chairman of the Board of Directors and those deemed appropriate in the proper performance of their duties and, in particular, (i) issue a report on the proposed modification of this Regulation, pursuant to the provisions of Article 4.3; (ii) make decisions in relation to the requests for information that directors, pursuant to the provisions of Article 26.3 of these Rules, submit before this Committee; and (iii) request, where appropriate, the inclusion of items on the agenda of Board meetings under the conditions and deadlines provided for in Article 34.3 of these Rules.

6. The Audit and Control Committee shall have access to the information and documentation required for the exercise of its functions and may seek the 41 advice of external professionals who, in the capacity of advisors and up to a maximum of two (2) for each member of the Committee, they believe appropriate, to which end the provisions of Articles 27.3 and 35.4 of these Regulations shall apply. These advisors shall attend meetings with the right to speak but not to vote.
7. The Audit and Control Committee shall meet at least once per quarter and, in addition, every time its Chairman calls a meeting, or at the request of two (2) of its members. Each year, the Committee shall draw up an action plan for the year to be reported to the Board of Directors, as well as a report on its activity during the year, which will serve as the basis for the evaluation that the Board of Directors will carry out. In the absence or if it is impossible for the Chairman of the Audit and Control Committee to attend a meeting, or if this position has been vacated, the meeting may be called by the member of the Committee who has served in his/her position the longest and, in the event of a tie, the oldest in age. For legal persons, the age of the natural person representing the company shall be taken into account for this purpose.
8. Deliberations shall be guided by the Chairman, who shall hand the floor over to attendees who ask to speak. In the absence or if it is impossible for the Chairman of the Audit and Control Committee to attend a meeting, or if this position has been vacated, the corresponding functions shall be exercised by the member elected to this post by the majority of those in attendance at the meeting.
9. Any member of the management team and the staff of the FCC Group shall be obliged to attend Committee meetings and to provide their collaboration and access to the information available to them when so required; to this end, the provisions of Article 35.6 of these Rules shall apply. The same shall be required of the Company's Accounts Auditors.
10. Any aspects not expressly regulated in this Article regarding the functioning of the Audit and Control Committee, shall be regulated by the Audit and Control Committee itself.

Over the course of 2019, in the performance and fulfilment of the powers granted in FCC's internal regulations, the Committee has performed, by way of example, the following duties:

- Serve as a channel of communication between the Board of Directors and the Company's external auditor, assessing the results of each audit, as well as submitting proposals for the selection, appointment, re-election and replacement of the account auditor, assuming responsibility for the selection process, pursuant to the provisions of EU regulations, as well as the conditions under which they were contracted.
- Discuss the significant weaknesses of the internal control system detected in the development of the audit with the Company's external auditor, without compromising its independence Receive information from the external auditor on issues that may pose a threat to their independence and, where appropriate, the authorisation of services other than those prohibited, under the terms provided for in the regulations governing account auditing activities on the system of independence.
- Ensure the independence of the external auditor, establishing the corresponding measures to this end.
- Inform the General Shareholders' Meeting about the issues raised in relation to the matters within its remit and, in particular, the outcome of the audit, explaining how it has contributed to the integrity of the financial information and the role that the Committee has played in that process.

- Each year, prior to the issuance of the account auditing report, issue a report that expresses an opinion on whether the independence of the auditors or audit firms has been compromised. This report shall contain, in any case, a reasoned assessment on the provision of each and every one of the additional services referred to in Article 37.5 section b)v)1) of the Rules of the Board, taken individually and as a whole, other than the legal audit and in relation to the system of independence or the regulations governing the account auditing activities. Supervise the Company's Internal Audit services, as well as its control and risk management policy, reviewing the identification of the most relevant risks and the adoption of the necessary measures to mitigate their impact.
- Supervise the process of preparing and individual and consolidated annual accounts and management reports, and the periodic financial information that is disclosed to the markets, and submit recommendations or proposals to the Board of Directors with a view to safeguarding their integrity; ensuring compliance with the legal requirements and the correct application of generally accepted accounting principles.
- Report favourably on the process of preparing the individual and consolidated annual accounts and management reports for 2018, and that they have been prepared in compliance with the legal requirements and applying generally accepted accounting principles.
- Report favourably on the 2018 Annual Corporate Governance Report.
- Supervise the Company's compliance with the internal codes of conduct and the Corporate Governance rules.
- Report favourably on the adequacy of the information contained in the "Interim Statement", referring to the first and third quarter of 2019, in accordance with the provisions of Article 20.1, of Royal Decree 1362/2007, of 19 October, and the implementing provisions, recommending its approval by the Board of Directors and its referral to the CMNV and Stock Exchanges.
- Report, globally, on communications through the Ethics Channel and the actions carried out to this end. An internal whistleblowing channel and procedure is in place that allows employees and third parties to send their questions and report irregular behaviours confidentially.
- Propose the appointment of Deloitte, S.L. as the account auditors for FCC and its consolidated group for 2020 to the FCC Board of Directors, for its submission to the Ordinary General Shareholders' Meeting.
- In relation to the proposal of a flexible dividend (scrip dividend) before the FCC Board of Directors, for submission to the Ordinary General Shareholders' Meeting. The review performed by members of the Committee of the shareholder remuneration mechanism has been particularly important, ensuring the economic equivalence of the options of (i) transferring free allocation rights to FCC under the Purchase Commitment and (ii) receiving this amount in New Shares, that is, without any of these options being promoted or penalised in economic terms.
- Approve, pursuant to the provisions of Article 34.9 of the Rules of the Board, the self-assessment report on the functioning of the FCC Audit and Control Committee during 2018, to be submitted to the Board of Directors.
- Report favourably on the adequacy of the information contained in the financial statements of the first half of 2019 ("Abridged annual accounts" and "Interim Management Report") in terms of the provisions of Article 11 et seq. of Royal Decree 1362/2007, of 19 October, and its implementing provisions.
- Submit the proposal to select a new auditor for 2021 to 2023, in compliance with the current regulations, to the Board of Directors.

On 21 January 2020, the Audit and Control Committee issued its report on its activities and operations throughout 2019, for assessment by the Board.

Thus, the Audit and Control Committee, during 2019 has reached a total of 18 resolutions, at the nine meetings it held.

Among the main resolutions adopted are: the approval of the Self-Assessment Report on the functioning of the Committee, corresponding to 2018, the approval of the Report on the independence of the auditors in 2018, the proposed appointment of Deloitte, S.L. as the account auditors of FCC and its consolidated group for 2020 to the FCC Board of Directors, as well as favourable information to the Board on: the 2018 Annual Corporate Governance Report, the preparation of FCC's 2018 individual and consolidated annual accounts and the Management Report, FCC's 2018 Statement of Non-Financial Information, the appointment of EY as FCC's external auditor for 2021-2023, the approval of the regulatory update submitted by the Compliance Officer: Code of Ethics and Conduct, the Partner Relationship Policy, the Ethics Channel Procedure and the Crime Prevention Manual, in addition to the approval of Agent Policies, Gift Policy and Human Rights Policy. Furthermore, Manuel Gil Madrigal was appointed as Chairman of the Audit and Control Committee.

Based on the foregoing, it can be concluded that the Audit and Control Committee assumes and efficiently and diligently complies with the powers attributed to it in the Company's different corporate texts.

Identify the members of the Audit Committee that have been appointed taking into account their knowledge and experience in accounting, auditing or both, and report on the date on which the Chairman of this Committee was appointed to the position.

Names of directors with experience	Manuel Gil Madrigal
Date of appointment of the Chairman to the position	The Chairman of this Committee is Manuel Gil Madrigal, appointed on 8 May 2019

Remarks

APPOINTMENTS AND REMUNERATION COMMITTEE

Name	Position	Category
Álvaro Vázquez de Lapuerta	Chairman	Independent director
Dominum Desga, S.A. represented by Esther Alcocer Koplowitz	Voting member	External proprietary director
Juan Rodríguez Torres	Voting member	External proprietary director
Manuel Gil Madrigal	Voting member	Independent director

% of proprietary directors	50.00%
% of independent directors	50.00%
% of other external directors	0.00%

Remarks

Explain the duties, including, where appropriate, those in addition to those defined by law, which are attributed to this Committee, and describe the procedures and rules for its organisation and functioning. For each of these functions, indicate its most important actions during the year and how it have exercised each of the functions attributed in practice, whether by law, in the Bylaws or in other corporate agreements.

Rules of the Board of Directors.

Article 38. Appointments and Remuneration Committee

1. The Board of Directors of FCC shall constitute a permanent Appointments and Remuneration Committee without executive functions and with powers of information, advice and proposal within its scope of action, which will be composed of a minimum of four (4) and a maximum of six (6) directors, appointed by the Board of Directors, consisting exclusively of non-executive directors, of which at least two (2) must be independent directors and two (2) proprietary directors. The Committee shall appoint the Chairman from among its independent members. The mandate of the members of the Appointments and Remuneration Committee shall not exceed their mandate as directors, without prejudice to them being re-elected indefinitely, insofar as they remain directors.
2. The Appointments and Remuneration Committee shall regulate its own functioning in accordance with the Bylaws and these Regulations. The Committee shall appoint a secretary who shall not be a member of the Committee, who shall assist the Chairman and ensure the proper functioning of the Committee, taking care to accurately reflect the progress of meetings, the nature of deliberations and the resolutions adopted in the minutes, which shall be signed by the members of the Committee attending the meeting in question. The members of the Appointments and Remuneration Committee shall step down from their posts when they do so in their capacity as directors or when the Board of Directors so agrees.
3. The Appointments and Remuneration Committee shall be validly constituted when the majority of its members are in attendance, whether in person or represented, adopting its resolutions by an absolute majority of its members present or represented; in case of a tie, the Chairman shall cast the deciding vote.
4. The Appointments and Remuneration shall have the powers of information, assessment and proposal within its powers, corresponding to it, in addition to the functions established by law, the Company Bylaws or in accordance with these Rules, the following: a) Evaluate the necessary skills, knowledge and experience in the Board of Directors. For this purpose, it will define the functions and skills necessary in the candidates who must fill each vacancy and will evaluate the time and dedication required so that they can effectively carry out their duties. Any Director may request the Appointments and Remuneration Committee to take into consideration, if it considers them suitable, potential candidates to fill the vacancies of Director. b) Examine and organise the succession of the Chairman and the CEO and, where appropriate, make proposals to the Board of Directors so that said succession occurs in an orderly and planned manner. c) Submit to the

Board of Directors proposals for the appointment and re-election of independent Directors for appointment by co-option or for submission for a decision by of the General Shareholders Meeting, as well as proposals for the re-election or removal of said Directors by the General Shareholders Meeting. d) Report on the proposals for appointment and re-election of the remaining Directors for their appointment by co-optation or for submission for a decision by the General Shareholders Meeting, as well as the proposals for their re-election or removal by the General Shareholders Meeting. e) Report on the proposals for the appointment and removal of senior executives and the basic conditions of their contracts, which the CEO proposes to the Board, proposing the persons or positions that should be considered senior executives of the Company, in addition to those provided for in Article 2.2 of these Rules and preparing the proposals for reprimands referred to its Article 19.2.d). Likewise, it will previously report on appointments for the holding of positions or posts that have an annual remuneration equal to or higher than the figure established by the Committee itself in each case, which must be reported to the Board of Directors. f) Propose to the Board of Directors the remuneration policy of the Directors and of the general directors or of those who carry out their senior management duties under the direct authority of the Board, the Executive Committee or the Chief Executive Officer, as well as the individual remuneration and the remaining contractual conditions of executive Directors, ensuring their observance. Likewise, inform and make proposals about the incentive plans of a multi-year nature that affect the Company's senior executives and in particular, those that may be established in relation to the value of the shares. Likewise, to propose to the Board of Directors the distribution among the Directors of the remuneration derived from their status as Directors agreed by the General Shareholders Meeting, in accordance with the provisions of the Company Bylaws and in this Regulation. g) Prepare and keep a record of the situations of directors and senior managers at FCC. h) Assist the Board in its role of ensuring that the selection procedures of its members favour the diversity of gender, experience and knowledge and do not suffer from implicit biases that may imply any discrimination and, in particular, that facilitate the selection of female Directors, so that the Company deliberately seeks and includes among the potential candidates, women who meet the intended professional profile, with the Board having to explain, if applicable, through the Annual Corporate Governance Report, the reason for the scant or non-existent number of female Directors and the initiatives taken to correct this situation. For the purposes of the foregoing, it must establish a representation objective for the less represented gender in the Board of Directors and prepare guidelines on how to achieve this objective. i) Report on the proposed appointment of the members of the Committees of the Board of Directors. j) Report the appointment and removal of the Secretary of the Board. k) Verify the classification of the Directors as established in Article 6.3. l) Report, in advance, to the Board of Directors on all the matters provided in the Law, the Company Bylaws and these Rules and, in particular, related-party transactions. m) Receive and keep a register of situations referred to in section g) above and the personal information provided by the directors, as established in Article 25 of these Rules n) Request, where appropriate, the inclusion of items on the agenda of Board meetings under the conditions and deadlines provided for in Article 34.3 of these Rules. In the case of matters relating to the executive directors and senior executives, the Appointments and Remuneration Committee will consult the Chairman and the Company's CEO.

5. The Appointments and Remuneration Committee shall regulate its own functioning in all matters not provided for in the Bylaws and in these Rules.
6. The Appointments and Remuneration Committee shall have access to the information and documentation necessary for the performance of its duties. The members of the Appointments and Remuneration Committee may be assisted, at Committee meetings, by the persons who, in their capacity of advisors and up to a maximum of two (2) for each Committee member, they deem appropriate. These advisors shall attend meetings with the right to speak, but not vote and the provisions of Article 27 of these Rules shall apply.
7. The Committee shall meet with the established frequency and each time a meeting is called by the Chairman or requested by two (2) of its members and at least once a quarter. Each year, the Committee shall draw up an action plan for the year to be reported to the Board, as well as a report on its activity during the year, which will serve as the basis for the evaluation that the Board of Directors will carry out.
8. In the absence or if it is impossible for the Chairman of the Appointments and Remuneration Committee to attend a meeting, or if this position has been vacated, the meeting may be called by the member of the Committee who has served in his/her position the longest and, in the event of a tie, the oldest in age. For legal persons, the age of the natural person representing the company shall be taken into account for this purpose.
9. Deliberations shall be guided by the Chairman, who shall hand the floor over to attendees who ask to speak.
10. In the absence or if it is impossible for the Chairman of the Appointments and Remuneration Committee to attend a meeting, or if this position has been vacated, the corresponding functions shall be exercised by the member elected to this post by the majority of those in attendance at the meeting.

The Appointments and Remuneration Committee of Fomento de Construcciones y Contratas, S.A. has issued a report on its functioning and the performance of its duties at its meeting of 21 January 2020.

As a result of the assessment process that the Committee performed on its own functioning, positive conclusions were reached, both in terms of its composition and internal organisation and the exercise of the powers assigned to it.

During 2019, it exercised, among others, the following competences:

- Assess skills, knowledge and experience necessary in the Board are evaluated, defining the necessary candidate functions and qualifications that each vacancy should entail, and assessing the time and dedication needed to discharge their duties properly.
- Report on the proposal for the appointment and re-election of directors and members of the Committees of the Board of Directors, as well as the proposed representatives of corporate directors.
- Ensure compliance with the remuneration policy established by the Group, proposing the remuneration policy for directors and senior managers to the Board of Directors, in addition to the basic conditions of senior managers' contracts.
- Approve the contents of the Appointments and Remuneration Committee Report on the Chairman of the Board of Directors and Appointments and Remuneration Committee Report on the CEO, for assessment by the Board of Directors in terms of the performance of their duties during 2019, submitted to the Board of Directors for this body to perform the assessment referred to in Article 34.9 of its Rules.
- Approve the Report on the functioning of the Appointments and Remuneration Committee during 2019, as well as the Report ratifying the current categories (proprietary, independent or executive) of the members of the Board.
- Report on the appointment of Senior Managers and other positions that fall within the first three levels, in addition to those with remuneration equal to or greater than €75,000.
- Propose the Annual Report on the remuneration of the Directors at Fomento de Construcciones y Contratas, S.A., corresponding to 2019 to the Board of Directors, for its subsequent submission at the next Ordinary General Shareholders' Meeting.
- Approve the Report containing the proposed statutory remuneration of the Board for 2019.
- Report on the fundamental aspects relating to the general salary policy for 2019 at the FCC Group.
- Propose the remuneration policy for executive directors, the terms and conditions of the CEO's contract and ensure compliance with the company's remuneration policy to the Board of Directors.

During the six meetings held by this Committee in 2019, a total of 19 resolutions were reached. These include: reporting favourably on the FCC Group's proposed salary policy for 2019, FCC's 2018 Annual Report on the Remuneration of the Directors, the appointment of the Human Resources Director, approve the application of the Variable Remuneration Plan for 2018 and approve the Variable Remuneration Plan for 2019, as well as to report favourably to the Board on different contractual operations.

Based on the foregoing, it can be concluded that the Appointments and Remuneration Committee assumes and efficiently and diligently complies with the powers attributed to it in the Company's different corporate texts.

C.2.2 Fill in the following table with information regarding the number of female directors that sit on the Committees of the Board of Directors at the end of the last four years:

	Number of female directors			
	Business year t Number %	Business year t-1 Number %	Business year t-2 Number %	Business year t-3 Number %
Executive Committee	33.33% (2)	33.33% (2)	33.33% (2)	40% (2)
Audit Committee	0% (0)	0% (0)	0% (0)	0% (0)
Appointments and Remuneration Committee	25% (1)	25% (1)	25% (1)	25% (1)

Remarks

C.2.3 Indicate, where appropriate, the existence of Rules applicable to Committees of the Board, their location for the purposes of consultation, and any modifications made during the year. In turn, indicate whether an annual report on the activities of each committee has been prepared voluntarily.

- Rules of the FCC Group Board of Directors (Chapter IX. Board Committees).
- Reports of the Commissions to assess their functioning in 2019.

D. Transactions with related parties and intra-group transactions

D.1 Explain, as appropriate, the procedure and competent bodies for the approval of transactions with related parties and intra-group transactions.

Procedure for confirming approval of related transactions
Article 24 of FCC's Regulations of the Board of Directors states that: Transactions with significant shareholders "1. The Board of Directors shall approve, upon a report from the Appointments and Remuneration Committee, any transaction performed by the Company or its Group companies with holders, whether individually or jointly, of a significant shareholding, including shareholders represented on the Board of Directors of the Company or other Group companies or with persons associated with them or their directors. The directors representing or associated with the affected shareholders shall refrain from participating in the deliberation and voting process concerning the resolution in question. 2. Only transactions that simultaneously satisfy the three characteristics indicated in section 6 of the previous Article with respect to the transactions made by the Company with its directors or persons associated with them shall be exempted from this approval".

D.2 Describe significant transactions based their amount or relevance on account of their subject matter performed between the company or Group companies and significant shareholders in the company:

Name or corporate name of the significant shareholder	Name or company name of the company or Group company	Nature of the relationship	Transaction type	Amount (thousands of euros)
Realia Business, S.A.	FC y C, S.L. Unipersonal	Contractual	Management and marketing of property developments: El Bercial, Getafe, Madrid (40 homes and parking spaces), plot 10A in Badalona, Barcelona (134 collective dwellings and parking spaces), plots RCL 3A and 3B in Arroyo Fresno, Madrid (144 collective dwellings and garage spaces), and plot RUL 1B in Arroyo Fresno, Madrid (42 single-family homes)	–
Realia Business, S.A.	FCC Construcción, S.A.	Contractual	Construction contract for the plots in Valdebebas, Madrid (40 homes, storage rooms, garages, commercial premises and swimming pool)	7,900
Realia Business, S.A.	FCC Construcción, S.A.	Contractual	Construction contract for plots in Parque Ensanche, Alcalá de Henares (116 homes, storage rooms, garages and commercial premises)	15,000
Realia Business, S.A.	FC y C, S.L. Unipersonal	Contractual	Sale of two plots in Tres Cantos	8,130
Realia Business, S.A.	FCC Industrial e Infraestructuras Energéticas S.A.U.	Contractual	Sale and installation of a cooling machine for an air conditioning system	185
Banco Inbursa, S.A.	Cementos Portland Valderrivas	Contractual	Accrual interest on subordinated financing	2,210
Banco Inbursa, S.A.	FCC Construcción, S.A.	Contractual	Acquisition of certificates pertaining to works on Metro line 2 in Panama	22,158

Remarks

D.3 Describe the significant transactions based their amount or relevance on account of their subject matter performed between the company or Group companies and company directors or executives:

Name or company name of directors or executives	Name or company name of the related party	Relationship	Nature of the transaction	Amount (thousands of euros)
Alejandro Aboumrad González	FCC	Director	Provision of services	338
Gerardo Kuri Kaufmann	Cementos Portland Valderrivas	Chief Executive Officer	Provision of services	175

Remarks

D.4 Provide details of the significant operations carried out by the company with other companies belonging to the same Group, provided they are not eliminated in the process of preparing consolidated financial statements and are not part of the Company's routine business in terms of its purpose and conditions.

In any case, any intra-group transactions carried out with companies established in countries or territories that are considered a tax haven shall be reported:

Corporate name of the Group company	Brief description of the transaction	Amount (thousands of euros)
–	–	–

Remarks
There are numerous transactions between Group companies that are part of their routine business and that, in any case, are eliminated in the process of preparing the consolidated financial statements.

D.5 Describe the significant transactions carried out between the Company or Group Companies and other related parties, which have not been reported on in the above sections.

Corporate name of the related party	Brief description of the transaction	Amount (thousands of euros)
–	–	–

Remarks

D.6 Describe the mechanisms established to detect, determine and resolve possible conflicts of interests between the Company and/or its Group and its directors, executives or significant shareholders

Article 23 of the Rules of the Board of Directors states that:

1. As part of his/her duty to avoid the conflicts of interests indicated in section 2.e) of the preceding article, the Director shall refrain from: a) Undertaking transactions with the Company or with Group Companies, except in the case of ordinary transactions, carried out under standard conditions for customers and of limited relevance, including those for which information is not necessary to express the true image of equity, of the financial situation and the results of the Company. b) Using the name of the Company or invoking his/her status as a director to unduly influence the execution of private transactions. c) Making use of social assets, including confidential information on the Company, for private purposes. d) Taking advantage of the Company's business opportunities. e) Obtaining advantages or remuneration from third parties other than the Company and its Group associated with the performance of their duties, unless they are a mere courtesy. f) Performing activities on their own account or on behalf of others that involve effective competition, whether current or potential, with the Company or that, in any other way, place them in a permanent conflict with the interests of the Company.
2. The above provisions shall also apply in the event that the beneficiary of the prohibited acts or activities is a person linked to the director.
3. In any case, directors shall notify the Board of Directors, through the Corporate Responsibility Department or any other department that may replace it, with sufficient notice, of any direct or indirect conflict of interests that they or persons linked to them may have with the interests of the Company or those of the group of companies that comprise the FCC Group or its related companies.

4. The Company may waive the prohibitions contained in this article in unique cases, allowing the director or related person to perform a specific transaction with the Company, the use of certain social assets, the use of a specific business opportunity, obtaining an advantage or remuneration from a third party.
5. This authorisation shall be agreed by the General Shareholders' Meeting when the intention is to waive the prohibition on obtaining an advantage or remuneration from third parties, involves a transaction worth more than ten percent (10%) of the Company's social assets or concerns the obligation to not compete with the Company. In the latter case, the waiver may only be offered in the event that the Company is expected to suffer no damages or that the damages will be offset by the advantages expected to be obtained from the waiver, and the waiver shall be granted by express and separate consent of the General Shareholders' Meeting.
6. In the other cases to which the prohibitions in this article apply, authorisation may also be granted by the Board of Directors, subject to a favourable report from the Appointments and Remuneration Committee, provided that the independence of the members granting this authorisation is guaranteed with respect to the relieved director or the related person. In addition, it will be necessary to ensure that the authorised transaction protects social assets from harm or, where appropriate, they are undertaken subject to market conditions, and the transparency of the process. The affected directors or those representing or associated with the affected shareholders shall refrain from participating in the deliberation and voting process concerning the resolution in question. Only transactions that simultaneously meet the three (3) following characteristics shall be exempted from the authorisation required from the Board of Directors referred to in the paragraph above: a) that are undertaken as part of contracts whose conditions are standardised and are applied en masse to a high number of customers; b) that are executed at generally established prices or tariffs by those who act as suppliers of the asset or service in question; and c) that its value does not exceed one percent (1%) of the Company's annual income.
7. In any case, conflicts of interest incurred by the directors shall be included in the report, under the terms established by Law.
8. For the purposes of this provision, related persons are understood as those included in the Spanish Corporate Enterprises Act.

D.7 Is more than one of the Group's companies listed in Spain?

Yes ☐ No ☒

Identify the other companies listed in Spain and their relationship with the Company:

Identity and relationship with other listed companies in the Group
–

Indicate whether the corresponding areas of activity and possible business relationships have publicly defined, in an accurate manner, as well as those of the other listed Company with the other Group companies:

Yes ☐ No ☐

Define any business relationships between the parent company and the listed subsidiary company, and between the latter and other Group companies

Identify the mechanisms planned to resolve possible conflicts of interests between the listed company and the other Group companies:

Mechanisms to resolve potential conflicts of interests

E. Risk Control and Management Systems

E.1 Explain the scope of the Company's Risk Control and Management System, including those of a fiscal nature.

The FCC Group Risk Management Model has been designed with the aim of identifying and assessing the potential risks that could affect the Group's different units, as well as establishing mechanisms incorporated into the organisation's processes that make it possible to manage risks within the accepted levels, providing the Board of Directors and Senior Management with reasonable assurance regarding the achievement of the main objectives defined. This Model applies to all FCC Group companies, as well as to those affiliates where FCC has effective control, promoting the development of work frameworks that enable suitable risk control and management in those companies where effective control is not available.

This model is essentially based on the integration of a risk-opportunity vision and the assignment of responsibilities that, together with the segregation of duties, enable the follow-up and control of risks, consolidating a suitable control environment.

The activities included in the FCC Group's Risk Management Model include the assessment of risks, including tax risks, in terms of impact and probability of occurrence, giving rise to Risk Maps, and subsequently the establishment of prevention and control activities to mitigate the effect of such risks. In addition, this Model includes the establishment of reporting flows and communication mechanisms at different levels, which allow both decision-making and its review and continuous improvement.

The FCC Group also has a Crime Prevention Model, developed in combination with other aspects using a specific matrix of risks and controls; by integrating this matrix into the organisation's processes, the control environment is enhanced.

Additionally, following the update of the Tax Code of Conduct and the Tax Control Framework Standard in 2018, the process of identifying and assessing tax risks has been enhanced, as has the assignment of responsibilities for both the management and reporting of these risks.

E.2 Identify the bodies at the Company responsible for the development and execution of the Risk Management System, including the tax risk management system.

The Board of Directors is responsible for approving the FCC Group control and risk management policy, identifying the main risks identified by the company and implementing and monitoring the appropriate internal control and information systems, with a view to ensuring both the future viability and competitiveness of the Group, adopting the most relevant resolutions to implement them in the best possible way.

Furthermore, it is the responsibility of the Audit and Control Committee to supervise and analyse the effectiveness of the internal control and risk control and management policy, ensuring that it identifies:

- The different types of risks to which the Group is exposed, including financial or economic risks, contingent liabilities and other off-balance sheet risks.
- The definition of the level of risk that the Group considers acceptable.
- The measures planned to mitigate the impact of the risks identified, should they materialise.
- The information and internal control systems that will be used to control and manage the aforementioned risks, including contingent liabilities or off-balance sheet risks, and submit them to the Board for approval.

In this connection, the FCC Group Risk Management Model is based on the establishment of three levels of risk management and internal control, the first two residing with the business units and the third with the corporate areas.

The first level is assumed by the operating lines of the business unit, which act as risk generators and have the responsibility of managing, monitoring and adequately reporting the risk generated, including tax risk.

The second level, also assumed by the business units, consists of support, control and supervision teams, ensuring effective control and adequate risk management, including tax. Within this level, the management area of each business unit is responsible for the implementation of the Risk Management Model, including those related to financial information. In turn, the Business Compliance Officer assists the Corporate Compliance Officer in the dissemination of the Crime Prevention Model, in the identification of risks and in the definition and monitoring of controls.

The third level consists of corporate areas that report to Senior Management and/or to the Audit and Control Committee. This third level encompasses the Tax Division, responsible for the definition of tax policies, procedures and criteria generally applied to the FCC Group and the Corporate Compliance Officer, whose duties include the implementation of the Crime Prevention Model, the identification of risks in this area, and the definition and follow-up of the relevant controls, as well as the management of the Whistleblowing Channel and the proposal of action plans in cases in which breaches or inefficiencies have been detected in the operation of the controls. The Internal Audit and Risk Management areas, which report to the Audit and Control Committee, are also part of this third level. The Risk Management area is responsible for coordinating the Risk Management Model, defining a baseline methodology for identifying, assessing and reporting risks, providing support to those responsible for its implementation, and the Internal Audit area, in its capacity as the final level of control, ensures that the policies, methods and procedures are adequate and verifies their effective implementation.

E.3 Indicate the main risks, including tax risks and the extent to which those involving corruption are significant (the latter being understood within the scope of Royal Decree Law 18/2017), which may affect the achievement of business objectives.

Below, details are provided of the main risk scenarios, grouped by categories: strategic, operational, compliance and financial.

Strategic Risks.

Political and socioeconomic changes in countries and/or regions. Changes in political or socioeconomic circumstances in countries/regions where the FCC Group operates or could operate could lead to increased economic, political and social instability, generating a negative impact on the FCC Group.

Furthermore, greater economic intervention by national/regional governments, changes in public models for the development and management of environmental services, the comprehensive water cycle and infrastructure, as well as possible regulatory changes in labour, environmental or tax issues, etc., could lead to a decrease in business opportunities or reductions in the profitability of projects

Loss of market share. The FCC Group works in highly competitive markets. Possible difficulties in making competitive offers while maintaining profitability, as well as the incorporation of new competitors in mature markets, could lead to a loss of market share.

Cut in investment and demand forecasts. Changes in investment forecasts, both from private and public clients, can have a negative impact on the FCC Group. Furthermore, the revenues the Business Areas for Environmental Services, Water, Concessions and Real Estate are, to some extent, dependent on the level of demand, which is subject to change as a result of market conditions beyond the control of the FCC Group.

Damage to reputational image. The FCC Group may be involved in certain internal or external circumstances that could adversely affect its reputational image and consequently its business.

Operational Risks.

Termination or unilateral modification of a contract, contractual issues and legal disputes. Clients may unilaterally modify or terminate certain contracts before their complete execution. The compensation that the FCC Group would receive in these cases may not be sufficient to cover the damages caused and, in addition, the FCC Group may need to resort to legal or arbitration procedures to collect it, thus increasing costs and delaying the actual receipt of the compensation. Furthermore, different interpretations of contractual and regulatory requirements may lead to discrepancies that could have an impact on the outcome of the projects.

Project reprogramming. A situation of political and/or financial economic instability in certain markets in which the FCC Group operates, together with other circumstances outside FCC's control, such as the lack of availability of land for infrastructure projects, or a delay in obtaining licences could lead to the reprogramming of projects underway with an impact on their results.

Risks arising from links with third parties. The FCC Group could undertake its business activities jointly with public authorities or private entities through different forms of association. However, adverse circumstances in the project, or in a partner's economic or reputational situation, could lead to a situation that could adversely affect the FCC Group.

Uncertainty and volatility of raw materials, energy and subcontracted services. In the course of its activities, the FCC Group consumes considerable volumes of raw materials and energy, as well as working with a great number of subcontractors and manufacturers. Changing economic, environmental and regulatory conditions could result in price fluctuations that would affect FCC Group's results.

Labour conflict. Some of FCC Group's activities are labour intensive, with considerable geographical diversity (each with their respective labour laws), that for different reasons could lead to conflicts that will would the company's productive capacity and reputation.

Loss of human capital. The success of the FCC Group's business operations depends largely on key personnel with technical and managerial experience, so a substantial loss of such personnel could affect the completion and results of certain projects.

Climate change. Circumstances associated with climate change could affect a number of the infrastructures that the Group builds and operates and/or normal water supply, with an impact on business undertaken by FCC relating to the comprehensive management of water, and could also lead to an increase in operating costs as a result of policies for ecological transition that could be implemented in the future.

Catastrophic events. The complexity of certain environments in which the FCC Group performs its activities increases the risk of unexpected events that cause damage to people, property or the environment, including natural disasters and acts of a terrorist or criminal nature.

Cyber attacks. The existence of threats of a cybernetic nature could affect tangible and intangible assets and lead to prolonged interruption, uncontrolled access and information and data leaks.

Health and safety risks. One of the FCC Group's priority objectives is to perform its activities with a high level of health and safety for all personnel, and to comply strictly with legal regulations in the field, which is reflected in the Prevention of Risks at Work Policy approved by the Board of Directors. Even so, occasionally, the FCC Group could be affected by incidents or accidents in its civil engineering works or installations, or in the provision of services that could cause damage and interfere with operations.

Environmental damage. CC's environmental commitment is mirrored in the Group's Environmental Policy approved by the Board of Directors. The Group has environmental management systems in place, implemented in projects and contracts that are audited and certified in accordance with the UNE-EN-ISO 14001 Standard. However, due to the nature of the Group's activities, there may be circumstances under which damage may occur in the form of spills, emissions, etc., that have an impact on projects and contracts.

Compliance Risks.

Regulatory or contractual non-compliance. The FCC Group's operations should respect all applicable regulations and these will vary from one jurisdiction to another and even from one municipality to another, as well as being subject to modifications. However, under certain circumstances, there may be short-term non-compliance with regulations, especially in the phase of adaptation to new legislation that could be enacted. Also, in certain projects it may be difficult to comply with all contractual requirements.

Non-Compliance with the Code of Ethics. The FCC Group has a Code of Ethics and Conduct, a Manual for Criminal Prevention, and Anti-Corruption, Agent, Gifts, Human Rights and Partner Relationship Policies regarding compliance that have been approved by the Board of Directors, as well as a protocol for the prevention and eradication of bullying, all of which are binding on anyone linked to any company in the FCC Group. The high level body entrusted with promoting and supervising the Compliance Model is the Compliance Committee, chaired by the Corporate Compliance Officer.

Nevertheless, in the course of operations and relationships with clients, partners and suppliers, situations could arise that could lead to potential non-compliance with these regulations, resulting in legal, economic and reputational damages for the Group.

Financial Risks.

Liquidity risk. Liquidity risk is mainly attributed to accounts pending receipt of payment and so it is related to the Group's exposure to its clients' credit risk. The Group monitors the liquidity and financing lines for each of the companies to mitigate this risk.

Restricted access to financial markets. In specific circumstances, there may be difficulty in obtaining or renewing financing for certain projects due to the requirements or guarantees requested by the financiers, or the viability of the economic models that justify the reimbursement of the funds. All this could affect normal business, or result in the loss of business opportunities.

Impairment of the commercial fund. The FCC Group's commercial fund has a significant positive balance. FCC cannot guarantee that the Group will not incur losses/ adjustments as a result of impairment of the commercial account or any other of the Group's material assets. If this should occur it could significantly affect the FCC Group's economic result.

Recoverability of deferred tax assets. At a consolidated level in the FCC Group there is a certain volume of deferred taxes, mostly corresponding to the Spanish tax group. Their recoverability could be affected by the cyclical nature of the Fiscal Group's profit, or by future changes in tax rates, especially corporate tax in Spain.

Fluctuation of exchange rates. 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.

Fluctuation of interest rates. The purpose of the Group's financial policy is to make sure that exposure of its debt is partially linked to variable interest rates. Any increase in interest rates could give rise to an increase in the FCC Groups's financial costs associated with borrowings at variable interest rates and could also increase the cost of refinancing the FCC Groups's borrowings and the issue of new debt.

E.4 Identify whether the entity has risk tolerance levels, including for tax risk.

According to the Risk Management Model, the level of tolerance to risk assumed by the FCC Group shall be dynamic over time, and shall vary depending on internal and/or external factors. It shall be defined by the Board of Directors and aligned with the strategy.

The elements that shall define the risk appetite of the FCC Group are as follows:

- A general profile of medium-to-low and predictable risk, based on a diversified business model.
- A stable and recurring policy for the generation of income.
- Intense participation of Senior Management that guarantees a culture of risk management focused on the protection and assurance of an adequate return on capital.
- A management model that ensures a global and interrelated vision of all risks, as part of a robust risk control environment, with responsibilities at different levels.
- The undertaking of its activity based on a behavioural model that protects the interests of its clients and shareholders.
- Zero tolerance against bribery and corruption.
- Concerning tax risk, the Tax Control Framework Standard defines the general tax risk management policy and the levels of tax risk that can be assumed.

E.5 Indicate the risks, including tax risks, that have materialised during the year.

In relation to changes in political circumstances, the British Parliament's approval of the government's plan for the United Kingdom's departure from the European Union last December represented a step forward in the definitive completion of the Brexit agreement. Since the start of this process, FCC has developed plans to adapt to this new business situation in the United Kingdom (mainly affecting environmental services) and no significant impact is expected. More details are included in Note 29 of the Consolidated Annual Accounts of the FCC Group in this connection.

As for risks materialising in the operational area, these usually affect a limited number of projects. This category includes the following:

- **Project reprogramming.** The FCC Group performs different initiatives, such as the inclusion of contractual clauses that allow the costs arising from these reprogramming tasks to be passed on, to optimise the costs incurred at each of the facilities insofar as possible and thus adapt with significant efforts to the new agreed deadlines, relocation of project personnel reprogrammed to others under way, in addition to a close commercial relationship with the client to seek a satisfactory solution for both parties.
- **Labour conflict.** The high volume of labour required at some of the activities performed by the FCC Group entails the existence of specific labour disputes, concerning which the FCC Group promotes communication and monitoring channels with workers and their representatives
- **Contract and legal disputes:** the high number of contracts with customers, suppliers and partners, as well as the possible requirements of authorities in different jurisdictions, means that the FCC Group is a party to civil, employment, criminal, arbitration, administrative, regulatory and similar proceedings that arise during the course of its ordinary business. In this connection, in May 2019, the Spanish Tax Administration reached a settlement in relation to a state aid recovery procedure, against which the FCC Group has filed an appeal.

In addition to other aspects, the Group has become aware of the existence of payments between 2010 and 2014 amounting to USD 82 million that might not be justified and may therefore be illegal, as a result of an internal investigation in May 2019 in application of its compliance policy and regulations. These acts were uncovered as a result of application of the procedures in the FCC Group's compliance rules. The company has informed prosecutors in Spain and Panama about these acts, and has been providing the utmost cooperation since then to clarify what happened, applying the "zero tolerance" principle for corruption that permeates the entire FCC Compliance System.

In the context of this cooperation, on 29 October 2019, the National Court's Central Court of Instruction No. 2 agreed to investigate FCC Construcción, S.A. and two of its subsidiaries, FCC Construcción América, S.A. and Construcciones Hospitalarias, S.A. in the context of Preliminary Measures 34/2017. These proceedings have only just begun. It is therefore impossible to determine whether charges will eventually be filed against these companies, and, if so, what their scope will be. Therefore, it is possible that these actions may result in a financial impact, although we do not have the information needed to qualify this impact.

Regarding financial risks, volatility in different currencies that affect the FCC Group's different businesses, such as the US dollar and the Tunisian dinar has persisted during this year. This volatility has occurred between 31 December 2018 and 31 December 2019, with the US dollar up 5.49% and the Tunisian Dinar down 5.27%. 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. Therefore, the FCC Group manages the exchange rate risk that may affect both the Balance Sheet and the Income Statement, through natural coverage whenever possible, or by contracting different financial instruments. However, any significant fluctuation in these currencies with respect to the Euro impacts the business, the level of indebtedness and the results of the FCC Group.

Finally, despite the Cements business ending the year in the black, the rate of growth of cement consumption was halved in the second half of 2019, with this slowdown expected to continue into 2020, which combines with higher environmental pressures that have an impact on the emissions allowance policy. In light of this situation, a review of the estimates has been made, with a deterioration of the Corporación Uniland's commercial fund of 70 million euros.

E.6 Explain the response and supervision plans for the company's main risks, including tax risks, as well as the procedures followed by the company to ensure that the Board of Directors responds to any new challenges that arise

Both the FCC Group 's Risk Management Model and its Compliance Model establish comprehensive frameworks for the identification, assessment and management of risks in their respective fields of application.

Once the risks have been identified and prioritized, it is expected to establish control mechanisms through the Risk and Control Matrices that will include key controls aimed at preventing and/or mitigating the risks and the definition of persons in charge of these control activities. For those risks that exceed the accepted level of risk or when non-compliances or inefficiencies are detected in the operation of the controls, specific Action Plans will be established taking into account their operational viability, their possible effects, as well as the cost-profit ratio of implementation.

The supervision of the Risk Management Model is performed by the Business Divisions with support from the Risk Management area, while the supervision of the Compliance Model is carried out by the Corporate Compliance Officer with support from the business' Compliance Officer, after a review of controls by the process owners.

In the face of potential political and socio-economic uncertainties, as well as other strategic risks such as an increase in competitive tension, the FCC Group will continue to focus on consolidating its international positioning, maintaining a share in mature markets, to search for new formulas for public-private collaboration to develop the integral water cycle, environmental services and infrastructure, as well as the integration of its businesses in the circular and low carbon economy, supported by technology and innovation.

Regarding the risks of compliance with technical regulations and compliance with contractual requirements, the FCC business units have a Quality Assurance System in place that complies with international standards. Furthermore, by way of example, worth particular mention are the specific plans, such as the Special Program for Handling Accident Risks in the Construction area, which collate a series of measures that apply to works that can cause very serious accidents and a social impact in addition to those that may cause significant economic losses to the company due to shortcomings in the project, execution or management of the contract. This plan is reviewed periodically. FCC also has a Certified Occupational Risk Prevention Management System in place for the business areas.

In addition, to address the risks related to cyber attacks and information security, the FCC Group has an operational unit responsible for preventing, detecting, analysing and mitigating factors related to security events, such as intrusion, attacks, etc., as well as an Information Security Management System designed in line with international standards, and that has received third party certification for certain business areas. The FCC Group also has an internal policy for complying with the requirements of the data protection regulations, in addition to those responsible for this function both in the business units and at a corporate level.

In response to environmental risks and compliance with environmental regulations, all business units also have an Environmental Management System in line with international standards, and specifically, certain units have signed up to the European Commission's Environmental Management and Audit System.

In terms of other compliance risks, the FCC Group has a Code of Ethics and Conduct, the last update of which was approved by the Board of Directors in September 2019, which aims to ensure all persons linked to any FCC Group company are guided by the strictest behavioural guidelines in compliance with laws, regulations, contracts, procedures and ethical principles, being binding on all these persons. Also during 2019, new policies have been approved for the Group (Agents, Human Rights, Gifts), which combine with the regulations implementing the Code of Ethics and Conduct, which also includes an Anti-Corruption Policy, a Partner Relationship Policy in matters of Compliance, a Crime Prevention Manual, as well as specific procedures for the management of the Whistleblowing Channel and the management of communications received through this channel. The Compliance Committee, chaired by the Corporate Compliance Officer, is the body to which the Board of Directors has allocated responsibility for promoting the ethical culture throughout the organisation and ensuring both internal and external regulatory compliance. Furthermore, in each of the Group's businesses, the Business Compliance Officer has been established as an assistant to the Corporate Compliance Officer, and Business Compliance Committees have been set up.

Regarding financial risks, they are controlled by specialist departments at the business units, together with the General Administration and Finance Division, whose tasks include reaching decisions on risk transfer mechanisms (insurance), covering interest rate variations, and managing asset risks.

F. Internal Risk Control and Management Systems in relation to the financial information reporting process (IFRS)

Describe the mechanisms that make up the risk management and control systems in relation to the process of reporting your institution's financial information (IFRS).

F.1 Institution's control environment.

State, indicating their main characteristics, at least:

F.1.1. The bodies and/or areas responsible for: (i) the existence and maintenance of adequate and effective IFRS; (ii) its implementation; and (iii) its supervision.

The Internal Financial Reporting Control System (hereinafter IFRS) shall provide the Audit and Control Committee and Senior Management with reasonable assurance about the reliability of the financial information submitted for approval to the Board and that is periodically disclosed to regulators and the market.

The bodies and areas at the FCC Group responsible for ensuring the existence, maintenance, implementation and supervision of an adequate and effective IFRS, as well as the responsibilities attributed to these bodies are as follows:

Board of Directors.

The duties of this Governing Body include:

- Ultimate responsibility for the approval of the Risk Control and Management Policy, including tax risks, identifying the main risks faced by the Company and implementing and monitoring the appropriate internal control and information systems, adopting the most relevant resolutions to implement them in the best possible way, as well as the supervision of internal information and control systems.
- Defining the information and communication policies with shareholders, markets and public opinion, ensuring the quality of the information provided, approving the financial information that, due to its listed status, the Company must publish periodically.

Audit and Control Committee.

In relation to the Information and Internal Control Systems, the Audit and Control Committee is responsible for:

- Periodically reviewing, among other aspects, the process of preparing economic-financial information, its internal controls and the independence of the external auditor.
- The supervision of the Company's Internal Audit services that ensure the proper functioning of the information and internal control systems, with the person responsible for the Internal Audit function being required to present his/her annual work plan to the Committee and directly inform this body of any incidents that occur in the performance of his/her duties and submit a report on his/her activities at the end of each year.
- The supervision and analysis of the effectiveness of the Company's internal control and of the risk control and management policy approved by the Board of Directors, ensuring that it identifies, as a minimum:
  - The different types of risks to which the Group is exposed, including financial or economic risks, contingent liabilities and other off-balance sheet risks.
  - Setting the level of risk that the Company considers acceptable.
  - The measures planned to mitigate the impact of the risks identified, should they materialise.
  - The Information and Internal Control Systems that will be used to control and manage the aforementioned risks, including contingent liabilities or off-balance sheet risks.

- The supervision of the preparation process and the integrity of the financial information related to the Company and, where appropriate, to its Group, reviewing compliance with regulatory requirements, the adequate definition of the consolidation perimeter and the correct application of accounting criteria.
- The supervision of the process of preparing and submitting individual and consolidated annual accounts and management reports, and the periodic financial information that is disseminated to the markets, ensuring compliance with the legal requirements and the correct application of generally accepted accounting principles, informing the Board of Directors of the financial information that, given its status as a listed company, the Company is required to publish periodically.
- The supervision of the auditor and his/her independence, including the reception of reports and the authorisation of certain services that could pose a threat to his/her independence.
- The supervision of the proper functioning and effectiveness of the Crime Prevention Model.

Senior Management.

The Senior Management of each of the units is ultimately responsible for the implementation of the Risk Management and Internal Control Model; its duties include the implementation of an effective and efficient control system for risks, including those associated with financial information.

General Administration and Finance Division.

The General Administration and Finance Division performs its duties in the areas of Administration, Information Systems and Technologies, Finance, Purchasing and Human Resources.

The Administration area directs the administrative management of the FCC Group and has the following duties, among others, in relation to Information Systems and Internal Control: general accounting, accounts standardisation, consolidation, tax advice, and tax procedures, tax compliance and the management of administrative procedures.

In turn, the Finance area is entrusted with the centralised management of the FCC Group's finances. In relation to the Information and Internal Control Systems, its aims and actions are structured around financing the Group's activities, the management of its debt and financial risks, the optimisation of the treasury and financial assets, financial management and control, the management of markets and CNMV, the analysis and financing of investments, the management, monitoring and control of guarantees and collateral, the management of insurance and industrial and property risks and management control.

The Information Systems and Technologies area of the FCC Group ensures that adequate technological support is provided to the Group's management processes, optimising the level of service provided to users, and ensuring the confidentiality and integrity of information systems. Reporting to this area, the FCC Group has an Information Security Department responsible for developing and implementing internal control policies and procedures concerning information systems, including those that support the processes of preparing and publishing financial information., and that assume responsibility for data protection matters.

General Internal Audit and Risk Management Division.

Its objective is to provide the Audit and Control Committee and Senior Management with an independent and objective opinion on the Group's ability to achieve its objectives through a systematic and methodological approach for the assessment, management and effectiveness of internal control and risk management processes, assessing the effectiveness and reasonableness of the internal control systems, as well as the functioning of processes according to the procedures, proposing improvements and providing methodological support to the Division in the process of identifying the main risks that affect activities and supervising the actions for their management.

The responsibilities in relation to the Financial Information Control Systems of the General Internal Audit and Risk Management Division include the supervision of the process of preparing and submitting the Group's financial information before it is issued to the market, as well as contributing, together with the other areas involved, the development of internal controls by monitoring compliance with the policies, standards, procedures and activities that constitute the internal control model to ensure the correct management and reduction of risks, issuing recommendations for their improvement. Its responsibilities also include the supervision of projects and processes, performing a risk identification and an assessment of the control environment.

Compliance Committee.

This high-level internal management committee, with autonomous initiative and control powers entrusted by the Board of Directors, through its Audit and Control Committee, is responsible for promoting a culture of ethics throughout the Organisation and ensuring both internal and external regulatory compliance. Its duties and competencies include the monitoring and supervision of ethics and compliance programmes, as well as the Code of Ethics and Conduct, existing policies, rules, procedures and controls aimed, among other objectives, at preventing unlawful conduct. It is chaired by the Corporate Compliance Officer. The nature, purpose, structure and competencies of the Compliance Committee are established in the FCC Compliance Committee Regulations approved by the Board of Directors.

F.1.2. Whether the following elements are in place, especially in relation to the process of preparing financial information:

- **Departments and/or mechanisms in charge of: (i) designing and reviewing the organisational structure; (ii) of clearly defining the lines of responsibility and authority, with an adequate distribution of tasks and functions; and (iii) ensuring there are sufficient procedures for its correct dissemination throughout the institution.**

The Appointments and Remuneration Committee is responsible for examining and organising the process for replacing the Chairman and the CEO and, where appropriate, making proposals to the Board of Directors so that these processes occur in an orderly and planned manner. It is responsible for reporting on the proposals for the appointment and removal of senior managers that the CEO proposes to the Board and the basic conditions of their contracts.

The highest authority for the design and review of the organisational structure as well as the definition of the lines of responsibility and authority is the CEO, appointed by the Board of Directors. Each Corporate or Business Division must define the organisational structure and the lines of responsibility of its management.

The process of determining the organisational structure is regulated by section 10 of the Group's General Standards Manual, which regulates the bodies that directly report to the Board of Directors, the distribution of the Group's management duties, and the appointment of managerial positions.

The first-level organisational structure is available on the corporate intranet, with the different business units having their own organisational structures associated with specific projects and contracts.

Among its specific responsibilities in terms of the Internal Financial Reporting Control System, the General Administration Division is responsible for the assumption of high-level executive functions in the management of the IFRS, the execution of control activities relating to the consolidation subprocess and the normalisation of the processes relating to the preparation of the information. The Risk Management areas responsibilities include methodological support in the identification of risks and controls in the process of preparing financial information. Finally, the Internal Audit area supervises the process of preparing and submitting the Group's financial information before it is issued to the market.

- **Code of conduct, approval body, degree of dissemination and awareness, principles and values included (indicating whether there are specific mentions to the register of operations and preparation of financial information), body in charge of analysing non-compliance and proposing corrective actions and sanctions.**

The Board of Directors, as a non-delegable power, is responsible for approving the FCC Group's Regulations or Internal Codes of Conduct. The Audit and Control Committee, in accordance with the aforementioned Regulations, is responsible for ensuring that the Internal Codes of Conduct and the Corporate Governance Rules comply with the regulatory requirements and are adequate for the Company, as well as reviewing compliance by those affected by these codes and rules of governance with their duties to inform the Company.

The FCC Group has a Code of Ethics and Conduct, the last update of which was approved by the Board of Directors in September 2019, which aims to ensure all persons linked to any FCC Group company, regardless of the type of contract applicable to their employment relationship, position or geographical area in which they perform their work, are guided by the strictest behavioural guidelines in compliance with laws, regulations, contracts, procedures and ethical principles, being binding on all these persons.

This code is published both on the corporate intranet, as well as the Group's website, where it can be accessed for consultation, performing awareness raising and communication campaigns through different internal means, on physical and electronic supports, with a view to strengthening the personal commitment of employees to the company's ethical compliance system. During 2019, 4,590 training courses were imparted, relating both to the Code of Ethics and Conduct, in addition to specific training on compliance matters for certain levels of the organisational structure and those in charge of controls, both in businesses and corporate areas; at the end of 2019, the organisation was in the phase of rolling this training out internationally.

Among the principles of action included in this Code are respect for the law and ethical values, zero tolerance for bribery and corruption, the prevention of money laundering and financing terrorist activities, protection of free competition and best market practices, ethical behaviour on the stock market, avoidance of conflicts of interest, rigour in the control, reliability and transparency of information, protection of the Group's reputation and image, the efficient and safe use of the company's resources and assets, the monitoring of property and the confidentiality of data and information, a customer orientation, the prioritisation of people's health and safety, the promotion of diversity and fair treatment, the commitment to our environment, a transparent relationship with the community and extending the commitment to ethics and compliance to business partners.

Regarding the registration of transactions and the preparation of financial information, the current Code of Ethics and Conduct, under "Rigour in control, reliability and transparency", specifies "The information of the FCC Group must be prepared with the maximum reliability, complying with the applicable regulations and company rules and be duly guarded and conserved", stating that the process of accounting, registering and adequately and comprehensively documenting all transactions, income and expenses, at the time they occur, should be monitored without omitting, hiding or altering any data or information, so that the accounting and operational records faithfully reflect reality and can be verified by the control areas and by internal and external auditors. Failure to follow these premises could be considered to be fraud. The circumvention of the company's internal controls will be grounds for sanction". Furthermore, FCC has a Tax Code of Conduct, which also includes the commitment to transparent behaviour in tax matters and the latest version of which was approved by the FCC Board of Directors in June 2018.

Also during 2019, new policies have been approved for the Group (Agents, Human Rights, Gifts), which combine with the regulations implementing the Code of Ethics and Conduct, which also includes an anti-corruption policy, a partner relationship policy in matters of Compliance, a crime prevention manual, investigation and response procedures and Whistleblowing Channel and the Rules of the Compliance Committee.

The Compliance Committee is a high-level, permanent and internal management committee with autonomous initiative and control powers entrusted by the Board of Directors with responsibility for promoting a culture of ethics throughout the organisation and ensuring both internal and external regulatory compliance. To this end, its main duties and competencies include the surveillance and supervision of ethics and compliance programmes, as well as the Code of Ethics and Conduct, and of policies, rules, procedures and controls. The Corporate Compliance Officer is the Chairman of the Compliance Committee and periodically informs the Committee about the performance of its duties and the level of regulatory compliance.

Furthermore, each of the Group's businesses has its own Business Compliance Officer, who assists the Corporate Compliance Officer in the implementation of the Crime Prevention Model, in the identification of risks, in the definition and monitoring of controls and in the handling of complaints and investigations relating to crimes and reported breaches of the Code of Ethics and Conduct. Furthermore, the Business Compliance Committees have been set up as a Crime Prevention body that supports, in this connection, both the Board of Directors or the equivalent decision-making body and the Corporate Compliance Committee itself.

- **Whistleblowing Channel, which makes it possible to inform the audit committee of financial and accounting irregularities, in addition to possible breaches of the code of conduct and irregular activities at the organisation, stating, as appropriate, whether this is confidential.**

The FCC Group has a Whistleblowing Channel, through which it is possible to confidentially report activities and behaviours that may involve a breach of any of the aspects of the Code of Ethics and Conduct, including potential irregularities that could have criminal consequences. All communications are managed by the Compliance Committee applying the defined protocol, thus guaranteeing confidentiality. The management of the Whistleblowing Channel is regulated in the Whistleblowing Channel Procedure, approved by the FCC Board of Directors.

Communications can be made in three ways:

– Via the corporate intranet.

– Sending an email to a specific email address.

– Sending a letter addressed to a specific post box.

The procedure and functioning of the Whistleblowing Channel are described on the intranet and in the Code of Ethics and Conduct, which specifies the duty of all persons linked to any FCC Group company, of reporting any breach they become aware of.

- **Training and periodic update programmes for staff involved in the preparation and review of financial information, as well as in the assessment of the IFRS, covering at least accounting standards, auditing, internal control and risk management.**

Training plans, both for the business units and at a Corporate level, include different training actions focussing on the acquisition, updating and recycling of economic-financial, regulatory, control and risk management knowledge, as well as other regulatory and business aspects, knowledge of which is necessary for the proper preparation and supervision of the Group's financial information. During 2019, 10,967 hours of specific training were imparted on these subjects, among which the following training actions stand out: International Financial Reporting Standards, Analysis of Economic-Financial Statements, Tax Accounting, Finance, Development of accounting treatments in IFRS, Taxes, Accounting, etc.

Furthermore, 4,590 hours of training have been imparted in aspects of the Code of Ethics and Compliance, as well as specific training on data protection and the prevention of money laundering and terrorist financing.

F.2 Assessment of financial information risks

Report, at least:

F.2.1. The main characteristics of the risk identification process, including error or fraud, in terms of:

- **Whether the process exists and is documented.**

The FCC Group Risk Management Model establishes a comprehensive framework for the identification, assessment and management of risks at all levels of the organisation, assigning responsibilities in different areas and levels of the Organisation.

Based on a cross-cutting risk matrix, the business units identify and assess the different risks, in terms of probability of occurrence and impact. This risk matrix includes risks relating to errors in the preparation of financial information under different perspectives. Periodically, the management teams of each business area analyse and report on the risks that have materialised in each of the Group's areas, with this information serving to take actions, and indirectly, to update risk maps.

Section E of this Annual Corporate Governance Report details the activities, responsibilities and functioning of the FCC Group Risk Management Model.

- **Whether the process encompasses all the financial information objectives (existence and occurrence; integrity; appreciation; presentation, breakdown and comparability; and rights and obligations),whether it is updated and how often.**

The FCC Group's Risk Matrix contemplates, from different perspectives, risks related to the most relevant financial information objectives. On the one hand, as part of Operational and Financial Risks, different aspects relating to the analysis, monitoring and efficiency in the management of different financial information are considered. As part of Compliance Risks, the repercussions of non-compliance with the regulatory requirements in accounting, commercial and corporate matters are contemplated. The risk of fraud is contemplated in the Crime Prevention Model. Finally, as part of Reporting Risks, several risks relating to shortcomings in reporting models and systems are considered, including but not limited to aspects of reliability, timeliness and transparency.

Both the identification process and the risk assessment process include periodic updates, taking into account both business needs and external factors. Additionally, both the business units and corporate functions periodically report the most significant risks.

- **The existence of a consolidation perimeter identification process, taking into account, among other aspects, the possible existence of complex corporate structures or special purpose entities.**

Each of the areas into which the FCC Group is organised is responsible for maintaining and updating the consolidation perimeter corresponding to its area of activity. The Accounting Consolidation and Standardisation Department keeps the Financial and Economic Manual up to date in relation to the Group companies that make up the consolidation perimeter, based on the data provided by the business areas. Additionally, periodic controls are performed on the correct accounting treatment of companies that make up the consolidation perimeter.

- **Whether the process takes into account the effects of other types of risks (operational, technological, financial, legal, tax, reputational, environmental, etc.) to the extent that they affect the financial statements.**

The FCC Group's Risk Matrix includes different operational, technological, information security, financial, legal, environmental and reputational risks, in addition to others, which are divided into the following five broad categories: strategic, operational, compliance, financial and reporting risks. These risks are valued considering their potential impact on the financial statements should they materialise.

- **Which governing body at the entity supervises the process.**

The FCC Group's Risk Matrix includes different operational, technological, information security, financial, legal, environmental and reputational risks, in addition to others, which are divided into the following five broad categories: strategic, operational, compliance, financial and reporting risks. These risks are valued considering their potential impact on the financial statements should they materialise.

F.3 Control activities

Report, indicating their main characteristics, whether at least the following are in place:

F.3.1. Procedures for reviewing and authorising the financial information and description of the IFRS, to be disclosed to the securities markets, indicating those in charge of them, as well as descriptive documentation concerning the flows of activities and controls (including those relating to fraud risk) of the different types of transactions that may materially affect the financial statements, including the year-end accounting procedure and the specific review of the relevant resolutions, estimates, measurements and projections.

The high-level functions regarding the Internal Financial Reporting Control System are assumed by the General Administration and Finance Division of the FCC Group, which certifies the consolidated accounts in terms of their integrity and accuracy, with the approval of the CEO.

The conclusions of the internal control assessment performed by the external auditor as part of the audit of accounts, together with the supervision performed by the General Internal Audit and Risk Management Division, are submitted to the Audit and Control Committee as part of reports containing the recommendations considered necessary.

Finally, the favourable report of the Audit and Control Committee is a preliminary step as part of the preparation of the Annual Accounts and the Management Report by the Board of Directors.

In addition, as part of the process of disclosing financial information to the securities markets, either quarterly or on an exceptional basis, or when a relevant fact is issued, those responsible for each area review the information reported for the purposes of consolidation. This information is consolidated by the Group's General Administration and Finance Division, which performs specific control activities as part of the year-end accounting process to ensure the reliability of this information. The Internal Audit area supervises the process of preparing and submitting the Group's financial information before it is issued to the market.

Additionally, the specific review of the relevant resolutions, estimates, measurements and projections to quantify certain assets, liabilities, income, expenses and commitments recorded and/or broken down in the Annual Accounts, is also carried out by the General Administration and Finance Division with support from the other divisions. Hypotheses and estimates based on the evolution of the business are reviewed and analysed in cooperation with the corresponding Business Divisions.

For each of the business units, as well as for corporate services, the FCC Group has a series of controls to regulate, supervise and monitor, among other aspects, business management processes, the objective of which is to prevent and detect breaches of the FCC Group's policies and procedures and potential fraud risk situations

In addition to the bases established in Articles 10, 11 and 14 of the Rules of the Board of Directors, which describe the specific duties relating to the Annual Accounts, the Management Report and the relationship with the securities market, the FCC Group has defined procedures in place on year-end and maintenance processes concerning the accounts plan, including procedures to ensure the correct identification of the consolidation perimeter. Specifically, the Economic-Financial Manual covers the accounting treatment of the different types of processes and transactions that may affect Financial Statements (accounting, tax, insurance, treasury, etc.), and includes a series of rules that make it possible to obtain information of an economic-financial nature in a standardised manner, including procedures to make economic and financial information available to the Administration and IT areas, obtain consolidated information, tax reporting, submission of annual accounts, accounting, transactions with related parties, etc.

F.3.2. Internal control policies and procedures on information systems (among others, on access security, change control, their operation, operational continuity and segregation of duties) that support the institution's relevant processes in relation to the preparation and publication of financial information.

FCC has an Information Security Policy in place that defines the company's information security model, the regulatory body, organisation and responsibilities when it comes to the security, classification of information, the information security areas, the risk analysis model and the information auditing procedure. Internal control policies and procedures on information systems cover all the Group's information management processes, including the processes for preparing and publishing financial information. Certain part of the activities performed by Infrastructure (construction and Industrial) and Water have an international certified ISO-27001 Information Security Management System.

Worth particular mention from among the Information Security System documentation are the specific rules on database security, encryption, access control, equipment configuration control, mobile device security, backup copies, incident management, systems laboratories, networks, password security, privacy, security in developments, documents and outsourcing services to external companies, physical security, roles and responsibilities in information security, return of technological aids and compliance with the requirements of the General Data Protection Regulation, as well as the new Policy on the Use of Technological Media, approved in April 2019. This regulation is available on the intranet.

In addition, the Information Technology area has procedures in place for managing the life cycle of user access, managing changes to platforms and systems and managing security incidents and breaches.

Information and application security is monitored continuously through an SOC (Security Operations Centre) service, and periodic internal reviews of the computer control environment are also performed.

In addition, the Centre of Expertise that provides the support and maintenance service to the FCC Group's ERP has obtained the SAP "Customer Center of Expertise Primary Certification" certificate.

F.3.3. Internal control policies and procedures aimed at supervising the management of activities outsourced to third parties, as well as those aspects of assessments calculations or measurements entrusted to independent experts, which may materially affect the financial statements.

The FCC Group's Purchasing Regulations establish different scopes of purchasing management depending on their nature, with all subject to a series of general principles based on the transparency of decision making, invitations to tends, the traceability of the process, the fulfilment of award conditions and the supervision and assessment of suppliers.

With respect to the significant activities outsourced with an impact on the financial statements, the FCC Group has outsourced the provision of management services for its IT and telecommunications infrastructures, as well as support for the main corporate applications. The Information Systems and Technologies Division has a standard that defines the security criteria in terms of outsourcing to external companies, and specific procedures for the control of outsourced services through the contractual regulation of the following aspects:

- Governance mechanisms and service monitoring.
- Audits, inspections and service reviews.
- Service level management.
- Monitoring and control of services performed by third parties that affect ISO 27001 certifications.

The main outsourced activities relating to the execution or processing of transactions reflected in the Group's Financial Statements are the measurement of derivative financial products, the performance of actuarial calculations and the appraisal of certain fixed assets. These activities are controlled by the Administration and Finance Division.

F.4 Information and communication

Report, indicating their main characteristics, whether at least the following are in place:

F.4.1. A specific area in charge of defining, keeping accounting policies up to date (accounting policies area or department) and resolving queries or conflicts concerning their interpretation, maintaining fluid communication with those responsible for operations across the organisation, as well as an up-to-date accounts policy manual communicated across the units through which the company operates.

Responsibility for the application of the accounting policies at the FCC Group is centralised through the General Administration and Finance Division, to which the Accounting Consolidation and Standardisation Department and Administrative Coordination Department report. These departments are responsible for functions including but not limited to:

- Defining the Group's accounting policies and incorporating them in the Financial and Economic Manual.
- Issuing the accounting regulations applicable to the Group.
- Resolving queries or conflicts concerning the interpretation or application of the Group's accounting policies to any company included in the perimeter and specifying, clarifying or extending the instructions and regulations issued.
- Analysing single operations and transactions carried out or that the Group plans to carry out with a view to ensuring their adequate accounting treatment in line with the Group's accounting policies.
- Following up on the new draft regulations being studied by the IASB, new regulations approved by this agency and the corresponding validation process.

The Financial and Economic Manual that includes the accounting regulations is available on the Group's Intranet. It is updated and maintained by the different departments under the General Administration and Finance Division.

The FCC Group also has a Tax Control Framework Standard, the latest version of which was approved by the Board of Directors in June 2018.

F.4.2. Mechanisms for obtaining and preparing financial information in homogeneous formats, for application and use by all units of the company or Group, which support the main financial statements and notes, as well as the information provided on the IFRS.

The FCC Group has implemented SAP environment tools for the consolidation of the economic-financial information used to respond to the reporting needs of its financial statements. This tool makes it possible to centralise a significant part of the information corresponding to the accounting of the individual financial statements of the Group's subsidiaries in a single system. The system is centrally managed and uses a single account plan. Through this tool, the Corporate Finance area collects comprehensive information about the entire FCC Group, both from Spanish and foreign companies.

The accounting policies, procedures and internal rules relating to year-end, reporting and consolidation processes are described in the Group's Financial and Economic Manual, in addition to detailing the information that must be provided for the consolidation process and defining both the reporting deadlines and the base documents and forms to provide this information. This Manual also includes procedures for obtaining the consolidated information in SAP BFC (creation of consolidation perimeters, execution of the consolidation process, controls, etc.) and for all reporting phases, as well as other procedures relating to the processes of applications in the SAP BFC environment.

In addition, at year-end and with a view to publishing the annual financial report, the General Administration Division sends the year-end plan, including a series of instructions, to those responsible for providing the corresponding financial information. The Administrative Coordination Division, specifies, clarifies or extends these instructions when required.

The consolidated accounts follow the guidelines set out in the International Accounting Standards (IAS) and the International Financial Reporting Standards (IFRS). With a view to guaranteeing a homogeneous accounting process, the FCC Group has developed a corporate chart of accounts that is also included in the Financial and Economic Manual.

F.5 Supervision of the system's functioning

State, indicating their main characteristics, at least:

F.5.1. The IFRS supervision activities performed by the audit committee and whether the company has an internal audit area responsible, in addition to other aspects, for supporting the committee in its work to supervise the internal control system, including the IFRS. Furthermore, the scope of the IFRS assessment carried out during the year and the procedure through which the person in charge of carrying out the assessment will communicate the corresponding results shall be indicated, whether the company has an action plan detailing the possible corrective measures, and whether their impact on financial information has been considered.

The Audit and Control Committee performs the following activities:

- Inform the General Shareholders' Meeting about the issues raised in relation to the matters within its remit and, in particular, the outcome of the audit, explaining how it has contributed to the integrity of the financial information and the role that the Committee has played in that process.
- Serve as a channel of communication between the Board of Directors and the external auditor at the Company, assessing the outcome of each audit and ensuring his/her independence.
- The supervision of the Company's Internal Audit services to ensure the proper functioning of the information and internal control systems, with the person responsible for the Internal Audit function being required to present his/her annual work plan to the Committee and directly inform this body of any incidents that occur in the performance of his/her duties and submit a report on his/her activities at the end of each year.
- Supervise and analyse the effectiveness of internal control at the Company and the Risk Control and Management Policy approved by the Board of Directors.
- Supervise the preparation process and the integrity of the financial information related to the Company and, where appropriate, to its Group, reviewing compliance with regulatory requirements, the adequate definition of the consolidation perimeter and the correct application of accounting criteria.

– Periodically supervise the Internal Control and Risk Management Systems, including tax risks,, so that the main risks are properly identified, managed and made known.

The Internal Audit area forms part of the General Internal Audit and Risk Management Division. Its core mission is to facilitate the Audit and Control Committee in the fulfilment of its duties and responsibilities, acting with total independence from management areas, as it functionally reports to the Audit and Control Committee. Among its responsibilities and competencies relating to IFRS are:

– Collaborating in the supervision of the process for preparing and submitting the Group's financial information before it is issued to the market.

– Contributing, together with the other areas involved, to the development of internal control by monitoring compliance with the policies, standards, procedures and activities that constitute the internal control model to reduce risks, issuing improvement recommendations.

– Supervising projects and processes, carrying out a risk identification and an assessment of the control environment.

– Acting as third line of defence, supervising compliance control

– Performing the internal investigations designated by the Compliance Committee.

The outcome of the reviews performed by the Internal Audit area and the incidents detected are communicated by the General Internal Audit and Risk Management Division to the Audit and Control Committee.

In turn, the Audit and Control Committee approves the Annual Audit Plan and supervises the Activities Report. During 2019, the following tasks relating to the management and control of risks and the supervision of the Group's Financial Information were carried out by different areas:

– Review of the FCC Group's relevant applications, as well as certain aspects of physical and logical security.

– Monitoring of internal control weaknesses detected during both the Internal and External Audit of the IT area.

– Collaboration in internal audits in terms of compliance with ISO 27001.

– Collaborating in the supervision of the individual and consolidated annual accounts of FCC, S.A., as well as the six-monthly financial statements reviewed by the external auditor.

– Collaborating in the supervision of financial and corporate information sent to regulators and markets and supervised by the Audit and Control Committee:

- Annual financial report.
- Management reports.
- Six-monthly financial report.
- Quarterly reports.
- Annual Corporate Governance Report.

– Review of the control environment in relation to the prevention of money laundering and terrorist financing.

– Pre-approval of services other than audit services provided by audit firms, collaborating with the Audit and Control Committee in its work of monitoring the independence of the external auditor.

– Audit of key processes, works and projects/contracts focussing, in addition to other aspects, on reviewing financial information and contractual risks.

– Audit of procedures for sampling and reviewing support processes in certain business areas.

– Coordination of the process of updating the identification and assessment of risks by the business units, providing a standardised methodology aligned with the Risk Management Model and consolidating the information at a corporate level.

F.5.2. Whether a discussion procedure is in place, whereby the account auditor (pursuant to the provisions of the NTA), the internal audit area and other experts can inform Senior Management and the Audit Committee or the company's administrators of significant internal control shortcomings identified during the review of the annual accounts or those entrusted to them. Furthermore, indicate whether an action plan is in place that seeks to correct or mitigate the shortcomings identified.

The Rules of the Board of Directors at the FCC Group establish that it is the responsibility of the Audit and Control Committee to serve as a channel of communication between the Board of Directors and the Company's external auditor, assessing the results and discussing the significant shortcomings in the Control System Internal detected during the performance of the audit.

The Group's auditor has direct access to the Group's Senior Management, holding regular meetings, both to obtain information required for the performance of his/her work, and to communicate the control shortcomings detected. External auditors submit the conclusions of their reviews to the Audit and Control Committee, detailing the internal control shortcomings identified in the performance of their review of the Group's annual accounts, including any aspect they deem relevant. In 2019, the External Auditor attended three Audit and Control Committee meetings, presenting 3 reports.

Furthermore, the Regulations of the Internal Audit area at the FCC Group indicate that the Audit and Control Committee shall be made aware, through the General Internal Audit and Risk Management Division, among others, of the most relevant aspects in relation to: relationships with external auditors, the outcome of the supervision of the reliability and integrity of the financial and management information of Group companies before being issued to the market, the fulfilment of internal and external regulatory requirements, the functioning of the internal control systems, and the development and functioning of risk management systems.

In addition, the Regulations of the Internal Audit area at the FCC Group establish that the Audit and Control Committee will be supported by the General Internal Audit and Risk Management Division in fulfilling its responsibilities and competences, without prejudice to the support or assistance received from other areas. The Internal Audit area performs monitoring processes on accounting information (individual and consolidated), management reports and financial information that is periodically disclosed to the markets.

The General Internal Audit and Risk Management Division at the FCC Group periodically informs the Audit and Control Committee of the significant internal control shortcomings identified during the performance of its work, indicating the recommendations to be implemented to properly correct them. The Audit and Control Committee also receives presentations performed by the General Administration and Finance Division and the Compliance Officer, as well as the different corporate areas in relation to risks that have materialised.

F.6 Other relevant information

N/A

F.7 External auditor's report

Report on:

F.7.1. Whether the IFRS information sent to the markets has been submitted to review by the external auditor, in which case, the company should attach the corresponding report as an appendix. Otherwise, the reasons for not doing so shall be indicated.

The information contained here on the Internal Financial Reporting Control System has been submitted to review by the external auditor, whose report is attached as an appendix to this document. The review has been based on the "Action Guidelines and Reporting Model for the auditor regarding information relating to the Internal Financial Reporting Control System of listed companies" published by the CNMV in 2013.

G Degree of compliance with corporate governance recommendations

Indicate the degree of compliance at the company with the recommendations of the Code of Good Governance of Listed Companies.

In the event that any recommendation is not followed or is only partially followed, a detailed explanation of the reasons for this shall be included, so that shareholders, investors and the market in general have sufficient information to assess the company's behaviour. General explanations shall not be acceptable.

1. **The Bylaws of listed companies do not limit the maximum number of votes that can be cast by the same shareholder, nor contain other restrictions that make it difficult to take control of the company by acquiring its shares on the market.**

Compliant ☒ Explain ☐

2. **When the parent company and a subsidiary are listed, both publicly define in a precise manner:**

   a) **The corresponding areas of activity and possible business relationships between them, as well as the relationships of the listed subsidiary with other Group companies.**

   b) **The proposed mechanisms for resolving any conflicts of interests that may arise.**

Compliant ☐ Partially compliant ☐ Explain ☐ Not applicable ☒

3. **During the ordinary general shareholders' meeting, in addition to the dissemination in writing of the annual corporate governance report, the Chairman of the Board of Directors verbally informs shareholders, in sufficient detail, of the most relevant aspects of the Company's Corporate Governance and, in particular:**

   a) **Of the changes that have occurred since the previous Ordinary General Shareholders' Meeting.**

   b) **Of the specific reasons that the company does not follow any of the recommendations in the Corporate Governance Code and, as applicable, any alternative rules that apply in this regard.**

Compliant ☐ Partially compliant ☐ Explain ☒

The Company believes that the provisions of the company's corporate governance information to shareholders in the specific report prepared to this end is sufficient; this report accompanies the information made available before the Meeting is held.

In this connection, the announcement of the General Shareholders' Meeting is expressly indicated in the "Right to Information" section that all shareholders are entitled to obtain from the Company, for consideration at its registered office or for immediate dispatch free of charge, including the Annual Corporate Governance Report, which is submitted to shareholders for approval as part of the Management Report.

This Report can be consulted on the Company's website and in the corporate governance section.

4. **The company defines and promotes a policy of communication and contact with shareholders, institutional investors and voting advisors that fully complies with the standards in force to combat market abuse and addresses shareholders in the same position equally.**

   The Company publishes this policy on its website, including information related to the way in which it has been implemented and identifying the points of contact or persons responsible for carrying it out.

Compliant ☐ Partially compliant ☐ Explain ☒

Although the Company has not formally approved a policy on this matter, through the Stock Exchange and Investor Relations Department and the Shareholder Relations Office, a relationship is maintained with institutional investors and voting advisors that respects the purpose pursued by the recommendation at all times, and about which the Board of Directors is kept informed.

5. **The Board of Directors does not submit a proposal for the delegation of powers to issue convertible shares or securities excluding the pre-emptive subscription right, for an amount greater than 20% of the capital at the time of delegation, to the General Shareholders' Meeting.**

   When the Board of Directors approves any issuance of shares or convertible securities excluding the pre-emptive subscription right, the company immediately publishes the reports on said exclusion to which trade legislation refers on its website.

   Compliant ☒ Partially compliant ☐ Explain ☐

6. **The listed companies that prepare the reports mentioned below, whether they are mandatory or voluntary, publish them on their website well in advance of the Ordinary General Shareholders' Meeting, even when their dissemination is not mandatory:**

   a) **Report on the independence of the auditor.**

   b) **Reports on the functioning of the audit committee and the appointments and remuneration committee.**

   c) **Report of the audit committee on related transactions.**

   d) **Report on the corporate social responsibility policy.**

   Compliant ☐ Partially compliant ☒ Explain ☐

The company approves the self-assessment reports corresponding to the Audit and Control Committee and the Appointments and Remuneration Committee at the first Board meeting of the business year.

These reports are not published when the company considers that information is already provided to this end in Section C.2.1 on the IAGC Board of Directors committees, which is available on the Group's corporate website.

The approval of transactions with related parties lies with the Appointments and Remuneration Committee responsible for this specific function.

Also in Section D2 of the IAGC, the significant transactions that have taken place during the year are listed.

7. **The Company broadcasts General Shareholders' Meetings live, on its website.**

   Compliant ☐ Explain ☒

   The Company does not follow this recommendation as to date it has received on request from its shareholders and given the cost it entails for the Company.

8. **The Audit Committee ensures that the Board of Directors seeks to present the accounts to the General Shareholders' Meeting without limitations or restrictions in the audit report and that, in the exceptional cases where restrictions are required, both the Chairman of the Audit Committee and the auditors clearly explain the content and scope of these limitations or restrictions to shareholders.**

   Compliant ☒ Partially compliant ☐ Explain ☐

9. **The Company publishes on its website, on a permanent basis, the requirements and procedures that it shall accept to demonstrate ownership of shares, the right to attend the general shareholders meeting and the exercise or delegation of the right to vote.**

   These requirements and procedures promote the attendance and exercise of shareholders' rights and are applied in a non-discriminatory manner.

   Compliant ☒ Partially compliant ☐ Explain ☐

10. **When a legitimate shareholder has exercised, before the General Shareholders' Meeting is held, the right to add to the agenda or submit new resolutions, the Company:**

    a) **Immediately disseminates these additional items and new resolutions proposed.**

    b) **Discloses the attendance card template or vote delegation form or distance voting form with the necessary modifications so that the new items on the agenda and alternative resolution proposals can be voted on under the same terms as those proposed by the Board of Directors.**

c) Submits all the alternative points or proposals to a vote and apply the same voting rules as applied to those prepared by the Board of Directors, including, in particular, assumptions or deductions on the meaning of the vote.

d) After the General Shareholders' Meeting, communicate the breakdown of the vote on these additional items or alternative proposals.

Compliant ☐ Partially compliant ☒ Explain ☐ Not applicable ☐

Two different systems are used, for practical reasons, to count votes, all pursuant to the provisions of Article 20 of the Rules of the General Shareholders' Meeting, although the Chairman of the Board, in each specific case, may decide to apply the same counting system (Art. 20, section 4 of the Rules of the General Meeting).

11. If the company plans to pay out attendance premiums to the General Shareholders Meeting, a general policy on these premiums is established in advance and this policy is stable.

Compliant ☐ Partially compliant ☐ Explain ☐ Not applicable ☒

12. The Board of Directors performs its functions with unity of purpose and independence of judgment, treats all shareholders in the same position in the same way and is guided by the social interest, understood as the achievement of a profitable and sustainable business in the long term, which promotes its continuity and maximisation of the economic value of the company.

In the pursuit of social interests, in addition to respect for the laws and regulations and conduct based on good faith, ethics and respect for commonly accepted uses and good practices, the company seeks to reconcile its own social interest with, as appropriate, the legitimate interests of its employees, its suppliers, its customers and those of the other stakeholders that may be affected, as well as the impact of the company's activities on the community as a whole and on the environment.

Compliant ☒ Partially compliant ☐ Explain ☐

13. The Board of Directors is the correct size to ensure it is effective and participative, meaning it is advisable to have between five and fifteen members.

Compliant ☒ Explain ☐

14. The Board of Directors approves a director selection policy that:

a) Is specific and verifiable.

b) Ensures that proposes appointments and re-elections are based on a preliminary analysis of the Board's needs.

c) Promotes the diversity of knowledge, experience and gender.

The result of the preliminary analysis of the Board's needs is included in the explanatory report issued by the Appointments Committee that is published when the General Shareholders Meeting is called and to which the ratification, appointment or re-election of each director is submitted.

That the director selection policy promotes the objective of the number of female directors in 2020 representing at least 30% of all members of the Board of Directors.

The Appointments Committee shall verify compliance with the director selection policy each year and will be informed in the Annual Corporate Governance Report.

Compliant ☒ Partially compliant ☐ Explain ☐

15. Proprietary and independent directors represent a large majority of the Board of Directors and that the number of executive directors is the minimum necessary, taking into account the complexity of the corporate group and the percentage participation of the executive directors in the Company's capital.

Compliant ☒ Partially compliant ☐ Explain ☐

16. The percentage of proprietary directors compared to the total of non-executive directors is no greater than the proportion between the capital of the Company represented by these directors and other capital.

This criteria may be relaxed:

a) At companies with a high capitalisation with few shareholdings considered significant by law.

b) For companies in which there is a large number of shareholders represented on the Board of Directors who have no links to one another.

Compliant ☒ Explain ☐

17. The number of independent directors represents at least half the total number of directors.

However, when the company is not highly capitalised or when, even if it is, one shareholder or more shareholders are acting together, controlling more than 30% of the share capital, the number of independent directors represents at least one third of the total number of directors.

Compliant ☐ Explain ☒

On its Board of Directors, FCC has three independent directors out of a total of fourteen members, representing 21 percent of the total number of directors.

FCC believes that this percentage does not require an increase in the number of independent directors, considering the Company's very concentrated shareholding structure and the effective role of the three independent directors.

18. Companies publish the following information about directors on their website, and keep it up to date:

a) Professional and biographical profile.

b) Other boards of directors to which they belong, whether at listed companies or not, and the other paid activities they perform, regardless of their nature.

c) Indication of the category of Director to which they belong, indicating, in the case of proprietary directors, the shareholder they represent or with whom they have links.

d) Date of their first appointment as a Director of the Company, as well as subsequent re-elections.

e) Shares in the company, and options on them, that they own.

Compliant ☒ Partially compliant ☐ Explain ☐

19. The Annual Corporate Governance Report, after a check performed by the Appointments Committee, explains the reasons that proprietary directors have been appointed at the request of shareholders whose shareholding is less than 3% of the capital stock; and it explains the reasons that formal requests for presence on the Board from shareholders whose shareholding is equal to or greater than that of others, at whose request proprietary directors have been appointed, have not been met.

Compliant ☐ Partially compliant ☐ Explain ☐ Not applicable ☒

20. Proprietary directors submit their resignation when the shareholder they represent fully transfers their shareholding. They also do so, in the corresponding number, when said shareholder reduces their shareholding to a level that requires a reduction in the number of their proprietary directors.

Compliant ☒ Partially compliant ☐ Explain ☐ Not applicable ☐

21. The Board of Directors does not propose the removal of any independent director before the end of the statutory period for which they were appointed, unless there is just cause, identified by the Board following in a report from the Appointments and Remuneration Committee. In particular, it shall be considered that there is just cause when the director first occupies new positions or contracts new obligations that prevent him/her from dedicating the necessary time to the performance of the duties assigned to the position of director, breaches the duties inherent to the position in question or incurs in any of the circumstances resulting in him/her losing his/her status as an independent director, pursuant to the provisions of the applicable legislation.

The removal of independent directors may also be proposed as a result of takeovers, mergers or other similar corporate transactions that involve a change in the capital structure of the company, when these changes in the structure of the Board of Directors can be attributed to the criteria of proportionality indicated in recommendation 16.

Compliant ☒ Explain ☐

22. Companies establish rules that require that directors report and, where appropriate, resign in cases that may be harmful to the credit and reputation of the company and, in particular, require them to inform the Board of Directors of criminal cases in which they are named as defendants and the subsequent legal proceedings.

And if a director is prosecuted or tried for any of the offenses indicated in corporate legislation, the Board of Directors will examine the case as soon as possible and, based on its specific circumstances, decide whether or not the director shall continue in the corresponding position. The Board of Directors reflects all of this, in a reasoned manner, in the Annual Corporate Governance Report.

Compliant ☒ Partially compliant ☐ Explain ☐

23. All directors clearly express their opposition when they consider that any proposed decision submitted to the Board of Directors may be contrary to the corporate interest. The same applies, in a special way, to independents and other directors who are not affected by any potential conflict of interests, in the case of decisions that may harm shareholders not represented on the Board of Directors.

When the Board of Directors adopts significant or repeated decisions about which the director would have made reservations, he/she shall draw the necessary conclusions and, if he chooses to resign, explain his/her reasons for doing so in the letter indicated in the following recommendation.

This recommendation also applies to the secretary of the Board of Directors, even if he/she does not have the status of a director.

Compliant ☒ Partially compliant ☐ Explain ☐ Not applicable ☐

24. When either by resignation or for any other reason, a director steps down from his/her post before the end of the corresponding term, an explanation shall be provided in writing sent to all the members of the Board. The foregoing, notwithstanding his/her resignation being communicated as a relevant fact and the reason for the resignation being reported in the Annual Corporate Governance Report.

Compliant ☒ Partially compliant ☐ Explain ☐ Not applicable ☐

25. The Appointments Committee ensures that non-executive directors have sufficient time available for the proper performance of their duties.

And the Rules of the Board establish the maximum number of Boards on which its directors may serve.

Compliant ☐ Partially compliant ☒ Explain ☐

In Article 21.4 of the Rules of the Board, the Company establishes that "Directors must inform the Appointments and Remuneration Committee of their other professional obligations, should they could interfere with their dedication of the position, and the Board shall establish, at the proposal of the Appointments and Remuneration Committee, the number of Boards on which directors may serve".

Since the aforementioned Committee has not stipulated this number to date, the Company believes that it is partially compliant with the recommendation.

The Company, for the time being, has not set the maximum number of Boards to which each director may belong, since the dedication of the directors to the company has proven to be adequate, without it being necessary, therefore, to define a number.

26. The Board of Directors meets with the necessary frequency to perform its duties effectively and, at least, eight times a year, following the programme of dates and matters established at the beginning of the year, with each director allowed to individually propose other items on the agenda not initially provided for.

Compliant ☒ Partially compliant ☐ Explain ☐

27. The absence of directors is limited to indispensable cases and quantified in the Annual Corporate Governance Report. And should such absences occur, the directors appoint a proxy with instructions.

Compliant ☒ Partially compliant ☐ Explain ☐

28. When the directors or the secretary express concern about any proposal or, in the case of directors, about the progress of the company and these concerns are not resolved by the Board of Directors, at the request of the person expressing them, these shall be recorded in the minutes.

Compliant ☒ Partially compliant ☐ Explain ☐ Not applicable ☐

29. The Company establishes the appropriate channels so that directors can obtain the necessary advice for them to perform their duties, including, if the circumstances so require, external advice charged to the company.

Compliant ☒ Partially compliant ☐ Explain ☐

30. Regardless of the knowledge required by directors in the exercise of their duties, the companies also offer the directors knowledge refresher programmes when the circumstances so advise.

Compliant ☒ Explain ☐ Not applicable ☐

31. The agenda of meetings clearly indicates the points on which the Board of Directors must adopt a decision or resolution so that the directors can study or collect, in advance, the information necessary for its adoption.

When, exceptionally, for reasons of urgency, the Chairman wishes to submit decisions or resolutions that do not appear on the agenda for approval by the Board of Directors, the prior and express consent of the majority of the directors present shall be required, duly reflected in the minutes.

Compliant ☒ Partially compliant ☐ Explain ☐

32. Directors are periodically informed of changes in the shareholding structure and of the opinion that significant shareholders, investors and rating agencies have about the company and its Group.

Compliant ☒ Partially compliant ☐ Explain ☐

33. The Chairman, as the person responsible for the effective functioning of the Board of Directors, in addition to exercising the duties assigned to him by Law and in the Bylaws, prepares and submits a programme of dates and matters to be discussed to the Board of Directors; organises and coordinates the periodic assessment of the Board, as well as, where appropriate, the company's Chief Executive; is responsible for the direction of the Board and the effectiveness of its functioning; ensures that sufficient discussion time is devoted to strategic issues, and agrees and reviews knowledge refresher programmes for each director, when the circumstances so advise.

Compliant ☒ Partially compliant ☐ Explain ☐

34. When there is a coordinating director, the Bylaws or the Rules of the Board of Directors, in addition to the powers that correspond to him by Law, assign the following powers thereto: preside over the Board of Directors in the absence of the Chairman and Deputy Chairman, as applicable; echoes the concerns of non-executive directors; maintains contact with investors and shareholders to obtain their points of view to form an opinion on their concerns, particularly in relation to the corporate governance of the company; and coordinates the Chairman's succession plan.

Compliant ☐ Partially compliant ☐ Explain ☐ Not applicable ☒

35. The secretary of the Board of Directors ensures that the Board of Directors takes into account the recommendations on good governance contained in the Code of Good Governance applicable to company in its actions and decisions.

Compliant ☒ Explain ☐

36. The Board of Directors assesses, once a year, and adopts, where appropriate, an action plan that corrects any shortcomings detected regarding:

a) The quality and efficiency of the functioning of the Board of Directors.

b) The functioning and composition of its committees.

c) Diversity in the composition and powers of the Board of Directors.

d) The performance of the Chairman of the Board of Directors and the Chief Executive of the company.

e) The performance and contribution of each director, paying particular attention to those responsible for the different Board Committees.

To perform the assessment of the different committees, the report submitted to the Board of Directors will be used, and for the Board assessment, the report submitted to the Appointments Committee.

Every three years, the Board of Directors will be assisted by an external consultant in performing the assessment, whose independence shall be verified by the Appointments Committee.

The business relationships that the consultant or any company in its group may have with the company or any Group company shall be broken down in the Annual Corporate Governance Report.

The process and the areas assessed shall be described in the Annual Corporate Governance Report.

Compliant ☐ Partially compliant ☒ Explain ☐

The Board of Directors internally performs the annual assessment of the efficiency of its functioning, its committees, as well as that of the Chairman of the Board of Directors (non-executive) and the CEO.

The Company believes that the conclusions drawn during the internal assessment make it possible to sufficiently correct any shortcomings detected or improvements in the functions assigned to the Board.

The assessment with the help of an external consultant has been carried out twice in the past. The Board shall assess the suitability of requesting such external assistance each year.

37. When an Executive Committee is in place, the shareholding structure of the different director categories is similar to that of the Board of Directors itself and the Board's secretary shall also serve as the secretary of this Committee.

Compliant ☐ Partially compliant ☒ Explain ☐ Not applicable ☐

The secretary of the Executive Committee is the same as the secretary to the Board. However, in the composition of this committee, there are no independent directors, whereas there are three such directors on the Board.

All decisions taken by the Executive Committee are reported to the Board.

On this Committee, independent directors may request as many clarifications or comments as they deem appropriate.

Given the continuous control that the Board exercises over the Executive Committee, it has not been considered necessary to include independent directors on this Committee.

38. The Board of Directors is always aware of the matters discussed and the decisions taken by the Executive Committee and that all the members of the Board of Directors receive a copy of the minutes of the Executive Committee meetings.

Compliant ☒ Partially compliant ☐ Explain ☐ Not applicable ☐

39. Members of the Audit Committee, and especially its Chairman, are appointed taking into account their knowledge and experience in accounting, auditing or risk management matters, and that the majority of its members are independent directors.

Compliant ☒ Partially compliant ☐ Explain ☐

40. Under the supervision of the Audit Committee, there is a unit that assumes the internal audit function ensuring the proper functioning of the information and internal control systems, which functionally reports to the non-executive Chairman of the Board or the Audit Committee.

Compliant ☒ Partially compliant ☐ Explain ☐

41. The person in charge of the unit responsible for the Internal Audit function submits the corresponding annual work plan to the Audit Committee, reports directly on incidents that occur in its development and submits an activity report at the end of each year.

Compliant ☒ Partially compliant ☐ Explain ☐ Not applicable ☐

42. In addition to those provided by law, the Audit Committee assumes responsibility for the following functions:

1. In relation to information and internal control systems:

a) Supervise the preparation process and the integrity of the financial information related to the Company and, where appropriate, to its Group, reviewing compliance with regulatory requirements, the adequate definition of the consolidation perimeter and the correct application of accounting criteria.

b) Ensure the independence of the Internal Audit function; propose the selection, appointment, re-election and removal of the head of the Internal Audit service, as well as the budget of this service; approve its orientation and work plans, making sure that its activity is mainly focused on the relevant risks of the company; receive periodic information about its activities; and verify that Senior Management takes into account the conclusions and recommendations in its reports.

c) Establish and supervise a mechanism that allows employees to communicate, in a confidential manner and, if possible and deemed appropriate, anonymously, any potentially significant irregularities, especially financial and accounting irregularities, that they identify at the company.

2. In relation to the external auditor:

a) In case of the resignation of the external auditor, examine the circumstances that may have led to this.

b) Ensure that the remuneration of the external auditor for his/her work does not compromise his/her quality or independence.

c) Ensure that the company communicates any change in auditor as relevant fact to the CNMV and accompanies this with a statement about the possible existence of disagreements with the departing auditor and, if there were any disagreements, the nature of them.

d) Ensure that the external auditor holds an annual meeting with the Board of Directors to inform them about the work undertaken and the evolution of the accounting and risk situation at the company.

e) Ensure that the company and the external auditor respect the rules in force on the provision of services other than auditing services, the limits on the concentration of the auditor's business and, in general, the other rules applicable to the auditor's independence.

Compliant ☐ Partially compliant ☒ Explain ☐

The meeting referred to in section 2.d) of this recommendation is not held, since this responsibility is delegated in full to the Audit and Control Committee, and the external auditor is responsible for presenting this information to the members of the Board.

43. The Audit Committee may summon any employee or manager at the company, and even arrange for them to appear without any other manager present.

Compliant ☒ Partially compliant ☐ Explain ☐

44. The Audit Committee is informed about the structural and corporate modifications that the company plans to perform for its analysis and preliminary report to the Board of Directors on its economic conditions and its accounting impact and, especially, where appropriate, on the proposed exchange ratio.

Compliant ☐ Partially compliant ☐ Explain ☒ Not applicable ☐

To date, all directors at the company, including independent directors, have voted in favour of the transactions referred to in this recommendation, meaning that the step previous to those before the Audit and Control Committee is not considered necessary.

In any case, on the Board of Directors, members of the Audit and Control Committee may present their reflections and opinions, which will be taken into account by the Board at the time of making a decision.

45. The risk control and management policy identifies at least:

a) The different types of risk, both financial and non-financial, (including operational, technological, legal, social, environmental, political and reputational) that the company faces, including financial or economic, contingent liabilities and other off-balance-sheet risks.

b) Setting the level of risk that the Company considers acceptable.

c) The measures planned to mitigate the impact of the risks identified, should they materialise.

d) The information and internal control systems that will be used to control and manage the aforementioned risks, including contingent liabilities or off-balance sheet risks.

Compliant ☒	Partially compliant ☐	Explain ☐

46. Under the direct supervision of the Audit Committee or, where appropriate, a specialised committee of the Board of Directors, there is an internal risk control and management function performed by an internal unit or department at the company that has been expressly attributed the following functions:

a) Ensure the proper functioning of the control and risk management systems and, in particular, that all important risks affecting the Company are properly identified, managed, and quantified.

b) Actively participate in the preparation of the risk strategy and in the important decisions about its management.

c) Ensure that control and risk management systems adequately mitigate risks within the framework of the policy defined by the Board of Directors.

Compliant ☒	Partially compliant ☐	Explain ☐

47. The members of the Appointments and Remuneration Committee, or of the Appointments Committee and the Remuneration Committee, if they are separate, should be appointed ensuring that they have the knowledge, skills and experience suitable for the duties they are called upon to perform and the majority of the members should be independent directors.

Compliant ☐	Partially compliant ☒	Explain ☐

The Appointments and Remuneration Committee is currently made up of two proprietary and two independent directors, one of whom is the Chairman.

FCC believes that the make up of the Appointments and Remuneration Committee, with two independent members out of a total of four, one of whom is also the Chairman, sufficiently guarantees the proper functioning of this Committee”.

48. Large-cap companies should have a separate appointments committee and a separate remuneration committee.

Compliant ☐	Explain ☒	Not applicable ☐

The two recommended committees are integrated into a single appointments and remuneration committee, as the Board of Directors believes that the combination of the two facilitates the carrying out of the duties assigned to them.

49. The Appointments Committee should consult with the Chairman of the Board of Directors and the CEO of the Company, especially on matters relating to executive directors.

And any director may request the consideration of potential candidates to fill vacancies of Director from the Appointments Committee, if it finds them suitable in its opinion.

Compliant ☒	Partially compliant ☐	Explain ☐

50. The Remuneration Committee should carry out its duties independently and, in addition to the duties assigned by law, should have the following responsibilities:

a) To propose to the Board of Directors the basic conditions of senior management contracts.

b) To verify compliance with the remuneration policy established by the company.

c) To regularly review the remuneration policy applied to directors and senior executives, including the share based remuneration systems and their application, and ensure that their individual remuneration is in line with that paid to the other directors and senior executives at the Company.

d) To ensure that any conflicts of interest do not undermine the independence of the external advice provided to the committee.

e) To verify the information on directors' and senior executives' remuneration contained in the various corporate documents, including the annual directors remuneration report.

Compliant ☒	Partially compliant ☐	Explain ☐

51. The remuneration committee should consult with the company's chairman and CEO, especially on matters relating to executive directors and senior executives.

Compliant ☒	Partially compliant ☐	Explain ☐

52. The rules governing the composition and operation of the supervision and control committees should be set out in the regulations of the Board of Directors and be consistent with those applicable to the legally obligatory committees in accordance with the above recommendations, including:

a) They should be composed exclusively of non-executive directors, with a majority of independent directors.

b) Their chairmen should be independent directors.

c) The Board of Directors should appoint the members of these committees, bearing in mind the knowledge, skills and experience of the directors and the duties of each committee, and should discuss their proposals and reports; and to report, at the first plenary session of the Board of Directors after its meetings, on its activity and should be accountable for the work carried out.

d) The committees may seek external advice, when they consider it necessary for the carrying out of their duties.

e) Minutes should be taken of their meetings and made available to all directors.

Compliant ☐	Partially compliant ☐	Explain ☐	Not applicable ☒

53. Supervision of compliance with the rules of corporate governance, internal codes of conduct and corporate social responsibility policy should be entrusted to one or more committees of the Board of Directors, which may be the Audit Committee, the Appointments Committee, the Corporate Social Responsibility Committee, if any, or a specialised committee which the Board of Directors, in the exercise of its powers of self-organisation, decides to set up for this purpose, and that is specifically entrusted with the following duties as a minimum:

a) The supervision of compliance with the Company's internal codes of conduct and corporate governance rules.

b) The supervision of the communication strategy and relationship with shareholders and investors, including small and medium-sized shareholders.

c) Regular evaluation of the adequacy of the Company's corporate governance system, in order for it to fulfil its aim of promoting the corporate interest and taking into account, as appropriate, the legitimate interests of other stakeholders.

d) The review of the Company's corporate responsibility policy, ensuring that it is geared towards value creation.

e) The following up of corporate social responsibility strategy and practices and the evaluation of their degree of compliance.

f) The supervision and evaluation of the processes of relationship with the different stakeholders.

g) The evaluation of all the company's non-financial risks - including operational, technological, legal, social, environmental, political and reputational risks.

h) Coordination of the reporting process for non-financial and diversity information, in accordance with applicable regulations and international standards of reference.

Compliant ☐	Partially compliant ☒	Explain ☐

Although in the operations of the Board of Directors these skills are dealt with in the agenda of its committees, some of the duties indicated in the Recommendation are not formally attributed to one of its committees by the Regulations of the Board of Directors.

54. The corporate social responsibility policy includes the principles or commitments that the company voluntarily assumes in its relationship with the different stakeholders and identifies at least:

a) The objectives of the corporate social responsibility policy and the development of means of support.

b) Corporate strategy related to sustainability, environment and social issues.

c) Specific practices on issues related to: shareholders, employees, customers, suppliers, social issues, environment, diversity, tax accountability, respect for human rights and prevention of unlawful actions.

d) The methods or systems for following up the results of the implementation of the specific practices identified in the previous point, the associated risks and their management.

e) Non-financial risk monitoring mechanisms, ethics and business conduct.

f) Channels of communication, participation and dialogue with stakeholders.

g) Responsible communication practices that avoid the manipulation of information and protect integrity and honour.

Compliant ☒ Partially compliant ☐ Explain ☐

55. The company should report, in a separate document or in the management report, on matters related to corporate social responsibility, using one of the internationally accepted methodologies.

Compliant ☒ Partially compliant ☐ Explain ☐

56. Directors' remuneration should be sufficient to attract and retain directors with the desired profile and to reward the dedication, qualifications and responsibility required for the position, but should not be so high as to compromise the independent judgement of non-executive directors.

Compliant ☒ Explain ☐

57. Variable remuneration linked to the company's performance and personal performance, as well as compensation in the form of shares, options or rights to shares or instruments linked to the value of the share and long-term savings schemes such as pension plans, retirement systems or other social welfare systems, should be exclusively limited to executive directors.

The delivery of shares may be considered as remuneration to non-executive directors when it is subject to their remaining on the board. The foregoing shall not apply to the shares that the director needs to sell, if any, to meet the costs related to their acquisition.

Compliant ☒ Partially compliant ☐ Explain ☐

58. In the case of variable remuneration, remuneration policies should include the necessary technical limits and precautions to ensure that said remuneration is related to the professional performance of its beneficiaries and is not simply a result of general market or sector trends or other similar circumstances.

And, in particular, that the variable components of remuneration:

a) Should be linked to performance criteria that are predetermined and measurable, and these criteria should take into account the risk assumed in order to obtain a result.

b) Should promote the sustainability of the company and include non-financial criteria that are appropriate for the creation of long-term value, such as compliance with the company's internal rules and procedures and its policies for risk control and management.

c) **Should be designed on the basis of a balance between the achievement of short-, medium- and long-term objectives, allowing performance to be rewarded for continued achievement over a period of time sufficient to assess their contribution to sustainable value creation, so that the elements used to measure that performance do not revolve solely around one-off, occasional or extraordinary events.**

Compliant ☒ Partially compliant ☐ Explain ☐ Not applicable ☐

59. **The payment of a significant part of the variable components of remuneration should be deferred for a minimum period of time sufficient to verify that the previously established performance conditions have been met.**

Compliant ☐ Partially compliant ☐ Explain ☒ Not applicable ☐

The CEO's variable is related to EBITDA, operating cash flow and individual objectives. This variable is approved once the Board of Directors has drawn up the accounts and approved the financial objectives.

No other type of deferral of the variable components is carried out, as it is not considered necessary, given the amount and time at which it is approved.

60. **Remuneration related to the Company's profit and loss should take into account any qualifications in the external auditor's report that reduce said profit and loss.**

Compliant ☒ Partially compliant ☐ Explain ☐ Not applicable ☐

61. **A significant percentage of the variable remuneration of executive directors should be linked to the delivery of shares or financial instruments tied to their value.**

Compliant ☐ Partially compliant ☐ Explain ☒ Not applicable ☐

The FCC Group's remuneration policy does not include the delivery of shares or financial instruments linked to their value to its executive directors, as this is considered more appropriate.

62. **Once the shares or options or rights over shares corresponding to the remuneration systems have been assigned, the directors may not transfer the ownership of a number of shares equivalent to twice their annual fixed remuneration, nor may they exercise the options or rights until a period of at least three years has elapsed since their allocation.**

The foregoing shall not apply to the shares that the director needs to sell, if any, to meet the costs related to their acquisition.

Compliant ☐ Partially compliant ☐ Explain ☐ Not applicable ☒

63. **Contractual agreements should include a clause allowing the company to claim reimbursement of the variable components of remuneration when the payment has not been in accordance with the performance conditions or when they have been paid on the basis of data which is subsequently proven to be inaccurate.**

Compliant ☐ Partially compliant ☐ Explain ☒ Not applicable ☐

Variable remuneration is approved by the Board of Directors once the parameters to which it is tied have been verified. It has not been considered necessary, both because of the volume of the remuneration and the time at which it is paid, to establish additional precautions.

64. **Severance payments should not exceed a set amount equivalent to two years' total annual remuneration and should not be paid until the company has been able to verify that the director has met the previously established performance criteria.**

Compliant ☒ Partially compliant ☐ Explain ☐ Not applicable ☐

H. Other information of interest

1. If there are any relevant aspects of Corporate Governance in the Company or in the Group Entities that have not been included in the other sections of this report, but that are necessary to include in order to obtain more complete and detailed information on the governance structure and practices in the entity or its group, please briefly describe them.
2. This section may also include any other information, clarification or detail related to the previous sections of the report insofar as they are relevant and not repetitive.

   Specifically, it shall indicate whether the company is subject to legislation other than Spanish legislation on corporate governance and, if so, include any information that it is obliged to provide that is different from that required in this report.
3. The Company may also indicate whether it has voluntarily adhered to other international, sectoral or other codes of ethical principles or good practice. If applicable, the code in question and the date of adhesion shall be specified. In particular, it will mention whether it has adhered to the Code of Good Tax Practices of 20 July 2010.

VOLUNTARY ADHERENCE TO CODES OR GOOD PRACTICES:

Since 2018, FCC has had a new Code of Ethics and Conduct approved by its Board of Directors. Likewise, in 2018, the Board of Directors approved a regulatory section on Compliance and a Group-wide risk control system. In 2019, the Board of Directors slightly updated the Group's Code of Ethics and Conduct.

The FCC Group provides its employees with an Whistleblowing Channel for reporting possible breaches of its Code of Ethics and Conduct and criminal offences.

FCC has been a member of the United Nations Global Compact since 7 May 2007.

Regarding tax matters, on 28 July 2010 the Board of Directors of FCC adopted the decision to adhere to the Code of Good Tax Practices, thereby effectively complying with the obligations arising from it each year.

This annual corporate governance report was approved by the company's Board of Directors at its meeting on 27 February 2020.

Indicate whether any directors voted against or abstained from voting on the approval of this Report.

Yes ☐ No ☒

Name or company name of the director who voted against the approval of this report	Reasons (against, abstention, non-attendance)	Explain the reasons

Remarks

ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED PUBLIC LIMITED COMPANIES

ISSUER IDENTIFICATION DETAILS

End date of the reference year: [31/12/2019]

VAT No.: [A-28037224]

Corporate name:

[**FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A.**]

Registered address:

[BALMES, 36 BARCELONA]

ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED PUBLIC LIMITED COMPANIES

A. OWNERSHIP STRUCTURE

A.1. Fill in the following table about the Company's capital stock:

Date of most recent change	Capital stock (€)	Number of shares	Number of voting rights
18/06/2019	392,264,826.00	392,264,826	392,264,826

Indicate whether there are different share classes with different associated rights:

[ ] Yes

[√] No

A.2. List the direct and indirect holders of significant shares as at the reporting date, excluding directors:

Name or corporate name of the shareholder	% voting rights attributed to the shares		% voting rights through financial instruments		Total % of voting rights
	Direct	Indirect	Direct	Indirect	
INVERSORA CARSO S.A. DE C.V.	9.77	71.33	0.00	0.00	81.09
NUEVA SAMEDE2016, S.L.U.	4.53	0.00	0.00	0.00	4.53
WILLIAM H. GATESIII	0.00	5.74	0.00	0.00	5.74
ESTHER KOPLOWITZ ROMERO DE JUSEU	0.03	19.98	0.00	0.00	20.02

List of indirect holdings:

Name or corporate name of the indirect shareholder	Name or corporate name of the direct shareholder	% voting rights attributed to the shares	% voting rights through financial instruments	Total % of voting rights
INVERSORA CARSOS.A. DE C.V.	CONTROLEMPRESARIAL DE CAPITALES, S.A. DE C.V.	51.36	0.00	51.36
WILLIAM H. GATES III	BILL & MELINDAGATES FOUNDATIONTRUST	1.75	0.00	1.75

Name or corporate name of the indirect shareholder	Name or corporate name of the direct shareholder	% voting rights attributed to the shares	% voting rights through financial instruments	Total % of voting rights
WILLIAM H. GATES III	CASCADE INVESTMENT, LLC.	3.99	0.00	3.99
ESTHER KOPLOWITZ ROMERO DE JUSEU	NUEVA SAMEDE2016, S.L.U.	4.53	0.00	4.53
ESTHER KOPLOWITZ ROMERO DE JUSEU	DOMINUM DIRECCION Y GESTION, S.A.	15.43	0.00	15.43
ESTHER KOPLOWITZ ROMERO DE JUSEU	EJECUCIÓN Y ORGANIZACIÓN DE RECURSOS, S.L.	0.01	0.00	0.01
ESTHER KOPLOWITZ ROMERO DE JUSEU	DOMINUM DESGA,S.A.	0.00	0.00	0.00

A.3. Fill in the following tables on the members of the Company's Board of Directors, who have voting rights through their shares in the Company:

Name or corporate name of the director	% voting rights attributed to the shares		% voting rights through financial Instruments		Total % of voting rights	% voting rights that can be transferred through financial instruments	
	Direct	Indirect	Direct	Indirect		Direct	Indirect
HENRI PROGLIO	0.00	0.00	0.00	0.00	0.00	0.00	0.00
DOMINUM DESGA, S.A.	0.00	0.00	0.00	0.00	0.00	0.00	0.00
E.A.C. INVERSIONES CORPORATIVAS, S.L.	0.00	0.00	0.00	0.00	0.00	0.00	0.00
INMOBILIARIA AEG, S.A. DE C.V.	0.00	0.00	0.00	0.00	0.00	0.00	0.00
PABLO COLIO ABRIL	0.01	0.00	0.00	0.00	0.01	0.00	0.00
ALEJANDRO ABOUMRAD GONZÁLEZ	0.01	0.00	0.00	0.00	0.01	0.00	0.00
GERARDO KURI KAUFMANN	0.01	0.00	0.00	0.00	0.01	0.00	0.00
JUAN RODRÍGUEZ TORRES	0.07	0.00	0.00	0.00	0.07	0.00	0.00
ÁLVARO VÁZQUEZ LAPUERTA	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Name or corporate name of the director	% voting rights attributed to the shares		% voting rights through financial Instruments		Total % of voting rights	% voting rights that can be transferred through financial instruments	
	Direct	Indirect	Direct	Indirect		Direct	Indirect
MANUEL GIL MADRIGAL	0.00	0.01	0.00	0.00	0.01	0.00	0.00
SAMEDE INVERSIONES 2010, S.L.U	0.00	15.45	0.00	0.00	15.45	0.00	0.00
DOMINUM DIRECCIONY GESTION, S.A.	15.43	0.00	0.00	0.00	15.43	0.00	0.00
ANTONIO GÓMEZ GARCIA	0.01	0.00	0.00	0.00	0.01	0.00	0.00

Total % of voting rights held by the Board of Directors	15.56

List of indirect holdings:

Name or corporate name of the director	Name or corporate name of the direct shareholder	% voting rights attributed to the shares	% voting rights through financial Instruments	Total % of voting rights	% voting rights that can be transferred through financial Instruments
MANUEL GIL MADRIGAL	TASMANIA INMUEBLES, S.L.	0.01	0.00	0.01	0.00
SAMEDE INVERSIONES 2010, S.L.U	DOMINUM DESGA, S.A.	0.00	0.00	0.00	0.00
SAMEDE INVERSIONES 2010, S.L.U	EJECUCIÓN Y ORGANIZACIÓN DE RECURSOS,S.L.	0.01	0.00	0.01	0.00
SAMEDE INVERSIONES 2010, S.L.U	DOMINUM DIRECCION Y GESTION, S.A.	15.43	0.00	15.43	0.00

A.7. Indicate whether the Company has been informed of shareholders' agreements that affect it as established in Articles 530 and 531 of the Spanish Corporate Enterprises Act. If applicable, briefly describe them and list the shareholders affected by the agreement:

[√] Yes
[ ] No

Participants of the shareholders' agreement	% of capital stock affected		End date of the agreement, if applicable
ESTHER KOPLOWITZ ROMERO DE JUSEU, INVERSORA CARSO S.A. DE C.V., NUEVA SAMEDE 2016, S.L.U., CONTROL EMPRESARIAL DE CAPITALES, S.A. DE C.V.	72.36	Relevant Fact of 05/02/2016: For the purposes of continuing with the recapitalisation process of Fomento de Construcciones y Contratas, S.A. ("FCC" or the "Company") through a new capital increase of €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 Direccion y Gestión, S.A. ("Dominum") and Nueva Samede 2016, S.L.U. ("Nueva Samede")) have entered into a non-extinguishing modifying novation contract with Inversora Carso S.A. de C.V. ("I. Carso") and its subsidiary Control Empresarial de Capitales, S.A. de C.V. ("CEC") of the Investment Agreement signed on 27 November 2014 (the "Novation of the Investment Agreement").	Open-ended
ESTHER KOPLOWITZROMERO DE JUSEU,CONTROL EMPRESARIALDE CAPITALES, S.A. DE C.V.	50.16	Relevant Fact of 27/11/2014: FCC's controlling shareholder reported that negotiations with Control Empresarial de Capitales S.A. de C.V., a company owned by Inmobiliaria Carso S.A. de C.V., which in turn is controlled by the Slim family, have been successfully completed.	Open-ended

Indicate whether the Company is aware of the existence of coordinated actions between its shareholders. If applicable, describe them briefly:

[ ] Yes
[√] No

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A.8. Indicate whether there is any natural or legal person who exercises or may exercise control over the Company pursuant to Article 5 of the Securities Market Law. If applicable, identify this person:

[√] Yes
[ ] No

Name or corporate name
INMOBILIARIA CARSO, S.A. DE C.V.

A.9. Fill in the following tables about the company's treasury shares:

At year-end:

Number of direct shares	Number of shares indirect(*)	Total % of capital stock
1,250,837		0.32

(*)Through:

Name or company name of the direct holder of the shareholding	Number of direct shares
No data	

A.11. Estimated floating capital:

	%
Estimated floating capital	12.73

A.14. Indicate whether the company has issued securities that are not traded on a regulated market in the European Union.

[√] Yes
[ ] No

B. GENERAL MEETING OF SHAREHOLDERS

B.4. Indicate the attendance details at the general meetings of shareholders' held in the year to which this report refers and those in the two preceding years:

	Attendance details				
Date of the general meeting	% attendance in person	% by proxy	% remote voting Electronic voting	% remote voting Other	Total
28/06/2017	20.26	68.63	0.00	0.03	88.92
Of which, Floating capital:	0.24	7.52	0.00	0.03	7.79
28/06/2018	20.12	69.42	0.00	0.00	89.54
Of which, Floating capital:	0.06	8.31	0.00	0.00	8.37
08/05/2019	20.08	70.74	0.00	0.01	90.83
Of which, Floating capital:	0.12	9.22	0.00	0.01	9.35

B.5. Indicate whether there have been any items on the agenda at general shareholders' meetings held during the year that, for any reason, have not been approved by shareholders:

[ ] Yes
[√] No

B.6. Indicate whether there are any statutory restrictions that establish a minimum number of shares necessary to attend the general shareholders' meeting, or to vote remotely:

[ ] Yes
[√] No

C. STRUCTURE OF THE COMPANY'S ADMINISTRATION

C.1. Board of Directors

C.1.1 Maximum and minimum number of directors provided for the Bylaws and the number defined by the general shareholders' meeting:

Maximum number of directors	15
Minimum number of directors	15
Number of directors defined by the shareholders' meeting	15

C.1.2 Fill in the following table with Board members:

Name or corporate name of the director	Representative	Director category	Position on the Board	First appointment date	Most recent appointment date	Election procedure
HENRI PROGLIO		Independent	DIRECTOR	27/02/2015	08/05/2019	RESOLUTION GENERAL SHAREHOLDERS' MEETING
DOMINUM DESGA, S.A.	ESTHER ALCOCER KOPLOWITZ	Proprietary	CHAIRMAN	27/09/2000	28/06/2016	RESOLUTION GENERAL SHAREHOLDERS' MEETING
E.A.C. INVERSIONES CORPORATIVAS, S.L.	ALICIA ALCOCER KOPLOWITZ	Proprietary	DIRECTOR	30/03/1999	28/06/2017	RESOLUTION GENERAL SHAREHOLDERS' MEETING
INMOBILIARIA AEG, S.A. DE C.V.	CARLOS SLIM HELÚ	Proprietary	DIRECTOR	13/01/2015	08/05/2019	RESOLUTION GENERAL SHAREHOLDERS' MEETING
PABLO COLIO ABRIL		Executive	CHIEF EXECUTIVE OFFICER	12/09/2017	28/06/2018	RESOLUTION GENERAL SHAREHOLDERS' MEETING
ALEJANDRO ABOUMRAD GONZÁLEZ		Proprietary	DIRECTOR	13/01/2015	08/05/2019	RESOLUTION GENERAL SHAREHOLDERS' MEETING

Name or corporate name of the director	Representative	Director category	Position on the Board	First appointment date	Most recent appointment date	Election procedure
GERARDO KURI KAUFMANN		Executive	DIRECTOR	13/01/2015	08/05/2019	RESOLUTION GENERAL SHAREHOLDERS' MEETING
JUAN RODRÍGUEZ TORRES		Proprietary	DIRECTOR	07/10/2015	28/06/2016	RESOLUTION GENERAL SHAREHOLDERS' MEETING
ÁLVARO VÁZQUEZ LAPUERTA		Independent	DIRECTOR	27/02/2015	08/05/2019	RESOLUTION GENERAL SHAREHOLDERS' MEETING
MANUEL GIL MADRIGAL		Independent	DIRECTOR	27/02/2015	08/05/2019	RESOLUTION GENERAL SHAREHOLDERS' MEETING
ALFONSO SALEM SLIM		Proprietary	DIRECTOR	29/06/2016	29/06/2016	RESOLUTION GENERAL SHAREHOLDERS' MEETING
ANTONIO GÓMEZGARCIA		Proprietary	DIRECTOR	29/06/2016	29/06/2016	RESOLUTION GENERAL SHAREHOLDERS' MEETING
SAMEDE INVERSIONES 2010, S.L.U	ESTHER KOPLOWITZ ROMERO DE JUSEU	Proprietary	DEPUTY CHAIRMAN 1	13/04/2015	08/05/2019	RESOLUTION GENERAL SHAREHOLDERS' MEETING
DOMINUM DIRECCION YGESTION, S.A.	CARMEN ALCOCER KOPLOWITZ	Proprietary	DIRECTOR	26/10/2004	08/05/2019	RESOLUTION GENERAL SHAREHOLDERS' MEETING

Total number of directors	14

Indicate any departures, either by resignation, dismissal, or for any other cause, that have occurred on the Board of Directors during the reporting period:

Name or corporate name of the director	Category of the director at the time of departure	Date of most recent appointment	Cancellation date	Special commissions of which he/she was a member	Indicate whether the departure occurred before the end of the term
CARLOS M. JARQUE URIBE	Proprietary	29/06/2016	09/05/2019	No	YES

C.1.3 Fill in the following tables on the Board members and their different categories:

EXECUTIVE DIRECTORS		
Name or corporate name of the director	Position in the company's organisational chart	Profile
PABLO COLIO ABRIL	Chief Executive Officer of FCC	Architect, graduating from the Higher Technical School of Madrid. He has spent most of his professional career at FCC, a company to which he has dedicated more than 24 years. Within the Group, he has been responsible for the international expansion of the Industrial area. Positions he has previously held include Managing Director of FCC Construcción and Managing Director of FCC Industrial. He is the CEO of the FCC Group and member of its Committee. Executive, duties that are compatible with those of the Chairman of FCC Construction, Chairman of FCC Medio Ambiente and Deputy Chairman of FCC Servicios Medioambientales Holding, S.A. He is also a director of the Mexican firm Carso Infraestructuras y Construcción (CICSA).
GERARDO KURI KAUFMANN	Chief Executive Officer of Cementos Portland Valderrivas	Industrial Engineer graduate from the University of Anáhuac (Mexico). From 2008 to 2010, he served as purchasing director at Carso Infraestructuras y Construcción, S.A.B. de C.V. From the incorporation of Inmuebles Carso, S.A.B de C.V., he has been in charge of its General Management. He sits on the Boards 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 is the CEO of Cementos Portland Valderrivas, S.A. and Realia Business, S.A.

Total number of executive directors	2
% of the total Board	14.29

EXTERNAL PROPRIETARY DIRECTORS

Name or corporate name of the director	Name or corporate name of the significant shareholder that he/she represents or that has proposed his/her appointment	Profile
DOMINUM DESGA, S.A.	DOMINUM DIRECCIONY GESTION, S.A.	Degree in Law, she has completed the Senior Business Management Program (PADE) at the IESE in Madrid. Since January 2013, she has served as Chairwoman of the FCC Group, a member of its Executive Committee and the Appointments and Remuneration Committee. She is also a director of Cementos Portland Valderrivas, on behalf of EAC Medio Ambiente, S.L., and of Realia, on behalf of EAC Inversiones Corporativas, S.L., and CaixaBank-Banca Privada. The representatives of Dominum Desga, S.A., Samede Inversiones 2010, S.L.U., Dominum Direction and Management, S.A. and EAC Inversiones Corporativas, S.L. maintain a parent-subsidiary relationship. (See Section A.6 of the 2019 Annual Corporate Governance Report for a description of the relationships between the director and the significant shareholders).
E.A.C. INVERSIONES CORPORATIVAS, S.L.	DOMINUM DIRECCIONY GESTION, S.A.	A Law graduate, she started her professional career at Banco Zaragozano, where she worked for four years in the Finance Department, at the bank's treasury desk and served as a director. She is a director at FCC and a member of its Executive Committee. In turn, she is chairwoman of Cementos Portland Valderrivas, S.A. and a member of its Executive Committee and its Appointments and Remuneration Committee. She is a member of the Innovation Committee, under the Secretary of State for Science, Technology, and Innovation. She is also a member of the Board of the Esther Koplowitz Foundation and the Valderrivas Foundation. The representatives of Dominum Desga, S.A., Samede Inversiones 2010, S.L.U., Dominum Direction and Management, S.A. and EAC Inversiones Corporativas, S.L. maintain a parent-subsidiary relationship. (See Section A.6 of the 2019 Annual Corporate Governance Report for a description of the relationships between the director and the significant shareholders).

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EXTERNAL PROPRIETARY DIRECTORS

Name or corporate name of the director	Name or corporate name of the significant shareholder that he/she represents or that has proposed his/her appointment	Profile
INMOBILIARIA AEG, S.A. DE C.V.	CONTROL EMPRESARIAL DE CAPITALES, S.A. DE C.V.	Civil Engineer from the National Autonomous University of Mexico (UNAM). Founder of Grupo Carso, S.A.B. de C.V., América Móvil, Grupo Financiero Inbursa, and Inversora bursátil. He is the owner of Teléfonos de México (Telmex). He has been Vice-President of the Mexican Stock Exchange and President of the Mexican Association of Brokerage Houses. He was the first Chairman of the Latin American Committee of the New York Stock Exchange Board of Directors. He is currently Chairman of the Board of Directors of Carso Infraestructuras y Construcción (CICSA), Minera Frisco and President of Fundación Carlos Slim de la Educación, A.C. and Fundación Telmex, A.C. Additionally, he is a member of the Board of Directors of Inmuebles Carso, Ideal and Trustee of the Banking Foundation 'La Caixa'. (See Section A.6 of the 2019 Annual Corporate Governance Report for a description of the relationships between the director and the significant shareholders).
ALEJANDRO ABOUMRAD GONZÁLEZ	CONTROL EMPRESARIAL DE CAPITALES, S.A. DE C.V.	Industrial Engineer graduate from the University of Anáhuac (Mexico). He has worked in subsidiaries and companies related to Grupo Carso during the last 14 years, of which five years he worked at Grupo Financiero Inbursa in the area of Project Evaluation and Risk Assessment. He is a member of the Board of Directors of Inmuebles Carso,S.A.B. de C.V. and Minera Frisco, S.A.B. de C.V., holding the post of General Manager with the latter. He is a director at Cementos Portland Valderrivas, S.A. on behalf of Inmobiliaria AEG, S.A. de C.V., and director and Chairman of the Board of Directors of FCC Aqualia and Chairman of FCC Servicios Medioambiental Holding, S.A. (See Section A.6 of the 2019 Annual Corporate Governance Report for a description of the relationships between the director and the significant shareholders).

EXTERNAL PROPRIETARY DIRECTORS		
Name or corporate name of the director	Name or corporate name of the significant shareholder that he/she represents or that has proposed his/her appointment	Profile
JUAN RODRÍGUEZ TORRES	CONTROL EMPRESARIAL DE CAPITALES, S.A. DE C.V.	Civil Engineer from the Autonomous University of Mexico. He has a full Master's degree in Operational Planning and Research from UNAM. He has also completed administration studies at IPADE and obtained a diploma in prestressed concrete in Paris. He founded the Mexican Business Generation Association. He has been Production Manager and Controller of Preesforzados Mexicanos, S.A. de ICA, and Managing Director of Domit Group in the footwear sector. 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. on behalf of Inmuebles Inseo, S.A. de C.V. He is a non-executive chairman of Realia. (See Section A.6 of the 2019 Annual Corporate Governance Report for a description of the relationships between the director and the significant shareholders).
ALFONSO SALEM SLIM	CONTROL EMPRESARIAL DE CAPITALES, S.A. DE C.V.	He graduated in Civil Engineering from University of Anahuac in the class of 80-84. Throughout his professional career, Salem Slim has performed the role of assistant director of Expansion at Sanborns Hermanos; director of Shopping Centres at Grupo CARSO; director of Real-Estate at INBURSA; Managing Director of Hoteles Calinda, Managing Director of Grupo PC Constructores; Managing Director of IDEAL, and he is currently Deputy Chairman of the Board of Directors of IDEAL and Chairman of the Board of Directors and Managing Director of Inmuebles CARSO. He is also a member of the Board of Directors of Grupo CARSO; IDEAL; CICSA; Carso Real Estate; SEARS; Gigante Grupo Inmobiliario; ELEMENTIA and Gas Natural Fenosa. (See Section A.6 of the 2019 Annual Corporate Governance Report for a description of the relationships between the director and the significant shareholders).
ANTONIO GÓMEZ GARCIA	CONTROL EMPRESARIAL DE CAPITALES, S.A. DE C.V.	He is a graduate in Industrial Engineering from the Universidad Iberoamericana. He has held the position of Managing Director of Grupo Porcelanite, S.A. de C.V., US Commercial Corp., S.A.B de C.V., and he currently performs the role of Managing Director at Carso Infraestructura y Construcción, S.A. de C.V., Managing Director of Grupo Condumex, S.A. de C.V., and Managing Director of Grupo Carso, S.A.B. de C.V. (See Section A.6 of the 2019 Annual Corporate Governance Report for a description of the relationships between the director and the significant shareholders).

EXTERNAL PROPRIETARY DIRECTORS		
Name or corporate name of the director	Name or corporate name of the significant shareholder that he/she represents or that has proposed his/her appointment	Profile
SAMEDE INVERSIONES 2010,S.L.U	DOMINUM DIRECCION Y GESTION, S.A.	Shareholder in FCC, S.A. through Dominum Dirección y Gestión, S.A. she is a member of the Board of Directors of FCC, S.A., and the company's Deputy Chairwoman. She is also a director at FCC Environment. She holds a degree in Philosophy and Arts from the University of Madrid; she has developed her business experience in the international field as a Director of Veolia and Vivendi. She is founder and chairwoman of the Esther Koplowitz Foundation. Among other acknowledgements, she has been awarded: the Grand Cross of Civil Merit, the Gold Medal of the Region of Madrid, the Gold Medal and the title of Academic of Honour of the Royal Academy of History, the distinction of Honorary Citizen by the Valencia City Council, the City of Barcelona Coat of Arms, the Business Leader of the Year award, granted by the Spanish Chamber of Commerce in the USA, the Blanquerna Prize of the Generalitat of Catalonia, Madrid Grand Cross of Healthcare, the Gold and Diamond Insignia of the Police Orphans Foundation, Légion d'Honneur of the French Republic and The Grand Cross of the Civil Order of Environmental Merit, awarded by the Spanish Council of Ministers. The representatives of Dominum Desga, S.A., Samede Inversiones 2010, S.L.U., Dominum Direction and Management, S.A. and EAC Inversiones Corporativas, S.L. maintain a parent-subsidiary relationship. (See Section A.6 of the 2019 Annual Corporate Governance Report for a description of the relationships between the director and the significant shareholders).
DOMINUM DIRECCION Y GESTION, S.A.	DOMINUM DIRECCION Y GESTION, S.A.	Graduate in Law from the Francisco de Vitoria University of Madrid. She is a director at FCC, S.A. She is a director at B-1998, S.L. and sits on the Board of Directors of Cementos Portland Valderrivas, S.A., representing Meliloto, S.L. She is a board member of the Esther Koplowitz Foundation. The representatives of Dominum Desga, S.A., Samede Inversiones 2010, S.L.U., Dominum Direction and Management, S.A. and EAC Inversiones Corporativas, S.L. maintain a parent-subsidiary relationship. (See Section A.6 of the 2019 Annual Corporate Governance Report for a description of the relationships between the director and the significant shareholders).

Total number of proprietary directors	9
% of the total Board	64.29

INDEPENDENT EXTERNAL DIRECTORS

Name or corporate name of the director	Profile
HENRI PROGLIO	A graduate of the Higher School of Business Administration (HEC) in Paris, he is the Chairman of Thales. He is currently a director of Natixis Banque and of Dassault Aviation. He has also served as Chairman of the energy giant Électricité de France (2009-2014) and Veolia Environnement (2003-2009), as well as a board member of FCC, Lagardère Group and Vinci, among other companies.
ÁLVARO VÁZQUEZ LAPUERTA	He holds a degree in Law and Business Studies (E-3) by ICADE and is currently a partner of 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. Previously he held various positions at JPMorgan in Mexico, New York, London and Madrid.
MANUEL GIL MADRIGAL	He holds a degree in Law and Business Sciences (E-3) by ICADE and is a founding partner of the company Tasmania Gestión. In 2000 he was also founder of the financial company N+1 and has been a board member of Ezentis, Funespaña, General de Alquiler de Maquinaria (GAM) and Campofrío, among other companies. During his career he has also been director of Capital Markets for AB Asesores Bursátiles, partner of Morgan Stanley and auditor of Arthur Andersen.

Total number of independent directors	3
% of the total Board	21.43

Indicate whether any director qualified as independent receives any amounts or benefits for any concept other than director remuneration from the company or its group, or maintains or has maintained, during the last tax year, a business relationship with the company or with any company in its group, either in its own name or as a significant shareholder, director or senior manager of an entity with which he/she maintains or has maintained this relationship.

As applicable, a reasoned statement by the Board shall be included providing the reasons why it believes that this director can perform his/her duties as an independent director.

Name or corporate name of the director	Description of the relationship	Reasoned statement
No data		

OTHER EXTERNAL DIRECTORS

The other external directors shall be identified and the reasons they cannot be considered proprietary or independent and their relationships, whether with the Company, its directors, or its shareholders, shall be detailed:

Name or corporate name of the director	Reasons	Company, executive or shareholder with whom he/she maintains a relationship	Profile
No data			

Total number of other external directors	N/A
% of the total Board	N/A

Indicate the changes to the category of each director that, as appropriate, have occurred during the period:

Name or corporate name of the director	Change date	Previous category	Current category
No data			

C.1.4 Fill in the following table with information regarding the number of female directors at the end of the past 4 years, as well as the category of these female directors:

	Number of female directors				% of the total number of directors for each category			
	2019	2018	2017	2016	2019	2018	2017	2016
Executive					0.00	0.00	0.00	0.00
Proprietary	4	4	4	4	44.44	40.00	40.00	44.44
Independent					0.00	0.00	0.00	0.00
Other External					0.00	0.00	0.00	0.00
Total	4	4	4	4	28.57	26.66	26.66	26.66

C.1.11 If applicable, list the directors or representatives of corporate directors of your Company, who are members of the Board of Directors or representatives of corporate directors of other companies listed on official securities markets other than your Group, of which the Company has been informed:

Name or corporate name of the director	Corporate name of the listed company	Position
E.A.C. INVERSIONES CORPORATIVAS,S.L.	Realia Business, S.A.	DIRECTOR
GERARDO KURI KAUFMANN	Realia Business, S.A.	CHIEF EXECUTIVE OFFICER
JUAN RODRÍGUEZ TORRES	Realia Business, S.A.	CHAIRMAN
MANUEL GIL MADRIGAL	Barón de Ley, S.A.	DIRECTOR

C.1.12 Indicate and, if applicable, explain whether the Company has established rules on the maximum number of Boards of Directors on which its directors may sit, identifying, where appropriate, where this provision is regulated:

[ ] Yes
[√] No

C.1.13 Indicate the amounts of the following concepts relating to the global remuneration of the Board of Directors:

Remuneration accrued during the business year in favour of the Board of Directors (thousands of euros)	1,833
Amount of rights accrued by current directors for pension benefits (thousands of euros)	
Amount of rights accrued by former directors for pension benefits (thousands of euros)	3,100

C.1.14 Identify members of Senior Management who are not executive directors, and indicate the total remuneration accrued in their favour during the business year:

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Name or corporate name	Position(s)
FELIPE BERNABÉ GARCÍA PÉREZ	Secretary General
FELIX PARRA MEDIAVILLA	Managing Director of Aqualia
MARCOS BADA GUTIÉRREZ	Managing Director of Internal Audit
MIGUEL MARTINEZ PARRA	Managing Director of Administration and Finance
Total Senior Management remuneration (thousands of euros)	1,819

C.1.15 Indicate whether there has been any change in the Board's regulation during the business year:

[ ] Yes
[√] No

C.1.21 Explain whether there are specific requirements, other than those applicable to all directors, to be appointed as Chairman of the Board of Directors:

[ ] Yes
[√] No

C.1.23 Indicate if the Bylaws or rules of the Board establish a limit on mandates or other more stringent requirements in addition to those legally provided for independent directors, with the exception of those established in the regulations:

[ ] Yes
[√] No

C.1.25 Indicate the number of meetings held by the Board of Directors during the year. Furthermore, indicate, where appropriate, the times that the Board has met without the presence of the Chairman. In this calculation, proxies granted with specific instructions shall be considered as attendance.

Number of Board meetings	8
Number of Board meetings without the Chairman's attendance	0

Indicate the number of meetings held by the coordinating director with other directors, without the attendance or representation of any executive director:

Number of meetings	0

Indicate the number of meetings held during the year by the different Board committees:

Number of Audit and Control Committee meetings	9
Number of Appointments and Remuneration Committee meetings	6
Number of Executive Committee meetings	7

C.1.26 Indicate the number of meetings held by the Board of Directors during the year and the attendance details of its members:

Number of meetings at which at least 80% of directors were in attendance	8
% of face-to-face attendance divided by total votes during the year	96.52
Number of meetings with the face-to-face attendance, or proxies made with specific instructions, of all directors	5
% of votes cast with face-to-face attendance and proxies made with specific instructions, divided by total votes during the year	96.52

C.1.27 Indicate whether the individual and consolidated annual accounts submitted to the Board for preparation have been certified previously:

[√] Yes
[ ] No

Identify, where appropriate, the person(s) who has/have certified the company's individual and consolidated annual accounts for their preparation by the Board:

Name	Position
JUAN JOSÉ DRAGO MASÍA	Managing Director of Administration
PABLO COLIO ABRIL	Chief Executive Officer
MIGUEL MARTINEZ PARRA	Managing Director of Administration and Finance

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C.1.29 Does the secretary of the Board have director status?

[ ] Yes
[√] No

If the secretary does not have director status, fill in the following table:

Name or corporate name of the secretary	Representative
FRANCISCO VICENT CHULIA	

C.1.31 Indicate whether during the business year, the Company has changed its external auditor. If applicable, identify the incoming and outgoing auditor:

[ ] Yes
[√] No

If there have been disagreements with the outgoing auditor, explain the nature of these:

[ ] Yes
[√] No

C.1.32 Indicate whether the audit firm performs other work for the Company and/or its Group other than those inherent to audits and, in that case, state the fees received for this work and the percentage they represent of the fees billed to the Company and/or its Group:

[ ] Yes
[√] No

C.1.33 Indicate whether the audit report of the previous year's annual accounts includes reservations or qualifications. As applicable, indicate the reasons given to shareholders at the General Shareholders' Meeting by the Chairman of the Audit Committee to explain the content and scope of these reservations or qualifications.

[ ] Yes
[√] No

C.1.34 Indicate the number of years that the current audit firm has been continuously auditing the Company's individual and/or consolidated annual accounts. Furthermore, indicate the percentage that the number of years audited by the current audit firm accounts for in terms of the total number of years in which the annual accounts have been audited:

	Individual	Consolidated
Number of uninterrupted years	18	18

	Individual	Consolidated
Number of exercises audited by the current audit firm/Number of years that the Company or its Group have been audited (in %)	60.00	60.00

C.1.35 Indicate and, as applicable, describe if there is a procedure for directors to receive the necessary information to prepare meetings with administrative bodies with sufficient time:

[√] Yes
[ ] No

Describe the procedure
Regulations of the Board of Directors. Article 26. Information and inspection powers “1. In the performance of their duties, every director has the duty to demand and the right to obtain from the Company, the adequate and necessary information that will allow them to fulfil their obligations concerning all aspects of FCC and its subsidiaries and investees, whether national or foreign. To this end, they may examine the documentation deemed necessary, make contact with those responsible for the affected departments and visit the corresponding facilities. 2. To refrain from disturbing the ordinary management of the FCC Group, the exercise of the powers of information shall be channelled through the Chairman, who shall respond to the director's requests, directly providing the information or offering the details of the corresponding contacts at the corresponding organisational level. 3. If the request for information is denied, delayed or incorrectly responded to, the requesting director may repeat their request before the Audit and Control Committee, and, once the Chairman and the requesting director have provided their reasons, this Committee shall decide how to proceed for the purposes mentioned above. 4. The requested information may only be denied when, in the opinion of the Chairman and the Audit and Control Committee, it is unnecessary or harmful to the Company's corporate interests. This refusal shall not apply when the request has been supported by the absolute majority of the Board members".

C.1.39 Identify individually, when referring to directors, and on an aggregate basis for other cases and indicate, in detail, the agreements between the Company and its administrative and management positions or employees concerning compensation, guarantee or shield clauses, when they resign or are dismissed improperly or if the contractual relationship comes to an end as a result of a takeover bid or other transactions.

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Number of beneficiaries	2
Type of beneficiary	Description of the agreement
CEO and Secretary General	CHIEF EXECUTIVE OFFICER: And if the contractual relationship is terminated at the will of the CEO for any of the following causes: - Substantial changes in working conditions that are notoriously detrimental to his professional training, that are detrimental to his dignity, or that are decided with serious transgression of good faith, by the company. - Failure to pay for three consecutive months or six alternate months, or continued delay in the payment of the remuneration agreed under the contract. - Succession of a company or significant change in ownership of the same, which has the effect of a renewal of its governing bodies or the content of its main activity, provided that the termination occurs within three months of the occurrence of such changes. - Any other serious breach of the contractual obligations by the Company, with the exception of force majeure budgets, in which the payment of compensation shall not be applicable. As in the case of free and unilateral termination from the Company, he will have the right to receive compensation resulting from the sum of the following two items: a) The amount resulting from the termination of the employment relationship that the CEO previously held with FCC Construcción or with any other company of the FCC Group using 12 September 2017 as the calculation date (and in accordance with the applicable regulations on that date). The amount resulting from multiplying 7 days wages by the number of years that have elapsed from 12 September 2017 until the contract expires. SECRETARY GENERAL: Concerning the general secretary, an executive director up until 13 January 2015, the Company, having received authorisation from the Executive Committee, took out and paid up the insurance premium to cover the payment of contingencies relating to death, permanent incapacity for work, retirement pensions and benefits or other concepts to be paid, in addition to others, to certain executive directors and executives. Specifically, the contingencies giving rise to compensation are those involving the termination of the employment relationship for any of the following reasons: a) Unilateral decision of the Company. b) Winding up or disappearance of the Parent Company for any reason, including a merger or spin-off. c) Death or permanent disability. d) Other causes of physical or legal incapacitation. e) Substantial modification of professional conditions. f) Resignation, having reached the age of 60, at the request of the executive and with the agreement of the Company. g) Resignation, having reached the age of 65, by unilateral decision of the executive. As at 31 December 2019, the Secretary General is entitled to a net amount equivalent to 3.5 times his annual gross remuneration.

Indicate whether, beyond the assumptions provided for in the regulations, these contracts must be communicated and/or approved by the corresponding bodies of Company or its Group. If so, specify the procedures, expected cases and the nature of the bodies responsible for their approval or communication:

	Board of Directors	General Shareholders' Meeting
Body authorising the clauses	√	
	Yes	No

Is the General Shareholders' Meeting aware of the clauses?	√	

C.2. Board Committees

C.2.1 Provide details of all the Board Committees, their members and the proportion of executive, proprietary, independent and other external directors who serve on them:

Audit and Control Committee		
Name	Position	Category
HENRI PROGLIO	VOTING MEMBER	Independent
JUAN RODRÍGUEZ TORRES	VOTING MEMBER	Proprietary
ÁLVARO VÁZQUEZ LAPUERTA	VOTING MEMBER	Independent
MANUEL GIL MADRIGAL	CHAIRMAN	Independent

% of executive directors	0.00
% of proprietary directors	25.00
% of independent directors	75.00
% other external directors	0.00

Identify the members of the Audit Committee that have been appointed taking into account their knowledge and experience in accounting, auditing or both, and report on the date on which the Chairman of this Committee was appointed to the position.

Names of directors with experience	MANUEL GIL MADRIGAL
Date of appointment of the Chairman to the position	08/05/2019

Appointments and Remuneration Committee meetings		
Name	Position	Category
DOMINUM DESGA, S.A.	VOTING MEMBER	Proprietary
JUAN RODRÍGUEZ TORRES	VOTING MEMBER	Proprietary
ÁLVARO VÁZQUEZ LAPUERTA	CHAIRMAN	Independent
MANUEL GIL MADRIGAL	VOTING MEMBER	Independent

% of executive directors	0.00

% of proprietary directors	50.00
% of independent directors	50.00
% other external directors	0.00

Executive Committee		
Name	Position	Category
DOMINUM DESGA, S.A.	VOTING MEMBER	Proprietary
E.A.C. INVERSIONES CORPORATIVAS, S.L.	VOTING MEMBER	Proprietary
PABLO COLIO ABRIL	VOTING MEMBER	Executive
ALEJANDRO ABOUMRAD GONZÁLEZ	CHAIRMAN	Proprietary
GERARDO KURI KAUFMANN	VOTING MEMBER	Executive
JUAN RODRÍGUEZ TORRES	VOTING MEMBER	Proprietary

% of executive directors	33.33
% of proprietary directors	66.67
% of independent directors	0.00
% other external directors	0.00

C.2.2 Fill in the following table with information regarding the number of female directors that sit on the Committees of the Board of Directors at the end of the last four years:

	Number of female directors							
	2019		2018		2017		2016	
	Number	%	Number	%	Number	%	Number	%
Audit and Control Committee	0	0.00	0	0.00	0	0.00	0	0.00
Audit and Control Remuneration Committee	1	25.00	1	25.00	1	25.00	1	25.00
Executive Committee	2	33.33	2	33.33	2	33.33	2	40.00

D. TRANSACTIONS WITH RELATED PARTIES AND INTRA-GROUP TRANSACTIONS

D.2. Describe significant transactions based their amount or relevance on account of their subject matter performed between the company or Group companies and significant shareholders in the company:

Name or corporate name of the significant shareholder	Name or corporate name of the Company or Group company	Nature of the relationship	Transaction type	Amount (thousands of euros)
REALIA BUSINESS,S.A.	FC y C, S.L.Unipersonal	Contractual	Receipt of services	
REALIA BUSINESS,S.A.	FCC Construcción, S.A.	Contractual	Services rendered	7,900
REALIA BUSINESS,S.A.	FCC Construcción, S.A.	Contractual	Services rendered	15,000
REALIA BUSINESS,S.A.	FC y C, S.L.Unipersonal	Contractual	Property, plant and equipment disposals	8,130
REALIA BUSINESS,S.A.	FCC Industrial e InfraestructurasEnergéticas S.A.U.	Contractual	Sales of finished or unfinished goods	185
BANCO INBURSA,S.A.	Cementos PortlandValderrivas, S.A.	Contractual	Intereses cargados	2,210
BANCO INBURSA,S.A.	FCC Construcción, S.A.	Contractual	Financing agreements: other	22,158

D.3. Describe the significant transactions based their amount or relevance on account of their subject matter performed between the company or Group companies and company directors or executives:

Name or corporate name of the administrators or executives	Name or company name of the related party	Relationship	Nature of the transaction	Amount (thousands of euros)
ALEJANDRO ABOUMRAD GONZÁLEZ	FOMENTO DE CONSTRUCCIONES Y CONTRATAS SA	Director	Services rendered	338
GERARDO KURI KAUFMANN	CEMENTOS PORTLAND VALDERRIVAS SA	Chief Executive Officer	Services rendered	175

D.4. Provide details of the significant operations carried out by the company with other companies belonging to the same Group, provided they are not eliminated in the process of preparing consolidated financial statements and are not part of the Company's routine business in terms of its purpose and conditions.

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In any case, any intra-group transactions carried out with companies established in countries or territories that are considered a tax haven shall be reported:

Corporate name of the Group company	Brief description of the transaction	Amount (thousands of euros)
No data		N/A

D.5. Describe the significant transactions carried out between the Company or Group Companies and other related parties, which have not been reported on in the above sections:

Corporate name of the related party	Brief description of the transaction	Amount (thousands of euros)
No data		N.A.

D.7. Is more than one of the Group's companies listed in Spain?

[ ] Yes
[√] No

G. DEGREE OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

Indique el grado de seguimiento de la sociedad respecto de las recomendaciones del Código de buen gobierno de las sociedades cotizadas.

In the event that any recommendation is not followed or is only partially followed, a detailed explanation of the reasons for this shall be included, so that shareholders, investors and the market in general have sufficient information to assess the company's behaviour. General explanations shall not be acceptable.

1. The Bylaws of listed companies do not limit the maximum number of votes that can be cast by the same shareholder, nor contain other restrictions that make it difficult to take control of the company by acquiring its shares on the market.

Compliant [X]   Explain [ ]

2. When the parent company and a subsidiary are listed, both publicly define in a precise manner:

   a) The corresponding areas of activity and possible business relationships between them, as well as the relationships of the listed subsidiary with other Group companies.

   b) The proposed mechanisms for resolving any conflicts of interests that may arise.

Compliant [ ]   Partially compliant [ ]   Explain [ ]   Not applicable [X]

3. During the ordinary general shareholders' meeting, in addition to the dissemination in writing of the annual corporate governance report, the Chairman of the Board of Directors verbally informs shareholders, in sufficient detail, of the most relevant aspects of the Company's Corporate Governance and, in particular:

   a) Of the changes that have occurred since the previous ordinary general shareholders' meeting.

   b) Of the specific reasons that the company does not follow any of the recommendations in the Corporate Governance Code and, as applicable, any alternative rules that apply in this regard.

Compliant [ ]   Partially compliant [ ]   Explain [X]

The Company believes that the provisions of the company's corporate governance information to shareholders in the specific report prepared to this end is sufficient; this report accompanies the information made available before the Meeting is held.

In this connection, the announcement of the General Shareholders' Meeting is expressly indicated in the "Right to Information" section that all shareholders are entitled to obtain from the Company, for consideration at its registered office or for immediate dispatch free of charge, including the Annual Corporate Governance Report, which is submitted to shareholders for approval as part of the Management Report. This Report can be consulted on the Company's website and in the corporate governance section.

4. The company defines and promotes a policy of communication and contact with shareholders, institutional investors and voting advisors that fully complies with the standards in force to combat market abuse and addresses shareholders in the same position equally.

   The Company publishes this policy on its website, including information related to the way in which it has been implemented and identifying the points of contact or persons responsible for carrying it out.

Compliant [ ]   Partially compliant [ ]   Explain [X]

Although the Company has not formally approved a policy on this matter, through the Stock Exchange and Investor Relations Department and the Shareholder Relations Office, a relationship is maintained with institutional investors and voting advisors that respects the purpose pursued by the recommendation at all times, and about which the Board of Directors is kept informed.

5. The Board of Directors does not submit a proposal for the delegation of powers to issue convertible shares or securities excluding the pre-emptive subscription right, for an amount greater than 20% of the capital at the time of delegation, to the General Shareholders' Meeting.

   When the Board of Directors approves any issuance of shares or convertible securities excluding the pre-emptive subscription right, the company immediately publishes the reports on said exclusion to which trade legislation refers on its website.

Compliant [X]   Partially compliant [ ]   Explain [ ]

6. The listed companies that prepare the reports mentioned below, whether they are mandatory or voluntary, publish them on their website well in advance of the Ordinary General Shareholders' Meeting, even when their dissemination is not mandatory:

   a) Report on the independence of the auditor.

   b) Reports on the functioning of the audit committee and the appointments and remuneration committee.

   c) Report of the audit committee on related transactions.

   d) Report on the corporate social responsibility policy.

Compliant [ ]   Partially compliant [X]   Explain [ ]

These reports are not published when the company considers that information is already provided to this end in Section C.2.1 on the IAGC Board of Directors committees, which is available on the Group's corporate website.
The approval of transactions with related parties lies with the Appointments and Remuneration Committee responsible for this specific function. Also in Section D2 of the IAGC, the significant transactions that have taken place during the year are listed.

7. The Company broadcasts General Shareholders' Meetings live, on its website.

Compliant [ ]   Explain [X]

[The Company does not follow this recommendation as to date it has received on request from its shareholders and given the cost it entails for the Company.]

8. The Audit Committee ensures that the Board of Directors seeks to present the accounts to the General Shareholders' Meeting without limitations or restrictions in the audit report and that, in the exceptional cases where restrictions are required, both the Chairman of the Audit Committee and the auditors clearly explain the content and scope of these limitations or restrictions to shareholders.

Compliant [X] Partially compliant [ ] Explain [ ]

9. The Company publishes on its website, on a permanent basis, the requirements and procedures that it shall accept to demonstrate ownership of shares, the right to attend the general shareholders meeting and the exercise or delegation of the right to vote.

These requirements and procedures promote the attendance and exercise of shareholders' rights and are applied in a non-discriminatory manner.

Compliant [X] Partially compliant [ ] Explain [ ]

10. When a legitimate shareholder has exercised, before the General Shareholders' Meeting is held, the right to add to the agenda or submit new resolutions, the Company:

a) Immediately disseminates these additional items and new resolutions proposed.

b) Discloses the attendance card template or vote delegation form or distance voting form with the necessary modifications so that the new items on the agenda and alternative resolution proposals can be voted on under the same terms as those proposed by the Board of Directors.

c) Submits all the alternative points or proposals to a vote and apply the same voting rules as applied to those prepared by the Board of Directors, including, in particular, assumptions or deductions on the meaning of the vote.

d) After the General Shareholders' Meeting, communicate the breakdown of the vote on these additional items or alternative proposals.

Compliant [ ] Partially compliant [X] Explain [ ] Not applicable [ ]

[Two different systems are used, for practical reasons, to count votes, all pursuant to the provisions of Article 20 of the Rules of the General Shareholders' Meeting, although the Chairman of the Board, in each specific case, may decide to apply the same counting system (Art. 20, section 4 of the Rules of the General Shareholders' Meeting).]

11. If the company plans to pay out attendance premiums to the General Shareholders Meeting, a general policy on these premiums is established in advance and this policy is stable.

Compliant [ ] Partially compliant [ ] Explain [ ] Not applicable [X]

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12. The Board of Directors performs its functions with unity of purpose and independence of judgment, treats all shareholders in the same position in the same way and is guided by the social interest, understood as the achievement of a profitable and sustainable business in the long term, which promotes its continuity and maximisation of the economic value of the company.

In the pursuit of social interests, in addition to respect for the laws and regulations and conduct based on good faith, ethics and respect for commonly accepted uses and good practices, the company seeks to reconcile its own social interest with, as appropriate, the legitimate interests of its employees, its suppliers, its customers and those of the other stakeholders that may be affected, as well as the impact of the company's activities on the community as a whole and on the environment.

Compliant [X] Partially compliant [ ] Explain [ ]

13. The Board of Directors is the correct size to ensure it is effective and participative, meaning it is advisable to have between five and fifteen members.

Compliant [X] Explain [ ]

14. The Board of Directors approves a director selection policy that:

a) Is specific and verifiable.

b) Ensures that proposes appointments and re-elections are based on a preliminary analysis of the Board's needs.

c) Promotes the diversity of knowledge, experience and gender.

The result of the preliminary analysis of the Board's needs is included in the explanatory report issued by the Appointments Committee that is published when the General Shareholders Meeting is called and to which the ratification, appointment or re-election of each director is submitted.

That the director selection policy promotes the objective of the number of female directors in 2020 representing at least 30% of all members of the Board of Directors.

The Appointments Committee shall verify compliance with the director selection policy each year and will be informed in the Annual Corporate Governance Report.

Compliant [X] Partially compliant [ ] Explain [ ]

15. Proprietary and independent directors represent a large majority of the Board of Directors and that the number of executive directors is the minimum necessary, taking into account the complexity of the corporate group and the percentage participation of the executive directors in the Company's capital.

Compliant [X] Partially compliant [ ] Explain [ ]

16. The percentage of proprietary directors compared to the total of non-executive directors is no greater than the proportion between the capital of the Company represented by these directors and other capital.

This criteria may be relaxed:

a) At companies with a high capitalisation with few shareholdings considered significant by law.

b) For companies in which there is a large number of shareholders represented on the Board of Directors who have no links to one another.

Compliant [X]   Explain [ ]

17. The number of independent directors represents at least half the total number of directors.

However, when the company is not highly capitalised or when, even if it is, one shareholder or more shareholders are acting together, controlling more than 30% of the share capital, the number of independent directors represents at least one third of the total number of directors.

Compliant [ ]   Explain [X]

On its Board of Directors, FCC has three independent directors out of a total of fourteen members, representing 21 percent of the total number of directors.
FCC believes that this percentage does not require an increase in the number of independent directors, considering the Company's very concentrated shareholding structure and the effective role of the three independent directors.

18. Que las sociedades hagan pública a través de su página web, y mantengan actualizada, la siguiente información sobre sus consejeros:

a) Professional and biographical profile.

b) Other Boards of Directors to which they belong, whether at listed companies or not, and the other paid activities they perform, regardless of their nature.

c) Indication of the category of Director to which they belong, indicating, in the case of proprietary directors, the shareholder they represent or with whom they have links.

d) Date of their first appointment as a Director of the Company, as well as subsequent re-elections.

e) Shares in the company, and options on them, that they own.

Compliant [X]   Partially compliant [ ]   Explain [ ]

19. The Annual Corporate Governance Report, after a check performed by the Appointments Committee, explains the reasons that proprietary directors have been appointed at the request of shareholders whose shareholding is less than 3% of the capital stock; and it explains the reasons that formal requests for presence on the Board from shareholders whose shareholding is equal to or greater than that of others, at whose request proprietary directors have been appointed, have not been met.

Compliant [ ]   Partially compliant [ ]   Explain [ ]   Not applicable [X]

20. Proprietary directors submit their resignation when the shareholder they represent fully transfers their shareholding. They also do so, in the corresponding number, when said shareholder reduces their shareholding to a level that requires a reduction in the number of their proprietary directors.

Compliant [X]   Partially compliant [ ]   Explain [ ]   Not applicable [ ]

21. The Board of Directors does not propose the removal of any independent director before the end of the statutory period for which they were appointed, unless there is just cause, identified by the Board following in a report from the Appointments and Remuneration Committee. In particular, it shall be considered that there is just cause when the director first occupies new positions or contracts new obligations that prevent him/her from dedicating the necessary time to the performance of the duties assigned to the position of director, breaches the duties inherent to the position in question or incurs in any of the circumstances resulting in him/her losing his/her status as an independent director, pursuant to the provisions of the applicable legislation.

The removal of independent directors may also be proposed as a result of takeovers, mergers or other similar corporate transactions that involve a change in the capital structure of the company, when these changes in the structure of the Board of Directors can be attributed to the criteria of proportionality indicated in recommendation 16.

Compliant [X]   Explain [ ]

22. Companies establish rules that require that directors report and, where appropriate, resign in cases that may be harmful to the credit and reputation of the company and, in particular, require them to inform the Board of Directors of criminal cases in which they are named as defendants and the subsequent legal proceedings.

If a director is prosecuted or tried for any of the offenses indicated in corporate legislation, the Board of Directors will examine the case as soon as possible and, based on its specific circumstances, decide whether or not the director shall continue in the corresponding position. The Board of Directors reflects all of this, in a reasoned manner, in the Annual Corporate Governance Report.

Compliant [X]   Partially compliant [ ]   Explain [ ]

23. All directors clearly express their opposition when they consider that any proposed decision submitted to the Board of Directors may be contrary to the corporate interest. The same applies, in a special way, to independents and other directors who are not affected by any potential conflict of interests, in the case of decisions that may harm shareholders not represented on the Board of Directors.

When the Board of Directors adopts significant or repeated decisions about which the director would have made reservations, he/she shall draw the necessary conclusions and, if he chooses to resign, explain his/her reasons for doing so in the letter indicated in the following recommendation.

This recommendation also applies to the secretary of the Board of Directors, even if he/she does not have the status of a director.

Compliant [X] Partially compliant [ ] Explain [ ] Not applicable [ ]

24. When either by resignation or for any other reason, a director steps down from his/her post before the end of the corresponding term, an explanation shall be provided in writing sent to all the members of the Board. The foregoing, notwithstanding his/her resignation being communicated as a relevant fact and the reason for the resignation being reported in the Annual Corporate Governance Report.

Compliant [X] Partially compliant [ ] Explain [ ] Not applicable [ ]

25. The Appointments Committee ensures that non-executive directors have sufficient time available for the proper performance of their duties.

And the Rules of the Board establish the maximum number of Boards on which its directors may serve.

Compliant [ ] Partially compliant [X] Explain [ ]

In Article 21.4 of the Rules of the Board, the Company establishes that "Directors must inform the Appointments and Remuneration Committee of their other professional obligations, should they could interfere with their dedication of the position, and the Board shall establish, at the proposal of the Appointments and Remuneration Committee, the number of Boards on which directors may serve".
Since the aforementioned Committee has not stipulated this number to date, the Company believes that it is partially compliant with the recommendation.
The Company, for the time being, has not set the maximum number of Boards to which each director may belong, since the dedication of the directors to the company has proven to be adequate, without it being necessary, therefore, to define a number.

26. The Board of Directors meets with the necessary frequency to perform its duties effectively and, at least, eight times a year, following the programme of dates and matters established at the beginning of the year, with each director allowed to individually propose other items on the agenda not initially provided for.

Compliant [X] Partially compliant [ ] Explain [ ]

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27. The absence of directors is limited to indispensable cases and quantified in the Annual Corporate Governance Report. And should such absences occur, the directors appoint a proxy with instructions.

Compliant [X] Partially compliant [ ] Explain [ ]

28. When the directors or the secretary express concern about any proposal or, in the case of directors, about the progress of the company and these concerns are not resolved by the Board of Directors, at the request of the person expressing them, these shall be recorded in the minutes.

Compliant [X] Partially compliant [ ] Explain [ ] Not applicable [ ]

29. The Company establishes the appropriate channels so that directors can obtain the necessary advice for them to perform their duties, including, if the circumstances so require, external advice charged to the company.

Compliant [X] Partially compliant [ ] Explain [ ]

30. Regardless of the knowledge required by directors in the exercise of their duties, the companies also offer the directors knowledge refresher programmes when the circumstances so advise.

Compliant [X] Explain [ ] Not applicable [ ]

31. The agenda of meetings clearly indicates the points on which the Board of Directors must adopt a decision or resolution so that the directors can study or collect, in advance, the information necessary for its adoption.

When, exceptionally, for reasons of urgency, the Chairman wishes to submit decisions or resolutions that do not appear on the agenda for approval by the Board of Directors, the prior and express consent of the majority of the directors present shall be required, duly reflected in the minutes.

Compliant [X] Partially compliant [ ] Explain [ ]

32. Directors are periodically informed of changes in the shareholding structure and of the opinion that significant shareholders, investors and rating agencies have about the company and its Group.

Compliant [X] Partially compliant [ ] Explain [ ]

33. The Chairman, as the person responsible for the effective functioning of the Board of Directors, in addition to exercising the duties assigned to him by Law and in the Bylaws, prepares and submits a programme of dates and matters to be discussed to the Board of Directors; organises and coordinates the periodic assessment of the Board, as well as, where appropriate, the company's Chief Executive; is responsible for the direction of the Board and the effectiveness of its functioning; ensures that sufficient discussion time is devoted to strategic issues, and agrees and reviews knowledge refresher programmes for each director, when the circumstances so advise.

Compliant [X]   Partially compliant [ ]   Explain [ ]

34. When there is a coordinating director, the Bylaws or the Rules of the Board of Directors, in addition to the powers that correspond to him by Law, assign the following powers thereto: preside over the Board of Directors in the absence of the Chairman and Deputy Chairman, as applicable; echoes the concerns of non-executive directors; maintains contact with investors and shareholders to obtain their points of view to form an opinion on their concerns, particularly in relation to the corporate governance of the company; and coordinates the Chairman's succession plan.

Compliant [ ]   Partially compliant [ ]   Explain [ ]   Not applicable [X]

35. The secretary of the Board of Directors ensures that the Board of Directors takes into account the recommendations on good governance contained in the Code of Good Governance applicable to company in its actions and decisions.

Compliant [X]   Explain [ ]

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36. The Board of Directors assesses, once a year, and adopts, where appropriate, an action plan that corrects any shortcomings detected regarding:

a) The quality and efficiency of the functioning of the Board of Directors.

b) The functioning and composition of its committees.

c) Diversity in the composition and powers of the Board of Directors.

d) The performance of the Chairman of the Board of Directors and the Chief Executive of the company.

e) The performance and contribution of each director, paying particular attention to those responsible for the different Board Committees.

To perform the assessment of the different committees, the report submitted to the Board of Directors will be used, and for the Board assessment, the report submitted to the Appointments Committee.

Every three years, the Board of Directors will be assisted by an external consultant in performing the assessment, whose independence shall be verified by the Appointments Committee.

The business relationships that the consultant or any company in its group may have with the company or any Group company shall be broken down in the Annual Corporate Governance Report.

The process and the areas assessed shall be described in the Annual Corporate Governance Report.

Compliant [ ]   Partially compliant [X]   Explain [ ]

The Board of Directors internally performs the annual assessment of the efficiency of its functioning, its committees, as well as that of the Chairman of the Board of Directors (non-executive) and the CEO.
The Company believes that the conclusions drawn during the internal assessment make it possible to sufficiently correct any shortcomings detected or improvements in the functions assigned to the Board.
The assessment with the help of an external consultant has been carried out twice in the past. The Board shall assess the suitability of requesting such external assistance each year.

37. When an Executive Committee is in place, the shareholding structure of the different director categories is similar to that of the Board of Directors itself and the Board's secretary shall also serve as the secretary of this Committee.

Compliant [ ]   Partially compliant [X]   Explain [ ]   Not applicable [ ]

The secretary of the Executive Committee is the same as the secretary to the Board. However, in the composition of this committee, there are no independent directors, whereas there are three such directors on the Board.
All decisions taken by the Executive Committee are reported to the Board.
On this Committee, independent directors may request as many clarifications or comments as they deem appropriate.
Given the continuous control that the Board exercises over the Executive Committee, it has not been considered necessary to include independent directors on this Committee.

38. The Board of Directors is always aware of the matters discussed and the decisions taken by the Executive Committee and that all the members of the Board of Directors receive a copy of the minutes of the Executive Committee meetings.

Compliant [X] Partially compliant [ ] Explain [ ] Not applicable [ ]

39. Members of the Audit Committee, and especially its Chairman, are appointed taking into account their knowledge and experience in accounting, auditing or risk management matters, and that the majority of its members are independent directors.

Compliant [X] Partially compliant [ ] Explain [ ]

40. Under the supervision of the Audit Committee, there is a unit that assumes the internal audit function ensuring the proper functioning of the information and internal control systems, which functionally reports to the non-executive Chairman of the Board or the Audit Committee.

Compliant [X] Partially compliant [ ] Explain [ ]

41. The person in charge of the unit responsible for the Internal Audit function submits the corresponding annual work plan to the Audit Committee, reports directly on incidents that occur in its development and submits an activity report at the end of each year.

Compliant [X] Partially compliant [ ] Explain [ ] Not applicable [ ]

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42. In addition to those provided by law, the Audit Committee assumes responsibility for the following functions:

1. In relation to information and internal control systems:

   a) Supervise the preparation process and the integrity of the financial information related to the Company and, where appropriate, to its Group, reviewing compliance with regulatory requirements, the adequate definition of the consolidation perimeter and the correct application of accounting criteria.

   b) Ensure the independence of the Internal Audit function; propose the selection, appointment, re-election and removal of the head of the Internal Audit service, as well as the budget of this service; approve its orientation and work plans, making sure that its activity is mainly focused on the relevant risks of the company; receive periodic information about its activities; and verify that Senior Management takes into account the conclusions and recommendations in its reports.

   c) Establish and supervise a mechanism that allows employees to communicate, in a confidential manner and, if possible and deemed appropriate, anonymously, any potentially significant irregularities, especially financial and accounting irregularities, that they identify at the company.

2. In relation to the external auditor:

   a) In case of the resignation of the external auditor, examine the circumstances that may have led to this.

   b) Ensure that the remuneration of the external auditor for his/her work does not compromise his/her quality or independence.

   c) Ensure that the company communicates any change in auditor as relevant fact to the CNMV and accompanies this with a statement about the possible existence of disagreements with the departing auditor and, if there were any disagreements, the nature of them.

   d) Ensure that the external auditor holds an annual meeting with the Board of Directors to inform them about the work undertaken and the evolution of the accounting and risk situation at the company.

   e) Ensure that the company and the external auditor respect the rules in force on the provision of services other than auditing services, the limits on the concentration of the auditor's business and, in general, the other rules applicable to the auditor's independence.

Compliant [ ] Partially compliant [X] Explain [ ]

The meeting referred to in section 2.d) of this recommendation is not held, since this responsibility is delegated in full to the Audit and Control Committee, and the external auditor is responsible for presenting this information to the members of the Board.

43. The Audit Committee may summon any employee or manager at the company, and even arrange for them to appear without any other manager present.

Compliant [X] Partially compliant [ ] Explain [ ]

44. The Audit Committee is informed about the structural and corporate modifications that the company plans to perform for its analysis and preliminary report to the Board of Directors on its economic conditions and its accounting impact and, especially, where appropriate, on the proposed exchange ratio.

Compliant [ ]   Partially compliant [ ]   Explain [X]   Not applicable [ ]

To date, all directors at the company, including independent directors, have voted in favour of the transactions referred to in this recommendation, meaning that the step previous to those before the Audit and Control Committee is not considered necessary.
In any case, on the Board of Directors, members of the Audit and Control Committee may present their reflections and opinions, which will be taken into account by the Board at the time of making a decision.

45. The risk control and management policy identifies at least:

a) The different types of risk, both financial and non-financial, (including operational, technological, legal, social, environmental, political and reputational) that the company faces, including financial or economic, contingent liabilities and other off-balance-sheet risks.

b) Setting the level of risk that the Company considers acceptable.

c) The measures planned to mitigate the impact of the risks identified, should they materialise.

d) The information and internal control systems that will be used to control and manage the aforementioned risks, including contingent liabilities or off-balance sheet risks.

Compliant [X]   Partially compliant [ ]   Explain [ ]

46. Under the direct supervision of the Audit Committee or, where appropriate, a specialised committee of the Board of Directors, there is an internal risk control and management function performed by an internal unit or department at the company that has been expressly attributed the following functions:

a) Ensure the proper functioning of the control and risk management systems and, in particular, that all important risks affecting the Company are properly identified, managed, and quantified.

b) Actively participate in the preparation of the risk strategy and in the important decisions about its management.

c) Ensure that control and risk management systems adequately mitigate risks within the framework of the policy defined by the Board of Directors.

Compliant [X]   Partially compliant [ ]   Explain [ ]

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47. The members of the Appointments and Remuneration Committee, or of the Appointments Committee and the Remuneration Committee, if they are separate, should be appointed ensuring that they have the knowledge, skills and experience suitable for the duties they are called upon to perform and the majority of the members should be independent directors.

Compliant [ ]   Partially compliant [X]   Explain [ ]

The Appointments and Remuneration Committee is currently made up of two proprietary and two independent directors, one of whom is the Chairman. FCC believes that the make up of the Appointments and Remuneration Committee, with two independent members out of a total of four, one of whom is also the Chairman, sufficiently guarantees the proper functioning of this Committee".

48. Large-cap companies should have a separate appointments committee and a separate remuneration committee.

Compliant [ ]   Explain [X]   Not applicable [ ]

The two recommended committees are integrated into a single appointments and remuneration committee, as the Board of Directors believes that the combination of the two facilitates the carrying out of the duties assigned to them.

49. The Appointments Committee should consult with the Chairman of the Board of Directors and the CEO of the Company, especially on matters relating to executive directors.

And any director may request the consideration of potential candidates to fill vacancies of Director from the Appointments Committee, if it finds them suitable in its opinion.

Compliant [X]   Partially compliant [ ]   Explain [ ]

50. The Remuneration Committee should carry out its duties independently and, in addition to the duties assigned by law, should have the following responsibilities:

a) To propose to the Board of Directors the basic conditions of senior management contracts.

b) To verify compliance with the remuneration policy established by the company.

c) To regularly review the remuneration policy applied to directors and senior executives, including the share based remuneration systems and their application, and ensure that their individual remuneration is in line with that paid to the other directors and senior executives at the Company.

d) To ensure that any conflicts of interest do not undermine the independence of the external advice provided to the committee.

e) To verify the information on directors' and senior executives' remuneration contained in the various corporate documents, including the annual directors remuneration report.

Compliant [X]   Partially compliant [ ]   Explain [ ]

51. The remuneration committee should consult with the company's chairman and CEO, especially on matters relating to executive directors and senior executives.

Compliant [X]   Partially compliant [ ]   Explain [ ]

52. The rules governing the composition and operation of the supervision and control committees should be set out in the regulations of the Board of Directors and be consistent with those applicable to the legally obligatory committees in accordance with the above recommendations, including:

a) They should be composed exclusively of non-executive directors, with a majority of independent directors.

b) Their chairmen should be independent directors.

c) The Board of Directors should appoint the members of these committees, bearing in mind the knowledge, skills and experience of the directors and the duties of each committee, and should discuss their proposals and reports; and to report, at the first plenary session of the Board of Directors after its meetings, on its activity and should be accountable for the work carried out.

d) The committees may seek external advice, when they consider it necessary for the carrying out of their duties.

e) Minutes should be taken of their meetings and made available to all directors.

Compliant [ ]   Partially compliant [ ]   Explain [ ]   Not applicable [X]

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53. Supervision of compliance with the rules of corporate governance, internal codes of conduct and corporate social responsibility policy should be entrusted to one or more committees of the Board of Directors, which may be the Audit Committee, the Appointments Committee, the Corporate Social Responsibility Committee, if any, or a specialised committee which the Board of Directors, in the exercise of its powers of self-organisation, decides to set up for this purpose, and that is specifically entrusted with the following duties as a minimum:

a) The supervision of compliance with the Company's internal codes of conduct and corporate governance rules.

b) The supervision of the communication strategy and relationship with shareholders and investors, including small and medium-sized shareholders.

c) Regular evaluation of the adequacy of the Company's corporate governance system, in order for it to fulfil its aim of promoting the corporate interest and taking into account, as appropriate, the legitimate interests of other stakeholders.

d) The review of the Company's corporate responsibility policy, ensuring that it is geared towards value creation.

e) The following up of corporate social responsibility strategy and practices and the evaluation of their degree of compliance.

f) The supervision and evaluation of the processes of relationship with the different stakeholders.

g) The evaluation of all the company's non-financial risks - including operational, technological, legal, social, environmental, political and reputational risks.

h) Coordination of the reporting process for non-financial and diversity information, in accordance with applicable regulations and international standards of reference.

Compliant [ ]   Partially compliant [X]   Explain [ ]

Although in the operations of the Board of Directors these skills are dealt with in the agenda of its committees, some of the duties indicated in the Recommendation are not formally attributed to one of its committees by the Regulations of the Board of Directors.

54. The corporate social responsibility policy includes the principles or commitments that the company voluntarily assumes in its relationship with the different stakeholders and identifies at least:

a) The objectives of the corporate social responsibility policy and the development of means of support.

b) Corporate strategy related to sustainability, environment and social issues.

c) Specific practices on issues related to: shareholders, employees, customers, suppliers, social issues, environment, diversity, tax accountability, respect for human rights and prevention of unlawful actions.

d) The methods or systems for following up the results of the implementation of the specific practices identified in the previous point, the associated risks and their management.

e) Non-financial risk monitoring mechanisms, ethics and business conduct.

f) Channels of communication, participation and dialogue with stakeholders.

g) Responsible communication practices that avoid the manipulation of information and protect integrity and honour.

Compliant [X]   Partially compliant [ ]   Explain [ ]

55. The company should report, in a separate document or in the management report, on matters related to corporate social responsibility, using one of the internationally accepted methodologies.

Compliant [X]   Partially compliant [ ]   Explain [ ]

56. Directors' remuneration should be sufficient to attract and retain directors with the desired profile and to reward the dedication, qualifications and responsibility required for the position, but should not be so high as to compromise the independent judgement of non-executive directors.

Compliant [X]   Explain [ ]

57. Variable remuneration linked to the company's performance and personal performance, as well as compensation in the form of shares, options or rights to shares or instruments linked to the value of the share and long-term savings schemes such as pension plans, retirement systems or other social welfare systems, should be exclusively limited to executive directors.

The delivery of shares may be considered as remuneration to non-executive directors when it is subject to their remaining on the board. The foregoing shall not apply to the shares that the director needs to sell, if any, to meet the costs related to their acquisition.

Compliant [X]   Partially compliant [ ]   Explain [ ]

58. In the case of variable remuneration, remuneration policies should include the necessary technical limits and precautions to ensure that said remuneration is related to the professional performance of its beneficiaries and is not simply a result of general market or sector trends or other similar circumstances.

Y And, in particular, that the variable components of remuneration:

a) Should be linked to performance criteria that are predetermined and measurable, and these criteria should take into account the risk assumed in order to obtain a result.

b) Should promote the sustainability of the company and include non-financial criteria that are appropriate for the creation of long-term value, such as compliance with the company's internal rules and procedures and its policies for risk control and management.

c) Should be designed on the basis of a balance between the achievement of short-, medium- and long-term objectives, allowing performance to be rewarded for continued achievement over a period of time sufficient to assess their contribution to sustainable value creation, so that the elements used to measure that performance do not revolve solely around one-off, occasional or extraordinary events.

Compliant [X]   Partially compliant [ ]   Explain [ ]   Not applicable [ ]

59. The payment of a significant part of the variable components of remuneration should be deferred for a minimum period of time sufficient to verify that the previously established performance conditions have been met.

Compliant [ ]   Partially compliant [ ]   Explain [X]   Not applicable [ ]

The CEO's variable is related to EBITDA, operating cash flow and individual objectives. This variable is approved once the Board of Directors has drawn up the accounts and approved the financial objectives.
No other type of deferral of the variable components is carried out, as it is not considered necessary, given the amount and time at which it is approved.

60. Remuneration related to the Company's profit and loss should take into account any qualifications in the external auditor's report that reduce said profit and loss.

Compliant [X]   Partially compliant [ ]   Explain [ ]   Not applicable [ ]

61. A significant percentage of the variable remuneration of executive directors should be linked to the delivery of shares or financial instruments tied to their value.

Compliant [ ] Partially compliant [ ] Explain [X] Not applicable [ ]

The FCC Group's remuneration policy does not include the delivery of shares or financial instruments linked to their value to its executive directors, as this is considered more appropriate.

62. Once the shares or options or rights over shares corresponding to the remuneration systems have been assigned, the directors may not transfer the ownership of a number of shares equivalent to twice their annual fixed remuneration, nor may they exercise the options or rights until a period of at least three years has elapsed since their allocation.

The foregoing shall not apply to the shares that the director needs to sell, if any, to meet the costs related to their acquisition.

Compliant [ ] Partially compliant [ ] Explain [ ] Not applicable [X]

63. Contractual agreements should include a clause allowing the company to claim reimbursement of the variable components of remuneration when the payment has not been in accordance with the performance conditions or when they have been paid on the basis of data which is subsequently proven to be inaccurate.

Compliant [ ] Partially compliant [ ] Explain [X] Not applicable [ ]

Variable remuneration is approved by the Board of Directors once the parameters to which it is tied have been verified. It has not been considered necessary, both because of the volume of the remuneration and the time at which it is paid, to establish additional precautions.

64. Severance payments should not exceed a set amount equivalent to two years' total annual remuneration and should not be paid until the company has been able to verify that the director has met the previously established performance criteria.

Compliant [X] Partially compliant [ ] Explain [ ] Not applicable [ ]

Indicate whether any directors voted against or abstained from voting on the approval of this Report.

[ ] Yes
[√] No

I hereby declare that the data included in this statistical annex match and are consistent with the descriptions and data included in the annual corporate governance report published by the Company.

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 2019

To the Directors of
FOMENTO DE CONSTRUCCIONES 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 27 November 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 2019, 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 2019 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.

Raquel Martínez Armendáriz

27 February 2020

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